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CONSOLIDATION SERVICES INC

2012

ANNUAL REPORT

TO SHAREHOLDERS

INDEX

Message to Shareholders:

As has been too common for many US and international businesses over the last two years, Consolidation Services (the "Company") has been unable to realize the growth envisioned by its stakeholders, during this period.

Due to changes in public company accounting rules in 2010 (with respect to the characterization of acquired assets in the oil & gas industry) and decisions made by management at the time of the April 2010 acquisitions, the Company was subsequently required to audit, amend and re-file certain financial reports. This was a costly, time-consuming process and as a result the Company temporarily fell into a non-current status with respect to its required SEC filings.

The Company's non-current status, during this period, prevented it from continuing its pursuit of the contemplated Montana based mining acquisition in 2011 (which subsequently was acquired by an unaffiliated publicly traded company) and has severely hampered any further consideration or implementation of our growth strategy.

Since the "April 2010 Acquisitions" until now the Company's activities have been limited to the oversight of its limited oil & gas operations in Kentucky & Tennessee along with its effort to bring the Company's financials and other required public disclosures current with the SEC. During this period, the Company's previous CFO and CEO resigned and have been replaced by Richard Polep and myself, respectively.

I'm pleased to report that, thanks to a monumental effort on behalf of not just management but a substantial group of friends, shareholders and supporters along with the Company's persistent Auditors and Attorneys, Consolidation Services is now current in status with regard to its required SEC filings. We can now finally see a much clearer path to develop, implement and execute a strategy to grow Consolidation Services, its business operations and value.

With the path forward now clearer, we have the ability, and good fortune, to attract two highly credentialed, qualified and experienced additions to our proposed slate of Directors, Ambassador Michael Ussery (Ret.) and Mr. Roy Tashi, OAM. We urge the shareholder to vote in support of our Board candidates along with the other measures, which are described in the Company's 2012 Proxy Statement.

There are many exciting opportunities emerging around the globe in the rapidly expanding international natural resource sector. We have demonstrated the ability to attract high caliber professionals to serve as Officers & Directors of the Company and intend to continue with our efforts to grow our team. Finally, the Company is now free to pursue any number of more aggressive growth strategies. We would all like to thank all of our loyal shareholders for their generous patience and support. Together we'll work toward making this a promising 2013 at Consolidation Services Inc.

Sincerely,
Gary Kucher
CEO

Section I

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

Form 10 - K

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

For the fiscal year ended December 31, 2011

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from____________ to ____________.

Commission File No. 333-142105

CONSOLIDATION SERVICES, INC.

(Name of small business issuer as specified in its charter)

Delaware	20-8317863
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2300 West Sahara Drive, Suite 800, Las Vegas, NV 89102
(Address of principal executive offices)

(702) 949-9449
(Issuer's telephone number)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 [X]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-Accelerated filer	[ ]	Small reporting company	[X]

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

Aggregate market value of the voting stock held by non-affiliates: $1,550,435 as based on last reported sales price of such stock as of the last business day of the registrant's most recently completed second fiscal quarter. The voting stock held by non-affiliates on that date consisted of 41,903,667 shares of common stock.

As of July 5, 2012, there were 50,169,289 shares of common stock, par value $0.001, issued and outstanding.

Documents Incorporated by Reference: None

Consolidation Services, Inc.

FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011 and 2010
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PART I

ITEM 1 - BUSINESS

Statement Regarding Forward-Looking Disclosure

Certain statements contained in this report, including, without limitation, statements containing the words, "likely," "forecast," "project," "believe," "anticipate," "expect," and other words of similar meaning, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

General

Consolidation Services, Inc. (the "Company" or "CNSV") was incorporated in the State of Delaware on January 26, 2007. Since formation, the Company has been engaged in the acquisition, development and production of domestic natural resources. Until January 1, 2010, the Company's sole sources of revenues were from its coal mining and timber harvesting operations on approximately 12,000 contiguous acres in Tennessee. It also held the mineral rights for oil & gas on those properties. The Company discontinued its coal mining and timber harvesting operations on January 1, 2010 via a spin-off (See "Separation and Distribution Agreement" below) while maintaining its oil and gas assets in the Company. After the spinoff, the Company immediately sought to identify additional oil and gas opportunities in the same geographic region in an attempt to increase the economic viability of its existing legacy oil and gas properties ("Legacy Properties") in Tennessee. On April 1, 2010, the Company executed an acquisition of producing oil and gas properties, in Kentucky and Tennessee, that it had identified. The Company's current operations consist primarily of the maintenance and production of those oil and gas mineral reserves. It has not begun exploration or production of its oil and gas rights on its Legacy Properties.

Kentucky and Tennessee Properties

On April 1, 2010, the Company entered into 12 substantially identical asset purchase agreements with various unrelated partnerships, which were held by a total of 657 individual sellers and it completed the purchase of interests in oil and gas wells located in Kentucky and Tennessee. The Company acquired interests in 39 oil wells and 19 gas wells, a total of 58 wells, and the related support equipment, located on approximately 1,500 leased acres in Kentucky and Tennessee. Under the agreements, the Company acquired all rights, titles and interests to the sellers' oil and gas wells and support equipment free and clear of all liabilities, liens and encumbrances. The effective date of the purchase and sale was April 1, 2010. As part of the acquisition, 657 sellers received in aggregate 22,786,872 common shares of the Company's common stock.

Separation and Distribution Agreement

On February 12, 2010, the Company filed a Current Report on Form 8-K which disclosed the Spin-off and includes as an exhibit the Separation and Distribution Agreement (the "Spin-Off Agreement") dated as of January 1, 2010 by and between the Company and Colt, which is incorporated by reference herein. The following summary of the Spin-Off Agreement is not complete and is subject to and qualified in its entirety by reference to, the provisions of the Spin-Off Agreement.

Effective as of January 1, 2010, for tax and accounting purposes, the Company transferred and assigned to Colt all of the assets ("Colt Assets") relating to the coal mining business of the Company as well as all other assets owned by the Company, except for oil and gas rights minus 12.5% overriding royalty payments to Colt for oil and gas assets retained by the Company. Colt assumed the liabilities of CNSV ("Colt Liabilities") which are generally all liabilities of the Company as of December 31, 2009, except for the obligation to file regulatory filings and taxes; the Company's coal mining business and any liabilities arising out of the operations of Colt's business after January 1, 2010; and any and all liabilities of the Company under which it is an obligor by reason of any guarantee or contractual commitment. The consideration for the Spin-off was all of the shares of Colt common stock to be distributed to the Company's stockholders of record as of January 31, 2010. Together with an Information Statement, Colt issued certificates representing 100% of the shares of Colt common stock to each shareholder of the Company's Common Stock on the Record Date on a pro-rata basis, of one (1) share of Colt common stock for each one (1) share of the Company's Common Stock so held by such record holder. The certificates for the Colt's common stock were delivered directly to each recorded holder by mail at their respective addresses as listed in the Company's transfer agent's books and records. These properties are not currently producing oil and gas.

The Company and Colt both acknowledged that Colt is and shall continue to be a non-reporting privately held company and that there will not be a public market in the Colt common stock, nor is one expected to develop, and that the Colt common stock that CNSV shareholders of record received were "restricted securities." Both parties agreed that: (1) the Colt common stock would have the appropriate restrictive legends which described the transfer restrictions related thereto; and (ii) Colt's stock transfer books would include "stop transfer" instructions that indicate such transfer limits.

California Properties

On October 15, 2010, the Company, through its wholly-owned subsidiary, CSI Energy, Inc. entered into an agreement to acquire certain assets from Grayson Services, Inc. and RMR Energy Resources (collectively, the "Seller's"). The purchase was for six (6) California oil and gas fields and operations for a purchase price of $35 million. The assets included oil and gas leases, equipment and operations located in Kern and Santa Barbara counties. Current production was 265 barrels of oil per day and 485 mcf per day of natural gas. The six leases had 54 producing wells on over 2,250 acres. The producing zones included the Antelope Shale, Monterey Chert and Sisquoc Sand. The proposed acquisition was scheduled to close on or before December 31, 2010 but was allowed to expire without closing. There were no penalties, obligations or commitments incurred by the Company as a result of the termination of the transaction.

Mining Properties

On May 2, 2011, the Company, through its wholly owned subsidiary, CSI Resources, Inc., entered into a Contribution and Exchange Agreement (the "Agreement") to acquire Elkhorn Goldfields, Inc. ("EGI") and Montana Tunnels Mining, Inc. ("MTMI") from Elkhorn Goldfields, LLC ("Elkhorn").

The consideration for the Acquisition would have been one million (1,000,000) shares of 4% Series A Convertible Preferred Stock of the Company (the "Preferred Shares") with a face value of $350 million. The Preferred Shares were convertible into an aggregate of 90 million shares of common stock, which was calculated on a post reverse split basis. Effectively at a closing of this potential transaction ("Closing"), Elkhorn would have owned approximately 91% of the combined entity's common stock, on a fully diluted basis. Any unconverted Preferred Stock would have earned interest from the date of the closing until converted but would have been mandatorily converted upon the second anniversary date of the Closing. No Preferred Stock was ever issued by the Company.

On December 27, 2011, the Company received notice from Elkhorn that its Board of Directors had determined that they would be unable to consummate the transaction with CSI Resources Inc., with regard to EGI and MTMI, pursuant to the agreement dated May 2, 2011, as amended, with the Company. There was no material relationship between the Company or its affiliates and Elkhorn, other than in respect of the material definitive agreement. There were no early termination penalties incurred by either party.

Patents and Trademarks

We do not own, either legally or beneficially, any patent or trademark.

Marketing and Business Strategy

The Company has three main priorities regarding the growth of its current operations and assets: (1) the development and further exploitation of our most recently acquired oil & gas operations in Kentucky and Tennessee; (2) evaluation of our oil and gas mineral rights on the Legacy Properties in Tennessee to determine potential for exploitation and development; (3) the ongoing pursuit to identify unique acquisition and development opportunities in the natural resource sector.

Research and Development

We have not allocated funds for conducting research and development activities. We do not anticipate allocating funds for research and development in the immediate future.

Oil and Gas Overview

We could occasionally pursue oil and gas drilling opportunities through joint ventures with industry partners as a means of limiting our drilling risk. Our prospects are generally brought to us by other oil and gas companies or individuals. We identify and evaluate prospective oil and gas properties to determine both the degree of risk and the commercial potential of the project. We seek projects that offer a mix of low risk with a potential of steady reliable revenue as well as projects with a higher risk, that may have a larger return. In additional to reserve reports and other 3rd party evaluations, we strive to use modern technology such as 3-D seismic, where applicable, to help us identify potential oil and gas reservoirs and to mitigate our risk. We seek to maximize the value of our asset base by exploring and developing properties that have both production and reserve growth potential. We sometimes seek industry partners to maintain a balanced working interest in all of our projects.

Competitive Business Conditions

The oil and gas exploration and production industry is highly competitive. In the Kentucky and Tennessee area, we compete with several large and well-known public and private companies, which have substantially greater financial and operational resources than we are expected to have. Competition for equipment, personnel and services is expected to be intense. Accordingly, these competitors may be able to spend greater amounts on acquisitions of oil and gas properties of merit, on exploration of their properties and on development of their properties. In addition, they may be able to obtain more geological and other data in the exploration of oil and gas properties. This could result in competitors having properties of greater quality and value to prospective investors. This competition could have an adverse effect on our ability to identify or finance further exploration of properties, which we currently have an interest or may acquire.

We also compete with other junior exploration and production (E&P) companies for financing from investors that have an interest in deploying capital into junior E&P companies. The presence of competing junior E&P companies may have an adverse effect on our ability to raise additional capital in order to fund our exploration and development programs if investors are of the view that investments in competitors are more attractive. Additionally, there is competition for other resources, including, but not limited to: petroleum engineers, geologists, camp staff, helicopters, mineral exploration supplies and drill rigs.

Our success depends on the successful acquisition, exploration and development of commercial grade mineral rights, oil and gas leases or natural resource properties as well as the prevailing prices for petroleum or other natural resources to generate future revenues and operating cash flow. Petroleum and other natural resource commodity prices have been extremely volatile in recent years and are affected by many factors outside of our control. The volatile nature of the energy and commodity markets makes it difficult to estimate future prices of petroleum and other resources; however, any prolonged period of depressed prices would have a material adverse effect on our results of operations and financial condition. Such pricing factors are largely beyond our control, and may result in fluctuations in our earnings. We believe there are significant opportunities available to us in the natural resource production industry including oil and gas E&P.

Marketing/Distribution

The Company has entered into contracts with various oil and gas service providers for the extraction of oil and gas and for the transportation, purchase and sale of the production. The Company utilizes buyers in the area such as Barrett Oil Purchasing, Inc. and Coomer Oil LLC, who frequently purchase our extracted oil and gas.

Government Regulation

Oil and Gas operations:

Oil and gas production is subject to various types of federal, state and local laws and regulations. These laws and regulations govern a wide range of matters, including the drilling and spacing of wells, allowable rates of production, restoration of surface areas, plugging and abandonment of wells and specific requirements for the operation of wells.

The oil and gas service providers utilized by the Company are obligated to conduct drilling operations in compliance with all applicable Federal, state and local laws and regulations. Such regulation includes: requiring local permits for the drilling of wells; maintaining bonding requirements in order to drill or operate wells; implementing spill prevention plans; submitting notification and receiving permits relating to the presence, use and release of certain materials incidental to oil and gas operations; and regulating the location of wells; the method of drilling and casing wells; the use, transportation, storage and disposal of fluids and materials used in connection with drilling and production activities; surface usage and the restoration of properties upon which wells have been drilled; the plugging and abandoning of wells. Our operations are or will also be subject to various conservation matters, including: the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in a unit, and the unitization or pooling of oil and gas properties. In this regard, some states allow the forced pooling or integration of tracts to facilitate exploration while other states rely on voluntary pooling of lands and leases, which may make it more difficult to develop oil and gas properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally limit the venting or flaring of gas, and impose certain requirements regarding the ratable purchase of production. These regulations could limit the amounts of oil and gas we may be able to produce from our wells or could limit the number of wells or the locations at which we may be able to drill.

While it is not possible to quantify all future costs of compliance by the Company, or its service providers with all applicable federal and state laws, those costs are expected to be significant. Although the Company's service providers typically accrue adequate amounts to cover these costs, their future operating results could be adversely affected if they later determined these accruals to be insufficient.

Our failure to comply with any laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of injunctive relief or both. Moreover, changes in any of these laws and regulations could have a material adverse effect on our business. In view of the many uncertainties with respect to current and future laws and regulations, including their applicability to us, we cannot predict the overall effect of such laws and regulations on future operations.

Environmental Laws

The recent trend in environmental legislation and regulation is generally toward stricter standards, and this trend is expected to continue. These laws and regulations may: require additional permitting or other authorizations before construction, drilling, mining or other activities commence; limit or prohibit construction, drilling mining or other activities on certain lands lying within wilderness and other protected areas, and; impose substantial liabilities for pollution resulting from our operations. Generally, permits required for natural resource extraction are subject to revocation, modification and renewal by the issuing authorities. Governmental authorities have the power to enforce compliance with their regulations, and violations are subject to fines, penalties or injunctions.

The Company is subject to numerous environmental laws and regulations. We strive to comply with all applicable environmental, health and safety laws and regulations. We believe that our operations are in compliance with all applicable environmental laws and regulations. Federal, state and local laws and regulations are frequently modified and we cannot predict accurately the effect, if any, they will have on our business in the future. In many instances, the regulations have not been finalized and continue to evolve. Even where regulations have been adopted, they are subject to varying and contradicting interpretations and implementation. In some cases, compliance can only be achieved by capital expenditure and we cannot accurately predict what capital expenditures, if any, may be required.

Legislation has been proposed in the past and continues to be evaluated in Congress from time to time that would reclassify certain oil and gas exploration and production wastes as "hazardous wastes." This reclassification would make these wastes subject to much more stringent storage, treatment, disposal and cleanup requirements, which could have a significant adverse effect on our operating costs. Initiatives to further regulate the disposal of oil and gas wastes are also proposed in certain states from time to time and may include initiatives at the county, municipal and local government levels. These various initiatives could have a similar adverse effect on our operating costs.

The Company will be subject to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), and similar state laws that impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liabilities for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to the environment. As the mineral rights holder for land upon which drilling and other energy-related operations are anticipated to take place, the Company may be held strictly liable as a responsible party under CERCLA, along with any of its lessees. Furthermore, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The Company could be subject to the Federal Clean Water Act and corresponding state laws which affect operations by imposing restrictions on discharges into regulated waters. Permits requiring regular monitoring and compliance with effluent limitations and reporting requirements govern the discharge of pollutants into regulated waters. New requirements under the Federal Clean Water Act and corresponding state laws could cause the Company's oil and gas operators to incur significant additional costs that adversely affect our future operating results.

The Company could be subject to Resource Conservation and Recovery Act ("RCRA"). RCRA, which was enacted in 1976, affects U.S. mining operations by establishing "cradle to grave" requirements for the treatment, storage and disposal of hazardous wastes. Typically, the only hazardous materials found on a mine site are those contained in products used in vehicles and for machinery maintenance. Oil and natural gas resources underlying the Company (or its subsidiaries) properties may be considered hazardous waste material under RCRA.

The Company could be affected by the Federal Endangered Species Act and counterpart state legislation protect species threatened with possible extinction. Protection of endangered species may have the effect of prohibiting or delaying the Company (or its subsidiaries) and its lessees from obtaining mining permits and may include restrictions on timber harvesting, road building and other mining or forestry activities in areas containing the affected species. A number of species indigenous to Central Appalachia are protected under the Endangered Species Act. The Company does not believe there are any species protected under the Endangered Species Act that would materially and adversely affect our ability to drill for oil and gas on our properties. Additional species on the Company properties may receive protected status under the Endangered Species Act and additional currently protected species may be discovered within its properties.

Facilities

The Company maintains an office at 2300 West Sahara Drive, Suite 800, Las Vegas, NV 89102 and the lease is a monthly rate of $157 per month and we have a one-year lease agreement.

Employees

The Company has two employees, the CEO and CFO.

ITEM 1A. - RISK FACTORS.

As a smaller reporting company we are not required to provide a statement of risk factors. However, we believe this information may be valuable to our shareholders for this filing. We reserve the right to not provide risk factors in our future filings. Our primary risk factors and other considerations include:

We will incur increased costs and demands upon management as a result of complying with the laws and regulations that affect public companies, which could materially adversely affect our results of operations, financial condition, business and prospects.

As a public company and particularly after we cease to be an "emerging growth company," we will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting and corporate governance requirements. These requirements include compliance with Section 404 and other provisions of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as well as rules implemented by the SEC.

The increased costs associated with operating as a public company will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business. Additionally, if these requirements divert our management's attention from other business concerns, they could have a material adverse effect on our results of operations, financial condition, business and prospects.

However, for as long as we remain an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012, or JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company."

If the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30, we would cease to be an "emerging growth company" as of the following June 30, or if we issue more than $1 billion in non-convertible debt in a three-year period, we would cease to be an "emerging growth company" immediately.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An "emerging growth company" can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We have a limited operating histoiy and limited historical financial information upon which you may evaluate our performance.

We only have a limited history and we are subject to all risks inherent in a developing business enterprise. Our likelihood of success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with a new business in general and those specific to the mineral exploration and extraction businesses and the competitive and regulatory environment in which we operate. You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages of exploration. We may not successfully address these risks and uncertainties or successfully implement our operating and acquisition strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment. Even if we accomplish these objectives, we may not generate positive cash flows or profits we anticipate in the future.

Our financial statements have been prepared assuming that the Company will continue as a going concern.

The accompanying financial statements to this report have been prepared assuming the Company will continue as a going concern. As discussed in the notes to the accompanying audited financial statements, the Company's nominal revenues and losses from operations since inception raise substantial doubt about the Company's ability to continue as a going concern.

In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and to develop a consistent source of revenues. Management's plan include investing in and developing potential natural resources that may exist on or under the Company's properties in Tennessee and Kentucky, and/or to acquire additional revenue producing assets. Management intends to use advances from related parties, asset based lending, borrowing, or financing from the issuance or exercise of its securities to mitigate the effects of its cash position, however, no assurance can be given that such sources of financing, if and when required, will be available.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually 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.

Our strategy of developing the existing exploration properties and acquiring additional mineral rights may not produce positive financial results for us.

Our strategy of developing the existing exploration properties and acquiring additional mineral rights is subject to a variety of risks, including the:

- Inability to locate valuable minerals at the properties;
- Failure or unanticipated delays in developing the exploration properties where we have mineral rights;
- Property ownership rights on the property where the mineral rights are located;
- Inability to negotiate favorable mineral rights agreements on satisfactory terms and conditions;
- Increases in the prices of equipment due to increased competition for acquisition opportunities or other factors; and
- Inability to sell any extracted minerals

If we are not able to successfully address these risks, it would materially harm our business to the point of having to cease operations and impair the value of our common stock to the point investors may lose their entire investment.

If we do not obtain new financings in an amount sufficient to pursue development activities at the Company's properties, and to pursue the acquisition of mineral rights and other natural resources, our operations will be reduced.

To date we have relied on recent private placement financings in order to fund exploration and development of the Company's properties. We will continue to require additional financing to complete our plan of operations for development work at the properties and to pursue the acquisition of mineral rights and other natural resource opportunities. While our financing requirements may be reduced if we successfully extract valuable minerals, any impairment in our ability to raise additional funds through financings would reduce the available funds for the development of the properties, including additional exploration activities, with the result that our plan of operations may be adversely affected and potential recoveries reduced or delayed.

We face intense competition.

We compete against many other energy and natural resource companies, some of which have considerably greater resources and abilities. These competitors may have greater marketing and sales capacity, established distribution networks, significant goodwill and global name recognition. They also have significantly longer operating histories and more established relationship within the energy and natural resource industry. They can use their experience and resources against us in a variety of competitive ways. Although we intend to offer a competitively priced model to acquire assets and/or companies, there can be no assurance that any future price competition by our competitors, if it develops, will not have a material adverse effect on our operations which would prevent us from carrying out our acquisition strategy.

Our business strategy, in part, depends upon our ability to complete and manage acquisitions of assets and/or of other companies.

Our business strategy, in part, is to grow through acquisition of assets and/or other businesses, which depend on our ability to identify, negotiate, complete and integrate suitable acquisitions. (See Item 1 Business.) Even if we complete an acquisition we may experience:

- difficulties in integrating any assets and/or acquired companies, personnel and products into our existing business;
- delays in realizing the benefits of the acquired company or products;
- significant demands on the Company's management, technical, financial and other resources;
- diversion of our management's time and attention to unexpected problems;
- higher costs of integration than we anticipated;
- difficulties in retaining key employees of the acquired businesses who are necessary to manage these acquisitions; and/or
- anticipated benefits of acquisitions may not materialize as planned.

We depend significantly upon the continued involvement of our present management.

Our success depends to a significant degree upon the involvement of our management, who are in charge of our strategic planning and operations. We may need to attract and retain additional talented individuals in order to carry out our business objectives. In order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and field personnel having experience in the oil and gas production, mineral exploration and development and other natural resource businesses. The competition for such persons could be intense and there are no assurances that these individuals will be available to us.

Current economic recession and political turmoil could materially adversely affect the Company.

The Company's future operations and performance depend significantly on worldwide economic and political conditions. Uncertainty about current global economic conditions poses a risk as consumers and businesses have postponed spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for our potential energy resources, of which there are no assurances such exist in economically feasible quantities or qualities, and a resulting drop in the prices of such items, actual demand for energy and natural resources could also differ materially from the Company's expectations. Other factors that could influence demand include continuing increases in fuel and other energy costs, conditions in the residential real estate and mortgage markets, the financial crisis, labor and healthcare costs, access to credit, consumer confidence, and other macroeconomic factors. These and geopolitical events such as war and terrorist actions could have a material adverse effect on demand for the Company's products and services and on the Company's financial condition, operating results, and cash flows.

Our business is subject to extensive regulation.

As many of our activities are subject to federal, state and local regulation, and as these rules are subject to constant change or amendment, there can be no assurance that our operations will not be adversely affected by new or different government regulations, laws or court decisions applicable to our operations.

Government regulation and liability for environmental matters may adversely affect our business and results of operations.

Crude oil, natural gas and other natural resource extraction operations are subject to extensive federal, state and local government regulations, which may be changed from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of crude oil and natural gas wells below actual production capacity in order to conserve supplies of crude oil and natural gas. There are federal, state and local laws and regulations primarily relating to protection of human health and the environment applicable to the development, production, handling, storage, transportation and disposal of crude oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with crude oil and natural gas operations. In addition, we may inherit liability for environmental damages caused by previous owners of property we purchase or lease. As a result, we may incur substantial liabilities to third parties or governmental entities. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. The implementation of new, or the modification of existing, laws or regulations could have a material adverse effect on us.

The crude oil and natural gas reserves we will report in our SEC filings will be estimates and may prove to be inaccurate.

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their estimated values. The reserves we will report in our filings with the SEC will only be estimates and such estimates may prove to be inaccurate because of these uncertainties. Reservoir engineering is a subjective and inexact process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Estimates of economically recoverable crude oil and natural gas reserves depend upon a number of variable factors, such as historical production from the area compared with production from other producing areas and assumptions concerning effects of regulations by governmental agencies, future crude oil and natural gas prices, future operating costs, severance and excise taxes, development costs and work-over and remedial costs. Some or all of these assumptions may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected there from prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserve estimates may be subject to downward or upward adjustment. Actual production, revenue and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

Crude oil and natural gas development, re-completion of wells from one reservoir to another reservoir, restoring wells to production and drilling and completing new wells are speculative activities and involve numerous risks and substantial and uncertain costs.

Our growth will be materially dependent upon the success of our future development program. Drilling for crude oil and natural gas and reworking existing wells involves numerous risks, including the risk that no commercially productive crude oil or natural gas reservoirs will be encountered. The cost of drilling, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond our control, including:

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- inability to obtain leases on economic terms, where applicable;
- adverse weather conditions;
- compliance with governmental requirements; and

- shortages or delays in the availability of drilling rigs or crews and the delivery of equipment.

Drilling or reworking is a highly speculative activity. Even when fully and correctly utilized, modern well completion techniques such as hydraulic fracturing and horizontal drilling do not guarantee that we will find crude oil and/or natural gas in our wells. Hydraulic fracturing involves pumping a fluid with or without particulates into a formation at high pressure, thereby creating fractures in the rock and leaving the particulates in the fractures to ensure that the fractures remain open, thereby potentially increasing the ability of the reservoir to produce oil or gas. Horizontal drilling involves drilling horizontally out from an existing vertical well bore, thereby potentially increasing the area and reach of the well bore that is in contact with the reservoir. Our future drilling activities may not be successful and, if unsuccessful, such failure would have an adverse effect on our future results of operations and financial condition. We cannot assure you that our overall drilling success rate or our drilling success rate for activities within a particular geographic area will not decline. We may identify and develop prospects through a number of methods, some of which do not include lateral drilling or hydraulic fracturing, and some of which may be unproven. The drilling and results for these prospects may be particularly uncertain. Our drilling schedule may vary from our capital budget. The final determination with respect to the drilling of any scheduled or budgeted prospects will be dependent on a number of factors, including, but not limited to:

- the results of previous development efforts and the acquisition, review and analysis of data;
- the availability of sufficient capital resources to us and the other participants, if any, for the drilling of the prospects;
- the approval of the prospects by other participants, if any, after additional data has been compiled;
- economic and industry conditions at the time of drilling, including prevailing and anticipated prices for crude oil and natural gas and the availability of drilling rigs and crews;
- our financial resources and results;
- the availability of leases and permits on reasonable terms for the prospects; and
- the success of our drilling technology.

We cannot assure you that these projects can be successfully developed or that the wells discussed will, if drilled, encounter reservoirs of commercially productive crude oil or natural gas. There are numerous uncertainties in estimating quantities of proved reserves, including many factors beyond our control.

Crude oil and natural gas prices are highly volatile in general and low prices will negatively affect our financial results.

Our revenues, operating results, profitability, cash flow, future rate of growth and ability to borrow funds or obtain additional capital, as well as the carrying value of our properties, are substantially dependent upon prevailing prices of crude oil and natural gas. Lower crude oil and natural gas prices also may reduce the amount of crude oil and natural gas that we can produce economically. Historically, the markets for crude oil and natural gas have been very volatile, and such markets are likely to continue to be volatile in the future. Prices for crude oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, including:

- worldwide and domestic supplies of crude oil and natural gas;
- the level of consumer product demand;

- weather conditions;
- domestic and foreign governmental regulations;
- the price and availability of alternative fuels;
- political instability or armed conflict in oil producing regions;
- the price and level of foreign imports; and
- overall domestic and global economic conditions.

It is extremely difficult to predict future crude oil and natural gas price movements with any certainty. Declines in crude oil and natural gas prices may materially adversely affect our financial condition, liquidity, ability to finance planned capital expenditures and results of operations. Further, oil and gas prices do not move in tandem.

If we are unable to hire, retain or motivate qualified personnel, consultants and advisors, we may not be able to grow effectively.

Our performance will be largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization. Competition for such qualified employees is intense. If we do not succeed in attracting excellent personnel or in retaining or motivating them, we may be unable to grow effectively. In addition, our future success will depend in large part on our ability to retain key consultants and advisors. Our inability to retain their services could negatively affect our business and our ability to execute our business strategy.

If the cost of recovering mineralized material at the properties is higher than anticipated, then our financial condition and ability to pursue additional exploration will be adversely affected.

We have proceeded with petroleum engineering and geological surveys and sampling. If the actual costs are greater than anticipated, then cash used in the exploration activities at the properties will be greater than anticipated. An increase in the funds used in sampling and surveying activities will cause us to have fewer funds for other expenses, such as administrative and overhead expenses and exploration of our other mineral properties. In this event, our financial condition will be adversely affected and will have fewer funds with which to pursue our exploration programs.

Exploration activities are inherently hazardous.

Mineral exploration activities involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations that we undertake will be subject to all the hazards and risks normally incidental to the exploration for minerals, any of which could result in work stoppages, damage to property and possible environmental damage. The nature of these risks are such that liabilities might result in us being forced to incur significant costs that could have a material adverse effect on our financial condition and business prospects.

There may be challenges to the titles to our property.

Titles to mineral rights in the United States involves certain inherent risks due to the impossibility of determining the validity of unpatented claims from real estate records, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral rights. Although we believe we have conducted reasonable investigations (in accordance with standard industry practice) of the validity of ownership of and the ability of certain holders of certain claims to transfer to certain rights and other interests therein to us, there can be no assurance that we hold good and marketable title to all of our U.S. mineral rights, leases or properties. There may be challenges to the title to our properties. If there are title defects with respect to any of the properties, we might be required to compensate other persons or perhaps reduce or change our interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing development programs. Any significant successful challenges to our mineral rights would cause us to cease operations and for our investors to lose some or all of their investment. We have conducted limited reviews of title and obtained representations regarding ownership from holders of mineral rights. Our practice will be, if possible, to obtain title insurance with respect to our major mineral rights. This insurance however may not be sufficient to cover loss of investment or guarantee of future profits.

Some of our officers and directors have other business ventures.

As disclosed in their biographies contained herein, some of our officers and directors work with other companies in addition to their work for us.

Climate change and related regulatory responses may affect our business.

Climate change as a result of emissions of greenhouse gases is a significant topic of discussion and may generate U.S. federal and other regulatory responses in the near future. It is impracticable to predict with any certainty the effects of climate change on our business or the regulatory responses to it, although we recognize that they could be significant. However, it is too soon for us to predict with any certainty the ultimate consequences, either directionally or quantitatively, of climate change and related regulatory responses.

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which we operate, we could be harmed. While we maintain business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to our business, our plans may not fully protect us from all such disasters or events.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for our management.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated there under, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team will need to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

We are subject to all governmental rules, laws and regulations relating to the mining industry in the U.S., and we fully intend to comply therewith. However, there is no assurance the governmental agencies having jurisdiction over us, our operations and properties, will not enact laws, rules and/or regulations in the future which may have an adverse consolidation on us and our operations.

Risks Related to our Securities

The market price for our common stock may be volatile, and you may not be able to sell our stock at a favorable price or at all.

Many factors could cause the market price of our common stock to rise and fall, including:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in our industry;
- changes in expectations of future financial performance;
- fluctuations in stock market prices and volumes;
- issuances of dilutive common stock or other securities in the future;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- the increase or decline in the price of oil and natural gas.

It is possible that the proceeds from sales of our common stock may not equal or exceed the prices you paid for the shares plus the costs and fees of making the sales.

Substantial sales of our common stock, or the perception that such sales might occur, could depress the market price of our common stock.

We cannot predict whether future issuances of our common stock or resale in the open market will decrease the market price of our common stock. The consequence of any such issuances or resale of our common stock on our market price may be increased as a result of the fact that our common stock is thinly, or infrequently, traded. The exercise of any options, or the vesting of any restricted stock that we may grant to directors, executive officers and other employees in the future, the issuance of common stock in connection with acquisitions and other issuances of our common stock may decrease the market price of our common stock.

Holders of our common stock have a risk of potential dilution if we issue additional shares of common stock in the future.

Although our Board of Directors intends to utilize its reasonable business judgment to fulfill its fiduciary obligations to our then existing stockholders in connection with any future issuance of our common stock, the future issuance of additional shares of our common stock would cause immediate, and potentially substantial, dilution to the net tangible book value of those shares of common stock that are issued and outstanding immediately prior to such transaction. Any future decrease in the net tangible book value of our issued and outstanding shares could have a material effect on the market value of the shares.

We do not intend to pay cash dividends to our stockholders, so you will not receive any return on your investment in our Company prior to selling your interest in the Company.

The Company has never paid any cash dividends to our stockholders. We currently intend to retain any future earnings for funding growth and, therefore, do not expect to pay any cash dividends in the foreseeable future. As a result, you will not receive any return on your investment prior to selling your shares in our Company and, for the other reasons discussed in this "Risk Factors" section, you may not receive any return on your investment even when you sell your shares in our Company.

Certain shares of our common stock are restricted from immediate resale. The lapse of those restrictions, coupled with the sale of the related shares in the market, or the market's expectation of such sales, could result in an immediate and substantial decline in the market price of our common stock.

Newly issued shares of common stock are restricted from immediate resale in the public market. The restricted shares are restricted in accordance with Rule 144, which states that if unregistered, restricted securities are to be sold, a minimum of one year must elapse between the later of the date of acquisition of the securities from the issuer or from an affiliate of the issuer, and any resale of those securities in reliance on Rule 144. The Rule 144 restrictive legend remains on the stock until the holder of the stock holds the stock for longer than one year (unless an affiliate) and meets the other requirements of Rule 144 to have the restriction removed. The sale or resale of those shares in the public market, or the market's expectation of such sales, may result in an immediate and substantial decline in the market price of our shares. Such a decline will adversely affect our investors, and make it more difficult for us to raise additional funds through equity offerings in the future.

Our management has discretion as to how to use any proceeds from the sale of securities.

We reserve the right to use any funds obtained from any sale of our securities in any manner which our management deems to be in the best interests of the company and our shareholders in order to address changed circumstances or opportunities. As a result of the foregoing, our success will be substantially dependent upon the discretion and judgment of management with respect to application and allocation of the net proceeds from any offering of our securities. Investors for the common stock offered will be entrusting their funds to our management, upon whose judgment and discretion the investors must depend.

Our common stock is subject to restrictions on sales by broker-dealers and penny stock rules, which may be detrimental to investors.

Our common stock is subject to Rules 15g-1 through 15g-9 under the Exchange Act, which imposes certain sales practice requirements on broker-dealers who sell our common stock to persons other than established customers and "accredited investors" (as defined in Rule 501(a) of the Securities Act). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and purchasers of our common stock to sell their Shares of our common stock.

Additionally, our common stock is subject to SEC regulations applicable to "penny stocks." Penny stocks include any non-NASDAQ equity security that has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule proscribed by the SEC relating to the penny stock market must be delivered by a broker-dealer to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for our common stock. The regulations also require that monthly statements be sent to holders of a penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Anti-Takeover, Limited Liability and Indemnification Provisions

Certificate of Incorporation and By-laws.

Under our certificate of incorporation, our Board of Directors may issue additional shares of common or preferred stock. Any additional issuance of common or preferred stock could have the effect of impeding or discouraging the acquisition of control of us by means of a merger, tender offer, proxy contest or otherwise, including a transaction in which our stockholders would receive a premium over the market price for their shares, and thereby protects the continuity of our management. Specifically, if in the due exercise of its fiduciary obligations, the Board of Directors were to determine that a takeover proposal was not in our best interest, shares could be issued by our Board of Directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover by:

- diluting the voting or other rights of the proposed acquirer or insurgent stockholder group,
- putting a substantial voting bloc in institutional or other hands that might undertake to support the incumbent Board of Directors, or
- effecting an acquisition that might complicate or preclude the takeover.

Our certificate of incorporation also allows our Board of Directors to fix the number of directors in the bylaws. Cumulative voting in the election of directors is specifically denied in our certificate of incorporation. The effect of these provisions may be to delay or prevent a tender offer or takeover attempt that a stockholder may determine to be in his or its best interest, including attempts that might result in a premium over the market price for the shares held by the stockholders.

Delaware Anti-Takeover Law.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law concerning corporate takeovers. This section prevents many Delaware corporations from engaging in a business combination with any interested stockholder, under specified circumstances. For these purposes, a business combination includes a merger or sale of more than 10% of our assets, and an interested stockholder includes a stockholder who owns 15% or more of our outstanding voting stock, as well as affiliates and associates of these persons. Under these provisions, this type of business combination is prohibited for three years following the date that the stockholder became an interested stockholder unless:

- the transaction in which the stockholder became an interested stockholder is approved by the Board of directors prior to the date the interested stockholder attained that status;
- on consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction was commenced, excluding those shares owned by persons who are directors and also officers; or
- on or subsequent to that date, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

This statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Limited Liability and Indemnification.

Our certificate of incorporation eliminates the personal liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors to the fullest extent permitted by Delaware law. This limitation does not affect the availability of equitable remedies, such as injunctive relief or rescission. Our certificate of incorporation requires us to indemnify our directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law.

Under Delaware law, we may indemnify our directors or officers or other persons who were, are or are threatened to be made a named defendant or respondent in a proceeding because the person is or was our director, officer, employee or agent, if we determine that the person:

- conducted himself or herself in good faith, reasonably believed, in the case of conduct in his or her official capacity as our director or officer, that his or her conduct was in our best interests, and, in all other cases, that his or her conduct was at least not opposed to our best interests; and
- in the case of any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

These persons may be indemnified against expenses, including attorneys fees, judgments, fines, including excise taxes, and amounts paid in settlement, actually and reasonably incurred, by the person in connection with the proceeding. If the person is found liable to the corporation, no indemnification will be made unless the court in which the action was brought determines that the person is fairly and reasonably entitled to indemnity in an amount that the court will establish. Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us under the above provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

ITEM 1B - UNRESOLVED STAFF COMMENTS

The Company had an unresolved comment letter dated July 13, 2011. We believe that we cleared these outstanding comments by the Commission staff when we filed our Amended 10K/A, No. 3 for the year ended December 31, 2010 on June 4, 2012. The Company has responded to all other outstanding comments presented by the Commission staff and awaits clearance from the Commission.

ITEM 2 - PROPERTIES

The Company has an office at 2300 West Sahara Drive, Suite 800, Las Vegas, Nevada 89102. The one-year lease is for approximately 200 square feet of office space at a monthly rate of $157 per month.

ITEM 3 - LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of the Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Legal Matters of Predecessor Entities

In February 9, 2011, the State of California entered an Order against Leland Energy, Inc., Leland Kentucky Holding, Inc., Stephen M. Thompson, Annex Drilling Fund LLP, The Appalachian Drilling Fund II, LLP, BC-2 Drilling Fund, LLP, Block City Drilling Fund, LLP, Energy Production Revenue Drilling Fund, LLP, Green County Energy Fund, LLP, Knox Drilling Fund, LLP, Know Drilling Fund II, LLP, Production Revenue Drilling Fund, LLP, and Rogers Production Revenue Fund, LLP for claims that the parties violated Corporations Code 25401. The State of California alleged that the offering materials omitted the material facts, that: on August 11, 1981 the Wisconsin Commissioner of Securities issued an Order of Prohibition against Stephen Thompson for securities violations; and; on September 5, 2002 issued another Order of Prohibition against Stephen Thompson and Leland Energy, and that on May 13, 2003 the Pennsylvania Securities Commission issued a Cease and Desist Order against Leland Energy prohibiting the offering or sale of securities unless they retain counsel knowledgeable in securities laws applicable to filings with the Commission.

Leland Energy, Inc. has settled this matter which requires Leland Energy, Inc. to pay monthly payments of $18,000 for a total of $1,314,477.23 in restitution and $51,500 in penalties to individual partners in the partnerships. The payments commenced on May 1, 2012 for a period of five (5) years until paid in full. Leland neither admitted nor denied the allegations claimed but believes it is in the best interest of Respondents and a sound business decision to settle this matter for all of the parties.

The Company was not a party to these proceedings and did not assume any liabilities of the above mentioned partnerships, or otherwise. In the opinion of legal counsel, the State of California has no recourse against the Company.

ITEM 4 - MINING SAFETY DISCLOSURES

N/A.

PART II

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

Price Range of Common Stock

There currently is a limited public trading market for our common stock. Our common stock had been traded on the OTCBB from December 2007 until May 2012 when it ceased trading due to non-timely filing of this 2011 Form 10-K and other non-current filings. Management intends to file all required filings and to seek relisting on the OTCBB or other exchange. Our common stock is traded in the OTC markets under the symbol "CNSV".

The following table sets forth, for the periods indicated, the high and low bid quotations for our common stock on the OTCBB as reported by various Bulletin Board market makers. The quotations reflect inter-dealer prices, without adjustments for retail mark-ups, mark-downs, or commissions and may not necessarily reflect actual transactions.

Period		High Trade		Low Trade
2011				
Fourth Quarter	$	0.07	$	0.02
Third Quarter	$	0.12	$	0.05
Second Quarter	$	0.16	$	0.06
First Quarter	$	0.25	$	0.06
2010				
Fourth Quarter	$	0.23	$	0.23
Third Quarter	$	0.25	$	0.25
Second Quarter	$	0.50	$	0.50
First Quarter	$	1.10	$	1.10

On June 20, 2012 there were 593 stockholders of record and 50,169,289 shares of our common stock issued and outstanding. The closing price per share was $0.04.

Dividends

To date, the Company has never declared or paid any cash dividends on our capital stock and we do not expect to pay any cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

Recent Sales of Unregistered Securities

All issuances of restricted securities by the Company during the year ended December 31, 2011 were previously reported on Current Reports on Form 8-K or the Company's Quarterly Reports on Form 10-Q.

During the year ended December 31, 2011, the Company issued 634,615 common shares for $50,000 in net proceeds in private placements. The price received in the private placements ranged from $0.065 per share to $0.10 per share.

During the year ended December 31, 2011, the Company issued 6,975,620 common shares with an aggregate fair value of approximately $642,818 in exchange for services. The $642,818 of services was expensed as compensation including $12,000 for our new CFO, Richard Polep, $310,818 for our new CEO, Gary Kucher, and $320,000 for our resigning CEO, Stephen Thompson during the year ended December 31, 2011. The trading price used to estimate the fair values of the common stock issued for the year ended December 31, 2011 was the trading price on the respective grant dates ranging from $0.08-$0.11 per share.

Stock Transfer Agent

Our Stock Transfer Agent is Empire Stock Transfer and is located at 1859 Whitney Mesa Drive, Henderson, NV 89014, Telephone: 702-818-5898

Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

The following table provides information regarding the status of our existing equity compensation plans at December 31, 2011.

Plan category	Number of shares of common stock to be issued on exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the previous columns)
Equity compensation plans approved by security holders (1)	-0-	-0-	5,000,000
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	-0-	-0-	5,000,000

(1) Consists of our 2007 Employee Stock Incentive Plan.

Issuer Repurchases

None.

ITEM 6 - SELECTED FINANCIAL DATA

The following information has been summarized from financial information included elsewhere and should be read in conjunction with such financial statements and notes thereto.

Summary of Statements of Operations and Financial Position of CNSV
Years Ended December 31, 2011 and 2010

	December 31.	
Operating Data:	**2011**	**2010**
Revenue	$289,514	$194,251
Operating and Other Expenses	4,939,451	2,475,750
Net Loss	$(4,649,937)	$(2,281,499)

	December 31,	
Balance Sheet Data:	**2011**	**2010**
Current Assets	$13,412	$28,128
Total Assets	1,774,808	5,263,980
Current Liabilities	646,855	180,916
Non-Current Liabilities	23,570	21,562
Total Liabilities	670,425	202,478
Working Capital (Deficit)	(633,443)	(152,788)
Shareholders' Equity	$1,104,383	$5,061,502

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

Statement Regarding Forward-Looking Disclosures

Certain statements contained in this report, including, without limitation, statements containing the words, "likely," "forecast," "project," "believe," "anticipate," "expect," and other words of similar meaning, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

General

The Company was formed on January 26, 2007 to engage in the acquisition, development and exploitation of natural resource and energy-related assets. Until January 1, 2010, the Company sought to generate revenues from its previously owned coal-mining related operations and through the harvesting of timber.

Plan of Operations

Since April 1, 2010, the Company has been solely engaged in the maintenance and production of our oil and gas wells in Kentucky and Tennessee. In addition, the Company's business strategy includes an ongoing search to identify unique opportunities to acquire and develop additional natural resource opportunities, with a goal of increasing current revenue and long-term value. The Company also owns oil and gas mineral rights on an additional 12,000 acres (approximately) in Eastern Kentucky.

At this stage, our activities have been limited to pursuing our strategy to identify and acquire additional natural resource business opportunities including but not limited to oil & gas mineral rights, leases and operations. There can be no assurance that the Company will acquire assets using restricted securities now or in the future, or that we will have access to cash to acquire other assets and interests. If we are unable to acquire assets using our securities, we intend to leverage our existing assets, as well as seek to raise capital though the sale of equity and/or debt securities. Our ultimate success will depend on our ability to acquire assets and raise additional capital on a timely basis in order to take advantage of opportunities which become available to us. In any event, there can be no assurance that we will be able to complete additional acquisitions or develop rights or resources, which may exist on our properties in an economically viable quantity or manner, if at all.

Currently the Company is seeking to identify new acquisition candidates to expand the Company's business portfolio beyond its current oil and gas production.

On April 1, 2010, the Company entered into 12 substantially identical asset purchase agreements with various unrelated partnerships which were held by a total of 657 individual sellers and completed the purchase of interests in oil and gas wells located in Kentucky and Tennessee. The Company acquired interests in 39 oil wells and 19 gas wells, a total of 58 wells and the related support equipment, located on approximately 1,500 leased acres in Kentucky and Tennessee. Under the agreements, the Company acquired all rights, titles and interests to the sellers' oil and gas wells and support equipment free and clear of all liabilities, liens and encumbrances. The effective date of the purchase and sale was April 1, 2010. As part of the acquisition, the sellers received in aggregate 22,786,872 common shares of the Company's common stock. Management believes that the acquisition of the assets, included in the 12 asset purchase agreements, provides our Company with increased acres available for future drilling, as well as already drilled operating wells.

On February 12, 2010, the Company filed a Current Report on Form 8-K which disclosed the Spin-Off Agreement dated as of January 1, 2010 by and between the Company and Colt, which is incorporated by reference herein. The following summary of the Spin-Off Agreement is not complete and is subject to and qualified in its entirety by reference to, the provisions of the Spin-Off Agreement.

Effective as of January 1, 2010, for tax and accounting purposes, the Company transferred and assigned to Colt all of the Colt Assets relating to the coal mining business of the Company as well as all other assets owned by the Company, except for oil and gas rights minus 12.5% overriding royalty payments to Colt in the oil and gas assets retained by the Company. Colt assumed the Colt Liabilities which are generally all CNSV liabilities as of December 31, 2009, except for the obligation to file regulatory filings and taxes; the Company's coal mining business and any liabilities arising out of the operations of Colt's business after January 1, 2010; and any and all liabilities of the Company under which it is an obligor by reason of any guarantee or contractual commitment. The consideration for the Spin-off was all of the shares of Colt common stock to be distributed to the Company's stockholders of record as of January 31, 2010. Together with an Information Statement, Colt has issued certificates representing 100% of the shares of Colt's common stock to each shareholder of the Company's Common Stock on the Record Date on a pro-rata basis, of one (1) share of Colt's common stock for each one (1) share of the Company's Common Stock so held by such recorded holder. The certificates for the Colt common stock were delivered directly to each recorded holder by mail at their respective addresses as listed in the Company's transfer agent's books and records.

The Company and Colt both acknowledged that Colt is and shall continue to be a non-reporting privately held company and that there will not be a public market in the Colt common stock, nor is one expected to develop, and that the Colt common stock that recorded holders receive shall be "restricted securities." In that connection both parties agree: (1) the Colt common stock shall have the appropriate restrictive legends which describe the transfer restrictions related thereto; and (ii) Colt's stock transfer books shall include "stop transfer" instructions that indicate such transfer limits.

Since April 1, 2010, the Company has been engaged solely in the maintenance and production of our oil and gas wells in Kentucky and Tennessee. In addition, the Company's business strategy includes an ongoing search to identify unique opportunities to acquire and develop additional natural resource opportunities, with a goal of increasing current revenue and long-term value. The Company also owns oil and gas mineral rights on an additional 12,000 acres (approximately) in Eastern Kentucky.

At this stage, our activities have been limited to pursuing our strategy to identify and acquire additional natural resource opportunities. There can be no assurance at this stage that the Company will acquire assets using restricted securities now or in the future, or that we will have access to cash to acquire other assets and interests. If we are unable to acquire assets using our securities, we intend to leverage our existing assets, as well as seek to raise capital though the sale of equity and/or debt securities. Our ultimate success will depend on our ability to acquire assets and raise additional capital on a timely basis in order to take advantage of opportunities which become available to us. In any event, there can be no assurance that we will be able to develop rights or resources which may exist on our properties in economically feasible quantities, if at all, or that such potential resources can be economically extracted.

Supplemental Oil and Gas Information

The following information is intended to supplement the unaudited consolidated financial statements included in this report with data that is not readily available from those statements.

	Year Ended December 31,				
	2011			2010	
Production, net					
Oil (Bbls)		3,124			2,819
Gas (Mcf)		-			-
Boe (Bbls)		3,124			2,819
Average Prices					
Oil ($/Bbl)	$	92.67		$	68.90
Gas ($/Mcf)	$	-		$	-
Average Lifting Cost					
Per Boe	$	68.19		$	30.65

Results of Operations

We use the successful efforts method of accounting for oil and gas operations. Presently we are producing oil from our Kentucky properties.

Our revenues for the year ended December 31, 2011 were $289,514 as compared to $194,251 for 2010. Our revenues are from the sale of our oil and gas production. During the year ended December 31, 2011 we produced approximately 3,124 barrels and received an average price per barrel of $92.67 while during 2010 we produced 2,819 barrels and received an average price per barrel of $68.90.

Our operating expenses for production activities for the year ended December 31, 2011 were $227,683 (comprised of $213,015 of lease operating expenses and $14,668 of depreciation, depletion and amortization) as compared to $146,119 (comprised of $86,413 of lease operating expenses and $59,706 of depreciation, depletion and amortization) for December 31, 2010. Our primary operation is the drilling and production of our oil and gas properties. The wells in Kentucky are shallow wells (approximately 1,300 feet) and require minimal maintenance. For the year ended December 31, 2011, the Company impaired its oil and gas properties and support equipment by $3,461,796 as compared to $0 for the year ended December 31, 2010. The impairment was due to reductions in the future estimated recoverable reserves as a result of sporadic production during 2011.

Our general and administrative expenses for the year ended December 31, 2011 were $1,246,855 as compared to $2,329,591 for 2010. The decrease in general and administrative expenses was primarily due to $1,299,613 in stock issued for services to employees and consultants in 2011. We have paid our employees and consultants in common shares to preserve our limited available cash.

We incurred net losses of $4,649,937 and $2,281,499 for the years ended December 31, 2011 and 2010, respectively due to the factors discussed above.

Liquidity and Capital Resources

Our cash used in operating activities for the year ended December 31, 2011 was $174,068 as compared to $152,264 for the year ended December 31, 2010. The increase in cash used in operating activities was primarily attributable to higher administrative expenses related to legal costs associated with potential acquisitions and to accounting expenses related to amended SEC filings.

Cash used in investing activities for the year ended December 31, 2011 was $0 as compared to $50,000 for the year ended December 31, 2010. For the year ended December 31, 2010, the Company invested $50,000 in additional support equipment to be used in its oil and gas operations.

Our cash provided by financing activities for the year ended December 31, 2011 was $157,500 as compared to $219,500 for the year December 31, 2010. There was a $154,500 decrease in proceeds from the issuance of common stock for cash offset by an increase in funds provided by a related party and a shareholder in the amount of $92,500.

During the year ended December 31, 2011, we entered into 12 notes payable with a shareholder for a total amount of, (all the notes payable) was $122,500. We received proceeds of $107,500 and converted an existing advance from shareholder of $15,000 to a note payable.

From the period of January 2012 through July 2, 2012 we entered into 19 additional notes payable with a shareholder totaling $163,320 of proceeds to the Company.

In 2010, the Company entered into two (2) notes payable with a former officer and director, one on March 15, 2010 in the amount of $10,000 and again on March 24, 2010 in the amount of $12,000. The notes accrued interest at 6% interest and were payable upon demand. On April 8, 2010, the Company repaid these notes in the amount of $22,000 and $40 of accrued interest.

At January 1, 2010, an affiliated company had advanced the Company $15,322 for working capital. The March 31, 2010 balance of $14,322 (repayment of $1,000 was made by the Company in February 2010) was non-interest bearing, unsecured and due on demand. On April 8, 2010, the Company repaid the outstanding balance.

Our plan of operations is uncertain and is dependent on our ability to identify additional acquisition candidates and to effectively maintain, explore and drill oil and gas wells on our existing properties. These activities would require the Company to raise sufficient capital, if available. There's no assurance of the ability of the Company to access investment capital, secure additional acquisitions or drill economically producing wells. The process/practice of drilling oil and gas wells is cost intensive. It is critical for us to source sufficient capital to implement our business plan.

We believe we will have to rely on public and private equity and debt financings to fund our liquidity requirements over the next twelve months. We may be unable to obtain any additional financings on terms favorable to us, or obtain additional funding at all. If adequate funds are not available on acceptable terms, and if cash and cash equivalents together with any income generated from operations fall short of our liquidity requirements, we may be unable to sustain operations. Continued negative cash flows could create substantial doubt regarding our ability to fully implement our business plan and could render us unable to expand our operations, respond to competitive pressures, or take advantage of acquisition opportunities, any of which may have a material adverse effect on our business. If we raise additional funds through the issuance of equity securities, our stockholders may experience dilution of their ownership interest, and the newly issued securities may have rights superior to those of our common stock. If we raise additional funds by issuing debt, we may be subject to limitations on our operations, including limitations on the payments of dividends.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. As discussed in the notes to the accompanying audited consolidated financial statements, the Company sustained losses from operations for the year. We incurred net losses of $4,649,937 and $2,281,499 for the years ended December 31, 2011 and 2010, respectively. Further, the Company has inadequate working capital to maintain or develop its assets, and is dependent upon funds from lenders, investors and the support of certain stockholders.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements herein do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Company management is pursuing necessary additional funds through loans and additional sales of its common stock.

The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, achievement of profitable operations and/or the discovery, exploration, development and sale of oil and gas reserves. Although the Company is pursuing additional financing, there can be no assurance that the Company will be able to secure financing when needed or to obtain such financing on terms satisfactory to the Company, if at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Use of Estimates and Assumptions

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

The Company's consolidated financial statements are based on a number of significant estimates including the selection of the useful lives for property and equipment and the oil and gas reserve quantities which are the basis for the calculations of depreciation, depletion, and impairment of property and equipment. The Company's reserve quantities are determined by an independent petroleum engineering firm. However, management emphasizes that estimated reserve quantities are inherently imprecise and that estimates of more recent discoveries are more imprecise than those for properties with long production histories. Accordingly, the Company's estimates are expected to change as future information becomes available.

Oil and Gas Properties

The Company uses the successful efforts method of accounting for oil and gas operations. Under this method of accounting, costs to acquire mineral interests in oil and gas properties, to drill and equip development wells, and to drill and equip exploratory wells that find proved reserves are capitalized. Depletion of capitalized costs for producing oil and gas properties is calculated using the unit-of-production method based on estimates of proved oil and gas reserves on a field-by-field basis.

The costs of unproved leaseholds and mineral interests are capitalized pending the results of exploration efforts. In addition, unproved leasehold costs are assessed periodically, on a property-by-property basis, and a loss is recognized to the extent, if any, the property has been impaired. This impairment will generally be based on geophysical or geologic data. Due to the perpetual nature of the Company's ownership of the mineral interests, the drilling of a well, whether successful or unsuccessful, may not represent a complete test of all depths of interest. Therefore, at the time that a well is drilled, only a portion of the costs allocated to the acreage drilled may be expensed. As unproved leaseholds are determined to be productive, the related costs are transferred to proved leaseholds. The costs associated with unproved leaseholds and mineral interests that have been allowed to expire are charged to exploration expense.

The Company evaluates impairment of its property and equipment in accordance with ASC Topic 3605, *"Long-Lived Assets"*. This standard requires that long-lived assets that are held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is determined that an asset's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge must be recorded to reduce the carrying amount of the asset to its estimated fair value. Fair value is determined by reference to the present value of estimated future cash flows of such properties. During the year ended December 31, 2011 management had an impairment of the Company's long lived assets in the amount of $3,461,796. During the year ended December 31, 2010 management had no impairment of the Company's long lived assets.

Exploration costs, including exploratory dry holes, annual delay rental and geological and geophysical costs are charged to expense when incurred.

Revenue Recognition

The Company has royalty and working interests in various oil and gas properties which constitute its primary source of revenue. The Company recognizes oil and gas revenue from its interest in producing wells as oil and gas is sold from those wells.

The Company follows the "sales method" of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves.

Asset retirement obligations

The Company plans to recognize liabilities for statutory, contractual or legal obligations, including those associated with the reclamation of mineral and mining properties and any plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation will be recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost will be added to the carrying amount of the related asset and the cost will be amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability will be increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Share-Based Compensation

The Company applies Topic 718 "Share-Based Payments" ("Topic 718") to share-based compensation, which requires the measurement of the cost of services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Compensation cost is recognized when the event occurs. The Black-Scholes option-pricing model is used to estimate the fair value of options granted.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company we are not required to provide the information required by this Item.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Consolidation Services, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Consolidation Services, Inc. (the "Company" or "Successor") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. The combined statements of operations, partner' capital and cash flows of the Leland Partnerships ("Predecessor Company") for the period from January 1, 2010 through April 1, 2010 were audited by other auditors. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Consolidation Services, Inc. as of December 31, 2011 and 2010 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company sustained recurring losses from operations, has inadequate working capital to maintain or develop its operations, and is dependent upon funds from lenders, investors and the support of certain stockholders. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GBH CPAs, PC

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas
July 18, 2012

S.E. Clark & Company, P.C.
Registered Firm: Public Company Accounting Oversight Board

Independent Auditors' Report

Leland Energy, Inc.
Leland Kentucky Holdings, Inc.
Managing Partners for the Managed Group

We have audited the accompanying combined April 1, 2010 statements of operations, changes in partnership equities and cash flows for the period then ended of the entities "Predecessor Company" whose assets were sold to Consolidation Services, Inc. as of April 1, 2010. These financial statements are the responsibility of the Managing Partners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above, whose assets were sold to Consolidation Services, Inc. as of April 1, 2010, present fairly, in all material respects, the combined results of their operations, changes in partnership equities, and cash flows for the period ended April 1, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ S.E. Clark & Company, P.C.
Tucson, Arizona
February 29, 2012

Member: National Association of Certified Valuation Analysts
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CONSOLIDATION SERVICES, INC.		
CONSOLIDATED BALANCE SHEETS		
ASSETS:	**December 31,**	
	2011	**2010**
CURRENT ASSETS		
Cash	$ 668	$ 17,236
Accounts receivable	12,744	10,892
Total current assets	13,412	28,128
PROPERTY AND EQUIPMENT		
Oil and gas properties, net, including $936,111 and $1,199,286 of unproved property costs using the successful efforts method of accounting	1,608,114	4,462,552
Support equipment, net	153,282	773,300
TOTAL ASSETS	$ 1,774,808	$ 5,263,980
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 320,290	$ 165,916
Accrued interest related party	3,117	-
Accounts payable - related party	200,948	-
Advances from related party	-	15,000
Notes payable - shareholder	122,500	-
Total current liabilities	646,855	180,916
Asset retirement obligations	23,570	21,562
TOTAL LIABILITIES	670,425	202,478
CONTINGENCIES AND COMMITMENTS	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; none issued and outstanding as of December 31, 2011 and 2010	-	-
Common stock, $.001 par value, 200,000,000 shares authorized; 49,919,289 and 42,309,053 issued and outstanding as of December 31, 2011 and 2010, respectively	49,919	42,309
Additional paid-in capital	9,337,857	8,652,649
Accumulated deficit	(8,283,393)	(3,633,456)
Total stockholders' equity	1,104,383	5,061,502
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,774,808	$ 5,263,980

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

CONSOLDATION SERVICES, INC.					
CONSOLIDATED STATEMENTS OF OPERATIONS					
	SUCCESSOR COMPANY				PREDECESSOR
			Period From	Period From	Period From
	Year Ended December 31,		April 2, 2010 through	January 1, 2010 through	January 1, 2010 through
	2011	2010	December 31, 2010	April 1, 2010	April 1, 2010
OIL AND GAS REVENUES	$ 289,514	$ 194,251	$ 194,251	$ -	$ 67,552
COSTS AND OPERATING EXPENSES:					
Lease operating expenses	213,015	86,413	86,413	-	36,550
Depreciation, depletion, amortization and accretion	14,668	59,706	59,706	-	25,046
Impairment of oil and gas properties and support equipment	3,461,796	-	-	-	-
General and administrative	1,246,855	2,329,591	2,288,300	41,291	182
Total costs and operating expenses	4,936,334	2,475,710	2,434,419	41,291	61,778
OPERATING LOSS	(4,646,820)	(2,281,459)	(2,240,168)	(41,291)	5,774
OTHER EXPENSES					
Interest expense	3,117	40	-	40	-
Total other expense	3,117	40	-	40	-
NET LOSS BEFORE INCOME TAXES	(4,649,937)	(2,281,499)	(2,240,168)	(41,331)	5,774
INCOME TAX EXPENSE (BENEFIT)	-	-	-	-	-
NET LOSS	$ (4,649,937)	$ (2,281,499)	$ (2,240,168)	$ (41,331)	$ 5,774
BASIC AND DILUTED LOSS PER SHARE:					
Net loss per share, basic and diluted	$ (0.10)	$ (0.07)	$ (0.07)	$ (0.00)	
Weighted average number of common shares outstanding, basic and diluted	47,899,854	34,124,245	34,124,245	15,257,220	

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

CONSOLIDATION SERVICES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY - SUCCESSOR COMPANY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Subscribed Receivable	Non-Controlling Interest	Accumulated Deficit	Total
BALANCE AT DECEMBER 31, 2009	-	$ -	15,257,220	$15,257	$5,842,136	$(871,000)	$501,275	$(1,351,957)	$4,135,711
Common stock issued for cash			858,850	859	203,641				204,500
Common stock issued for services			3,406,111	3,406	1,939,025				1,942,431
Common stock for asset purchase			22,786,872	22,787	4,332,382				4,355,169
Spin off of mining operations					(3,664,535)	871,000	(501,275)		(3,294,810)
Net loss								(2,281,499)	(2,281,499)
BALANCE AT DECEMBER 31, 2010	-	$ -	42,309,053	$42,309	$8,652,649	$ -	$ -	$ (3,633,456)	$5,061,502
Common stock issued for cash			634,616	634	49,366				50,000
Common stock issued for services			150,000	150	11,850				12,000
Common stock issued for amended employment agreement with CEO			2,825,620	2,826	307,992				310,818
Common stock issued for resignation of CEO			4,000,000	4,000	316,000				320,000
Net loss								(4,649,937)	(4,649,937)
BALANCE AT DECEMBER 31, 2011	-	$ -	49,919,289	$49,919	$9,337,857	$ -	$ -	$(8,283,393)	$1,104,383

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

CONSOLIDATION SERVICES, INC.		
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERSHIP EQUITY - PREDECESSOR COMPANY		
FOR PERIOD FROM JANUARY 1, 2010 TO APRIL 1, 2010		
		Total Partnership Equity
BALANCE AT DECEMBER 31, 2009	$	4,292,675
Contribution		2,500
Withdrawals		(8,729)
Net income		5,774
BALANCE AT APRIL 1, 2010	$	4,292,220

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

CONSOLIDATION SERVICES, INC.					
CONSOLIDATED STATEMENTS OF CASH FLOWS					
	SUCCESSOR COMPANY				PREDECESSOR COMPANY
			Period From	Period From	Period From
	Year Ended December 31,		April 2, 2010 through	January 1, 2010 through	January 1, 2010 through
	2011	2010	December 31, 2010	April 1, 2010	April 1, 2010
Net loss	$ (4,649,937)	$ (2,281,499)	$ (2,240,168)	$ (41,331)	$ 5,774
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation, depletion, and amortization	12,660	58,314	58,314	-	19,032
Accretion of asset retirement obligations	2,008	1,392	1,392	-	6,014
Impairment of oil and gas properties	3,461,796	-	-	-	-
Common stock issued for services	642,818	1,942,431	1,942,431	-	-
Changes in operating assets and liabilities:					
Accounts receivable	(1,852)	(10,892)	(10,892)	-	(17,055)
Accounts payable and accrued expenses	154,374	137,990	109,828	-	546
Accounts payable - related party	204,065	-	-	28,162	-
Net cash used in operating activities	(174,068)	(152,264)	(139,095)	(13,169)	14,311
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	-	(50,000)	(50,000)	-	-
Net cash used in investing activities	-	(50,000)	(50,000)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from the issuances of common stock	50,000	204,500	204,500	-	-
Proceeds from notes payable - shareholder	107,500	22,000	-	-	-
Repayments of note payable	-	(22,000)	(22,000)	-	-
Advances from related party	-	15,000	15,000	22,000	-
Partner contribution	-	-	-	-	2,500
Partner withdrawal	-	-	-	-	(8,729)
Net cash provided by (used in) financing activities	157,500	219,500	197,500	22,000	(6,229)
(DECREASE) INCREASE IN CASH	(16,568)	17,236	8,405	8,831	8,082
CASH, BEGINNING OF PERIOD	17,236	-	-	-	338
CASH, END OF PERIOD	$ 668	$ 17,236	$ 8,405	$ 8,831	$ 8,420
SUPPLEMENTAL CASH FLOW INFORMATION:					
Income Taxes Paid	$ -	$ -	$ -	$ -	$ -
Interest Paid	$ -	$ 40	$ -	$ 40	$ -
Supplemental disclosure of non cash investing and financing activities					
Account payable and related party for cash of discontinued operations	$ -	$ -	$ -	$ 27,924	$ -
Increase in asset retirement obligations	$ -	$ 20,170	$ 20,170	$ -	$ -
Conversion of related party advances to short-term notes payable	$ 15,000	$ -	$ -	-	-
Issuance of common stock for purchase of assets	$ -	$ 4,355,169	$ 4,355,169	$ -	-

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

CONSOLIDATION SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTON OF BUSINESS

Consolidation Services, Inc. (the "Company" or "CNSV") was incorporated in the State of Delaware on January 26, 2007. The Company is engaged in the exploration and development of oil and gas reserves in Kentucky and Tennessee. Until January 1, 2010, the Company's sole sources of revenues were from its coal mining and timber harvesting operations. The Company discontinued its coal mining and timber harvesting operations on January 1, 2010. As a result of its discontinued operations, the Company re-entered the exploration stage on January 1, 2010. On April 1, 2010, the Company exited the exploration stage as a result of the acquisition of producing oil and gas properties (See Note 4).

Basis of Presentation - Predecessor

The accompanying financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America ("GAAP").

We acquired the Leland Partnerships (our predecessor company) and, at the time of the acquisition on April 1, 2010, we had minimal assets and no operations. Accordingly, we have included the predecessor combined financial statements of the Leland Partnerships in the accompanying financial statements for purposes of complying with the rules and regulations of the Securities and Exchange Commission as required by S-X Rule 8-02.

Principles of Consolidation

As of January 1, 2010, the Company spun off all of its coal mining operations to Colt Resources, Inc. ("Colt") a Nevada corporation formed as a wholly-owned subsidiary which included the Company's subsidiaries which were: (i) a 50% ownership interest in Buckhorn Resources, LLC; and (ii) a 50% ownership interest in Lee Co. Development, LLC.

After the spin-off of Colt on January 1, 2010, the Company's subsidiaries included a 100% ownership interest in Vector Energy Services, Inc. Vector Energy Services, Inc. is presently not an operating subsidiary.

On June 2, 2010, CSI Energy, Inc. and CSI Resource, Inc. were incorporated in the State of Nevada as a wholly-owned subsidiaries of the Company for the purpose of acquiring energy and mining assets. CSI Energy, Inc. and CSI Resources, Inc. are presently not operating subsidiaries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Assumptions

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

The Company's consolidated financial statements are based on a number of significant estimates including the oil and gas reserve quantities which are the basis for the calculations of depreciation, depletion, and impairment. The Company's reserve quantities are determined by an independent petroleum engineering firm. However, management emphasizes that estimated reserve quantities are inherently imprecise and that estimates of more recent discoveries are more imprecise than those for properties with long production histories. Accordingly, the Company's estimates are expected to change as future information becomes available.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash and cash equivalents include cash on hand and cash in depository institutions/commercial banks.

Oil and Gas Properties

The Company uses the successful efforts method of accounting for oil and gas operations. Under this method of accounting, costs to acquire mineral interests in oil and gas properties, to drill and equip development wells, and to drill and equip exploratory wells that find proved reserves are capitalized. Depletion of capitalized costs for producing oil and gas properties is calculated using the unit-of-production method based on estimates of proved oil and gas reserves on a field-by-field basis.

The costs of unproved leaseholds and mineral interests are capitalized pending the results of exploration efforts. In addition, unproved leasehold costs are assessed periodically, on a property-by-property basis, and a loss is recognized to the extent, if any, the property has been impaired. This impairment will generally be based on geophysical or geologic data. Due to the perpetual nature of the Company's ownership of the mineral interests, the drilling of a well, whether successful or unsuccessful, may not represent a complete test of all depths of interest. Therefore, at the time that a well is drilled, only a portion of the costs allocated to the acreage drilled may be expensed. As unproved leaseholds are determined to be productive, the related costs are transferred to proved leaseholds. The costs associated with unproved leaseholds and mineral interests that have been allowed to expire are charged to exploration expense.

The Company evaluates impairment of its property and equipment in accordance with ASC Topic 3605, *"Long-Lived Assets"*. This standard requires that long-lived assets that are held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is determined that an asset's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge must be recorded to reduce the carrying amount of the asset to its estimated fair value. Fair value is determined by reference to the present value of estimated future cash flows of such properties.

Exploration costs, including exploratory dry holes, annual delay rental and geological and geophysical costs are charged to expense when incurred.

Revenue Recognition

The Company has royalty and working interests in various oil and gas properties which constitute its primary source of revenue. The Company recognizes oil and gas revenue from its interest in producing wells as oil and gas is sold from those wells.

The Company follows the "sales method" of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves.

Accounts Receivable

Substantially all of the Company's accounts receivable consists of accrued revenues from oil and gas production from third party companies in the oil and gas industry. This concentration of customers may be a consideration of the Companies' overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the oil and gas industry. In determining whether or not to require collateral from a purchaser or joint interest owner, the Company may analyze the entity's net worth, cash flows, earnings and credit ratings. Historical credit losses incurred by the Company on receivables have not been significant.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash. Beginning December 31, 2011, all non-interest-bearing transaction accounts are now fully insured, regardless of the balance, by the FDIC through December 31, 2012. Interest-bearing accounts are insured up to $250,000. At December 31, 2011, the Company had no cash in accounts that bore interest.

The Company has two customers that purchase and distribute substantially all of our oil and gas production.

Earnings Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. Diluted loss per share is the same as basic loss per share because due to the Company having a net loss (attributable to its common shareholders). Accordingly, the effects of including any additional common stock equivalents would be anti-dilutive. There were no potentially dilutive financial instruments outstanding at December 31, 2011 and 2010.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and advance from related party approximate fair value due to their short-term nature.

Recent Accounting Pronouncements

No other accounting standards or interpretations issued recently are expected to a have a material consequence on the Company's consolidated financial position, operations or cash flows.

Subsequent Events

The Company evaluated subsequent events through the date these financial statements were available to be issued.

NOTE 3 - GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has sustained recurring losses from operations including a net loss for the year ended December 31, 2011 of $4,649,937. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from lenders, investors and the support of certain stockholders. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

In this regard, the Company is planning to raise additional funds through loans and additional sales of its common stock. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, achievement of profitable operations and/or the discovery, exploration, development and sale of oil and gas reserves. Although the Company is pursuing additional financing, there can be no assurance that the Company will be able to secure financing when needed or to obtain such financing on terms satisfactory to the Company, if at all.

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

NOTE 4 - OIL AND GAS PROPERTIES AND ACQUISITIONS

During the year ended December 31, 2011, the Company did not purchase or dispose of any oil and gas properties.

Acquisitions

On April 1, 2010, the Company entered into 12 substantially identical asset purchase agreements with various unrelated partnerships which comprised a total of 657 individual sellers and completed the purchase of interests in oil and gas wells located in Kentucky and Tennessee. The Company acquired interests in 39 oil wells and 19 gas wells, a total of 58 wells and the related support equipment, located on approximately 1,500 leased acres in Kentucky and Tennessee. Under the agreements, the Company acquired all rights, titles and interests to the sellers' oil and gas wells and support equipment free and clear of all liabilities, liens and encumbrances. The effective date of the purchase and sale was April 1, 2010. As part of the acquisition, the sellers received in aggregate 22,786,872 common shares of the Company's common stock.

The sellers of the working interests and support equipment were not under common control or part of a controlled group prior to the transaction. The sellers of the assets were partners and shareholders in partnerships and a corporation, respectively, with each partnership and the corporation having a different mix of owners. Each selling partnership and corporation had separate and distinct agreements and business plans and the integration of the selling individual partnerships and corporation into one entity or as a group would have violated their agreements. The only common relationship between the sellers is that the working interests and support equipment sold by each of the partnerships and corporation was managed by Leland Kentucky Holdings, Inc. ("Leland"). Leland owned 1% of each of the partnerships and corporation in the sellers group. There was not a pre-existing relationship between the sellers and the Company prior to the transaction.

The acquisition consisted primarily of proved developed producing reserves, which are considered to meet the definition of a business in accordance with FASB codification Topic 805, "Business Combinations", As such, the Company accounted for the acquisition as a business combination.

Management determined that the Company was the acquirer in the business combination in accordance with FASB codification Topic 805, "Business Combinations", based on the following factors: (i) there was not a change in control of the Company since neither Leland, the managing member of Leland, nor any of the sellers obtained a controlling financial interest (ownership either directly or indirectly of more than 50 percent of the outstanding voting shares of the Company) or the power to control the Company through a lesser percentage of ownership, by contract, lease, agreement with other stockholders, or by court decree; (ii) the Company was the entity in the transaction that issued its equity instruments, and in a business combination, the acquirer usually is the entity that issues its equity interests; (iii) the Company's pre-transaction directors retained the largest relative voting rights of the Company post-transaction; (iv) the composition of the Company's current board of directors and management was the result of the appointment by the Company's pre-transaction directors due to the current board and management's operational familiarity with the working interests and support equipment purchased.

The purchase price paid for the Acquisition was 22,786,872 restricted shares of the Company's common stock. The shares had a quoted market price of $1.03 per share on April 1, 2010 or an aggregate quoted market value of approximately $23 million. However, shares were valued at an aggregate value of the assets acquired of $ 4,355,169 (the "Purchase Price"), The quoted market value of the Company's common stock was based on a sporadically traded stock with little or no volume (inactive market) which the Company believes reflected an artificially inflated quoted market price (See "Note 9- Equity").The Company assessed the inactive and sporadically traded market for the Company's common stock and believed that the fair value of the acquisition should be the value of the assets acquired which resulted in a purchase price of $4,355,169 based on the fair value of the oil and gas reserves acquired. The following table summarizes the fair value of the consideration paid by the Company and the fair value amounts assigned to the assets acquired on the acquisition date:

Purchase Price Allocation		April 1, 2010
Consideration:		
Equity instruments (22,786,872 common shares of Consolidation Services, Inc.)	$	4,355,169
Recognized amounts of identifiable assets acquired:		
Support equipment		735,000
Oil and Gas Properties:		
Proved developed producing reserves		1,218,670
Proved non-producing reserves		526,830
Proved undeveloped reserves		1,544,209
Probable reserves		330,460
Total assets	$	4,355,169
Fair value of total assets	$	4,355,169

The Company calculated the fair value of the assets based upon the Reserve Report prepared for period ended April 1, 2010 using the NYMEX strip pricing for that period. Further the Company assessed this value based on the weighted average cost of capital of 9%.

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisition had occurred at the first of the period presented:

		Year ended December 31, 2010 (Unaudited)
Oil and gas revenues	$	261,803
Net loss	$	(2,275,775)
Net loss per share basic and diluted	$	(0.07)
Weighted average shares outstanding		34,124,245

Net oil and gas properties at December 31, 2011 and 2010 were:

	Year ended December 31,			
	2011			2010
Beginning balance January 1,		4,462,552	$	868,826
Additions				
Unproved properties		-		1,199,286
Proved properties		-		2,420,884
Asset retirement obligation		-		20,170
Sales and dispositions		-		-
Impairment		(2,845,946)		-
Depletion and depreciation		(8,492)		(46,614)
Ending balance December 31,	$	1,608,114	$	4,462,552

Net oil and gas properties by classification were:

	December 31, 2011		December 31, 2010	
Proved oil and gas properties	$	774,222	$	3,289,710
Unproved oil and gas properties		868,828		1,199,286
Asset retirement asset		20,170		20,170
Accumulated depreciation, depletion and impairment		(55,106)		(46,614)
Total oil and gas assets	$	1,608,114	$	4,462,552

Impairment cf oil and gas properties

During the year ended December 31, 2011 the Company impaired $2,515,488of its proved oil and gas properties. During the year ended December 31, 2010 there was no impairment. The impairment in 2011 was due to reductions in the future estimated recoverable reserves as a result of sporadic production during 2011.

For the year ended December 31, 2011 there was $330,458 impairment of unproved leaseholds. For the year ended December 31, 2010 there was no impairment of unproved leaseholds.

Support facilities and equipment

The Company owns support facilities and equipment which serve its oil and gas production activities. The equipment is depreciated over the useful life of the underlying oil and gas property. The following table details the change in supporting facilities and equipment for the years ended December 31, 2011 and 2010:

Beginning balance as of January 1, 2010	$	-
Additions		785,000
Dispositions		-
Impairment		-
Depreciation		(11,700)
Ending balance as of December 31, 2010		773,300
Additions		-
Dispositions		-
Impairment		(615,850)
Depreciation		(4,168)
Ending balance as of December 31, 2011	$	153,282

NOTE 5- RELATED PARTY TRANSACTIONS

During the year end December 31, 2011, we entered into 12 notes payable with a shareholder: The total of all the notes payable was $122,500 at December 31, 2011. All of the notes payable are due on demand, have no periodic payment terms and bear interest at interest rates of 6% - 7.5% per annum.

From the period of January 2012 through July 2, 2012, the Company entered into 19 additional notes payable with a shareholder totaling $163,230. All of the notes are due on demand, have no periodic payment terms and bear interest at 6% per annum.

Accounts payables and accrued expenses from related party are expenses that have been separately stated from the trade accounts payable that are expenses due to our Chief Executive Officer, and shareholders of the Company. These payables are due upon demand and do not bear interest.

NOTE 6 - ASSET RETIREMENT OBLIGATIONS

The Company records the fair value of a liability for asset retirement obligations ("ARO") in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The present value of the estimated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and is depreciated over the useful life of the asset. The Company accrues an abandonment liability associated with its oil and gas wells when those assets are placed in service. The ARO is recorded at its estimated fair value and accretion is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is determined by using the expected future cash outflows discounted at the Company's credit-adjusted risk-free rate. No market risk premium has been included in the Company's calculation of the ARO balance.

The following is a description of the changes to the Company's asset retirement obligations for the year ended December 31, 2011 and 2010.

Successor Company

		Year Ended December 31,		
		2011		2010
Asset retirement obligation at beginning of the period	$	21,562	$	20,170
Additions		-		-
Accretion expense		2,008		1,392
Asset retirement obligation at end of the period	$	23,570	$	21,562

Predecessor Company

		From January 1, 2010 to April 1, 2010
Asset retirement obligation at the beginning of the period	$	16,157
Additions		-
Accretion expense		6,041
Asset retirement obligation at end of period	$	22,171

NOTE 7- INCOME TAXES

Successor Company:

The provision (benefit) for income taxes from continued operations for the years ended December 31, 2011 and 2010 consist of the following:

	Year Ended December 31,			
	2011		2010	
Current:				
Federal	$	-	$	-
State		-		-
		-		-
Deferred:				
Federal	$	183,709	$	615,510
State		-		-
		183,709		615,510
Valuation allowance		(183,709)		(615,510)
Provision benefit for income taxes, net	$	-	$	-

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

	December 31, 2011	December 31, 2010
Statutory federal income tax rate	(34.0%)	(34.0%)
State income taxes and other	0.0%	0.0%
Change in valuation allowance	34.0%	34.0%
Effective tax rate	-	-

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset and liabilities result principally from the following:

	December 31, 2011	December 31, 2010
Net operating loss carryforward	1,326,582	1,142,873
Valuation allowance	(1,326,582)	(1,142,873)
Deferred income tax asset	$ -	$ -

The Company has a net operating loss carryforward of approximately $3,901,711 available to offset future taxable income through 2030, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, because in the opinion of management based upon the earning history of the Company; it is more likely than not that the benefits will not be realized. The Company anticipates it will continue to record a valuation allowance against the losses of certain jurisdictions, primarily federal and state, until such time as we are able to determine it is "more-likely-than-not" the deferred tax asset will be realized. Such position is dependent on whether there will be sufficient future taxable income to realize such deferred tax assets The Company's effective tax rate may vary from period to period based on changes in estimated taxable income or loss by jurisdiction, changes to the valuation allowance, changes to federal, state or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction.

Under the Tax Reform Act of 1986, the benefits from net operating losses carried forward may be impaired or limited in certain circumstances. Events which may cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. The effect of any limitations that may be imposed for future issuances of equity securities, including issuances with respect to acquisitions have not been determined.

Predecessor Company

In accordance with the provisions of the Partnership agreements the allocation of net income is as follows:

Net Profit for any fiscal year shall be allocated to the Partners in the following order and priority:

a. First, to the Partners in proportion to the cumulative Net Loss previously allocated to the Partners, until the Net Profit allocated to the Partners equals the cumulative Net Loss previously allocated to the Partners;

b. Second, 100% of all revenue less all operational expenses, taxes, rents, supplies, as well as management, consulting, tech support, payroll, and commissions.

Net Loss for any fiscal year shall be allocated to the Partners in the following order and priority:

a. First, to the extent Net Profit has been allocated for any prior year, Net Loss shall be allocated to offset any Net Profit allocated above, such allocation to be in the same proportion as Net Profit was allocated;

b. Second, to the Partners, pro-rata, in proportion to the positive balance of the Partners Capital Accounts, until it is reduced to zero; and,

c. Thereafter, the balance, if any, to the Partners in proportion to the number of Units owned by each.

In accordance with the provisions of the partnership agreements of the Managed Group, net capital appreciation or depreciation of the partnerships is allocated to all partners in proportion to each partner's opening capital account for each accounting period, as defined in the limited partnership agreements.

	April 1, 2010
Net Income (Loss)	$5,774
Permanent Differences - impairment of oil and gas properties	-
Temporary Differences - depletion expense	(4,052)
Taxable income (loss) to be distributed	$1,722

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company entered into an employment agreement with its President (the "Executive') on April 7, 2010 which was amended on July 1, 2010, May 10, 2011, May 23, 2012, and June 29, 2012 (the "Employment Agreement"). The Employment Agreement, as amended, initially expires on July 1, 2013 and shall automatically renew on an annual basis unless terminated in accordance with the provisions of the Employment Agreement. The Employment Agreement provides for:

i. A monthly salary from July 1, 2010 through September 1, 2010 of $10,000 per month and $25,000 per month after September 1, 2010 subject to an annual increase of not less than the Consumer Price Index and consistent with the Company policy applicable to other senior executives and officers and approval by the Board of Directors.

ii. A cash bonus of 25% of his annual base salary each year if the Company reaches the following milestones (none of which were attained in 2011 or 2010):

a. The Company posts annual gross revenues on a consolidated basis of at least $4,000,000;

b. The Company's earnings before the deduction of income taxes and amortization expenses ("EBITA"), including cash extraordinary items but before officer's bonuses, on a consolidated basis for any year is at least $1,000,000; or

c. The completion of annual funding, including equity and debt, of at least $3,000,000.

iii. The issuance of shares equal to 6% of the then issued and outstanding shares of the Company on May 15, 2011 (2,825,620 shares), which were issued in 2011.

iv. The issuance of options (the Employment Agreement refers to them as warrants) on each anniversary date of the Employment Agreement, with a five-year exercise period, to purchase 1% of the then issued and outstanding shares of the Company exercisable at a price equal to the trailing six-month average share trading price prior to grant date.

v. An automobile allowance of $1,859.72 per month.

vi. In the event the Executive's employment is terminated without cause he will receive 12 months of severance pay and all warrants for the following year will be immediately granted.

For the year ended December 31, 2011, the Company paid $120,000 in compensation and recorded accrued compensation expense of $180,000 for the portion of unpaid compensation.

On May 10, 2011 the Company and Executive amended the Employment Agreement to allow the Company to issue the 2,825,625 common shares on May 15, 2011 rather than on September and December 2010 as was required by the Employment Agreement.

On May 23, 2012 and June 29, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated for two issuances of warrants for the years 2011 and 2012, respectively and therefore did not grant or issue any warrants to Executive. Combined, the warrants would have allowed Executive to purchase 2% of the then issued and outstanding shares of the Company's common shares at the market price per share on the date of issuance, for a period of 5 years, as per the Employment Agreement.

On June 29, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated to the Executive for a total of $60,000 of deferred salary or $15,000 a month for the four months ended December 31, 2010 as per the Employment Agreement.

On June 30, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated to the Executive for executive auto allowance and medical benefits in the amount of $91,791.60 for the period from April 7, 2010 through September 30, 2012. Therefore, the Company has not accrued this as an obligation of the Company.

On August 2, 2010 the Company entered into a (1) year non-exclusive agreement with Regency Capital Group ("Regency") as the Company's financial advisor and finder in connection with the placement of structured debt with respect to future acquisitions and transactions of assets or businesses. The agreement required the Company to pay the following in connection with Regency's placement of structured debt with respect to future acquisitions and transactions:

	•	a total of 250,000 common shares which were issued in 2010;
	•	out of pocket expenses;
	•	a transaction success fee, on the close of a transaction, calculated as 2% of the aggregate amount of senior debt and 5% of the aggregated amount of mezzanine or subordinated debt placed by Regency. In the event a single lender provides debt equal to both the senior and subordinated debt in a uni-tranche, the Company will pay a cash transaction fee of 3.5% of the total funding. At the discretion of the Company, the Company may elect to pay up to 50% of the transaction success fees with the Company's common stock.

On August 2, 2011 this agreement expired.

NOTE 9- STOCKHOLDERS' EQUITY

Common Stock Issuances

The Company is authorized to issue 200,000,000 shares of common stock, at $0.001 par value, of which 49,919,289 common shares were issued and outstanding as of December 31, 2011.

The Company periodically issues shares of its common stock and warrants to purchase shares of common stock to investors in connection with private placement transactions, as well as to advisors and consultants for the fair value of services rendered.

2011 Activity:

During the year ended December 31, 2011, the Company issued 634,615 common shares for $50,000 in net proceeds in private placements. The price received in the private placements ranged from $0.065 per share to $0.10 per share.

During the year ended December 31, 2011, the Company issued 6,975,620 common shares with an aggregate fair value of approximately $642,818 in exchange for services. The $642,818 of services was expensed as compensation including $12,000 for our new CFO, Richard Polep, $310,818 for our new CEO, Gary Kucher, and $320,000 for our resigning CEO, Stephen Thompson during the year ended December 31, 2011. The trading price used to estimate the fair values of the common stock issued for the year ended December 31, 2011 was the trading price on the respective grant dates ranging from $0.08-$0.11 per share.

2010 Activity:

During the year ended December 31, 2010, the Company issued 858,850 common shares for $204,500 in net proceeds in private placements. The price received in the private placements ranged from $0.04 per share to $0.67 per share.

During the year ended December 31, 2010, the Company issued 3,406,111 common shares with an aggregate fair value of approximately $1,942,431 in exchange for services. The Company assessed the quoted market price of the stock at the grant date and believed that due to the sporadic trading there was not an active market for the Company's stock and that the quoted market price was not reflective of the fair value of the transactions. The fair value of the common shares issued was based on the weighted average of the price received in private placements of stock issued for cash during the same time frame that the shares were issued for services as the Company determined that this was a more accurate measurement of the fair value of the shares issued. The $1,942,431 of consulting services was expensed as compensation during the year ended December 31, 2010. The weighted average price used to estimate the fair values of the common stock issued for the year ended December 31, 2010 was $0.57 per share.

On April 1, 2010, the Company issued 22,786,872 restricted shares of the Company's common stock for the acquisition of oil and gas properties (See "Note 4 - Acquisitions").

Preferred Stock

The Corporation is authorized to issue classes of preferred stock to be designated by the Board of Directors. The total number of preferred shares that the Company is authorized to issue is twenty million (20,000,000) shares with a par value of $0.001 per share. Except as otherwise required by statute, the designations and the powers, preferences and rights, and the qualifications or restrictions thereof, of any class or classes of stock or any series of any class of stock of the Company may be determined from time to time by resolution or resolutions of the Board of Directors.

NOTE 10 - SUBSEQUENT EVENTS

On June 13, 2012 the Company issued 100,000 common shares to two (2) Company's advisors totaling 200,000 common shares valued at $0.035 based on the trading price of the stock on the grant date and the Company expensed $7,000.

On June 18, 2012 the Company issued 50,000 common shares to a Director that was granted on August 15, 2011. The Company recorded a value of $5,000 based on the trading price of the stock on the grant date of $0.10.

NOTE 11 - SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The estimates of proved oil and gas reserves utilized in the preparation of these statements were prepared by American Energy Advisors, Inc. ("American"), independent petroleum engineers using reserve definitions and pricing requirements prescribed by the SEC. American used a combination of production performance and offset analogies, along with estimated future operating and development costs as provided by the Company and based upon historical costs adjusted for known future changes in operations or developmental plans, to estimate our reserves.

There are numerous uncertainties inherent in estimating quantities of proved reserves, projecting future rates of production and projecting the timing of development expenditures, including many factors beyond our control. The reserve data represents only estimates. Reservoir engineering is a subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretations and judgment. All estimates of proved reserves are determined according to the rules prescribed by the SEC. These rules indicate that the standard of "reasonable certainty" be applied to the proved reserve estimates. This concept of reasonable certainty implies that as more technical data becomes available, a positive, or upward, revision is more likely than a negative, or downward, revision. Estimates are subject to revision based upon a number of factors, including reservoir performance, prices, economic conditions and government restrictions. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of that estimate. Reserve estimates are often different from the quantities of natural gas and oil that are ultimately recovered. The meaningfulness of reserve estimates is highly dependent on the accuracy of the assumptions on which they were based. In general, the volume of production from natural gas and oil properties we own declines as reserves are depleted. Except to the extent we conduct successful development activities or acquire additional properties containing proved reserves, or both, our proved reserves will decline as reserves are produced. There have been no major discoveries or other events, favorable or adverse, that may be considered to have caused a significant change in the estimated proved reserves since December 31, 2011. The Company emphasizes that reserve estimates are inherently imprecise. Accordingly, the estimates are expected to change as more current information becomes available. In addition, a portion of the Company's proved reserves are proved developed non-producing and proved undeveloped, which increases the imprecision inherent in estimating reserves which may ultimately be produced.

All of the Company's reserves are located in the United States.

Capitalized costs relating to oil and gas producing activities:

As of December 31, 2011		
Unproved oil and gas properties	$	936,111
Proved oil and gas properties		727,109
Accumulated depreciation, depletion, and amortization		(55,106)
Net capitalized costs	$	1,608,114

Net capitalized costs related to asset retirement obligations in the amount of $20,170, as of December 31, 2011, was included in net capitalized costs.

As of December 31, 2010		
Unproved oil and gas properties	$	1,199,286
Proved oil and gas properties		3,309,880
Accumulated depreciation, depletion, and amortization		(46,614)
Net capitalized costs	$	4,462,552

Net capitalized costs related to asset retirement obligations in the amount of $20,170, as of December 31, 2010, was included in net capitalized costs.

Costs incurred in oil and gas property acquisition, exploration, and development activities:

Year ended December 31, 2011		
Acquisition of properties - proved	$	-
Acquisition of properties - unproved		-
Exploration costs		-
Development costs		-
Total costs incurred	$	-

Year ended December 31, 2010		
Acquisition of properties - proved	$	4,094,880
Acquisition of properties - unproved		330,460
Exploration costs		-
Development costs		-
Total costs incurred	$	4,425,340

Estimated Quantities of Proved Oil and Gas Reserves

The following table sets forth proved oil and gas reserves together with the changes therein, proved developed reserves and proved undeveloped reserves for the years ended December 31, 2011 and 2010. Units of oil are in thousands of barrels (MBbls) and units of gas are in millions of cubic feet (MMcf). Gas is converted to barrels of oil equivalent (MBoe) using a ratio of six Mcf of gas per Bbl of oil.

	2011			2010		
	Oil	Gas	BOE	Oil	Gas	BOE
Proved reserves:	-	-	-	-	-	-
Beginning of period	106	1,153	297			
Revisions	(63)	(11)	(65)	-	-	-
Extensions and discoveries	-	-	-	-	-	-
Sales of minerals-in-place	-	-	-	-	-	-
Purchases of minerals-in-place	-	-	-	109	1,153	300
Production	(3)	-	(3)	(3)	-	(3)
End of period	40	1,142	229	106	1,153	297
Proved developed reserves:						
Beginning of period	77	122	97	-	-	-
End of period	12	-	12	77	122	97
Proved undeveloped reserves:						
Beginning of period	29	1,031	200	-	-	-
End of period	28	1,142	217	29	1,031	200

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by the Company's independent petroleum engineering consultants, which contain imprecise estimates of quantities and rates of future production of reserves. Revisions of previous year estimates can have a significant impact on these results. Also, exploration costs in one year may lead to significant discoveries in later years and may significantly change previous estimates of proved reserves and their valuation. Therefore, the standardized measure of discounted future net cash flow is not necessarily indicative of the fair value of the Company's proved oil and natural gas properties.

Future cash inflows for 2011 were computed by applying the average price for the year to the year-end quantities of proved reserves. The 2011 average price for the year was calculated using the 12-month period prior to the ending date of the period covered by the report, determined as an un-weighted arithmetic average of the first-day-of-the-month price for each month within such period. Adjustment in this calculation for future price changes is limited to those required by contractual arrangements in existence at the end of each reporting year. Future development, abandonment and production costs were computed by estimating the expenditures to be incurred in developing and producing proved oil and natural gas reserves at the end of the year, based on year-end costs, assuming continuation of year-end economic conditions. Future income tax expense was computed by applying statutory rates, less the effects of tax credits for each period presented, to the difference between pre-tax net cash flows relating to the Company's proved reserves and the tax basis of proved properties, after consideration of available net operating loss and percentage depletion carryovers. Discounted future net cash flows have been calculated using a ten percent discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The estimated present value of future cash flows relating to proved reserves is extremely sensitive to prices used at any measurement period. The prices used for each commodity for the years ended December 31, 2011 and 2010, as adjusted, were as follows:

As of December 31,		Oil (Bbl) Using NYMX WTI		Gas (Mcf) Using NYMEX Henry Hub
2011 (average price)	$	95.84	$	4.15
2010 (average price)	$	79.20	$	4.39

The information provided in the tables set out below does not represent management's estimate of the Company's expected future cash flows or of the value of the Company's proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation prescribed under ASC No. 932 requires assumptions as to the timing and amount of future development and production costs. The calculations should not be relied upon as an indication of the Company's future cash flows or of the value of its oil and gas reserves.

The following table sets forth the standardized measure of discounted future net cash flows relating to proved reserves for the years ended December 31, 2011 and 2010, respectively:

		2011		2010
		(in thousands)		
Future cash inflows	$	7,488	$	12,548
Future costs:				
Production		(3,773)		(5,689)
Transportation costs		(209)		(555)
Development		(1,014)		(1,174)
Severance tax		(329)		(550)
Future net cash inflows		2,163		4,580
10% discount factor		(1,429)		(2,949)
Standardized measure of discounted net cash flows	$	734	$	1,631

Summary of Changes in Standardized Measure of Discounted Future Net Cash Flows

The following table sets forth the changes in the standardized measure of future net cash flows discounted at 10% per annum for the years ended December 31, 2011 and 2010 (stated in thousands):

		2011		2010
Beginning of period	$	1,631	$	-
Sales of oil and natural gas produced, net of production costs		(76)		(108)
Extensions and discoveries		-		-
Net change of prices and production costs		(542)		-
Change in future development costs		-		-
Previous estimated development costs incurred		57		-
Revisions of previous quantity estimates		(276)		-
Accretion of discount		163		-
Change in income taxes		-		-
Purchases of reserves in place		-		1,739
Timing and other		(223)		
End of period	$	734	$	1,631

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

None

ITEM 9A - CONTROLS AND PROCEDURES

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, December 31, 2011. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2011.

Our principal executive officer and our principal financial officer, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Management is required to base its assessment of the effectiveness of our internal control over financial reporting on a suitable, recognized control framework, such as the framework developed by the Committee of Sponsoring Organizations (COSO). The COSO framework, published in *Internal Control-Integrated Framework*, is known as the COSO Report. Our principal executive officer and our principal financial officer have chosen the COSO framework on which to base its assessment. Based on this evaluation, our management concluded that our internal control over financial reporting was ineffective as of December 31, 2011. The Company's material weaknesses in financial reporting were:

- The inability of the Company to prepare and file its financial statements timely due to its limited financial and personnel resources and delays in the Company's ability to respond to SEC inquiries regarding financial and accounting presentation in its 2010 Form 10K, which was subsequently amended. Further, the amendment to its Form 10K caused the Company to be unable to file the required 2011 financial statements by the reporting deadline of April 15, 2012.
- Also, in the fourth quarter of 2011, the Company determined it had failed to accrue deferred compensation each reporting period during 2011 totaling $180,000 ($45,000 a quarter) for 2011 for our CEO which has been recorded at December 31, 2011. Accordingly, the Company will be required to amend each of its quarterly filings for 2011 to reflect the amount of compensation that should have been recorded for each reporting period.

There were no changes in our internal control over financial reporting that occurred during the last quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

ITEM 9B - OTHER INFORMATION

None

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table sets forth the names and ages of our current directors and executive officers, the principal offices and positions held by each person, and the date such person became a director or executive officer. Our executive officers are elected annually by the Board of Directors. The directors serve one year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	**Age**	**Position(s)**
Gary D. Kucher	48	Chief Executive Officer, Director
Richard S. Polep	73	Chief Financial Officer, Secretary, Treasurer, Director
Richard D. Herstone	65	Director

Gary D. Kucher - Mr. Kucher has been Chief Executive Officer since April 26, 2011 and from April 2010 has been President and a Director. He is a seasoned executive with numerous appointments, directorships and consulting roles with both public and private companies in a variety of industries and business sectors. Mr. Kucher has a strong background in investment banking; having held securities licenses, Series 7 and Series 24. He has provided consulting for business acquisitions and other commercial finance transactions to financial and strategic buyers, stock offerings, spin-offs, leveraged buy-outs and joint-venture arrangements. Mr. Kucher has sourced and executed M&A deals for leading technology companies and selected venture investments. He has also advised banking, insurance, finance and investment banking companies on M&A and equity deals. Since 2008, Mr. Kucher has served as Managing Director of MB&A Capital, Beverly Hills, California. MB&A is an international business advisory.

Between 2006 and 2008 Mr. Kucher was CEO of Branded Media Corporation, a New York City based media and advertising holding Company and Chairman of the Board of its wholly owned subsidiary Executive Media Network, which sells advertising to "Fortune 500" clients deploying ads in airport executive lounges throughout the U.S. and Europe.

In 2005, Mr. Kucher co-founded Genius Interactive, a social network development company focused on providing rich online environments that encouraged achievement and accomplishment. He continues to serve on the Board of Directors of Genius Interactive Inc.

From 2000 to 2004, Mr. Kucher was CEO and Chairman of the Board of Manex Entertainment with facilities in Hollywood and Alameda, California and over 300 employees. The Company provided production services, facilities and equipment to over 50 film and television productions and created the Academy Award winning visual effects for "The Matrix" and "What Dreams May Come".

Mr. Kucher has also served on the Board of Directors of Visual Network Design Inc., dba Rackwise.

Richard S. Polep - is our Chief Financial Officer, Secretary, and Treasurer since August 2011. Mr. Polep has over 46 years experience in public accounting and has substantial experience in financial reporting and disclosure rules and regulations of the Securities and Exchange Commission, including internal controls, initial public offerings, private offerings, corporate acquisitions and reorganizations.

Mr. Polep spent 31 years with Grant Thornton LLP, which is ranked number five in international accounting firms. He was a partner with that firm for 24 years. He then joined SingerLewak LLP as an audit and quality control partner and was there for eleven years. Since January 2010, he has been a sole-practitioner performing consulting services for publicly traded and privately held companies as well as accounting and auditing firms.

Mr. Polep has industry experience in manufacturing and distribution, financial services, oil and gas, life sciences, technology, hospitality, and gaming. He has also served as an expert witness.

Mr. Polep graduated from the University of Southern California in 1961 with a Bachelor of Science degree in Accounting and has been an instructor for the California Society of CPAs. He is active in the AICPA and is a former member of the AICPA Securities and Exchange Commission Practice Section Executive Committee.

Richard D. Herstone - is a Director. Mr. Herstone is the found of Regency Capital Group and has served as its managing member since 1991. The firm acts in an advisory capacity with its clients, specializing primarily in structuring debt financings for strategic and financial acquisitions, growth, diverters and other corporate purposes. He has handled buy-side and sell-side engagements, leveraged and management buyouts, and the placement or origination of junior and senior capital. He also has experience with restricting, turnarounds and brand licensing. IN 2007, Mr. Herstone was instrumental in engaging worldwide licensing rights with Speedo International for a Speedo branded digital waterproof MP3 player and digital waterproof cameras. Mr. Herstone has fulfilled various appointments in senior management positions including serving as Interim President of Bungee International, Treasurer of GaryPlayerGolf.com and Director of Business Development for each of Manex Entertainment, Inc. and Ryne Telemedicine, LLC. Through his network of business relationship in Korea and Chine, Mr. Herstone has been successful in negotiating supply contracts for significant quantities of scrap metal with deliveries into South Korea, China and Turkey. Prior to founding Regency Capital Group, Mr. Herstone was a partner at Regency International, a finance company specializing in large-ticket equipment leasing transaction that includes aircraft, machine tools, and rail assets. Prior to that he was the founder and president of First Atlantic Equipment Leasing Corporation, a full-service leasing company dedicated to providing unique financing opportunities to its "Fortune 500" clients.

Other Directorships

None of our officers and directors are directors of any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

Audit Committee

We do not currently have an audit committee.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file and the following have not been filed:

Gary D. Kucher 3,965,620 shares

Board Meetings and Committees

During the fiscal year ended December 31, 2011, the Board of Directors met several times and took written action on several other occasions. All the members of the Board attended the meetings. The written actions were by unanimous consent

Code of Ethics

We have adopted a code of ethics that applies to all of our executive officers, directors and employees. Code of ethics codifies the business and ethical principles that govern all aspects of our business. This document will be made available in print, free of charge, to any shareholder requesting a copy in writing from the Company and it attached hereto as Exhibit 14.1 incorporated by reference from our December 31, 2010 Form 10K.

ITEM 11 - EXECUTIVE COMPENSATION

Executive Officers and Directors

The following tables set forth certain information concerning all compensation paid, earned or accrued for service by (i) our Principal Executive Officer and Principal Financial Officer and (ii) all other executive officers who earned in excess of $100,000 in the three fiscal years ended December 31, 2011, and each of the other two most highly compensated executive officers of the Company who served in such capacity at the end of the fiscal year whose total salary and bonus exceeded $100,000 (collectively, the "Named Executive Officer"):

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) *	Option Awards ($) *	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation ($)	All Other Compensation ($)	Total ($)
Stephen M. Thompson, Chairman of the Board and President	2011 2010	- -	- -	291,744(4)	- -	- -	- -	- -	291,744
Pamela J. Thompson, Chief Financial Officer, Secretary, Treasurer, and Director	2011 2010	52,000 58,500	- -	- 238,010 (1)	- -	- -	- -	- -	52,000 296,510
Gary D. Kucher, President and Director	2011 2010	300,000 90,000	- -	310,818(5) 711,360 (2)	- -	- -	- -	- -	610,818 801,360
Richard S. Polep, Chief Financial Officer, Secretary, Treasurer, and Director	2011 2010	- -	- -	12,000(6) 28,500 (3)	- -	- -	- -	- -	12,000 28,500
Richard D. Herstone, Director	2011 2010	- -	- -	5,000(7) -	- -	- -	- -	- -	- -

* Based upon the aggregate grant date fair value calculated in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard ("FAS") No. 123R, Share Based Payment. Our policy and assumptions made in valuation of share based payments are contained in the Notes to our December 31, 2011 financial statements. The monies shown in the "option awards" column is the total calculated value for each individual. The shares of our common stock issued to our officers and directors were restricted shares and federal and state securities laws place restrictions on the ability of our officers and directors to sell our common stock.

(1) Represents the 380,000 shares Ms. Thompson received in 2010; Ms. Thompson does not have beneficial ownership of these common shares. Ms. Thompson's shares were granted to an irrevocable trust that she is not the beneficiary, does not control or vote any shares of the Company;

(2) Represents the 1,140,000 shares issued for the benefit of Mr. Kucher in 2010;

(3) Represents the 50,000 shares Mr. Polep received in 2010;

(4) Served as principal executive officer from April 7, 2010 through April 17, 2011 and Mr. Thompson received 4,000,000 common shares in 2011,

(5) Represents the 2,825,620 issued for the benefit of Mr. Kucher in 2011.

(6) Represents the 150,000 shares Mr. Polep received in 2011.

(7) Represents the 50,000 shares Mr. Herstone received in 2011

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding stock awards held by the Named Executive Officers as of December 31, 2011:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Stephen M. Thompson	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Pamela J. Thompson	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Gary D. Kucher	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Richard S. Polep	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Richard D. Herstone	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

Compensation of Directors

We issue our director Richard Polep 50,000 common shares each, per year, as compensation for serving on our Board of Directors. We granted 50,000 common shares to Richard Herstone on August 5, 2011 but the shares were not issued until June 18, 2012. The following table sets forth director compensation as of December 31, 2011:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) *	Option Awards ($) *	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Stephen M. Thompson	0-	0	0-	0	0	0	0
Pamela J. Thompson	0-	0	0	0	0	0	0
Gary D. Kucher	0-	0	0	0	0	0	0
Richard S. Polep	0-	28,500 (1)	0	0	0	0	28,500 (1)
Richard D. Herstone	0-	5,000	0	0	0	0	0

* Based upon the aggregate grant date fair value calculated in accordance with the Accounting Codification Standard Topic 718 "Share-Based Payments. Our policy and assumptions made in valuation of share based payments are contained in the notes to our financial statements. The monies shown in the "option awards" column is the total calculated value for each individual.

	(1)	Richard Polep was appointed to our Board of Directors on May 12, 2010. Represents the 50,000 shares Mr. Polep received as our Director.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding stock awards held by the Named Executive Officers as of December 31, 2011:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Stephen M. Thompson	-	-	-	-	-	-	-	-	-
Pamela J. Thompson	-	-	-	-	-	-	-	-	-
Gary D. Kucher	-	-	-	-	-	-	-	-	-
Richard S. Polep	-	-	-	-	-	-	-	-	-
Richard D. Herstone	-	-	-	-	-	-	-	-	-

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

The following table sets forth, as of December 31, 2011, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 10% of each class of the Company's outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

	Common Stock		
Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Percent of Class (1)**
Common Stock	Stephen M. Thompson (1)	3,925,000(2)	7.86%
Common Stock	Gary D. Kucher (1,3)	3,965,620 (2,4)	7.94%
Common Stock	Richard D. Herstone (1,3)	175,000 (2)	<1.00%
Common Stock	Richard S. Polep (1,3)	200,000 (2)	<1.00%
Common Stock	Pamela J. Thompson (1,3)	-	-
Common Stock	All Directors and Officers As a Group (4 persons)	8,265,620 (2)	16.55%

(1) Unless otherwise indicated, the address of the shareholder is Consolidation Services, Inc. 2300 West Sahara Drive # 800, Las Vegas, NV 89102.

(2) Unless otherwise indicated, based on 49,919,289 shares of common stock issued and outstanding. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage of any other person.

(3) Indicates our officers or directors. (Pamela Thompson resigned as an officer and director on August 11, 2011).

(4) Includes 3,965,620 shares held in the name of Dolphin Marine, Inc. and Vernal Capital Incorporated entities partially controlled by Gary Kucher.

There are no current arrangements which will result in a change in control.

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

We do not have an audit, compensation, or nominating committee.

During the year-end December 31, 2011 we entered into 12 notes payable; the total of all the notes payable were $122,500. From the period of January 2012 through May 2012 we entered into an additional 15 notes payable with a shareholder totaling $114,500.

See "Employment Contracts" above, for the terms of Gary D. Kucher's employment contract as President of the Company. See "Compensation of Directors" above, for terms of compensation to Richard S. Polep, and Richard D. Herstone, directors of the Company.

Stephen Thompson through Leland Energy Holdings, Inc. was the managing member of the 12 acquired partnerships. However, Mr. Thompson did not hold any controlling interest, controlling management, or any form of control over those partnerships.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Restated Fees

During the year ended December 31, 2010, GBH CPAs., billed us $42,500 in fees for professional services for the audit of our financial statements in our Form 10-K and review of financial statements included in our Form 10-Q's, as applicable. During the year ended December 31, 2011, GBH CPAs billed us $40,000 in fees for professional services for the audit and review of our financial statements.

Tax Fees

During the year ended December 31, 2010, GBH CPAs billed us $0 for professional services for tax preparation. During the year ended December 31, 2011, GBH CPAs billed us $0 for professional services for tax preparation.

All Other Fees

During the year ended December 31, 2010, GBH CPAs billed us $0 for other fees. During the year ended December 31, 2011, GBH CPAs billed us $0 for other fees.

Of the fees described above for the year ended December 31, 2011, 100% were approved by the entire Board of Directors.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

3.1		Articles of Incorporation of Consolidation Services, Inc.(1)
3.2		Articles of Amendment to Articles of Incorporation (1)
3.3		Bylaws of Consolidation Services, Inc. (1)
4.1		Form of Class A Common Stock Purchase Warrant(1)
4.2		Form of Class B Common Stock Purchase Warrant(2)
4.3		Form of Class C Common Stock Purchase Warrant(2)
4.4		Form of Subscription Agreement, dated February 9, 2007(2)
10.1		Real Estate Sale and Purchase Agreement, dated January 8, 2008, between Larry Bruce Herald and Consolidation Services, Inc.(5)
10.2		Agreement to Assign Real Estate Purchase Option, dated January 8, 2008.(5)
10.3		Property Agreement, by and among Consolidation Services, Inc. and Billy David Altizer, Pat E. Mitchell, Howard Prevette, William Dale Harris and Buckhorn Resources LLC effective March 20, 2008 and entered into on March 27, 2008(3)
10.4		Option Oil, Gas and Mineral Agreement, dated as of March 31, 2008, by and among Consolidation Services, Inc. and Eastern Kentucky Land Corporation (the "EK Option Agreement"), with the Oil, Gas and Mineral Agreement, dated as of March 29, 2008, by and among Consolidation Services, Inc. and Eastern Kentucky Land Corporation (the "Rights Agreement"), attached as Exhibit A to the Option Agreement.(4)
10.5		Extension of Real Estate Option to Purchase Agreement, dated June 13, 2008, between the Company and Larry Bruce Herald.(5)
10.6		Stock Purchase Agreement ("Agreement") is entered into as of July 1, 2008, by and among Vector Energy Services, Inc., John C. Francis, and Consolidation Services, Inc (6)
10.7		Development Agreement, dated August 26, 2008, between Consolidation Services, Inc. and AMS Development, LLC.(7)
10.8		Form of Promissory Note, dated August 25, 2008, made by Consolidation Services, Inc. to Larry Bruce Herald.(7)
10.9		Form of Mortgage, dated August 25, 2008, between Consolidation Services, Inc. and Larry Bruce Herald.(7)
10.10		LeeCo Agreement, entered into as of September 11, 2008, by and among Consolidation Services, Inc., Altizer, Mitchell, and LeeCo Development, LLC (8)
10.11		Agreement between the Company and Larry Bruce Herald, dated on or about May 27, 2009.(9)
10.12		Amendment to August 26, 2008 Agreement between the Company and AMS Development LLC, dated June 25, 2009.(9)
10.13		Amendment to March 20, 2008 Agreement between the Company and Buckhorn Resources LLC, dated June 25, 2009.(9)

10.14		Amendment to June 19, 2008 Agreement between the Company and LeeCo. Development LLC, dated June 25, 2009.(9)
10.15		Separation and Distribution Agreement by and between Consolidation Services, Inc. and Colt Resources, Inc.(10)
14.1		Code of Ethics
16.1		Letter from Moore and Associates, Chartered, dated August 11, 2009 to the Commission regarding statements included in Form 8-K for August 7, 2009.
*21.1		Subsidiaries of Registrant
*31.1		Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2		Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1		Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2		Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference from the Company's Form SB-2 filed with the Commission on April 13, 2007.
(2) Incorporated by reference from the Company's Amendment No. 1 to Form SB-2 filed with the Commission on June 12, 2007.
(3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on March 31, 2008.
(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on April 2, 2008.
(5) Incorporated by reference to the Company's Current Report on Form 8-K/Amendment No. 1 filed with the Commission on June 30, 2008.
(6) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008, filed with the Securities and Exchange Commission on August 1, 2008.
(7) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on August 28, 2008.
(8) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on September 17, 2008.
(9) Incorporated by reference to the Company's Report on Form 10-Q for the period ended June 30, 2009.
(10) Incorporated by reference to the Company's Current Report on Form 8-K for February 9, 2010 filed with the Commission on February 12, 2010.
* Filed herewith

SIGNATURES

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

	idation Services, Inc.
Dated: July 24, 2012	/s/ Gary D. Kucher By: Gary D. Kucher Its: Chief Executive Officer, Principal Executive Officer, Director
Dated: July 24, 2012	/s/ Richard S. Polep By: Richard S. Polep Its: Chief Financial Officer, Principal Accounting Officer, Secretary, Treasurer, Director

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

Dated: July 24, 2012	/s/ Gary D. Kucher By: Gary D. Kucher Its: Chief Executive Officer, President, Director
Dated: July 24, 2012	/s/ Richard S. Polep By: Richard S. Polep Its: Chief Financial Officer, Principal Accounting Officer, Secretary, Treasurer, Director
Dated: July 24, 2012	/s/ Richard D. Herstone By: Richard D. Herstone Its: Director

Section II

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

FORM 10-Q

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT**

For the transition period from N/A to N/A

Commission File No. 0-54230

CONSOLIDATION SERVICES, INC.

(Name of small business issuer as specified in its charter)

Nevada	20-8317863
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2300 West Sahara Drive, Suite 800, Las Vegas, NV 89102
(Address of principal executive offices)

(702) 949-9449
(Issuer's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [X]

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-Accelerated filer	[ ]	Small reporting company	[X]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 2, 2012
Common stock, $0.001 par value	50,169,289

CONSOLIDATION SERVICES, INC.
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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Amendment No. 3 on Form 10-K amends the Annual Report on Form 10-K for the year ended December 31, 2010 (the "Original Report") and was filed by Consolidation Services, Inc. (the "Company") in response to comments by the Securities and Exchange Commission the amount of the error is approximately $10.9 million. The accumulated loss would be reduced by $10.9 million for December 31, 2011.

The consolidated financial statements have also been restated to reflect the accrued compensation of our Chief Executive Officer for the three and six months ended June 30, 2012 of $45,000 and $90,000, respectively, loss per share would be reduced by $0.00 and accumulated deficit would be reduced by $10.9 million. The Company intends to amend the June 30, 2010, September 30, 2010, March 31, 2011, June 30, 2011, and September 30, 2011 10-Qs for these changes.

CONSOLIDATION SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS:		
CURRENT ASSETS		
Cash	$ 21,181	$ 668
Accounts receivable - oil and gas	5,682	12,744
Total current assets	26,862	13,412
PROPERTY AND EQUIPMENT		
Oil and gas properties, net, including $868,828 not subject to amortization and $1,199,286 of unproved property costs using the successful efforts method of accounting	1,605,980	1,608,114
Support equipment, net	151,199	153,282
TOTAL ASSETS	1,784,041	1,774,808
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	401,778	320,290
Accounts payable - related party	294,198	200,948
Accrued interest - related party	8,992	3,117
Notes payable - shareholder	276,730	122,500
Total current liabilities	981,699	646,855
Asset retirement obligations	28,043	23,570
TOTAL LIABILITIES	1,009,742	670,425
CONTINGENCIES AND COMMITMENTS	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $.001 par value, 20,000,000 shares authorized; none issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	-	-
Common stock, $.001 par value, 200,000,000 shares authorized; 50,169,289 and 49,919,289 issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	50,171	49,919
Additional paid-in capital	9,349,607	9,337,857
Accumulated deficit	(8,630,478)	(8,283,393)
Total stockholders' equity	769,300	1,104,383
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,779,042	$ 1,774,808

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

CONSOLIDATION SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended, June 30, 2012		Three Months Ended, June 30, 2011 Restatec
OIL AND GAS REVENUES	$	22,494	$ 78
COSTS AND OPERATING EXPENSES:			
Lease operating expenses		38,995	68
Depreciation, depletion, amortization and accretion		2,257	17
General and administrative		174,692	758
Total costs and operating expenses		215,944	844
OPERATING LOSS		(193,450)	(765,'
OTHER EXPENSES			
Interest expense		3,478	
Total other expense		3,478	
LOSS BEFORE INCOME TAXES		(196,928)	(766,(
Provision for income taxes		-	
NET LOSS	$	(196,928)	$ (766,(
BASIC AND DILUTED LOSS PER COMMON SHARE:			
Net loss per common share, basic and diluted		(0.00)	(C
Weighted average number of common shares outstanding, basic and diluted		49,954,614	47,292

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

CONSOLIDATION SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		Restated
Net loss	$ (347,085)	$ (922,943)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion, and amortization	4,218	36,089
Accretion of asset retirement obligations	4,473	963
Common stock issued for services	7,000	642,820
Changes in operating assets and liabilities:		
Accounts receivable	7,062	(8,334)
Accounts payable	95,615	58,118
Accounts payable - related party	95,000	115,948
Net cash used in operating activities	(133,717)	(77,339)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuances of common stock	-	50,000
Proceeds from note payable	154,230	35,000
Net cash provided by financing activities	154,230	85,000
INCREASE IN CASH	20,513	7,661
CASH, BEGINNING OF YEAR	668	17,236
CASH, END OF PERIOD	$ 21,181	$ 24,897
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income Taxes	$ -	$ -
Interest Paid	$ -	$ -

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

CONSOLIDATION SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - RESTATEMENT

Amendment No. 3 on Form 10-K amends the Annual Report on Form 10-K for the year ended December 31, 2010 (the "Original Report") and was filed by Consolidation Services, Inc. (the "Company") in response to comments by the Securities and Exchange Commission the amount of the error is approximately $10.9 million. The accumulated loss would be reduced by $10.9 million for December 31, 2011 which effected the June 30, 2011 Balance Sheet.

The consolidated financial statements have been restated to properly reflect the accrual of our CEO's compensation in accordance with the April 7, 2010 employment agreement as amended on July 1, 2010, May 10, 2011, May 23, 2011, June 29, 2012, and June 30, 2012. The Company inadvertently did not record the $15,000 accrued compensation in the prior March 31, 2011, June 30, 2011 and September 30, 2011 10-Q filings. The Company did report the appropriate compensation expense and accrued compensation of the CEO in the December 31, 2011 Form 10-K for a total amount of $180,000.

	Three months ended June 30, 2011		
	As Filed	Adjustments	As Restated
Accounts Payable - related party	$ 25,948	$ 45,000	$ 70,948
Additional paid-in capital	20,249,895	(10,912,037)	9,337,858
Accumulated deficit	$ (15,378,434)	$ (10,867,037)	$ (4,511,398)
Statement of Operations			
General and administrative	$ 713,956	$ 45,000	$ 758,956
Operating loss	$ 720,778	$ 45,000	$ 765,778
Loss before taxes	$ 721,031	$ 45,000	$ 766,031
Net loss	$ 721,031	$ 45,000	$ 766,031

	Six months ended June 30, 2011		
	As Filed	Adjustments	As Restated
Statement of Operations			
Accounts Payable - related party	$ 25,948	$ 90,000	$ 115,948
Additional paid-in capital	20,249,895	(10,912,037)	9,337,858
Accumulated deficit	$ (15,378,434)	$ (10,822,037)	$ (4,556,397)
General and administrative	$ 861,610	$ 90,000	$ 951,610
Operating loss	$ 832,690	$ 90,000	$ 922,690
Loss before taxes	$ 832,943	$ 90,000	$ 922,943
Net loss	$ 832,943	$ 90,000	$ 922,943

NOTE 2 - DESCRIPTON OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Services, Inc. (the "Company" or "CNSV") was incorporated in the State of Delaware on January 26, 2007. The Company is engaged in the exploration and development of oil and gas reserves in Kentucky and Tennessee.

Basis of Presentation of Interim Financial Statements

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. While management of the Company believes that the disclosures presented herein are adequate and not misleading, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2011 included within its Form 10-K as filed with the Securities and Exchange Commission.

Principles of Consolidation

On June 2, 2010, CSI Energy, Inc. and CSI Resource, Inc. were incorporated in the State of Nevada as wholly-owned subsidiaries of the Company. CSI Energy, Inc. and CSI Resources, Inc. are presently not operating subsidiaries.

Use of Estimates and Assumptions

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

The Company's consolidated financial statements are based on a number of significant estimates including the oil and gas reserve quantities, which are the basis for the calculations of depreciation, depletion, and impairment. The Company's reserve quantities are determined at least annually by an independent petroleum engineering firm. However, management emphasizes that estimated reserve quantities are inherently imprecise and that estimates of more recent discoveries are more imprecise than those for properties with long production histories. Accordingly, the Company's estimates are expected to change as future information becomes available.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2012, cash and cash equivalents include cash on hand and cash in depository institutions/commercial banks.

Oil and Gas Properties

The Company uses the successful efforts method of accounting for oil and gas operations. Under this method of accounting, costs to acquire mineral interests in oil and gas properties, to drill and equip development wells, and to drill and equip exploratory wells that find proved reserves are capitalized. Depletion of capitalized costs for producing oil and gas properties is calculated using the unit-of-production method based on estimates of proved oil and gas reserves on a field-by-field basis.

The costs of unproved leaseholds and mineral interests are capitalized pending the results of exploration efforts. In addition, unproved leasehold costs are assessed periodically, on a property-by-property basis, and a loss is recognized to the extent, if any, the property has been impaired. This impairment will generally be based on geophysical or geologic data. Due to the perpetual nature of the Company's ownership of the mineral interests, the drilling of a well, whether successful or unsuccessful, may not represent a complete test of all depths of interest. Therefore, at the time that a well is drilled, only a portion of the costs allocated to the acreage drilled may be expensed. As unproved leaseholds are determined to be productive, the related costs are transferred to proved leaseholds. The costs associated with unproved leaseholds and mineral interests that have been allowed to expire are charged to exploration expense.

The Company evaluates impairment of its property and equipment and other long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is determined that an asset's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge must be recorded to reduce the carrying amount of the asset to its estimated fair value. Fair value is determined by reference to the present value of estimated future cash flows of such properties.

Exploration costs, including exploratory dry-holes, annual delay rental and geological and geophysical costs are charged to expense when incurred.

Support Equipment and Facilities

Support equipment and facilities including furniture, fixtures, automobiles, office equipment, leasehold improvements, and computer software, are stated at cost. Depreciation and amortization of support equipment and facilities is calculated using various accelerated or straight-line methods over the respective expected useful lives. The cost of normal maintenance and repairs is charged to operating expenses as incurred. Material expenditures which increase the life of an asset or increase expected recoveries are capitalized and depleted or depreciated over the estimated remaining useful life of the asset. The cost of equipment sold, or otherwise disposed of, and the related accumulated depletion, depreciation or amortization is removed from the accounts and any gains or losses are reflected in current operations.

Revenue Recognition

The Company has royalty and working interests in various oil and gas properties, which constitute its primary source of revenue. The Company recognizes oil and gas revenue from its interest in producing wells as oil and gas is sold from those wells.

The Company follows the "sales method" of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves.

Accounts Receivable

Substantially all of the Company's accounts receivable consists of accrued revenues from oil and gas production from third party companies in the oil and gas industry. This concentration of customers may be a consideration of the Companies' overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the oil and gas industry. In determining whether or not to require collateral from a purchaser or joint interest owner, the Company may analyze the entity's net worth, cash flows, earnings and credit ratings. Historical credit losses incurred by the Company on receivables have not been significant.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash. Beginning December 31, 2011, all non-interest-bearing transaction accounts are now fully insured, regardless of the balance, by the FDIC through December 31, 2012. Interest-bearing accounts are insured up to $250,000. At June 30, 2012, the Company had no cash in accounts that bore interest.

The Company has two customers that purchase and distribute substantially all of our oil and gas production.

Earnings (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. Diluted loss per share is the same as basic loss per share because due to the Company having a net loss (attributable to its common shareholders). Accordingly, the effects of including any additional common stock equivalents would be anti-dilutive. There were no potentially dilutive financial instruments outstanding at June 30, 2012 and 2011.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and advance from related party approximate fair value due to their short-term nature.

Recent Accounting Pronouncements

No other accounting standards or interpretations issued recently are expected to a have a material consequence on the Company's consolidated financial position, operations or cash flows.

Subsequent Events

The Company evaluated subsequent events through the date these financial statements were available to be issued.

NOTE 3 - GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has sustained recurring losses from operations including a net loss for the six months ended June 30, 2012 of $347,085. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from lenders, investors and the support of certain stockholders. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

In this regard, the Company is planning to raise additional funds through loans and additional sales of its common stock. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, achievement of profitable operations and/or the discovery, exploration, development and sale of oil and gas reserves. Although the Company is pursuing additional financing, there can be no assurance that the Company will be able to secure financing when needed or to obtain such financing on terms satisfactory to the Company, if at all.

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

NOTE 4 - OIL AND GAS PROPERTIES AND ACQUISITIONS

During the six months ended June 30, 2012, the Company did not purchase or dispose of any oil and gas properties.

Net oil and gas properties as of June 30, 2012 and December 31, 2011were:

	June 30, 2012	December 31, 2011
Beginning balance January 1,	$ 1,608,114	$ 4,462,552
Additions		
Unproved properties	-	-
Proved properties	-	-
Asset retirement obligation	-	-
Sales and dispositions	-	-
Impairment	-	(2,845,946)
Depletion and depreciation	(2,134)	(8,492)
Ending balance	$ 1,605,980	$ 1,608,114

Net oil and gas properties by classification were:

		June 30, 2012		December 31, 2011
Oil and gas properties subject to amortization	$	774,222	$	774,222
Oil and gas properties not subject to amortization		868,828		868,828
Asset retirement obligations capitalized		20,170		20,170
Accumulated depreciation, depletion and impairment		(57,240)		(55,106)
Total oil and gas assets	$	1,605,980	$	1,608,114

Impairment of oil and gas properties

During the year ended December 31, 2011 the Company impaired $2,515,488 of its proved oil and gas properties. During the six months ended June 30, 2012 there was no impairment. The impairment in 2011 was due to reductions in the future estimated recoverable reserves as a result of sporadic production during 2011.

For the year ended December 31, 2011 there was a $330,458 impairment of unproved leaseholds. For the six months ended June 30, 2012 there was no impairment of unproved leaseholds.

Support facilities and equipment

The Company owns support facilities and equipment, which serve its oil and gas production activities. The equipment is depreciated over the useful life of the underlying oil and gas property. The following table details the change in supporting facilities and equipment as of June 30, 2012 and December 31, 2011:

Beginning balance as of January 1, 2011	$	773,300
Additions		-
Dispositions		-
Impairment		(615,850)
Depreciation		(4,168)
Ending balance as of December 31, 2011		153,282
Additions		-
Dispositions		-
Impairment		-
Depreciation		(2,083)
Ending balance as of June 30, 2012	$	151,199

NOTE 5- RELATED PARTY TRANSACTIONS

During the year end December 31, 2011, we entered into 12 notes payable with a shareholder: The total of all the notes payable was $122,500 at December 31, 2011. All of the notes payable are due on demand, have no periodic payment terms and bear interest at interest rates of 6% - 7.5% per annum.

During the six months ended June 30, 2012, we entered into 19 notes payable with a shareholder for $154,230 in the aggregate. The total of all notes payable outstanding was $276,730 at June 30, 2012. All of the notes payable are due on demand, have no periodic payment terms and bear interest at interest rates of 6% - 7.5% per annum.

From the period of July 1, 2012 through August 2, 2012, the Company entered into 2 additional notes payable with a shareholder totaling $25,968. All of the notes are due on demand, have no periodic payment terms and bear interest at 6% per annum.

Accounts payable and accrued expenses due to related parties are expenses paid on behalf of the Company by our Chief Executive Officer and shareholders of the Company. These payables and accrued expenses are due upon demand and do not bear interest."

NOTE 6 - ASSET RETIREMENT OBLIGATIONS

The Company records the fair value of a liability for asset retirement obligations ("ARO") in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The present value of the estimated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and is depreciated over the useful life of the asset. The Company accrues an abandonment liability associated with its oil and gas wells when those assets are placed in service. The ARO is recorded at its estimated fair value and accretion is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is determined by using the expected future cash outflows discounted at the Company's credit-adjusted risk-free rate. No market risk premium has been included in the Company's calculation of the ARO balance.

The following is a description of the changes to the Company's asset retirement obligations for the six months ended as of for the six months ended June 30, 2012 and the year ended December 31, 2011.

		Six Months Ended June 30,		
		June 30, 2012		**December 31, 2011**
Asset retirement obligation at beginning of the period	$	23,570	$	21,562
Additions		-		-
Accretion expense		4,473		-2,008
Asset retirement obligation at end of the period	$	28,043	$	-23,570

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Employment Agreement

The Company entered into an employment agreement with its President (the "Executive') on April 7, 2010, which was amended on July 1, 2010, May 10, 2011, May 23, 2012, June 29, 2012, and June 30, 2012 (the "Employment Agreement"). The Employment Agreement, as amended, initially expires on July 1, 2013 and shall automatically renew on an annual basis unless terminated in accordance with the provisions of the Employment Agreement. The Employment Agreement, as amended, provides for:

i. A monthly salary from July 1, 2010 through September 1, 2010 of $10,000 per month and $25,000 per month after January 1, 2011 subject to an annual increase of not less than the Consumer Price Index and consistent with the Company policy applicable to other senior executives and officers and approval by the Board of Directors.

ii. A cash bonus of 25% of his annual base salary each year if the Company reaches the following milestones (none of which were attained in 2011 or 2010):

a. The Company posts annual gross revenues on a consolidated basis of at least $4,000,000;

b. The Company's earnings before the deduction of income taxes and amortization expenses ("EBITA"), including cash extraordinary items but before officer's bonuses, on a consolidated basis for any year is at least $1,000,000; or

c. The completion of annual funding, including equity and debt, of at least $3,000,000.

iii. The issuance of shares equal to 6% of the then issued and outstanding shares of the Company on May 15, 2011 (2,825,620 shares), which were issued in 2011.

iv. The issuance of options (the Employment Agreement refers to them as warrants) on each anniversary date of the Employment Agreement beginning in 2013, with a five-year exercise period, to purchase 1% of the then issued and outstanding shares of the Company exercisable at a price equal to the trailing six-month average share trading price prior to grant date.

v. An automobile allowance of $1,859.72 per month is effective October 1, 2012.

vi. In the event the Executive's employment is terminated without cause he will receive 12 months of severance pay and all warrants for the following year will be immediately granted.

For the six months ended June 30, 2012, the Company paid $60,000 in compensation and accrued compensation expense of $90,000 for the unpaid portion.

On May 10, 2011 the Company and Executive amended the Employment Agreement to allow the Company to issue the 2,825,625 common shares on May 15, 2011 rather than on September and December 2010 as required by the Employment Agreement.

On May 23, 2012 and June 29, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated for two issuances of warrants for the years 2011 and 2012, respectively and therefore did not grant or issue any warrants to Executive. Combined, the warrants would have allowed Executive to purchase 2% of the then issued and outstanding shares of the Company's common shares at the market price per share on the date of issuance, for a period of 5 years, as per the Employment Agreement.

On June 29, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated to the Executive for a total of $60,000 of deferred salary or $15,000 a month for the four months ended December 31, 2010 as per the Employment Agreement.

On June 30, 2012 the Company and Executive agreed to amend the Employment Agreement so that the Company is not obligated to the Executive for executive auto allowance and medical benefits in the amount of $91,791.60 for the period from April 7, 2010 through September 30, 2012. Therefore, the Company has not accrued this as an obligation of the Company.

NOTE 8- STOCKHOLDERS' EQUITY

Common Stock Issuances

The Company is authorized to issue 200,000,000 shares of common stock, at $0.001 par value, of which 50,169,289 common shares were issued and outstanding as of June 30, 2012.

The Company periodically issues shares of its common stock and warrants to purchase shares of common stock to investors in connection with private placement transactions, as well as to advisors and consultants for the fair value of services rendered.

2012 Activity:

During the three months ended June 30, 2012, the Company issued 250,000 common shares with an aggregate fair value of approximately $12,000 in exchange for services.

2011 Activity:

During the year ended December 31, 2011, the Company issued 634,615 common shares for $50,000 in net proceeds in private placements. The price received in the private placements ranged from $0.065 per share to $0.10 per share.

During the year ended December 31, 2011, the Company issued 6,975,620 common shares with an aggregate fair value of approximately $642,818 in exchange for services. The $642,818 of services was expensed as compensation including $12,000 for our new CFO, Richard Polep, $310,818 for our new CEO, Gary Kucher, and $320,000 for our resigning CEO, Stephen Thompson during the year ended December 31, 2011. The trading price used to estimate the fair values of the common stock issued for the year ended December 31, 2011 was the trading price on the respective grant dates ranging from $0.08-$0.11 per share.

Preferred Stock

The Corporation is authorized to issue classes of preferred stock to be designated by the Board of Directors. The total number of preferred shares that the Company is authorized to issue is twenty million (20,000,000) shares with a par value of $0.001 per share. Except as otherwise required by statute, the designations and the powers, preferences and rights, and the qualifications or restrictions thereof, of any class or classes of stock or any series of any class of stock of the Company may be determined from time to time by resolution or resolutions of the Board of Directors.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statement Regarding Forward-Looking Disclosures

Certain statements contained in this report, including, without limitation, statements containing the words, "likely," "forecast," "project," "believe," "anticipate," "expect," and other words of similar meaning, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

General

The Company was formed on January 26, 2007 to engage in the acquisition, development and exploitation of natural resource and energy-related assets. Until January 1, 2010, the Company sought to generate revenues from its previously owned coal-mining related operations and through the harvesting of timber. Effective April 1, 2010, the Company changed its business plan to develop and operate oil and gas properties.

Plan of Operations

Since April 1, 2010, the Company has been solely engaged in the maintenance and production of our oil and gas wells in Kentucky and Tennessee. In addition, the Company's business strategy included an ongoing search to identify unique opportunities to acquire and develop additional natural resource opportunities, with a goal of increasing current revenue and long-term value. The Company also owns oil and gas mineral rights on an additional 12,000 acres (approximately) in Eastern Kentucky.

At this stage, our activities have been limited to pursuing our strategy to identify and acquire additional natural resource business opportunities including but not limited to oil and gas mineral rights, leases and operations. There can be no assurance that the Company will acquire assets using restricted securities now or in the future, or that we will have access to cash to acquire other assets and interests. If we are unable to acquire assets using our securities, we intend to leverage our existing assets, as well as seek to raise capital though the sale of equity and/or debt securities. Our ultimate success will depend on our ability to acquire assets and raise additional capital on a timely basis in order to take advantage of opportunities that become available to us. In any event, there can be no assurance that we will be able to complete additional acquisitions or develop rights or resources, which may exist on our properties in an economically viable quantity or manner, if at all.

Currently the Company is seeking to identify new acquisition candidates to expand the Company's business portfolio beyond its current oil and gas production.

Supplemental Oil and Gas Information - Comparisons of the three months ended June 30, 2012 and 2011

The following information is intended to supplement the unaudited consolidated financial statements included in this report with data that is not readily available from those statements.

	Three months ended June 30,	
	2012	2011
Production		
Oil (Bbls)	245	786
Gas (Mcf)	-	-
Barrel of Oil Equivalent ("BOE")	245	786
Average Prices		
Oil ($/Bbl)	$ 91.81	$ 100.03
Gas ($/Mcf)	$ -	$ -
Average Lifting Cost		
Per BOE	$ 166.16	$ 69.69

Results of Operations - For the Three Months ended June 30, 2012

We use the successful efforts method of accounting for oil and gas operations. Presently we are producing oil from our Kentucky properties.

Our revenues for the three months ended June 30, 2012 were $22,494 as compared to $78,627 for 2011. Our revenues are from the sale of our oil and gas production. During the three months ended June 30, 2012 we produced approximately 245 barrels and received an average price per barrel of $91.62 while during 2011 we produced 786 barrels and received an average price per barrel of $100.03. The oil production has decreased due to wells that are under repair.

Our operating expenses for production activities for the three months ended June 30, 2012 and 2011 were $41,252 (comprised of $38,995 of lease operating expenses and $37,784 of depreciation, depletion and amortization) and $85,089 (comprised of $68,040 of lease operating expenses and $17,409 of depreciation, depletion and amortization), respectively. Our primary operation is the drilling and production of our oil and gas properties. The wells in Kentucky are shallow wells (approximately 1,300 feet) and require minimal maintenance. The decrease in lease operating expenses is attributable to decrease hauling and work-over costs incurred during the 2012 from the decrease in oil production. The decrease in depreciation, depletion and amortization is a result of an impairment of our capitalized oil and gas properties in the fourth quarter of 2011.

Our general and administrative expenses for the three months ended June 30, 2012 and 2011 were $174,692 and $758,956, respectively. The decrease is primarily attributable to the reduction in stock issued to officers to approximately $12,000 incurred in 2012 (approximately $643,000 in 2011).

Supplemental Oil and Gas Information - Comparisons of the six months ended June 30, 2012 and 2011

The following information is intended to supplement the unaudited consolidated financial statements included in this report with data that is not readily available from those statements.

	Six months ended June 30,	
	2012	2011
Production		
Oil (Bbls)	777	1,704
Gas (Mcf)	-	-
Barrel of Oil Equivalent ("BOE")	777	1,704
Average Prices		
Oil ($/Bbl)	$ 96.86	$ 96.91
Gas ($/Mcf)	$ -	$ -
Average Lifting Cost		
Per BOE	$ 121.20	$ 58.19

Results of Operations - For the Six Months Ended June 30, 2012

We use the successful efforts method of accounting for oil and gas operations. Presently we are producing oil from our Kentucky properties.

Our revenues for the six months ended June 30, 2012 were $75,261 as compared to $165,127 for 2011. Our revenues are from the sale of our oil and gas production. During the six months ended June 30, 2012 we produced approximately 777 barrels and received an average price per barrel of $96.86 while during 2011 we produced 1,704 barrels and received an average price per barrel of $96.91. The oil production has decreased due to wells that are under repair.

Our operating expenses for production activities for the six months ended June 30, 2012 and 2011 were $98,649 (comprised of $89,958 of lease operating expenses and $7,596 of depreciation, depletion and amortization) and $136,207 (comprised of $99,155 of lease operating expenses and $37,052 of depreciation, depletion and amortization), respectively. Our primary operation is the drilling and production of our oil and gas properties. The wells in Kentucky are shallow wells (approximately 1,300 feet) and require minimal maintenance. The decrease in lease operating expenses is attributable to decrease hauling and work-over costs incurred during the 2012 from the decrease in oil production. The decrease in depreciation, depletion and amortization is a result of an impairment of our capitalized oil and gas properties in the fourth quarter of 2011.

Our general and administrative expenses for the six months ended June 30, 2012 and 2011 were $317,822 and $951,610, respectively. The decrease is primarily attributable to the reduction in stock issued to officers of approximately $7,000 incurred in 2012 (approximately $643,000 in 2011).

Liquidity and Capital Resources

Our cash used in operating activities for the six months ended June 30, 2012 was $133,717 as compared to $77,339 for the six months ended June 30, 2011. The increase in cash flows used in operations was primarily attributable to the changes in operating assets and liabilities, primarily related to increases in accounts payable, in 2012 as compared to the 2011 period.

Our cash provided by financing activities for the six months ended June 30, 2012 was $154,230 as compared to $85,000 for 2011. The increase in financing activities was due to the proceeds from notes payable of $154,230 from our shareholders in the 2012 period. The Company received proceeds of $50,000 for the issuance of 634,616 shares of common stock during the six months ended June 30, 2011. The Company also received proceeds of $35,000 from notes payable during the six months ended June 30, 2011.

During the six months ended June 30, 2012, we entered into 19 notes payable with a shareholder: The total of all notes payable outstanding was $276,730 at June 30, 2012. All of the notes payable are due on demand, have no periodic payment terms and bear interest at interest rates of 6% - 7.5% per annum.

From the period of July 2012 through August 2, 2012, the Company entered into 2 additional notes payable with a shareholder totaling $25,968. All of the notes are due on demand, have no periodic payment terms and bear interest at 6% per annum.

Our future development plan for our oil and gas assets is uncertain and is dependent on our ability to effectively drill for oil and gas and obtain contract and leasing opportunities on oil and gas properties and/or acquisitions. There are no assurances of the ability of our Company to drill economically producible wells. The process/practice of drilling for oil and gas is cost intensive. Accordingly, it is critical for us to raise sufficient capital to implement our business plan. We incurred net losses of $347,085 and $922,943 for the six months ended June 30, 2012 and 2011, respectively.

We believe we will have to rely on public and private equity and debt financings to fund our liquidity requirements over the next twelve months. We may be unable to obtain any additional financings on terms favorable to us, or obtain additional funding at all. If adequate funds are not available on acceptable terms, and if cash and cash equivalents, together with any income generated from operations, fall short of our liquidity requirements, we may be unable to sustain operations. Continued negative cash flows could create substantial doubt regarding our ability to fully implement our business plan and could render us unable to expand our operations, respond to competitive pressures, or take advantage of acquisition opportunities, any of which may have a material adverse effect on our business. If we raise additional funds through the issuance of equity securities, our stockholders may experience dilution of their ownership interest, and the newly issued securities may have rights superior to those of our common stock. If we raise additional funds by issuing debt, we may be subject to limitations on our operations, including limitations on the payment of dividends.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has a history of recurring losses from operations. Further, the Company has inadequate working capital to maintain or develop its assets, and is dependent upon funds from lenders, investors and the support of certain stockholders to fund its operating activities.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements herein do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Company management is pursuing additional funds through loans and additional sales of its common stock.

The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, achievement of profitable operations and/or the discovery, exploration, development and sale of oil and gas reserves. Although the Company is pursuing additional financing, there can be no assurance that the Company will be able to secure financing when needed or to obtain such financing on terms satisfactory to the Company, if at all. We have limited cash and cash equivalents and rely on investment from shareholders and other financing. We have relied upon advances from a shareholder to fund operating expenses. We need $75,000 per month to fund operating expenses and professional fees of the company.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

WHERE YOU CAN FIND MORE INFORMATION

You are advised to read this Quarterly Report on Form 10-Q in conjunction with other reports and documents that we file from time to time with the SEC. In particular, please read our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K, Current Reports on Form 8-K and proxy statements that we file from time to time. You may obtain copies of these reports directly from us or from the SEC at the SEC's Public Reference Room at 100 F. Street, N.E. Washington, D.C. 20549, and you may obtain information about obtaining access to the Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains information for electronic filers at its website http://www.sec.gov. Company information is also available at: www.cnsv.info

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is currently conducted principally in the United States. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although if the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash equivalents consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

We do not hold any derivative instruments and do not engage in any hedging activities.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance that the controls and procedures would meet their objectives. As required by SEC Rule 13a-15(b), our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described in Management's Report on Internal Control over Financial Reporting as reported in our Form 10-Q for the six months ended June 30, 2012.

The Company's material weaknesses in financial reporting were:

The inability of the Company to prepare and file its financial statements timely due to its limited financial and personnel resources and delays in the Company's ability to respond to SEC inquiries regarding financial and accounting presentation in its 2010 Form 10K, which was subsequently amended. Further, the amendment to its Form 10K caused the Company to be unable to file the required 2011 financial statements by the reporting deadline of April 15, 2012 and its Form 10-Q for the period ended March 31, 2012 by the reporting deadline of May 15, 2012.

Also, in the fourth quarter of 2011, the Company determined it had failed to accrue deferred compensation each reporting period during 2011 totaling $180,000 ($45,000 a quarter) for 2011 for our CEO which has been recorded at December 31, 2011. Accordingly, the Company will be required to amend each of its quarterly filings for 2011 to reflect the amount of compensation that should have been recorded for each reporting period.

There were no changes in our internal control over financial reporting that occurred during the six months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of the Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A - RISK FACTORS

There were no material changes from the risk factors previously disclosed in Part II, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011 during the six months ended June 30, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended June 30, 2012, the Company issued 250,000 common shares with an aggregate fair value of approximately $12,000 in exchange for services.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the six months ended June 30, 2012.

ITEM 4. RESERVED.

ITEM 5. OTHER INFORMATION

There is no information with respect to which information is not otherwise called for by this form.

ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant	*Consolidation Services, Inc.*
Date: August 20, 2012	*By: /s/ Gary D. Kucher* Gary D. Kucher Chief Executive Officer (Principal Executive Officer)
Registrant	*Consolidation Services, Inc.*
Date: August 20, 2012	*By: /s/ Richard S. Polep* Richard S. Polep Chief Financial Officer (Principal Financial Officer)

CONSOLIDATION SERVICES, INC.

BOARD OF DIRECTORS:

Gary Kucher
CEO, President and Director

Richard S. Polep,
CFO, Secretary/Treasurer and Director

Richard Herstone
Director

OFFICERS:

Gary Kucher
CEO and President

Richard S. Polep,
CFO, Secretary/Treasurer

Stephen M. Thompson
President of CSI Energy, Inc.

Corporate Office

2300 West Sahara Drive
Suite 800
Las Vegas, NV 89102

Securities Counsel

Davidoff Hutcher & Citron LLP
605 Third Avenue, 34th Floor
New York, NY 10158

Independent Auditors

GBH CPAs, PC
24 E. Greenway Plaza, Suite 1875
Houston, TX 77046

Transfer Agent

Empire Stock Transfer, Inc.
1859 Whitney Mesa Drive
Henderson, NV 89014

Company Profile:

Consolidation Services, Inc. (trading symbol "CNSV") was incorporated in the State of Delaware on January 26, 2007. Since its inception the Company has been engaged in the acquisition, development and exploitation of natural resources. The Company currently operates oil and gas wells and owns oil and gas mineral rights on approximately 13,500 acres in eastern Kentucky and Tennessee. Consolidation Services, Inc. is attempting to build shareholder value through further acquisitions and development of natural resources, internationally.

For more information, please visit: consolidation-services.com

CONSOLIDATION SERVICES INC
ATTN: GARY KUCHER
2300 W. SAHARA DRIVE
SUITE #800
LAS VEGAS, NV 89102

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR the following:

	For All	Withhold All	For All Except
1. Election of Directors	0	0	0

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

Nominees

01 Gary D. Kucher 02 Richard S. Polep 03 Roy Tashi OAM 04 Mike Ussery

The Board of Directors recommends you vote FOR proposals 2 and 3.

	For	Against	Abstain
2 Proposal to approve a reverse stock split of 1 for 4 shares of Common Stock and the transfer of assets to a subsidiary.	0	0	0
3 Proposal to authorize the Board of Directors to change the Company's name.	0	0	0

NOTE: The above named proxies are granted the authority, in their discretion, to act upon such other matters as may properly come before the meeting or any postponement or adjournment thereof.

	Yes	No
Please indicate if you plan to attend this meeting	0	0

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report is/ are available at www.proxyvote.com .

CONSOLIDATION SERVICES INC
Annual Meeting of Shareholders
November 30, 2012 9:00 AM
This proxy is solicited by the Board of Directors

The undersigned stockholder in Consolidation Services, Inc. (the "Corporation") hereby constitutes and appoints Richard S. Polep, his true and lawful attorney and proxy, with full power of substitution to vote all shares of the Corporation that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at The Sofitel Hotel, 8555 Beverly Blvd., Los Angeles, CA 90048, on November 30th, 2012, at 9:00 a.m., Pacific Coast Time, or at any postponement or adjournment thereof, on any and all of the proposals contained in the Notice of the Annual Meeting of Stockholders, with all the powers the undersigned would possess if present personally at said meeting, or at any postponement or adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED ON THE REVERSE SIDE FOR DIRECTORS AND FOR PROPOSALS 2 AND 3.

PROXYC~1

(Continued and to be signed and dated on the other side)