

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2010

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____

Commission file number: 001-32624

FieldPoint Petroleum Corporation

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

Colorado
(State or Other Jurisdiction of
Incorporation or Organization)

84-0811034
(I.R.S. Employer
Identification No.)

1703 Edelweiss Drive
Cedar Park, Texas 78613
(Address of Principal Executive Offices) (Zip Code)

(512) 250-8692
(Issuer's Telephone Number, Including Area Code)

(former name, address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 X No _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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 (Do not check if a smaller reporting company)

Smaller reporting company

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

As of August 12, 2010, the number of shares outstanding of the Registrant's \$.01 par value common stock was 8,136,175.

PART I

Item 1. Condensed Consolidated Financial Statements

FieldPoint Petroleum Corporation**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, <u>2010</u>	December 31, <u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,672,116	\$ 657,942
Certificates of deposit	44,662	44,605
Accounts receivable:		
Oil and natural gas sales	599,091	707,026
Joint interest billings, less allowance for doubtful accounts of \$99,192, each period	194,582	220,550
Income tax receivable	-	90,323
Deferred income tax asset – current	-	37,000
Prepaid expenses and other current assets	<u>210,949</u>	<u>101,949</u>
Total current assets	2,721,400	1,859,395
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties (successful efforts method)	24,287,250	23,910,782
Other equipment	89,248	89,248
Less accumulated depletion and depreciation	<u>(8,240,114)</u>	<u>(7,675,114)</u>
Net property and equipment	<u>16,136,384</u>	<u>16,324,916</u>
 Total assets	 <u>\$ 18,857,784</u>	 <u>\$ 18,184,311</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 361,253	\$ 428,512
Income taxes payable	192,000	-
Oil and gas revenues payable	<u>171,425</u>	<u>179,366</u>
Total current liabilities	724,678	607,878
 LONG-TERM DEBT	 6,744,755	 6,744,755
DEFERRED INCOME TAXES	989,272	831,595
ASSET RETIREMENT OBLIGATION	<u>1,365,002</u>	<u>1,325,002</u>
Total liabilities	9,823,707	9,509,230
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value, 75,000,000 shares authorized; 8,910,175 shares issued each period, and 8,170,175 and 8,370,175 outstanding, respectively	89,101	89,101
Additional paid-in capital	4,573,580	4,573,580
Retained earnings	5,662,857	4,789,790
Treasury stock, 740,000 and 540,000 shares, at cost	<u>(1,291,461)</u>	<u>(777,390)</u>
Total stockholders' equity	9,034,077	8,675,081
Total liabilities and stockholders' equity	<u>\$ 18,857,784</u>	<u>\$ 18,184,311</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

FieldPoint Petroleum Corporation

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
REVENUE:				
Oil and natural gas sales	\$ 1,725,894	\$ 723,249	\$ 3,532,023	\$ 1,329,865
Well operational and pumping fees	17,066	17,066	34,132	34,132
Disposal fees	<u>26,713</u>	<u>5,000</u>	<u>40,213</u>	<u>16,000</u>
Total revenue	1,769,673	745,315	3,606,368	1,379,997
COSTS AND EXPENSES:				
Production expense	548,241	427,423	1,048,736	739,627
Depletion and depreciation	274,000	189,000	565,000	352,000
Accretion of discount on asset retirement obligations	20,000	8,000	40,000	16,000
General and administrative	<u>249,094</u>	<u>272,538</u>	<u>481,314</u>	<u>460,796</u>
Total costs and expenses	<u>1,091,335</u>	<u>896,961</u>	<u>2,135,050</u>	<u>1,568,423</u>
OPERATING INCOME (LOSS)	678,338	(151,646)	1,471,318	(188,426)
OTHER INCOME (EXPENSE):				
Interest income	1,544	599	2,560	1,331
Interest expense	(60,516)	(23,269)	(123,811)	(36,012)
Unrealized holding gain on investments	-	84,444	-	9,848
Miscellaneous	<u>-</u>	<u>855</u>	<u>-</u>	<u>855</u>
Total other income (expense)	<u>(58,972)</u>	<u>62,629</u>	<u>(121,251)</u>	<u>(23,978)</u>
INCOME (LOSS) BEFORE INCOME TAXES	619,366	(89,017)	1,350,067	(212,404)
INCOME TAX (EXPENSE) – CURRENT	(24,000)	-	(192,000)	-
INCOME TAX (EXPENSE) BENEFIT – DEFERRED	<u>(201,000)</u>	<u>34,000</u>	<u>(285,000)</u>	<u>78,000</u>
TOTAL INCOME TAX PROVISION	<u>(225,000)</u>	<u>34,000</u>	<u>(477,000)</u>	<u>78,000</u>
NET INCOME (LOSS)	<u>\$ 394,366</u>	<u>\$ (55,017)</u>	<u>\$ 873,067</u>	<u>\$ (134,404)</u>
EARNINGS (LOSS) PER SHARE:				
BASIC	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ (0.02)</u>
DILUTED	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	<u>8,223,688</u>	<u>8,539,311</u>	<u>8,277,609</u>	<u>8,542,724</u>
DILUTED	<u>8,223,688</u>	<u>8,539,311</u>	<u>8,277,609</u>	<u>8,542,724</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

FieldPoint Petroleum Corporation

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 873,067	\$ (134,404)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unrealized gain on short-term investments	-	(9,848)
Depletion and depreciation	565,000	352,000
Deferred income tax expense (benefit)	285,000	(78,000)
Accretion of discount on asset retirement obligations	40,000	16,000
Changes in current assets and liabilities:		
Accounts receivable	133,903	(8,663)
Prepaid expenses and other assets	(109,000)	1,183
Accounts payable and accrued expenses	124,741	(226,119)
Oil and gas revenues payable	(7,941)	18,104
Other	(57)	-
Net cash provided by (used in) operating activities	1,904,713	(69,837)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of oil and natural gas properties	-	(1,000,630)
Additions to oil and natural gas properties	(376,468)	(229,801)
Net cash used in investing activities	(376,468)	(1,230,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	1,200,630
Purchase of treasury shares	(514,071)	(66,560)
Net cash provided by (used in) financing activities	(514,071)	1,134,070
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,014,174	(166,198)
CASH AND CASH EQUIVALENTS, beginning of the period	657,942	423,632
CASH AND CASH EQUIVALENTS, end of the period	\$ 1,672,116	\$ 257,434

See accompanying notes to these unaudited condensed consolidated financial statements.

FieldPoint Petroleum Corporation

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business, Organization and Basis of Preparation and Presentation

FieldPoint Petroleum Corporation (the “Company”, “our”, or “we”) is incorporated under the laws of the state of Colorado. The Company is engaged in the acquisition, operation and development of oil and natural gas properties, which are located in Louisiana, New Mexico, Oklahoma, Texas, and Wyoming.

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the financial position and results of operations for the periods presented have been made. You should read these condensed consolidated financial statements in conjunction with the consolidated financial statements and the notes thereto included in the Company's Form 10-K filing for the year ended December 31, 2009.

2. Acquisition of Oil and Natural Gas Properties

On May 26, 2009, the Company consummated the purchase of a working interest ranging from 25% to 50% representing a 19% to 44% net revenue interest in natural gas properties located in the South Vacuum Field in Lea County, New Mexico. The interests were acquired from Forest Oil Permian Corporation with an effective date of June 1, 2009. The Company paid \$1,000,630 cash consideration for the lease rights and related equipment. The funds for the acquisition were derived from the Company’s existing revolving credit facility.

On September 16, 2009, the Company consummated the purchase of working interests ranging from 74% to 100% in the operations of seven wells in the Block Field in Andrews County, Texas. The interests were acquired from Quantum Resources Management, LLC with an effective date of September 1, 2009. The Company paid \$4,400,000 cash consideration for the lease rights and related equipment. The funds for the acquisition were derived from the Company’s existing revolving credit facility and from the proceeds from the sale of short-term investments.

The following unaudited pro forma information is presented as if the interests in the South Vacuum and Block properties had been acquired at January 1, 2009.

	Pro Forma Results for the Three Months Ended June 30, 2009	Pro Forma Results for the Six Months Ended June 30, 2009
Revenues	\$ 1,037,341	\$ 1,907,936
Net income (loss)	\$ (58,255)	\$ (213,001)
Earnings (Loss) per share – basic	\$ (0.01)	\$ (0.02)
Earnings (Loss) per share - diluted	\$ (0.01)	\$ (0.02)

3. Earnings Per Share

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share take common stock equivalents (such as options and warrants) into consideration. The Company had no dilutive or potentially dilutive common stock equivalents outstanding during the three or six months ended June 30, 2010 or 2009.

4. Income Taxes

For the three and six months ending June 30, 2010, the tax provision is approximately 36% and 35%, respectively, of book income before tax which differed from the the statutory federal and state rates primarily due to permanent differences in book and taxable income related to the domestic production activities deduction.

For the three and six months ending June 30, 2009, the tax provision is approximately 38% and 37%, respectively, of book income before tax which approximates the statutory federal and state rates.

5. Treasury Stock Repurchase Program

On November 20, 2009, March 26, 2010, and June 4, 2010 our Board of Directors authorized the Company to repurchase in market transactions shares of our common stock at an aggregate cost not to exceed \$250,000 each or \$750,000 in the aggregate. We repurchased in market transactions a total of 200,000 common shares with an aggregate cost of \$514,071 during the six months ended June 30, 2010.

6. Related Party Transactions

The Company leases office space from its president. Rent expense for this month-to-month lease was \$15,000 for each of the six months ended June 30, 2010 and 2009 and \$7,500 for each of the three months ended June 30, 2010 and 2009. The Company also paid Roger Bryant, a director, \$2,500 in consulting fees during the six months ended June 30, 2010 and 2009, respectively, and none during the three months ended June 30, 2010 and 2009.

7. Long-Term Debt

On April 28, 2010, our lender increased our borrowing base from \$6,800,000 to \$9,000,000.

8. Subsequent Events

Subsequent to June 30, 2010, we repurchased in market transactions a total of 34,000 shares of common stock totalling approximately \$99,952.

PART I

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the Company's Condensed Consolidated Financial Statements, and respective notes thereto, included elsewhere herein. The information below should not be construed to imply that the results discussed herein will necessarily continue into the future or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of the management of FieldPoint Petroleum Corporation.

General

FieldPoint Petroleum Corporation derives its revenues from its operating activities including sales of oil and natural gas and operating oil and natural gas properties. The Company's capital for investment in producing oil and natural gas properties has been provided by cash flow from operating activities and from bank financing. The Company categorizes its operating expenses into the categories of production expenses and other expenses.

Results of Operations

Comparison of three months ended June 30, 2010 to the three months ended June 30, 2009

	Quarter Ended June 30,	
	2010	2009
Revenue:		
Oil sales	\$ 1,459,305	\$ 612,140
Natural gas sales	266,589	111,109
Total oil and natural gas sales	<u>\$ 1,725,894</u>	<u>\$ 723,249</u>
Sales volumes:		
Oil (Bbls)	19,477	12,765
Natural gas (Mcf)	39,616	36,032
Total (BOE)	<u>26,080</u>	<u>18,770</u>
Average sales prices		
Oil (\$/Bbl)	\$ 74.92	\$ 47.95
Natural gas (\$/Mcf)	6.73	3.08
Total (\$/BOE)	<u>\$ 66.18</u>	<u>\$ 38.53</u>
Costs and expenses (\$/BOE)		
Lease operating expense	\$ 21.02	\$ 22.77
Depletion and depreciation	10.51	10.07
Accretion of discount on asset retirement obligations	0.77	0.43
General and administrative	9.55	14.52
Total	<u>\$ 41.85</u>	<u>\$ 47.79</u>

Oil and natural gas sales revenues increased 139% or \$1,002,645 to \$1,725,894 for the three-month period ended June 30, 2010 from the comparable 2009 period. This was due both to higher oil and natural gas commodity prices as well as increases in sales volumes. Sales volumes increased 39% on a BOE basis, primarily due to production from the acquisitions of properties in the Vacuum and Block Fields during 2009 as well as the Korczac well completion. The higher sales volumes account for approximately \$332,000 of the

increase in revenues. Average oil sales prices increased 56% to \$74.92 for the three-month period ended June 30, 2010 compared to \$47.95 for the period ended June 30, 2009. Average natural gas sales prices increased 119% to \$6.73 for the three-month period ended June 30, 2010 compared to \$3.08 for the period ended June 30, 2009. The higher commodity prices account for approximately \$670,000 of the increase in revenues. We anticipate volumes to remain stable in the coming quarters as additional remedial work is completed.

Lease operating expenses increased 28% or \$120,818 to \$548,241 for the three month period ended June 30, 2010 from the comparable 2009 period. This was primarily due to the increase in new wells acquired in 2009 and the cost associated with mature field production, with increases in workover expense and remedial repairs in 2010 as compared to 2009. The increased volumes account for approximately \$166,000 of increase in lease operating expenses. Lifting costs per BOE decreased 8% or \$1.75 to \$21.02 for the period. We anticipate lease operating expenses to increase over the following quarters due to the additional remedial repairs and workover expenses.

Depletion and depreciation increased 45% or \$85,000 to \$274,000 for the three month period ended June 30, 2010 versus \$189,000 in the 2009 comparable period. This was primarily due to new wells acquired in 2009, which increased our depletable base.

General and administrative overhead cost decreased 9% or \$23,444 to \$249,094 for the three-month period ended June 30, 2010 from the three-month period ended June 30, 2009. This was primarily attributable to a decrease in legal, consulting and administration services during the 2010 period. At this time due to the growth of the Company, we anticipate general and administrative expenses to increase in the coming quarters.

Other expenses, net for the quarter ended June 30, 2010, were \$58,972 compared to other income, net of \$62,629 for 2009. The net decrease was primarily due to the unrealized gain on investments during the 2009 period that was offset by an increase in interest expense associated with our line of credit for the period ending June 30, 2010. We had approximately \$6.7 million outstanding under our line of credit at June 30, 2010, compared with \$2.9 million at June 30, 2009.

Results of Operations

Comparison of Six Months Ended June 30, 2010 to the Six Months Ended June 30, 2009

	<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Oil sales	\$ 3,003,834	\$ 1,057,316
Natural gas sales	<u>528,189</u>	<u>272,549</u>
Total	<u>\$ 3,532,023</u>	<u>\$ 1,329,865</u>
Sales volumes:		
Oil (Bbls)	39,736	24,963
Natural gas (Mcf)	<u>81,315</u>	<u>66,226</u>
Total (BOE)	<u>53,288</u>	<u>36,001</u>
Average sales prices		
Oil (\$/Bbl)	\$ 75.59	\$ 42.36
Natural gas (\$/Mcf)	<u>6.49</u>	<u>4.12</u>
Total (\$/BOE)	<u>\$ 66.28</u>	<u>\$ 36.94</u>

Costs and expenses (\$/BOE)		
Lease operating expense	\$ 19.68	\$ 20.54
Depletion and depreciation	10.60	9.78
Accretion of discount on asset retirement obligations	0.75	0.44
General and administrative	9.03	12.80
Total	<u>\$ 40.07</u>	<u>\$ 43.57</u>

Oil and natural gas sales revenues increased 166% or \$2,202,158 to \$3,532,023 for the six month period ended June 30, 2010 from \$1,329,865 for the comparable 2009 period. This was due primarily to the overall increase in oil and natural gas commodity pricing. Sales volumes increased 48% on a BOE basis, primarily due to additions of the South Vacuum and North Block properties in the second half of 2009. The higher sales volume accounted for approximately \$688,000 of the increase in revenues. Average oil sales prices increased 78% to \$75.59 for the six month period ended June 30, 2010 compared to \$42.36 for the six month period ended June 30, 2009. Average natural gas sales prices increased 58% to \$6.49 for the six month period ended June 30, 2010 compared to \$4.12 for the six month period ended June 30, 2009. The higher commodity prices accounted for approximately \$1.5 million of the increase in revenues. We anticipate volumes to remain stable in the coming quarters as additional remedial work is complete.

Lease operating expenses increased 42% or \$309,109 to \$1,048,736 for the six month period ended June 30, 2010 from the comparable 2009 period. This was primarily due to the increase in additional repairs, workover expenses and production expenses associated with properties acquired in the second half of 2009. Lifting cost per BOE decreased 4%, from \$20.54 to \$19.68 for the period. We anticipate lease operating expense to increase over the following quarters due to production expenses associated primarily with the North Block acquisition in the second half of 2009.

Depletion and depreciation expense increased 61% to \$565,000, compared to \$352,000 for the comparable 2009 period. This was primarily due to acquisitions that increased our depletable base from the same 2009 period.

General and administrative overhead cost increased 4% or \$20,518 to \$481,314 for the six month period ended June 30, 2010 from the six month period ended June 30, 2009. This was attributable primarily to an increase in administrative services such as contract labor, and administrative services. In the coming quarters we anticipate general and administrative expenses to increase.

Other expenses, net for the six months ended June 30, 2010, amounted to \$121,251 compared to other expenses, net of \$23,978 for the comparable 2009 period. The increase was primarily due to a increase in interest expense associated with our line of credit for the six months ending June 30, 2010, offset by an unrealized gain of \$9,848 for the six month period ended June 30, 2009. We had approximately \$2.9 million outstanding under our line of credit at June 30, 2009, compared with \$6.7 million at June 30, 2010.

Liquidity and Capital Resources

Cash flow provided by operating activities was \$1,904,713 for the six-month period ended June 30, 2010, as compared to \$69,837 of cash flow used by operating activities in the comparable 2009 period. The increase in cash from operating activities was primarily due to a significant improvement in operating results due to increased production and oil and gas prices.

Cash flow used in investing activities was \$376,468 for the six-month period ended June 30, 2010 and \$1,230,431 used in the comparable period due to the additions to oil and natural gas properties and equipment in each period. The 2009 period included approximately \$1 million for the acquisition of the South Vacuum property.

Cash flow used in financing activities was used to repurchase 200,000 shares of common stock for a total of \$514,071 during the six-month period ended June 30, 2010. Cash flow provided by financing activities for the period ending June 30, 2009 was \$1,200,630 proceeds from long term debt net of \$66,560 was used to repurchase 30,000 shares of common stock.

We may continue to raise financing through draws from our line of credit. Effective April 28, 2010, the borrowing base under our line of credit with Citibank, N.A. was increased to \$9.0 million. We anticipate our operating cash flow and other capital resources, including our Citibank revolving credit facility, if needed, will adequately fund planned capital expenditures and other capital uses over the near term. Based on industry outlook for the remainder of 2010, prices for oil and natural gas could remain higher than the prior year.

PART I

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We periodically enter into certain commodity price risk management transactions to manage our exposure to oil and natural gas price volatility. These transactions may take the form of futures contracts, swaps or options. All data relating to our derivative positions is presented in accordance with authoritative guidance. Accordingly, unrealized gains and losses related to the change in fair market value of derivative contracts that qualify and are designated as cash flow hedges are recorded as other comprehensive income or loss and such amounts are reclassified to oil and natural gas sales revenues as the associated production occurs. Derivative contracts that do not qualify for hedge accounting treatment are recorded as derivative assets and liabilities at market value in the consolidated balance sheet, and the associated unrealized gains and losses are recorded as current expense or income in the consolidated statement of operations. While such derivative contracts do not qualify for hedge accounting, management believes these contracts can be utilized as an effective component of commodity price risk management activities. At June 30, 2010 and June 30, 2009, there were no open positions. We did not have any derivative transactions during the three-month or six-month periods ending June 30, 2010 and 2009.

PART I

Item 4. CONTROLS AND PROCEDURES

a) *Disclosure Controls and Procedures*

The Company's Principal Executive Officer and Principal Financial Officer, Ray Reaves, has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed 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 rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure and we refer you to Exchange Act Rule 13a-15(e).

b) *Changes in Internal Control over Financial Reporting*

There has been no change in our internal control over financial reporting during the second quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

c) *Limitations of any Internal Control Design*

Our principal executive and financial officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

None.

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

There were no unregistered sales of equity securities during the period ended June 30, 2010. The following table sets forth our repurchases in market transactions of shares of our common stock during the periods ended June 30, 2010 and August 12, 2010, respectively:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
5/14/10 – 6/30/10	53,000	\$2.73	53,000	\$223,751
7/1/10 – 8/12/10	34,000	\$2.94	34,000	\$ 5,263
TOTAL	87,000		87,000	

Item 3. Default Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits

- 31 Certification
- 32 Certification Pursuant to U.S.C. Section 1350

SIGNATURES

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

Date: August 12, 2010

By: /s/ Ray Reaves
Ray Reaves, President, Chief Executive
Officer, Treasurer and Chief Financial Officer