

VICTORY ENERGY CORP
Form 10-Q
May 20, 2008

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

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended: March 31, 2008

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

Commission file number: 2-76219-NY

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

NEVADA
(State or other jurisdiction of
incorporation or organization)

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

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

(866) 279-9257
(Issuer's telephone number)

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YESo NOx

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of March 31, 2008, there were 60,028,124 shares of our common stock outstanding.

Transitional Small Business Disclosure Format. YESo NO x

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Item 1. Financial Statements

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

ASSETS

	March 31, 2008 (Unaudited)	December 31, 2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 3,251
Subscriptions Receivable	160,000	160,000
Total Current Assets	160,000	163,251
FIXED ASSETS, NET		
	-	-
OTHER ASSETS		
Drilling Costs	3,036,000	-
Investment in Joint Venture	50,000	50,000
	3,086,000	50,000
TOTAL ASSETS	\$ 3,246,000	\$ 213,251

LIABILITIES & STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Bank Overdraft	\$ 23,773	\$ -
Accounts Payable	32,485	34,803
Credit Line - WFB Business Line	81,860	81,860
Prepaid Subscriptions	203,500	203,500
Total Current Liabilities	341,618	320,163
OTHER LIABILITIES		
Loan from Officer	1,369,339	1,377,879
Total Other Liabilities	1,369,339	1,377,879
Total Liabilities	1,710,957	1,698,042

Commitments and contingencies (Note 6)

STOCKHOLDERS' DEFICIT

Preferred Stock, \$0.001 par value, 10,000,000 shares authorized, 585,690 and 630,517 issued and outstanding respectively	586	631
Common Stock, \$0.001 par value, 200,000,000 shares authorized, 60,028,124 and 42,395,366 shares issued and outstanding respectively	60,028	42,395
Additional paid-in capital	9,110,743	7,860,331
Deficit accumulated in the development stage	(7,636,314)	(9,388,148)

Total Stockholders' Equity (Deficit)	1,535,043	(1,484,791)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 3,246,000	\$ 213,251

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

	For the Three Months Ended March 31,		For the period of Inception, from January 7, 1982 through March 31, 2008
	2008	2007	2008
Revenues	\$ 252,000	\$ -	\$ 172,207
Costs and Expenses			
Royalties	103,700		103,700
Consulting Expense	1,020,426	1,042,988	8,554,247
Professional Fees	350,000		508,146
Land Leases		4,500	25,720
Wages and Salaries			270,500
Other General & Administrative	26,045	121,487	1,243,502
Total Expenses	1,500,171	1,168,975	10,705,815
Operating Loss	(1,248,171)	(1,168,975)	(10,533,608)
Other Income and (expenses)			
Sale of Working Interest in Wells	3,000,000		3,000,000
Interest Income	5		5
Loss on abandonment of subsidiary			(50,900)
Loss from reduction in debt			(48,363)
Interest Expense			(5,664)
Other Income			2,216
Total Other Income and (expenses)	3,000,005	-	2,897,294
Net Income (Loss)	\$ 1,751,834	\$ (1,168,975)	\$ (7,636,314)
Basic and Dilutive net loss per share	\$ 0.02	\$ (0.09)	
Weighted average number of shares outstanding, basic and diluted	106,041,725	12,923,505	

Dilutive effect of preferred stock, (Note 2)	\$ 58,569,000	\$ -
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VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statement of Stockholders' Equity (Deficit)
Unaudited

	Common Stock		Preferred Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit During Development Stage	
Balances at January 7, 1982	-	\$ -	-	\$ -	-	\$ -	-
Common stock for cash at \$7.50/sh	6,000	6			45,000		45,006
Common stock for cash at \$0.39/sh.	168,503	169			65,819		65,988
Net loss from inception to Dec. 31,'82						(39,597)	(39,597)
Balances at Dec. 31, 1982	174,503	175			110,819	(39,597)	71,397
Net loss, year ended Dec. 31, 1983						(71,397)	(71,397)
Balances at Dec. 31, 1983	174,503	175			110,819	(110,994)	(0)
Common stock for cash at \$25.00/sh.	57				1,425		1,425
Common stock for cash at \$25.00/sh. per share	3				75		75
Common stock for cash at \$0.025/sh. per share	1,580,000	1,580			38,373		39,953
Net loss - year ended Dec. 31, 1984							-
Balances at Dec. 31, 1984	1,754,563	1,755			150,692	(110,994)	41,453
Cancellation of common stock	(1,296,132)	(1,297)					(1,297)

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Net loss - year ended Dec. 31, 1985					-
Balances at Dec. 31, 1985	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1986					-
Balances at Dec. 31, 1986	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1987					-
Balances at Dec. 31, 1987	458,431	458	150,692	(110,994)	40,156

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Net loss - year ended Dec. 31, 1988					-
Balances at Dec. 31, 1988	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1989					-
Balances at Dec. 31, 1989	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1990					-
Balances at Dec. 31, 1990	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1991					-
Balances at Dec. 31, 1991	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1992					-
Balances at Dec. 31, 1992	458,431	458	150,692	(110,994)	40,156
Net loss - year ended Dec. 31, 1993					-
Balances at Dec. 31, 1993	458,431	458	150,692	(110,994)	40,156
Cancellation of common stock	(316,000)	(316)			(316)
Net loss - year ended Dec. 31, 1994				(6,656)	(6,656)
Balances at Dec. 31, 1994	142,431	142	150,692	(117,650)	33,184
Common stock for cash at \$0.001/sh.	2,357,895	2,359			2,359
Net loss - year ended Dec. 31, 1995				(49,097)	(49,097)
	2,500,326	2,500	150,692	(166,747)	(13,555)

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Balances at Dec.
31, 1995

Common stock for cash at \$0.001/sh.	120,000	120			120
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Net loss - year ended Dec. 31, 1996	0	0		(1,681)	(1,681)
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Balances at Dec. 31, 1996	2,620,326	2,620	150,692	(168,428)	(15,116)
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Net loss - year ended Dec. 31, 1997				(3,517)	(3,517)
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Balances at Dec. 31, 1997	2,620,326	2,620	150,692	(171,945)	(18,633)
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Net loss - year ended Dec. 31, 1998				(2,479)	(2,479)
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Balances at Dec. 31, 1998	2,620,326	2,620	150,692	(174,424)	(21,112)
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Net loss - year ended Dec. 31, 1999				(6,307)	(6,307)
Balances at Dec. 31, 1999	2,620,326	2,620	150,692	(180,731)	(27,419)
Net loss - year ended Dec. 31, 2000				(9,011)	(9,011)
Balances at Dec. 31, 2000	2,620,326	2,620	150,692	(189,742)	(36,430)
Net loss - year ended Dec. 31, 2001				(19,461)	(19,461)
Balances at Dec. 31, 2001	2,620,326	2,620	150,692	(209,203)	(55,891)
Contributed capital for rent and other compensation			1,950		1,950
Net loss - year ended Dec. 31, 2002				(13,960)	(13,960)
Balances at Dec. 31, 2002	2,620,326	2,620	152,642	(223,163)	(67,901)
Contributed capital for rent and officer compensation			488		488
Capital contributed by shareholders via accounts payable and interest			77,415		77,415
Stock issued for services \$0.025/sh.	13,389,932	13,390	321,358		334,748
Stock issued for services at \$0.61/sh.	100,000	100	60,900		61,000
Stock for consulting at \$0.47/share	10,000	10	4,690		4,700
Net loss - year ended Dec. 31,				(592,962)	(592,962)

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2003						
Balances at Dec. 31, 2003	16,120,258	16,120	617,493	(816,125)	(182,512)	
Stock issued for services at \$0.16/sh	1,000,000	1,000	159,000	0	160,000	
Stock issued for services at \$0.17/sh.	1,800,000	1,800	304,200	0	306,000	
Stock issued for services at \$0.165/sh	800,000	800	131,200	0	132,000	
Stock issued for services at \$0.215/sh.	30,000	30	6,420	0	6,450	
Stock issued for debt at \$0.45 per sh.	150,000	150	67,350	0	67,500	
Stock issued for services at \$0.40/sh	300,000	300	119,700	0	120,000	
Stock issued for services at \$0.34/sh.	700,000	700	237,300	0	238,000	
Stock issued for services at \$0.41/sh.	300,000	300	122,700	0	123,000	
Stock issued for services at \$0.27/sh.	300,000	300	80,700	0	81,000	
Stock issued for services at \$0.22/sh.	600,000	600	131,400	0	132,000	
Net loss - year ended Dec. 31, 2004				(1,606,057)	(1,606,057)	
Balances at Dec. 31, 2004	22,100,258	22,100	1,977,463	(2,422,182)	(422,619)	
Contributed capital for general and administrative expenses			138,701		138,701	
Stock issued for services at \$0.03/sh.	19,860,000	19,860	575,940		595,800	
Net loss - year ended Dec. 31, 2005				(1,323,775)	(1,323,775)	
Balances at December 31,	41,960,258	41,960	2,692,104	(3,745,957)	(1,011,893)	

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2005					
Stock issued for services at \$0.027/sh.	17,583,334	17,583	459,917		477,500
Common stock issued in debt restructuring at \$0.06 and \$0.03	10,666,667	10,667	429,333		440,000
Stock issued for debt at \$0.06/ sh.	5,000,000	5,000	295,000		300,000
Stock issued for services at \$0.03/sh.	2,500,000	2,500	72,500		75,000
Stock issued for services at \$0.05/sh.	500,000	500	24,500		25,000
Stock issued for services at \$0.008/sh.	10,000,000	10,000	70,000		80,000
Stock for consulting at \$0.008/sh.	4,500,000	4,500	31,500		36,000
Stock for consulting at \$0.008/sh.	500,000	500	3,500		4,000
Stock for consulting at \$0.008/sh.	4,000,000	4,000	28,000		32,000
Stock for consulting at \$0.008/sh.	700,000	700	4,900		5,600
Stock for consulting at \$0.008/sh.	300,000	300	2,100		2,400
Stock for consulting at \$0.008/sh.	3,600,000	3,600	25,200		28,800
Stock for consulting at \$0.008/sh.	3,000,000	3,000	21,000		24,000
Stock for consulting at \$0.008/sh.	4,000,000	4,000	28,000		32,000
Balances before reverse split	108,810,259	108,810	4,187,554	(3,745,957)	550,407
Reverse split 25 to 1, Oct.26, 2006	(104,457,849)	(104,458)	104,458		-
	890	1	(1)		-

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New Stock issued for rounding							
Balances after reverse split	4,353,300	4,353			4,292,011	(3,745,957)	550,407
Preferred stock for cash at \$0.467/sh.			715,517	716	246,234		246,950
Common stock for rounding\$0.50/sh.	1						-
Common stock for services \$0.20/sh	5,200	5			1,035		1,040
Common stock for rounding\$0.20/sh.	14						-
Common stock for services \$0.17/sh.	160,000	160			27,040		27,200
Net loss - year ended Dec. 31, 2006						(1,745,364)	(1,745,364)
Balances at December 31, 2006	4,518,515	4,518	715,517	716	4,566,320	(5,491,321)	(919,767)

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Common stock for services \$0.15/sh	6,277,251	6,277			935,310		941,587
Common stock sold @ \$0.21/sh	5,662,000	5,662			1,183,358		1,189,020
Common stock for services \$0.21/sh	40,000	40			8,360		8,400
Common stock for services \$0.21/sh	2,787,600	2,788			582,608		585,396
Common stock subscribed, issued \$0.21	3,500,000	3,500			731,500		735,000
Preferred Stock converted to common	8,500,000	8,500	(85,000)	(85)	(8,415)		-
Common stock for services \$0.05/sh	300,000	300			14,700		15,000
Common stock for services \$0.04/sh	10,310,000	10,310			402,090		412,400
Common stock for services \$0.04/sh	500,000	500			19,500		20,000
Revaluation of subscriptions receivable					(575,000)		(575,000)
Net loss - year ended Dec. 31, 2007						(3,896,827)	(3,896,827)
Balances at December 31, 2007	42,395,366	\$ 42,395	630,517	\$ 631	\$ 7,860,331	\$ (9,388,148)	\$ (1,484,791)
Common stock for services \$0.04/sh	600,000	600			23,400		24,000
Common Stock for services \$0.08/sh	8,550,000	8,550			675,450		684,000
Common stock for services @ \$0.20/sh	2,000,000	2,000			98,000		100,000
Preferred Stock converted to common	4,482,758	4,483	(44,827)	(45)	(4,438)		-
Common Stock for services	2,000,000	2,000			458,000		460,000

\$0.23/sh

Net income - year
ended Mar. 31,
2008

1,751,834 1,751,834

Balances at

March 31, 2008 60,028,124 \$ 60,028 585,690 \$ 586 \$ 9,110,743 \$(7,636,314) \$ 1,535,043

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

	For the Three Months Ended March 31,		From Inception Jan. 7, 1982 through Mar. 31, 2008
	2008	2007	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	\$ 1,751,834	\$ (1,168,975)	\$ (7,636,314)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation			2,294
Issuance of common stock for services rendered	1,268,000	2,139,008	7,178,023
Change in operating assets and liabilities:			
Increase in Short Term Receivables			
Decrease (Increase) in Prepaid Expenses			
Increase (Decrease) in Deposits			
Increase (Decrease) in Prepaid Subscriptions			203,500
(Increase) Decrease in Subscriptions Receivable		(1,189,020)	(160,000)
Increase (Decrease) in accounts payable	(2,318)	13,276	32,485
Increase (Decrease) in accrued liabilities			
Increase (Decrease) in Accrued Payroll, Payroll Taxes			
Increase (Decrease) in Short Term Receivables			
Repayment of long term debt			
Increase (decrease) in Accrued Liabilities-Related			
Non-cash contributed capital			
Net Cash provided by (used by) Operating Activities	3,017,516	(205,711)	(380,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Drilling costs	(3,036,000)		(3,036,000)
Purchase of Fixed Assets			(2,294)
Purchase / Sale of Marketable Securities			
Investment in Joint Venture			(50,000)
Net Cash (used by) Investing Activities	(3,036,000)	-	(3,088,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of Note Payable			
Proceeds (Repayment) of Loans			
Increase (decrease) in Credit Line		22,886	81,860
Proceeds (Repayment) of Loan from Officer	(8,540)	183,496	1,369,339
Proceeds (Repayment) of Note Payable-Related Party			

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Increase (Decrease) in Other Loans Payable				
Contributed capital for rent and officers' compensation				2,438
Proceeds from the sale of Preferred Stock				
Proceeds from the sale/conversion of Common Stock				1,443,946
Stock sold for debt				300,000
Commons stock subscribed, revalued				
Proceeds from the sale/conversion of Preferred Stock				246,950
Contributed Capital by shareholders				
Net Cash provided by Financing Activities	(8,540)	206,382		3,444,533
NET INCREASE IN CASH	(27,024)	671		(23,773)
CASH AT BEGINNING OF PERIOD	3,251	(79)		-
CASH AT END OF PERIOD	\$ (23,773)	\$ 592	\$	(23,773)
CASH PAID FOR:				
Interest	\$ -	\$ -	\$	-
Income Taxes	\$ -	\$ -	\$	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND CONTINUED OPERATIONS

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

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

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

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

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

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

Current Business of the Company

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

In December 2007 the Corporation established a relationship with a private institutional investment group contracted to acquire, through a financial facility, interest ownership in six term assignments containing six existing and producing gas wells in Crockett County, Texas. The conclusion of the transaction and recording of the wells took place in the first quarter of 2008.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) No. 107, “Disclosures About Fair Value of Financial Instruments.” SFAS No. 107 requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company’s financial instruments as of March 31, 2008 and 2007 approximate their respective fair values because of the short-term nature of these instruments. Such instruments consist of cash, accounts payable and accrued expenses. The fair value of related party payables is not determinable.

Income Taxes

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

Going Concern

The Company’s financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has suffered recurring losses. The Company incurred an operating loss of \$1,248,171 but a positive cash flow from operations of \$3,017,516, primarily from the sale of a working interest in wells, for the three months ended March 31, 2008. The company has a shareholders’ equity of \$1,535,043 at March 31, 2008. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

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

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

Development-Stage Company

The Company is considered a development-stage company, with limited operating revenues during the periods presented, as defined by Statement of Financial Accounting Standards (“SFAS”) No. 7. SFAS No. 7 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management’s intended operations, among other things. Management has defined inception as January 7, 1982. Since inception, the Company has incurred operating losses totaling \$7,636,314, much of which relates to stock-based compensation to officers, directors and consultants as a means to preserve working capital. The Company’s working capital has been generated through the sales of common stock, loans made by officers of the Company and a bank line of credit. Management has provided financial data since January 7, 1982 “Inception” in the financial statements, as a means to provide readers of the Company’s financial information to make informed investment decisions.

Use of Estimates

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

Principles of Consolidation

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

Earnings (Loss) Per Share

Statement of Financial Accounting Standards No. 128 “Earnings Per Share” requires presentation of basic earnings per share and diluted earnings per share. Basic income (loss) per share (“Basic EPS”) is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share (“Diluted EPS”) is similarly calculated using the treasury stock method except that the denominator is increased to reflect the potential dilution that would occur if preferred stock at the end of the applicable period were exercised. These potential dilutive securities were included in the calculation of loss per share for the three months ended March 31, 2008. They were not included in the calculation for March 31, 2007 because the Company incurred a loss in the period, and thus their effect would have been anti-dilutive. At March 31, 2008 potentially dilutive securities consisted of 585,690 shares of preferred stock, convertible at the rate of 1 preferred share to 100 common shares.

On October 26, 2006 a reverse stock split of Common Stock occurred on a 25 to 1 basis.

The loss per share for the year ended December 31, 2006 was calculated accordingly, giving retroactive effect to the reverse stock split at the beginning of the year.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2007 and 2006.

	2007	2006
Numerator:		
Basic and diluted net loss per share:		
Net Income (Loss)	\$ (1,751,834)	\$ (1,168,975)
Denominator		
Basic and diluted weighted average		
number of shares outstanding	106,041,725	2,923,505
Basic and Diluted Net Loss Per Share	\$ 0.02	\$ (0.09)
Dilutive effect of Preferred Stock	58,569,000	Nil

Equipment and Fixtures

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

Description	Years
Furniture and fixtures	7
C o m p u t e r hardware and software	3-5

Equipment and fixtures have been fully depreciated.

NOTE 3 – RELATED PARTY TRANSACTIONS

Five ledger accounts in the books of the Company relating to loans, salaries and out-of-pocket expenses payable to the President/C.E.O., Jon Fullenkamp, were combined into one account “Loan from Officer”, which totaled \$1,369,339 at March 31, 2008. The loan is non-interest bearing and payable on demand. Under the terms of the employment agreement, the employee may at his election convert any and all funds due to him into shares of the Company’s common stock at a conversion price of \$0.01 per share. In practice, in prior years, funds due to him were converted at a discounted market value.

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

NOTE 4 – INVESTMENT IN OIL AND GAS PROPERTIES

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

In the first quarter of 2008 the Corporation acquired, with private institutional investors, through a financial facility, 50% of 50% of 74% net revenue interest in six term assignments containing six existing and producing gas wells in Crockett County, Texas. The lease is known as the Adams-Baggett Canyon Sandstone gas field. A geologists report dated January 26, 2007 from Joe C. Neal & Associates indicates the following oil and gas reserves, reported in accordance with Financial Accounting Standards Board pronouncement 69 (FAS-69):

	PROVED UNDEVELOPED
Net Reserves to	
Evaluated Interests:	
Oil, MBBL	0
Gas, MMCF	11,519
Future Cash Inflows	\$ 74,877,000
Ad Valorem Taxes & Severance Taxes	\$ 7,694,000
Operating Costs	\$ 18,768,000
Capital Costs	\$ 12,000,000
Future Net Cash Flows, Undiscounted	\$ 36,415,000
Standardized measure of Per Annum Discounted Future net cash flows relating to proved Oil and gas reserves, Discounted at 10%	\$ 11,434,000
Victory Energy Corporation share 50% x 74%	\$ 4,231,000

In the first quarter of 2008 the company sold 59% of its net revenue interest for \$3,000,000. The percentage reduces to 49% when the purchase price is recovered. Funds were used for drilling in the same prospect.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

There were no additional commitments and contingencies in the three months ended March 31, 2008.

NOTE 6 – CAPITAL STOCK TRANSACTIONS

Reverse Common Stock Split

The Common Stock issued and outstanding at October 26, 2006 was 108,810,259. On this date the Board of Directors declared a reverse stock split of the Company's Common Stock, converting the common stock on a 25 to 1 basis. Common shares outstanding were reduced by 104,457,849. New stock outstanding after the split and after issuing 890 shares for rounding was 4,353,300. The effect on the balance sheet was to increase Paid-in Capital by \$104,458 and to reduce Common Stock by \$104,458, a neutral effect on stockholders' equity.

On October 20, 2005 one share was issued at \$0.50, valued de minimus, for rounding following the reverse split.

On November 11, 2006 5,200 shares were issued for services valued at \$1,040 at market value of \$0.20 per share.

On December 5, 2006, 14 shares valued de minimus were issued for rounding.

On December 27, 2006, 160,000 shares were issued for services, valued at \$27,200, at market value of \$0.17.

2007

On January 22, 2007, 6,277,251 shares of common stock were issued for services at \$0.15 per share, reflecting market value. \$941,588 was recorded as consulting fees.

On February 1, 2007, 5,662,000 shares of common stock were issued at \$0.21 reflecting market value for subscriptions receivable of \$1,189,020.

On March 1, 2007, 40,000 shares of common stock were issued to a Director for services rendered at \$0.21 per share reflecting market value. \$8,400 was recorded as consulting fees.

On May 7, 2007, 1,710,000 shares of common stock were issued for services at \$0.21 per share, reflecting market value. \$359,100 was recorded as consulting fees.

On June 5, 2007, 1,077,600 shares of common stock were issued for services at \$0.21 per share reflecting market value. \$226,296 was recorded as consulting fees.

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On June 13, 2007, 850,000 shares of common stock were issued to preferred stockholders in a conversion of 85,000 shares of preferred stock to common, converted at the rate of one share of preferred stock to 100 shares of common stock.

On June 15, 3,500,000 shares of common stock were issued at \$0.21 per share reflecting market value, for subscriptions receivable of \$735,000.

On December 12, 2007, 300,000 shares of common stock were issued for services at \$0.05 per share reflecting market value. \$15,000 was recorded as consulting fees.

On December 31, 2007, 10,310,000 shares of common stock were issued for services at \$0.04 per share reflecting market value. \$412,400 was recorded as consulting fees.

On December 31, 2007, 500,000 shares of common stock were issued for services at \$0.04 per share reflecting market value. \$20,000 was recorded as consulting fees.

On December 31, subscriptions receivable was reduced by \$575,000 to \$160,000 following an agreement with the subscribers concerned. Additional paid-in capital was reduced accordingly.

The total of issued and outstanding common shares at December 31, 2007 was 42,395,366.

2008

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

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

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

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

The total of issued and outstanding common shares at March 31, 2008 and 2007 was 60,028,124 and 42,395,366 respectively.

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Preferred Stock

On August 22, 2006 the Board of Directors resolved to amend the Articles of Incorporation, to authorize 10,000,000 shares of preferred stock, having a par value of \$0.001. The stock is convertible to common stock at will in a ratio of 1 preferred to 100 common. Preferred stockholders may vote as common stockholders on any matter on which common stockholders can vote, and in accordance with the underlying common stock held. Preferred stock dividends may be declared by the Board of Directors.

On October 20, 2006, 715,512.23 preferred shares were issued for cash at \$0.467 each pursuant to Regulation "S", realizing \$246,950.

On June 13, 2007 85,000 shares of preferred stock were converted, at the rate of one share of preferred stock to 100 shares of common stock, to 850,000 shares common stock.

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

The total of issued and outstanding preferred shares at March 31, 2008 and 2007 was 585,690 and 630,517 respectively.

NOTE 7 – LITIGATION

During the second quarter of 2007, a former consultant solicited the courts for the shortfall between the original settlement amount and the amount realized in a court action. On June 6, 2007, the Corporation delivered final settlement and the issue is completely resolved.

Neither the Company nor any of its officers or directors is involved in any other litigation either as plaintiffs or defendants, and have no knowledge of any threatened or pending litigation against them or any of the officers or directors.

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

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

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

Our Business

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

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

Current Business of the Company

Management determined that the Company should focus on projects in the oil and gas industry. This is based upon a belief that this industry is an economically viable sector in which to conduct business operations. The Company has targeted specific prospects and intends to engage in the drilling for oil and gas. Jon Fullenkamp, the Company’s

President, has a great deal of experience in the oil and gas industry and has already recruited additional experience with new directors and advisory board members.

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

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

In the first quarter of 2008, the Corporation acquired the ownership in six term assignments containing six producing gas wells. Victory's acquired ownership in the six term assignments is 50% working interest and 50% of 74% net revenue interest in six existing and producing gas wells on the six term assignments in the Canyon Sandstone gas zone, in the Texas Permian Basin. 26% of the interest is set aside for royalty interest owners of each term assignment. The recording of ownership of the term lease assignments is scheduled to be recorded at the Crockett County Court house during the second quarter of 2008. Additionally during the first quarter of 2008, the Corporation drilled two additional Canyon Sandstone gas wells in Crockett County Texas.

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

The Corporation has targeted the prolific Canyon Sandstone gas field in the Texas Permian Basin, with the intent to focus on the drilling and completion of natural gas wells in this existing field. The opportunity is of reduced risk due to the extensive historical information available from this specific natural gas field. The commercial success of this field is over 97%, indicating that 97% of the wells drilled here are commercially productive.

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

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

Within this existing gas field are two deeper zones, Strawn Limestone and the Ellenburger Dolomite. The Strawn Limestone gas zone will produce approximately 1.5 BCF and the Ellenburger Dolomite gas zone will produce approximately 5.0 BCF, over an average life span of approximately 30 years. The Strawn zone is usually found at 9,000 to 9,800 feet, while the depth of the Ellenburger zone is between 10,500 and 11,500 feet.

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

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

produce the Canyon Sandstone zone to depletion. Offsets of deeper gas wells in this field are producing average of 2.5 million cubic feet of gas per day.

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

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

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

Plan of Operation

Management determined that the Company should focus on projects in the oil and gas industry. This is based upon a belief that this industry is an economically viable sector in which to conduct business operations. The Company has targeted specific prospects and intends to engage in the drilling for oil and gas. Jon Fullenkamp, the Company's President, has a great deal of experience in the oil and gas industry and has already recruited additional experience with new directors and advisory board members.

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

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

Results of Operations for Period Ended March 31, 2008

As of March 31, 2008, the Company has earned revenues of \$252,000 and has incurred a net loss to date of \$1,751,834. Operations have been primarily seeking potential opportunities in the oil and gas industry through the location of commercially economical prospects, and raising capital and developing revenue generating opportunities and strategic relationships.

During the three month period ended March 31, 2008, we incurred operating expenses in the amount of \$1,248,171. These operating expenses included due diligence expenses, consulting fees, professional fees, land leases, oil and gas leases, and office and general expenses.

Liquidity and Capital Resources

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

Recent Accounting Pronouncements

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

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

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132®". This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a

multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement did not have a material effect on our reported financial position or results of operations.

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

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

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

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

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

Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Under the supervision and with the participation of our management, including the Principal Executive

Officer and Principal Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures were effective such that the material information required to be filed in our SEC reports is recorded, processed, summarized and reported within the required time periods specified in the SEC rules and forms. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Potential investors should be aware that the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system of controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

During the second quarter of 2007, the former consultant solicited the courts for the shortfall between the original settlement amount and the amount realized. On June 6, 2007, the Corporation delivered final settlement and the issue is completely resolved.

On July 24, 2006, all litigation was settled between the Company and a former consultant. The Company settled the case for an estimated value of \$280,000 to be realized over a 10-month period ending in May of 2007.

In May 2006, we settled a past debt with Treetop Investments for 5,000,000 shares of our restricted common stock in a transaction combining settlement of debt and purchase of stock.

Neither the Company nor any of our officers or directors is involved in any other litigation either as plaintiffs or defendants and we have no knowledge of any threatened or pending litigation against us or any of our officers or directors.

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

During the three months ended March 31, 2008, we issued 13,150,000 shares of common stock.

Item 3. Defaults Upon Senior Securities

During the three months ended March 31, 2008, we were not in default on any of our indebtedness.

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

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

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit No. Description of Exhibit

- | | |
|----|---|
| 31 | <u>Certification of Chief Executive/Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32 | <u>Certification of Chief Executive/Financial Officer pursuant to Section 906</u> |

SIGNATURE

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

Victory Energy Corporation

Date: May 20, 2008

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

Date: May 20, 2008

By: /s/ Rick May
Rick May
Director

Date: May 20, 2008

By: /s/ Perry Mansell
Perry Mansell
Director