

CHINA NORTH EAST PETROLEUM HOLDINGS LTD

Form 10-Q

November 19, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34378

CHINA NORTH EAST PETROLEUM  
HOLDINGS LIMITED  
(Exact name of small business issuer as specified in its charter)

Nevada 87-0638750  
(State of other jurisdiction of incorporation or (IRS Employer identification No.)  
organization)

445 Park Avenue, New York, New York 10022  
(Address of principal executive offices)

(212) 307-3568  
(Registrant's telephone number, including area code)

Indicated 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 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant 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  No

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

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Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Number of shares of common stock outstanding as of November 17, 2010: 29,604,860

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

On one or more occasions, we may make forward-looking statements in this Quarterly Report on Form 10-Q regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. Words or phrases such as “anticipates,” “may,” “will,” “should,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will likely result,” “will continue” or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to, those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission (“SEC”) filings.

Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. We caution that while we make such statements in good faith and believe such statements are based on reasonable assumptions, including without limitation, management’s examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved. Factors that may cause such differences include but are not limited to:

- Our expectation of continued growth in the demand for our oil;
- Our expectation that we will have adequate liquidity from cash flows from operations;
- A variety of market, operational, geologic, permitting, labor and weather related factors; and
- The other risks and uncertainties which are described below under “RISK FACTORS,” including, but not limited to, the following:

Unanticipated conditions may cause profitability to fluctuate; and  
Decreases in purchases of oil by our customer will adversely affect our revenues.

We have attempted to identify, in context, certain of the factors that we believe may cause actual future experience and results to differ materially from our current expectation regarding the relevant matter or subject area. In addition to the items specifically discussed above, our business and results of operations are subject to the uncertainties described under the caption “Risk Factors” which is a part of the disclosure included in Item 2 of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

From time to time, oral or written forward-looking statements are also included in our reports on Forms 10-K, 10-Q and 8-K, Proxy Statements on Schedule 14A, press releases, analyst and investor conference calls, and other communications released to the public. Although we believe that at the time made, the expectations reflected in all of these forward-looking statements are and will be reasonable, any or all of the forward-looking statements in this quarterly report on Form 10-Q, our reports on Forms 10-K and 8-K, our Proxy Statements on Schedule 14A and any other public statements that are made by us may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Quarterly Report on Form 10-Q, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Quarterly Report on Form 10-Q or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the SEC on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

Unless the context requires otherwise, references to “we,” “us,” “our,” the “Company” and “NEP” refer specifically to China North East Petroleum Holdings Limited and its subsidiaries.

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PART I FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTSCHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARIES ("NEP")  
Condensed Consolidated Balance Sheets

	As of	
	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$50,520,855	\$ 28,693,132
Accounts receivable, net	23,375,295	16,231,369
Prepaid expenses and other current assets	823,087	678,349
Total Current Assets	74,719,237	45,602,850
<b>PROPERTY AND EQUIPMENT</b>		
Oil properties, net	42,494,697	45,777,428
Fixed assets, net	15,097,941	16,466,117
Oil properties under construction	93,535	69,395
Total Property and Equipment	57,686,173	62,312,940
LAND USE RIGHTS, NET	610,242	630,387
GOODWILL	1,645,589	1,645,589
DEFERRED TAX ASSETS	7,892,582	7,538,868
DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS	810,678	-
<b>TOTAL ASSETS</b>	<b>\$143,364,501</b>	<b>\$ 117,730,634</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$7,863,131	\$ 13,373,640
Current portion of secured debenture	-	5,625,000
Other payables and accrued expenses	844,770	1,165,494
Due to a related party	14,930	14,626
Due to a related company	28,367	144,796
Income tax and other taxes payable	5,026,931	4,930,202
Due to a stockholder	2,703,736	89,269
Total Current Liabilities	16,481,865	25,343,027
<b>LONG-TERM LIABILITIES</b>		
Secured debenture	-	4,875,000
Warrants	14,007,665	39,528,261

Total Long-term Liabilities	14,007,665	44,403,261
<b>TOTAL LIABILITIES</b>	<b>30,489,530</b>	<b>69,746,288</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
NEP Stockholders' Equity		
Common stock (\$0.001 par value, 150,000,000 shares authorized,		&