XR Energy, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Period February 7, 2014 (Inception) To December 31, 2014

(1) Organization and Business Description

XR Energy, Inc. ("XR" or the "Company") was incorporated under the laws of the State of Nevada on August 31, 2009. XR offers energy consulting services to smaller sized middle market companies in the New York Metropolitan Area and earns a commission from the related utility, or Energy Service Company ("ESCO"), for energy supply brokered and sold to its customers.

Effective June 1, 2014 (pursuant to an Acquisition Agreement dated March 11, 2014), XR acquired 100% of the outstanding capital stock of XR Energy of Texas, Inc ("XRT") in exchange for XR delivering 30,000,000 of newly issued shares of XR common stock to the former XRT shareholders (see Note 4). After the exchange, the former XRT shareholders owned approximately 88.7% of the issued and outstanding shares of XR common stock. In addition, prior to the reverse acquisition, XR Energy had nominal revenue producing operations in its consulting business, as well as nominal assets and liabilities on its balance sheet as the legal acquirer in the reverse acquisition. Accordingly, the Company has deemed XRT to be the accounting acquirer for financial reporting purposes. The accompanying consolidated financial statements reflect the operations of XRT from its inception on February 7, 2014 to June 1, 2014 and XRT and XR thereafter.

Effective May 31, 2014, XRT acquired certain oil leasehold interests located in Texas from Sterling Royalties, LLC ("Sterling") in exchange for XRT delivering 96,667 shares of XRT's non-publicly traded common stock to Sterling, representing approximately 97% of the issued and outstanding shares of XRT common stock after the exchange. Sterling is owned by family of Akram Chaudhary, the Company's Chief Executive Officer. XRT was incorporated under the laws of the state of Texas on February 7, 2014 for the purpose of acquiring those oil leasehold interests. Accordingly, it had no operations or assets prior to the acquisition of those leasehold interests. Since XRT only acquired those oil leasehold interests from Sterling, the consolidated financial statements do not represent the acquisition of an ongoing business that existed prior to June 1, 2014 for the accounting acquirer XRT.

Effective March 20, 2014, Tara Muratore resigned as a director and Chief Financial Officer of the Company and was replaced by David Taylor. Effective April 4, 2014, Anthony Muratore resigned as a director and Chief Executive Officer of the Company and was replaced by Akram Chaudhary, the Chief Executive Officer of XRT.

Going Concern Uncertainty

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates the Company continuing as a going concern. As of December 31, 2014, the Company had a cash deficit of $1,706 and a working capital deficit of $182,840. For the period February 7, 2014 (inception) through December 31, 2014, the Company had a net loss of $21,507,166. These factors raise substantial doubt as to the ability of the Company to continue as a going concern. However, the Company plans to improve its financial condition by issuing debt instruments and raising additional capital by selling shares of its common stock. Also, the Company plans to acquire additional oil leasehold interests in order to attain profitable operations. However, there is no assurance that the Company will be successful in accomplishing these objectives. The financial statements do not include any adjustments for the recoverability and classification of assets and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

XR Energy, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Period February 7, 2014 (Inception) To December 31, 2014

(2) Interim Financial Statements

The accompanying unaudited interim financial statements of XR Energy, Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for annual audited financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The results of operations for the periods ended December 31, 2014 are not necessarily indicative of the results to be expected for the period ending December 31, 2015. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited financial statements and notes related thereto for the year ended December 31, 2013, which are those of the legal acquirer prior to the reverse acquisition, included in our Form 10-K filed with the SEC.

(3) Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of XR (from June 1, 2014 through December 31, 2014) and its wholly owned subsidiary XRT (from its inception on February 7, 2014 to December 31, 2014). All significant intercompany balances and transactions are eliminated in consolidation.

Use of estimates – The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results could differ from those estimates.

Fair value of Financial Instruments – The Company's financial instruments consist of cash, accounts receivable, accrued commissions receivable, accounts payable and accrued expenses, note payable to investor entity, notes payable to associate of investor entity, and the amount due to the former Chief Executive Officer. The fair value of these financial instruments approximate their carrying amounts reported on the balance sheet.

Cash and Cash Equivalents – For purposes of reporting within the statement of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization expense based on the respective useful lives on a straight line basis. Costs of improvements that appreciably improve the efficiency or productive capacity of existing properties or extend their lives are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or sale, the cost of property and equipment, net of the related accumulated depreciation and amortization, is removed and, if appropriate, gain or loss is recognized.

Oil and Gas Properties - The Company applies the successful efforts method of accounting for oil and gas properties. Exploration costs such as exploratory geological and geophysical costs, delay rentals, and exploration overhead are charged against earnings as incurred. If an exploratory well provides evidence to justify potential completion as a producing well, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities—in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are periodically assessed for impairment and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment, based on the Company's current exploration plans, and a valuation allowance is provided if impairment is indicated. Unproved oil and gas properties with individually insignificant lease acquisition costs are amortized on a group basis (thereby establishing a valuation allowance) over the average lease terms, at rates that provide for full amortization of unsuccessful leases upon lease expiration or abandonment. Costs of expired or abandoned leases are charged against the valuation allowance, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties, as well as amortization of individually insignificant leases and impairment of unsuccessful leases, are expensed.

Depletion - Costs of drilling successful wells, associated asset retirement costs, and capital lease assets used in oil and gas activities are depreciated using the unit-of-production (UOP) method based on total estimated proved developed oil and gas reserves. Costs of acquiring proved properties, including leasehold acquisition costs transferred from unproved properties, are depleted using the UOP method based on total estimated proved developed and undeveloped reserves. Oil and gas equipment, principally consisting of oil well rigs, pumps and other equipment to operate the wells, are depreciated using the straight-line method over the useful lives of the assets as follows:

Rigs	15 years
Pumps, tanks and other equipment affixed to the wells and spare parts for the wells	5 to 10 years

Impairments - Property and equipment are reviewed for impairment at the lowest level for which identifiable cash flows are independent of cash flows from other assets, and when facts and circumstances indicate that net book values may not be recoverable. In performing this review, an undiscounted cash flow test is performed on the impairment unit. If the sum of the undiscounted future net cash flows is less than the net book value of the property, an impairment loss is recognized for the excess, if any, of the property's net book value over its estimated fair value.

Asset Retirement Obligations – Asset retirement obligations (ARO's) associated with the retirement of tangible long-lived assets are recognized as liabilities with increases to the carrying amounts of the related long-lived assets in the period incurred, typically when an oil well is drilled or purchased. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset. ARO's are recorded at estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligations discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value. If estimated future costs of ARO's change, an adjustment is recorded to both the asset retirement obligation and the long-lived asset. Revisions to the

estimated ARO's can result from changes in retirement cost estimates, revisions to estimated inflation rates and changes in the estimated timing of abandonment. The Company's asset retirement obligations primarily relate to plugging of abandoned and support wells at the conclusion of their useful lives.

Revenue Recognition – Sales of oil are recognized when delivery to the purchaser has occurred and title has transferred. Commission income is recognized when the utility delivers the energy services to our referred customers, the respective customer accepts such energy services, the amount billed by the utility is fixed and determinable and the collection of the related receivable is probable.

Stock-Based Compensation - Stock-based compensation is accounted for at fair value in accordance with FASB ASC 718, "Compensation – Stock Compensation". The Company recognizes stock-based compensation expense for the fair value of all shares and stock options that are ultimately expected to vest over the requisite service period of the respective awards. To date, the Company has not granted any stock options.

Income Taxes - The Company accounts for income taxes under the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 740 "*Income Tax*". ASC 740 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 differences between the financial statement carrying amounts and tax bases of certain assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has adopted the provisions of FASB ASC 740-10-05 "Accounting for Uncertainty in Income Taxes". The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2014, the Company had no material unrecognized tax benefits.

Loss Per Common Share - Basic loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common share equivalents (such as stock options and convertible securities) had been issued and if the additional common shares were dilutive. For the three months ended December 31, 2014 and for the period February 7, 2014 (inception) to December 31, 2014, The 10,000,000 potentially dilutive common shares related to the Series A Convertible Preferred Stock (see Note 9) were excluded from the EPS calculation because their inclusion would have been anti-dilutive.

Recent Accounting Pronouncements - Management does not believe that any recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

(4) Acquisition of XR Energy of Texas, Inc.

As described in Note 1 above, XR Energy of Texas, Inc. ("XRT") was deemed to have acquired XR Energy, Inc. ("XR") effective June 1, 2014. The identifiable net assets of XR at the June 1, 2014 date of acquisition were;

Accrued commissions receivable	$	701
Total Assets	$	701
Accounts payable and accrued expenses	$	10,963
Due to former Chief Executive Officer		15,611
Convertible note payable		25,000

Total Liabilities		51,574
Negative Identifiable Net Assets	$	(50,873)
Stockholders' Deficit		
Common Stock	$	2,282
Additional Paid-in Capital		54,418
Accumulated deficit		(107,573)
Total	$	(50,873)

As XR has had only nominal business operations, the reverse acquisition has been accounted for as a recapitalization and no goodwill has been recognized. The shareholders of the legal acquirer retained 3,818,800 shares of XR common stock, which has been reflected at the ($50,873) amount of negative identifiable net assets of XR at June 1, 2014.

The operating results of XR have been included in the Company's consolidated financial statements only from the June 1, 2014 date of acquisition. The following pro-forma information summarizes the results of operations for the period February 7, 2014 (inception) to December 31, 2014 as if the acquisition had occurred on February 7, 2014. The pro-forma information is not necessarily indicative of the results that would have been reported had the transaction actually occurred on February 7, 2014, nor is it intended to project results of operations for any future period.

Revenues	$	77,057
Net loss	$	(21,507,166)
Net loss per common share-basic and diluted	$	(.59)

XR Energy, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Period February 7, 2014 (Inception) To December 31, 2014

(5) Property and Equipment, Net

At December 31, 2014, Property and Equipment, Net consisted of the following;

	Gross	Accumulated Depreciation, Depletion and Amortization
Oil and gas proved properties:		
Lease acquisition costs:		
Chrane lease (Taylor County, TX)	$ 70,449	$ 779
Brown Snyder leases (Jones County, TX) *	39,522	-
Burnett Tidewater leases (Wichita County, TX) *	13,574	-
Subtotals	123,545	779
Capitalized workover costs:		
Chrane lease **	63,676	758
Brown Snyder leases *	-	-
Burnett Tidewater leases *	3,100	37
Subtotals	66,776	795
Asset retirement obligations:		

Chrane lease	835	22
Brown Snyder leases *	797	-
Burnett Tidewater leases *	2,258	-
Subtotals	3,890	22
Totals	$ 194,211	$ 1,596

- The wells associated with the Brown Snyder and Burnett Tidewater leases currently have nominal barrels of oil production. In the opinion of Management, the total recoverable barrels from these wells can be increased Accordingly, management believes it is premature to impair part or all of the net capitalized costs associated with these leases (a total of $40,319 for the Brown Snyder leases and a total of $18,895 for the Burnett Tidewater lea is dependent on the Company's ability to raise sufficient financing to pay for the work. In September 2014, the Company incurred capitalized workover costs of $3,100 relating to the repair of a fiberglass tank located on the B

- In August 2014 and September 2014, the Company incurred capitalized workover costs of $63,676 relating to the refurbishment of rigs for two wells located on the Chrane lease site. As a result, future oil production for these

As discussed in Note 1 above, the above leasehold interests were acquired effective May 31, 2014 from Sterling in exchange for approximately 97% of the issued and outstanding common stock of XRT. Sterling acquired the leases from various entities controlled by the Company's Chief Executive Officer, Akram Chaudhary ("Chaudhary") for nominal consideration. Accordingly, the lease acquisition costs and asset retirement obligations relating to the leasehold interests acquired from Sterling were recorded at the estimated original cost to Chaudhary's affiliates in arms length transactions less estimated applicable depletion commencing from the respective original acquisition dates; December 1, 1996 for the Chrane lease, September 1, 1993 for the Brown Snyder leases and September 1, 1993 for the Burnett Tidewater leases.

(6) Related Party Transactions

Included in Accounts Payable and Accrued Expenses at December 31, 2014 is $51,104, net, due to Chan West Oil Corporation ("Chan West"), operator of the leasehold interests acquired from Sterling effective May 31, 2014 (see Note 5 above). Chan West is owned and controlled by Chaudhary. For the period June 1, 2014 through December 31, 2014, Chan West charged XRT a total of $21,000 for overhead recovery fees included in Oil Lease Operating Costs in the Consolidated Statements of Operations and charged a total of $4,309 for rent expense pursuant to a verbal month-to-month agreement and a total of $1,500 for auto expense included in General and Administrative Expenses in the Consolidated Statements of Operations.

Also included in Accounts Payable and Accrued Expenses at September 30, 2014 is $15,000 due to Capco Resources of Texas, Inc. ("Capco"). Capco is owned and controlled by Chaudhary. For the quarter ended September 30, 2014, Capco charged a total of $15,000 for field supervision labor included in Oil Lease Operating Costs in the Consolidated Statements of Operations. For the period ended December 31, 2014, Capco charged XRT, through Chan West, $33,000 for workover labor costs that were capitalized to the Chrane leasehold interest.

Also included in Accounts Payable and Accrued Expenses at December 31, 2014 is $1,500 due to the Chief Financial Officer of the Company and $1,000 due to Sterling.

Included in Accounts Payable and Accrued Expenses at December 31, 2014 is $8,925 due to a company which is owned by the former Chief Executive Officer of XR for rent and related costs for office space utilized by XR under a verbal month-to-month agreement. This agreement terminated effective March 31, 2014.

(7) Note Payable To Investor Entity

Note Payable at December 31, 2014 represents the balance due Beacon Capital ("Beacon"), an investor entity further described in Note 8, that resulted from a payment made directly to the former Chief Executive Officer of XR at closing of the reverse acquisition for monies owed by XR. The amount due is non-interest bearing and is payable on demand.

(8) Note Payable

On July 29, 2014, August 8, 2014 and September 30, 2014, XR received $10,000. $50,000 and $10,000, respectively from and issued three Promissory Notes to Blue Oak, LLC ("Blue Oak") totaling $70,000. The Promissory Notes provide for interest at a rate of 10% per annum that is payable on the maturity dates, which are July 29, 2015, August 8, 2015 and September 30, 2015. These note contain a conversion feature whereby the note is convertible in whole or in part, at the sole discretion of the holder, beginning after the Maturity Date into shares of common stock at a conversion price of $.0025 per share. Interest expense related to these notes for the period ended December 31, 2014 was $1,000.

(9) Convertible Notes Payable

As of June 13, 2013, a $25,000 Promissory Note and accrued interest in the amount of $808 was due to the former Chief Executive Officer of the pre-reverse acquisition legal acquirer (the "Holder"). On September 13, 2013, the Holder sold this Promissory Note to an investor entity, Beacon Capital ("Beacon"), for face value. The purchaser and XR agreed to extend the due date for an additional six months through March 12, 2014 ("Maturity Date") under the same terms and conditions. On November 25, 2013, this note was amended to add a conversion feature whereby the note was convertible in whole or in part, at the sole discretion of the holder, beginning after the Maturity Date into shares of common stock at a conversion price of $.0025 per share. Since the common stock had not yet begun trading, XR did not recognize any beneficial conversion feature debt discount from this November 25, 2013 amendment. On March 4, 2014, XR and Beacon agreed to extend the Maturity Date of the Convertible Promissory Note for an additional six months to September 12, 2014. This note, plus accrued interest of $1,643, was fully converted on June 11, 2014 for 10,100,000 freely tradable shares of common stock (see Note 11).

(10) Asset Retirement Obligations

The majority of XRT's Asset Retirement Obligations relate to plugging of wells and the related abandonment of oil and gas properties. Revisions in estimated liabilities during the period relate primarily to changes in estimates of asset retirement costs and include, but are not limited to, revisions of estimated inflation rates, changes in property lives, and the expected timing of settlement. The following summarizes XRT's Asset Retirement Obligations (ARO's) for the period June 1, 2014 through December 31, 2014:

Carrying amount of ARO's at June 1, 2014	$	60,745
Accretion expense for the period June 1, 2014 through December 31, 2014		2,050
Carrying amount of ARO's at December 31, 2014	$	62,795

(11) Capital Stock

On February 10, 2014, XRT issued 3,333 shares of common stock (1,000,000 shares of XR common stock after the June 1, 2014 closing of the Acquisition Agreement dated March 11, 2014 (see Note 1)) to Global Media Network USA, Inc. ("Global Media") for certain investor relations services in connection with the then contemplated reverse acquisition of XR. The Company recognized a stock- based compensation of $730,000, which is based on the $.73 closing trading price of XR common stock on February 10, 2014, in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

Also on February 10, 2014, XRT issued 96,667 shares of common stock (29,000,000 shares of XR common stock after the September 1, 2014 closing of the Acquisition Agreement dated March 11, 2014 (see Note 1)) to Sterling in exchange for certain oil leases assigned to XRT effective May 31, 2014 (see Note 5).

Effective May 14, 2014, the Company increased its authorized shares of common stock from 100,000,000 to 500,000,000 shares and authorized 50,000,000 shares of preferred stock, with a par value of $.0001.

On June 1, 2014, the Company delivered to XRT 30,000,000 newly issued shares of XR in the name of XRT Shareholders in exchange for 100% of the XRT shares. Concurrently, the Company's controlling shareholders of the legal acquirer delivered and assigned a total of 19,000,000 shares registered in their names to the Company for cancellation. The transaction was accounted for as a reverse acquisition in which XRT is deemed to be the accounting acquirer. The capital balances have been retroactively adjusted to reflect the reverse acquisition. The shareholders of the legal acquirer retained 3,818,800 shares of XR common stock, which has been reflected at the ($50,873) amount of negative identifiable assets of XR at June 1, 2014 (see Note 4).

On June 5, 2014, the Board authorized and issued 10,000,000 shares of Series A Convertible Preferred Stock to Sterling Properties, LLC, the now majority shareholder of the Company and an entity owned by the family of the Company's Chief Executive Officer. The Series A Preferred Stock has 25 votes for each share, but no less than the majority of voting rights, has a liquidation preference of $0.0001 per share and does not participate in any dividend declared with respect to the common stock. Also, each outstanding share of Series A Preferred Stock is convertible at the option of the holder into one restricted share of the Company's common stock. As a result, the Company recognized stock based compensation of $10,200,000 based on the fair-market value of the underlying common stock on the date of issuance, which was $1.02 per share, in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

On June 11, 2014 (see Note 9), the Company issued a total of 10,100,000 shares of XR common stock to six Beacon individual and corporate assignees in satisfaction of an XR $25,000 convertible note plus accrued interest of $1,643. The Company recognized stock-based compensation of $10,477,357 based on the excess of the fair market value of the underlying common stock on June 11, 2014 ($10,504,000 based on the $1.04 closing trading price of XR common stock on June 11, 2014) over the amount of debt satisfied ($26,643), which has been included in Other Expenses in the Consolidated Statement of Operations for the period February 7, 2014 (inception) to December 31, 2014.

(12) Subsequent Events

On October 22, 2014, October 31, 2014, November 6, 2014, November 12, 2014 and November 14, 2014, XR received $5,000, $15,000, $10,000, $5,000 and $5,000, respectively, from Blue Oak (see Note 8) and issued five Promissory Notes to Blue Oak totaling $40,000. The Promissory Notes provide for interest at a rate of 10% per annum that is payable on the maturity dates, which are October 22, 2015, October 31, 2015, November 6, 2015, November 12, 2015 and November 14, 2015, respectively. These notes contain a conversion feature whereby the notes are convertible in whole or in part, at the sole discretion of the holder, beginning after the Maturity Date into shares of common stock at a conversion price of $.0025 per share.

In the period October 1, 2014 to November 17, 2014, the Company paid a total of $25,924 to Chan West and paid $15,000 to Capco in partial satisfaction of accounts payable due them at September 30, 2014 (see Note 6).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As used in this Form 10-Q, references to "XR Energy," the "Company," "we," "our" or "us" refer to XR Energy Inc. unless the context otherwise indicates.

Forward-Looking Statements

The following discussion and analysis and results of operations should be read in conjunction with our unaudited financial statements and accompanying notes and the other financial information which are included elsewhere in this Form 10-Q (the "Report"). This Report contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

For a description of such risks and uncertainties, refer to our Registration Statement on Form S-1 which was declared effective by the Securities and Exchange Commission on July 19, 2012 (registration statement no. 333-178156). While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. We assume no obligation to update forward-looking statements, except as otherwise required under the applicable federal securities laws.

Business Overview

XR Energy, Inc. ("XR" or the "Company") was incorporated under the laws of the State of Nevadaon August 31, 2009. XR offers energy consulting services to smaller sized middle market companies in the New York Metropolitan Area and earns a commission from the related utility, or Energy Service Company ("ESCO"), for energy supply brokered and sold to its customers.

Recent Developments

Acquisition of XR Energy of Texas, Inc.

Effective June 1, 2014 (pursuant to an Acquisition Agreement dated March 11, 2014), XR acquired 100% of the outstanding capital stock of XR Energy of Texas, Inc ("XRT") in exchange for XR delivering 30,000,000 of newly issued shares of XR common stock to the former XRT shareholders. After the exchange, the former XRT shareholders owned approximately 88.7% of the issued and outstanding shares of XR common stock. Accordingly, the Company has deemed XRT to be the accounting acquirer for financial reporting purposes. The consolidated financial statements reflect the assets, liabilities and operations of XRT from its inception on February 7, 2014 to June 1, 2014 and XRT and XR thereafter.

Effective March 20, 2014, Tara Muratore resigned as a director and Chief Financial Officer of the Company and was replaced by David Taylor. Effective April 4, 2014, Anthony Muratore resigned as a director and Chief Executive Officer of the Company and was replaced by Akram Chaudhary, the Chief Executive Officer of XRT.

Results of Operations

For The Period February 7, 2014 (Inception) Through December 31, 2014

Revenues

Revenues for the period totaled $77,057 of which $76,176 was directly related to sales of crude oil in XRT that began in June and $881 was related to commission income generated in XR from June through December.

Oil Lease Operating Costs

Oil lease operating costs for the period were $89,130, or 117% of crude oil sales generated by XRT. The negative gross margin of $12,954 was the direct result of pumping operations at two of the three Chrane wells being shut down for the month of August for workover improvements. As such, no oil was being pumped from these wells, but certain overhead costs continued to be incurred. Also, field supervision costs of $15,000 were added in the third quarter of 2014 where such costs were not previously incurred.

General and Administrative Expenses

General and administrative expenses for the period were $85,480, which included approximately $30,000 of professional fees incurred in XR related to preparing the second quarter Form 10-Q.

Depreciation, Depletion, and Amortization

Depreciation, Depletion, and Amortization charges for the period were $7,975.

Loss from Operations

The above resulted in a loss from operations for the period of $105,528.

Other Income (Expenses)

Includes a non-cash charge of $21,407,357 related to stock based compensation costs incurred in connection with the reverse acquisition.

For The Three Months Ended December 31, 2014

Revenues

Revenues for the period totaled $40,044, which was directly related to sales of crude oil in XRT that began in June.

Oil Lease Operating Costs

Oil lease operating costs for the period were $29,223, or 73% of crude oil sales generated by XRT. The positive gross margin of $10,821 was the direct result of increased pumping operations at two of the three Chrane wells that were shut down during the previous quarter for workover improvements. As such, no oil was being pumped from these wells, but certain overhead costs continued to be incurred.

General and Administrative Expenses

General and administrative expenses for the period were $24,433.

Depreciation, Depletion, and Amortization

Depreciation, Depletion, and Amortization charges for the period were $4,329.

Loss from Operations

The above resulted in a loss from operations for the period was $17,941.

Other Income (Expenses)

Includes interest expense of $1,000 related to note payable advances received in the third quarter of 2014

Liquidity and Capital Resources

As of December 31, 2014, the Company had a cash balance of ($1,706) and a working capital deficit of $171,861. For the period February 7, 2014 (inception) through December 31, 2014, the Company had a net loss of $21,507,166. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon its ability to identify future investment opportunities, obtain the necessary debt or equity financing and generate earnings from future operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

As of September 13, 2013, the Company had borrowed $25,000 related to a Promissory Note payable to the former Chief Executive Officer (the "Holder"). On September 13, 2013, the Holder sold this Promissory Note to an unrelated third party (Beacon Capital) for face value. The purchaser and the Company agreed to extend the due date for an additional six months through March 12, 2014 ("Maturity Date") under the same terms and conditions. On November 25, 2013, this note was amended to add a conversion feature whereby the note is convertible in whole or in part, at the sole discretion of the holder, beginning after the Maturity Date into shares of common stock at a conversion price of $.0025 per share. Since the common stock had not yet begun trading, the Company did not recognize any beneficial conversion feature debt discount from this November 25, 2013 amendment. On March 4, 2014, the Company and Beacon Capital agreed to extend the Maturity Date of the Convertible Promissory Note for an additional six months to September 12, 2014.This note, plus accrued interest of $1,643, was fully converted on June 11, 2014 for 10,100,000 shares of common stock.

Between July 29, 2014 and November 14, 2014, XR received eight advances totaling $110,000 from Blue Oak, LLC ("Blue Oak") and issued eight separate Promissory Notes to Blue Oak, LLC ("Blue Oak") totaling $110,000. The Promissory Notes provide for interest at a rate of 10% per annum that is payable on the maturity date, which are between July 29, 2015 and November 14, 2015.

XRT incurred $63,676 and $3,100 of workover improvement costs on the Chrane and Burnett Tidewater leasehold interests, respectively during the third quarter of 2014. These capitalized costs are included in property and equipment.

We currently have no other commitments with any person for any capital expenditures.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Michael T. Studer CPA P.C. is our auditors. There have not been any changes in or disagreements with accountants on accounting and financial disclosure or any other matter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 3.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Changes in Control Over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting (as such term is defined in Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

Item 1A. Risk Factors.

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 1A.

Purchases of equity securities by the issuer and affiliated purchasers.

None.

Item 2. Unregistered Sale of Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other information.

N/A.

Item 6. Exhibits

Exhibit No.	Description	Location
3.1	Articles of Incorporation of XR Energy, Inc	Incorporated by reference to Exhibit 3.1 to Registrant's SEC Form S-1 filed on Nove
3.2	By-laws of XR Energy, Inc	Incorporated by reference to Exhibit 3.1 to Registrant's SEC Form S-1 filed on Nove
4.1	Promissory Note	Incorporated by reference to Exhibit 4.1 to Registrant's Amendment No. 1 to SEC F
10.1	Consulting Agreement dated September 22, 2009 between XR Energy Inc. and RJB Consulting Inc	Incorporated by reference to Exhibit 3.1 to Registrant's SEC Form S-1 filed on Nove
10.2	Consulting Agreement dated September 22, 2009 between XR Energy Inc. and Stephen Giametta	Incorporated by reference to Exhibit 3.1 to Registrant's SEC Form S-1 filed on Nove
10.3	Consulting Agreement dated September 22, 2009 between XR Energy Inc. and AndewVicari	Incorporated by reference to Exhibit 3.1 to Registrant's SEC Form S-1 filed on Nove
10.4	Compensation Agreement dated August 2, 2010 between XR Energy Inc. and East Coast Power, LLC	Incorporated by reference to Exhibit 10.5 to Registrant's Amendment No. 3 to SEC
10.5	Representative & Fee Agreement dated May 23, 2012 between Lexington Power & Light LLC. and East Coast Power, LLC	Incorporated by reference to Exhibit 10.5 to Registrant's Amendment No. 3 to SEC
31.1	Rule 13a-14(a)/15d-14(a) Certifications ofAkram Chaudhary, President	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certifications of David Taylor, Treasurer	Filed herewith.
32.1	Section 1350 Certifications of Akram Chaudhary, President	Filed herewith.
32.2	Section 1350 Certifications of David Taylor, Treasurer	Filed herewith.
101.INS	XBRL Instance Document**	
101.SCH	XBRL Taxonomy Extension Schema Document**	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**	

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

_____

*Filed herewith.

**Furnished herewith.

SIGNATURES

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

XR ENERGY INC.

Dated: April 24, 2015

By: */s/ Akram Chaudhary*
Name: Akram Chaudhary
Title: President (principal executive officer) and Director