

**USOG Quarterly Report
Second Quarter 2010
April 1 – June 30**

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Item 1. Exact Issuer Name & Address of Principal Executive Offices

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Austin, TX 78759

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Item 2. Shares Outstanding

As of 6/30/10 there are:

1,875,000,000 common shares authorized
1,029,378,400 common shares outstanding
705,752,212 shares in the float
2 beneficial shareholders
1,098 shareholders of record

As of 6/30/10 there are:

10,000,000 preferred shares authorized
121,888 preferred shares outstanding
0 shares in the float
0 beneficial shareholders
25 shareholders of record

Item 3. Interim Quarterly Financial Statements

Consolidated Balance Sheets For the Three Months Ended June 30, 2010

	6/30/2010
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 462,007
Accounts receivable – trade, net	1,614,217
Note receivable	-
Inventory	236,178
Prepaid Expenses	8,435
Deferred tax asset	450
Total Current Assets	2,321,287
PROPERTY AND EQUIPMENT, net	1,457,185
Other Assets	
Deposits	1,490
Intangible Assets	6,050
Accumulated Amortization	(5,209)
Deferred Tax Asset	8,000
Intercompany Receivable	-
Goodwill	4,459,734
Investment in Subsidiaries	-
Total Other Assets	4,470,065
Total Assets	8,248,537
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Notes Payable – Current	4,692,264
Related Party Notes Payable – Current	162,000
Convertible Notes Payable	227,800
Line of Credit	-
Accounts Payable	674,990
Accrued Expenses	104,382
Intercompany Notes Payable	(276)
Interest Payable	30,922
Taxes Payable	354,424
Total Current Liabilities	6,246,506
Deferred Tax Liability	24,000
Notes Payable – Long Term	812,895
Related Party Notes Payable – Long Term	11,217
Total Liabilities	7,094,618
STOCKHOLDERS' EQUITY	
Common Stock, .000003 par value, 1,875,000,000 shares authorized, 1,029,378,400 issued and outstanding at March 31, 2010	3,995
Preferred Stock, .001 par value, 10,000,000 shares authorized, 121,888 issued and outstanding pari passu or senior to any new preferred shares, convertible to common stock at 80% of market price, callable any time at \$6 per share, dividends shall not accrue unless declared, \$5 per share liquidation preference	97,565
Additional Paid In Capital	2,419,424
Retained Earnings (Deficit)	(1,276,743)
Net Income (loss)	(90,324)
Total Stockholders' Equity	1,153,917
Total Liabilities and Stockholders' Equity	8,248,535

See Notes to Financial Statements

Consolidated Statements of Income
For the Three Months Ended June 30, 2010

	6/30/2010
SALES, net	\$ 6,340,973
Cost of Goods Sold	5,737,471
Gross Profit	603,502
Operating Expenses:	
Salaries and Benefits	229,239
Consultant Fees	9,325
Service and Prospecting Fees	21,025
Travel and Entertainment	4,312
Professional Fees	62,856
General and Administrative	48,601
Repairs and Maintenance	46,764
Depreciation	55,853
Amortization	100
Bad Debt Expense	577
Fuel Tax	-
Other Operating Expense	26,357
Total Operating Expenses	505,009
Income (loss) from Operations	98,493
Non-Operating Income (expense):	
Interest Income	28,499
Interest Expense	(17,334)
Other Income (loss)	(1,092)
Acquisition Costs	-
Recovery of bad debt	1,210
Total Non-Operating Income, net	11,283
Income (loss) Before Income Taxes	109,776
Income Tax Expense	102,969
NET INCOME (LOSS)	6,807

See Notes to Financial Statements

Consolidated Statement of Cash Flows
For the Three Months Ended June 30, 2010

	6/30/2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (loss)	\$ 6,807
Adjustments to reconcile net income (loss) to net cash	
Depreciation and amortization	112,647
Changes in operating assets and liabilities:	
Accounts Receivable	(271,764)
Inventories	28,734
Prepays	
Deferred tax	102,970
Accounts payable	38,610
Accrued expenses	17,718
Net cash provided by (used in) operating activities	35,722
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(114,543)
Disposals of property and equipment	
Cash paid towards acquisitions and subsidiaries	10,000
Net cash provided by (used in) investing activities	(104,543)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	9,572
Proceeds from sale of common stock	
Proceeds from sale of preferred stock	
Imputed interest paid on convertible notes	18,069
Net cash provided by (used in) financing activities	27,641
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,180)
CASH, BEGINNING OF PERIOD	503,186
CASH, END OF PERIOD	462,006

See Notes to Financial Statements

Consolidated Statements of Stockholders' Equity
For the Three Months Ended June 30, 2010

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>			
Balance at March 31, 2010	121,888	\$ 122	1,029,378,400	\$ 3,098	\$ 2,517,762	\$ (2,196,923)	\$ 324,059
Series A Shares converted to common shares							
Sale of common shares							
Notes converted to common shares							
Prior Period Adjustment to Retained Earnings from Acquisition						823,049	823,049
Net Income (loss)						6,807	6,807
Balance at June 30, 2010	121,888	\$ 122	1,029,378,400	\$ 3,098	\$ 2,517,762	\$ (1,367,067)	\$ 1,153,917

See Notes to Financial Statements

UNITED STATES OIL AND GAS CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Concentration of Credit Risk

The principal business activities of United States Oil and Gas Corp, (the Company) is the acquisition of domestic oil and gas service companies, those that primarily market and distribute refined fuels and propane to retail and wholesale customers. The Company's office is located in Austin, Texas. The Company acquired its first company, Turnbull Oil, Inc. ("Turnbull"), located in Plainville, Kansas, on May 15, 2009. On January 1, 2010, the Company acquired its second wholly owned operating subsidiary, United Oil & Gas, Inc. ("United"), located in Bottineau, North Dakota.

Turnbull is a corporation organized under the laws of Kansas. It is the parent of its wholly owned subsidiary Basinger, Inc., also a corporation organized under the laws of Kansas. The corporations are bulk distributors of petroleum products from Plainville, Palco, Hill City and Utica, Kansas. Their primary customers are businesses in the agricultural and oil related industries in Kansas.

The principal business activities of United are sales, made throughout North Dakota and neighboring states, of oil and gas; and the operation of a convenience store, located in Belcourt, North Dakota.

Oil and gas service companies such as Turnbull and United purchase bulk fuel, distillates and propane from regional suppliers, then store, sell, and deliver to, among other customers, local businesses, drillers, farms, wholesalers, and individuals. The margin on sales is adjusted according to purchase price. Therefore, while sales volume can vary greatly from one year to the next (because of large fluctuation in wholesale fuel costs), margins remain fairly consistent.

In addition to its acquisition strategy, the Company intends to acquire and/or develop and deploy proprietary technologies that will explore or extract oil and gas trapped in the earth using the latest technologies that create the smallest ecological footprint as possible. The Company has one patent that support this ancillary strategy but does not rely on revenue generation from this technology in its financial projections.

Principles of Consolidation

The consolidated financial statements include the accounts of Turnbull and its wholly-owned subsidiary, Basinger, Inc., and United. Intercompany balances and transactions are eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company maintains its cash accounts at banks which are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Company's deposits are periodically in excess of federally insured limits on a temporary basis.

Accounts Receivable

Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Accounts receivables of approximately \$1.6 million and \$0.9 million at June 30, 2010 and 2009, respectively, consist principally of trade receivables from a large number of customers dispersed across a wide geographic base in Kansas, the Dakotas and parts of Montana.

Inventory

Inventories are valued at the lower of cost, using the first-in, first-out (FIFO) method, or market.

Property and Equipment

Property and equipment are stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. Depreciation is provided over the estimated useful lives of the individual assets using the accelerated and straight-line depreciation methods and range from five to 39 years.

Use of Estimates

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

Revenue Recognition

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed and determinable, and collectability is probable.

Advertising

All advertising costs are expensed as incurred. Advertising expenses were approximately \$0 and \$0 during the three months ended June 30, 2010 and 2009, respectively.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30,:

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 1,804,217	\$ 1,082,564
Allowance for uncollectible accounts	(190,000)	(190,000)
	<u>\$ 1,624,217</u>	<u>\$ 892,564</u>

NOTE 3 - LINE OF CREDIT

The Company has a \$750,000 line of credit at Sunflower Bank, maturing December 31, 2010, with an interest rate of 1.3% plus the Wall Street Journal prime rate (3.25% as of June 30, 2010). The line of credit is secured by all accounts receivable, inventory and equipment. As of June 30, 2010, the balance outstanding is zero.

NOTE 4 – DEBT

Debt consisted of the following at June 30,:

	<u>2010</u>
Short term:	
Unsecured convertible notes payable with annual interest rate of 5%	\$ 154,700
Unsecured convertible notes payable with annual interest rate of 10%	<u>73,100</u>
Total convertible notes	420,400
Unsecured note payable with annual interest of 5%, maturing December 31, 2011	\$ 500,000
Unsecured note payable with annual interest rate of 3.5%, maturing December 31, 2010. Note is convertible to common stock.	3,994,432
Long term:	
Note payable with annual interest payable quarterly and maturing April 9, 2011.	<u>750,000</u>
Minimum principal payments of long term debt in subsequent years:	
2011	\$ 1,250,000
2012	
2013	
2014	

Interest expense on the notes payable for the three months ended June 30, 2010 totaled \$17,334

NOTE 6 – TAXES

Accounting for uncertain tax positions

On January 1, 2009 the Company adopted a standard under which tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

Upon the adoption of the standard the Company had no liabilities for unrecognized tax benefits and, as such, the adoption had no impact on the Company financial statements and the Company has recorded no additional interest or penalties. The adoption of the standard did not impact the Company's effective tax rates.

The Company's policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the three months ended June 30, 2010, the Company did not recognize any interest or penalties in the Company's statement of operations, nor did the Company have any interest or penalties accrued in its balance sheet at June 30, 2010 relating to unrecognized benefits. With few exceptions, the Company is no longer subject to U.S., federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2006.

NOTE 7 – COMMON STOCK

Common stock consists of 1,875,000,000 authorized shares of \$0.000003 par value common stock. At June 30, 2010, 1,029,378,400 shares were issued and outstanding.

NOTE 8 – PREFERRED STOCK

Preferred stock consists of 10,000,000 authorized shares of \$0.001 par value. At June 30, 2010, 121,888 shares were issued and outstanding.

NOTE 9 – CASH FLOW

The Company has incurred substantial losses and debt in the acquisition of its subsidiaries. As of June 30, 2010, the Company's current liabilities exceed its current assets by approximately \$3,925,219. These factors along with the uncertain economy create an uncertainty as to the Company's ability to continue as a going concern. The Company is developing a plan to reduce its liabilities and improve its cash flows by issuing additional stock and notes payable along with improving operations. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Item 4. Management's Discussion and Analysis or Plan of Operation

1. Plan of Operation

- i) We are focused on growth through acquisition of oil and gas service companies. Our strategy is to steadily acquire small to mid-size family owned companies that meet the following criteria:
- Significant history of steady growth and financial success;
 - Little or no debt; and
 - Experienced management with a desire and willingness to stay on board for a minimum of three years.

We have chosen to focus on the oil and gas service sector because it offers several important benefits. First and foremost we have found that well-established businesses in this industry provide very stable growth and profits. Oil and gas products, primarily refined fuel, propane, and lubricants are purchased from local suppliers and then sold and delivered to a broad range of regional customers. While oil prices can affect demand it has very little impact on gross profit margins which are fairly fixed. Secondly, within the Midwest region where we are focused, there is a robust supply of possible target acquisitions. New businesses in the industry tend to be rare because of the relatively high cost of entry (bulk plants and tanker trucks) and more stringent environmental regulation. Finally, the Midwest region also has a wide variety of suppliers and propane costs that are lower than the rest of the country. This combination provides what we believe is a unique opportunity for growth and success: An industry with many small regional players, a business that has stable growth and profit margins, and a region that has a strong, varied network of suppliers providing comparatively low price fuel to a part of the country that shows increased demand for oil and gas products.

Industry Focus:

The oil and gas service sector has several benefits:

- Stable growth and profits;
- A broad customer base;
- Stable and diverse supply options; and
- The ability to compete on service and price.

Availability of Controlled Growth:

The oil and gas service sector offers two ways to grow without the risk of large investment:

- There is a large market of available acquisitions that range in size. The regional nature of the business provides a large number of acquisition targets; and
- Internal growth requires only minimal investment; one truck at a time, one employee at a time, or one storage tank at a time.

Regional Focus:

Because of the focus on farming and drilling, the Midwest is a relatively stable area to do business. Such commodities are in constant demand and have largely escaped recessionary pressure.

At the corporate level we offer acquisition prospects a unique opportunity in that, at least in the near term, we do not intend to take over operational control. Sellers therefore are able to gain the financial security of a sale while staying on board to manage the business, share in the continued success and participate in eventually replacing themselves when they are ready to retire. The goal is to combine the benefits of a publically traded company with the efficiency and close customer relationships of a small company. Once several acquisitions are complete we will utilize synergies to work towards achieving greater operational efficiencies. This is an opportunity that does not often present itself to sellers and which we feel is a competitive advantage when bidding against other potential buyers.

We deploy a proprietary prospecting system to identify companies that fit our strategy. The system incorporates successful middle-American companies that are not readily targeted by large conglomerate industries. Our management then intends to use its operational expertise to grow profits through streamlined processes and the synergies between the companies that are purchased.

- ii) Over the next 12 months, the Issuer's strategy is to complete its registration statement on Form 10 with the United States Securities and Exchange Commission in order to register its common stock pursuant to the Securities Exchange Act of 1934, as amended; and to close a third acquisition.

Having completed the acquisition of United, we will explore available efficiencies from the combined operations with Turnbull. Management has unique experience and skill with improvement of operational efficiencies and will utilize that experience to lower costs and increase profit. There is also the opportunity for growth through marketing both at the local level and through the increased exposure that comes with being a public company. To date, both Turnbull and United have done very little to no advertising or direct marketing.

In addition to our acquisition strategy, we intend to investigate the development or licensing of our patented technology for the measurement of the magnitude of environmental disturbances in harsh environments. We hope this intellectual property will facilitate the successful development and commercialization of techniques and devices enabling greener exploration and production; ones that minimize the environmental footprint of drilling activity.

- iii) Any expected purchase or sale of plant and significant equipment.

The Issuer intends to purchase additional hauling equipment.

- iv) There will be no significant changes in the number employees for the Issuer over the next 12 months. There will be additional employees once intended acquisitions are completed; however these employees will remain with the target corporations.

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

Balance Sheet

On a consolidated basis, the balance sheet current assets are \$2.3 million against current liabilities of \$6.2 million. The largest component of the current liabilities is a \$4.0 million note payable to Jeff Turnbull for the acquisition of Turnbull. USOG is targeting to pay this note within six months of becoming a fully reporting company and has amended the original acquisition agreement to extend the deadline for payment of the note to December 31, 2010. Excluding the note payable, the ratio of current assets to current liabilities is 1.03. When the note is included the current ratio is 0.37. The ratio of total assets divided by total liabilities is 1.16. The United acquisition includes a note payable for \$500,000 that is due December 31, 2011. There is also a note payable to a Canadian accredited investor for \$750,000 that is due on April 15, 2011.

Accounts receivable are shown net of allowance for doubtful accounts in the amount of \$1.6 million. Accounts receivable is from Turnbull (and its subsidiary, Basinger Propane) and United subsidiaries. Turnbull evaluates accounts receivable annually and writes off accounts considered uncollectible. Turnbull also charges 21% interest on all accounts receivable over 30 days, which historically has covered amounts lost due to uncollectible accounts. Goodwill of \$4.6 million is the result of the Turnbull/Basinger and United acquisitions.

Statement of Operations

For the quarter ended June 30, 2010, the Issuer achieved sales of \$6.3 million with gross profit of \$603,502 and net income of \$6,807. These figures include the financial results of Turnbull/Basinger and United. Recovery of bad debt in the amount of \$1,210 was made on a customer in Kansas that had outstanding payables to the company for over two years. Continued efforts will be made to collect on additional accounts that have previously been written off. USOG has significantly cut its corporate overhead expenses and use of consultants to reduce annual budget from approximately \$1.0 million in 2008 and 2009 to projected \$600,000 for 2010.

Statement of Cash Flows

The cash balance decreased slightly in the quarter from \$503,186 to \$462,006, but is higher than the \$348,685 at the start of the year. Operating activities provided \$35,722 of cash and the company invested \$115,000 on new equipment.

The company is pursuing additional cash from the sale of convertible notes to existing shareholders as well as equity financing through investment banks and accredited investors to fund the remaining balance on the note to Jeff Turnbull and owners of United Oil. Once these notes are paid, the Company will have full access to the proceeds from operations.

3. Off-balance Sheet Arrangements

None for this Quarter

Item 5. Legal Proceedings

There are no current legal proceedings against the Company.

Item 6. Defaults upon Senior Securities

There has been no material default in payment of principal, interest, or any other material default not cured within 30 days with respect to any indebtedness of the issuer exceeding 5% of the total assets of the issuer.

Item 7. Other Information

1. Entry into a Material Definitive Agreement

None for this Quarter

2. Termination of a Material Definitive Agreement

None in this Quarter

3. Completion of Acquisition or Disposition of Assets

None in this Quarter

4. Creation of Direct Financial Obligation

None for this Quarter

5. Triggering Events that Accelerate or Increase Direct Financial Obligation

None in this Quarter

6. Costs Associated with Exit or Disposal Activities

None in this Quarter

7. Material Impairments

None for this Quarter

8. Sales of Equity Securities

None in this Quarter

9. Material Modification to Rights of Security Holders

None for this Quarter

10. Changes in Issuer's Certifying Accountant

None for this Quarter

11. Non-Reliance on Previously Issued Financial Statements

None for this Quarter

12. Changes in Control of Issuer

None for this Quarter

13. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On April 5, 2010, Alex Tawse was named Chairman of the Board of Directors

On April 5, 2010, David Lindemann was named a member of the Board of DirectorsNone for this Quarter

14. Amendments to Certificate of Incorporation or Bylaws

The Issuer has updated its Bylaws, incorporating a simple majority (over 50%) by the stockholders to pass corporate actions, rather than a super-majority of 2/3rds. Please see the exhibit below for the language in the amendment.

15. Amendments to Issuer's Code of Ethics

None for this Quarter

Item 8. Exhibits

All exhibits, except for those stated below, required under Items XVIII (Material Contracts) and XIX (Certificate of Incorporation and Bylaws) of Section One of the Reporting Guidelines have already been described and attached in prior disclosure statements, and have not changed since such prior statements, except for the following, which amended the Bylaws on April 5, 2010:

Section 1.9 shall be restated entirely as follows: Action at Meeting. When a quorum is present at any meeting, the holders of not less majority of the stock present or represented and voting on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of not less than majority of the stock of that class present or represented and voting on a matter) shall decide any matter to be voted upon by the stockholders at such meeting, except when a different vote is required by express provision of law, the Certificate of Incorporation or these Bylaws. Any election by stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election.

Fourth: Capital Stock

1. Authorized Stock. The total number of shares of stock which the Company shall have authority to issue is 1,885,000,000, consisting of 1,875,000,000 shares of common

stock, par value \$0.000003 per share (the “Common Stock”), and 10,000,000 shares of preferred stock, par value \$0.001 per share (the “Preferred Stock”).

Item 9. Certifications

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

I, Alex Tawse, certify that: 1. I have reviewed this quarterly statement of United States Oil and Gas Corp; 2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: Friday, August 20, 2010

/s/ Alex Tawse

Alex Tawse, Chairman and CEO