

# **INITIAL COMPANY INFORMATION AND DISCLOSURE STATEMENT**

## Section One: Issuer's Initial Disclosure Obligations

Allied Energy, Inc.  
December 31, 2011

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## Disclosures Regarding Forward-Looking Statements

Certain information included in this report and in other materials filed or to be filed with OTC Markets, as well as information included in oral statements or other written statements made or to be made by us, contain or incorporate by reference certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used herein, the words “budget,” “budgeted,” “assumes,” “should,” “goal,” “anticipates,” “expects,” “believes,” “seeks,” “plans,” “estimates,” “intends,” “projects” or “targets” and similar expressions that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements. Where any forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from actual results and the difference between assumed facts or bases and the actual results could be material, depending on the circumstances. It is important to note that our actual results could differ materially from those projected by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable and such forward-looking statements are based upon the best data available at the date this report is filed, we cannot give any assurance that such expectations will prove correct. Factors that could cause our results to differ materially from the results discussed in such forward-looking statements include, but are not limited to, the following: ability to obtain sufficient participants and funds in drilling programs, ability to find suitable prospects for drilling at a commercially reasonable cost in drilling programs, ability to contract competent operating and other oil and gas personnel at a reasonable cost, production variance from expectations, volatility of oil and gas prices, hedging results, the need to develop and replace reserves, the substantial capital expenditures required to fund operations, exploration risks, environmental risks, uncertainties about estimates of reserves, competition, litigation, government regulation, political risks, our ability to implement our business strategy, costs and results of drilling new projects, mechanical and other inherent risks associated with oil and gas production, weather, availability of drilling equipment and changes in interest rates, and other risks and risk factors included under the heading “Risk Factors.” All such forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph. We do not undertake, and specifically disclaim any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur, and we urge readers to review and consider disclosures we make in this and other reports that discuss factors germane to our business.

## **Section One: Issuer's Initial Disclosure Obligations**

### **Part A General Company Information**

#### **Item 1 The exact name of the issuer and its predecessor (if any)**

Allied Energy, Inc., a Florida corporation (hereinafter referred to, together with its wholly-owned and majority-owned subsidiaries, as the "Company," "Allied," "Allied Energy," "we," "us," "our" or the "Issuer"). The other name used by a predecessor company in the past five years was "Allied Energy Group, Inc." which was used from 7/2006 to 11/2007.

#### **Item 2 The address of the issuer's principal executive offices**

Address: 2427 Russellville Road, Bowling Green, KY 42101  
Phone: (800) 330-2535  
Fax: (800) 251-9322  
Website: [www.alliedenergy.com](http://www.alliedenergy.com)  
Company Contact: Rachel Lewis  
Phone: (866) 256-5836  
Email: [info@alliedenergy.com](mailto:info@alliedenergy.com)  
Mailing Address: Investor Relations, 2427 Russellville Road, Bowling Green, KY 42101

#### **Item 3 The jurisdiction(s) and date of the issuer's incorporation or organization**

The Company was originally incorporated on March 6, 1998, in the State of Colorado. As of July 17, 2006, the Company became incorporated in the State of Florida, which is its current jurisdiction of incorporation.

### **Part B Share Structure**

#### **Item 4 The exact title and class of securities outstanding**

Common Stock: CUSIP Number: 019153105; Trading Symbol: AGGI

Series A Preferred Stock: No CUSIP Number or trading symbol

#### **Item 5 Par or Stated value and description of the security**

##### **A. Par or Stated Value. Provide the par or stated value for each class of outstanding securities.**

Common Stock: 200,000,000 shares authorized, par value \$0.001.

Preferred Stock: 10,000,000 shares authorized, par value \$0.01.

##### **B. Common or Preferred Stock.**

##### **1. For common equity, describe any dividend, voting and preemption rights.**

The holders of the Common Stock are entitled at all times to one vote for each share and to such dividends as the Board of Directors may in its sole discretion, from time to time, legally declare, subject to the voting and dividend rights, if any, of the holders of any outstanding

shares of Preferred Stock. See Item 5.B.2 below concerning voting rights of Series A Preferred Stock.

**2. For preferred stock, describe the dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions.**

Each share of Series A Preferred Stock is entitled to 1,000 common share votes on all matters to which the Common Stock is entitled to vote. Each share of the Series A Preferred Stock has the same dividend and liquidation rights as one share of common stock. The Series A Preferred Stock has no conversion rights.

**3. Describe any other material rights of common or preferred stockholders.**

None

**4. Describe any provision in issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer.**

None, other than the voting rights of the Series A Preferred Stock.

**Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized**

**A. Common Stock:**

1) As of December 31, 2011, there were 200,000,000 shares of common stock authorized, 74,644,487 shares outstanding, 23,238,292 shares freely tradable, approximately 1,165 non-objecting beneficial shareholders (NOBO) as of 1/13/2012, and 540 shareholders of record. In addition to the shares that are shown as freely tradable, there are approximately 14,770,541 outstanding shares that bear a restrictive legend on the certificates but are held by non-affiliates and have satisfied the applicable holding periods to have the legends removed from the certificates.

2) As of December 31, 2010, there were 200,000,000 shares of common stock authorized, 69,446,333 shares outstanding, 21,786,204 shares freely tradable, and 489 shareholders of record.

**B. Preferred Stock**

1. As of December 31, 2011, and December 31, 2010, there were 10,000,000 shares of Preferred Stock authorized, 100,000 shares of Series A Preferred Stock outstanding, no shares of Series A Preferred Stock freely tradable (there is no public float for the Series A Preferred Stock), and four beneficial and of record Series A Preferred shareholders.

**Part C Business Information**

**Item 7 The name and address of the transfer agent**

Corporate Stock Transfer  
Address: 3200 Cherry Creek Drive South, Suite 430, Denver, CO 80209  
Phone: (303) 282-4800  
Registered Under Exchange Act: Yes  
Regulatory Authority: Securities and Exchange Commission (SEC)

## **Item 8 The nature of the issuer's business**

### **A. Business Development.**

**Allied Energy, Inc.** is an independent oil and gas development company primarily engaged in the business of providing turnkey drilling and operations management services to oil and gas general partnerships that the Company organizes and sponsors. The partnerships are formed to develop oil and natural gas reserves in the continental United States. The Company may at times participate in the same prospects for its own account outside of the partnerships. In undertaking its oil and natural gas activities, Allied relies upon industry partners and well operators, as well as consulting geologists and petroleum engineers, and other operational personnel. The Company's majority-owned subsidiary, Allied Gas Transmission, Inc. ("AGT"), owns and operates a natural gas gathering and transmission line to service certain partnership wells in Rogers County, Oklahoma. In addition to AGT, Allied has two wholly-owned subsidiaries that act as operators for the sponsored general partnerships of the Company in Oklahoma and Texas, Allied Operating, LLC ("AO"), and Allied Operating Texas, LLC ("AOT"), respectively.

During the past three years, Allied has engaged in operations in Oklahoma and Texas on behalf of general partnerships and also for its own account. During this period, two horizontal gas wells in Grimes County, Texas, and one horizontal oil well in adjacent Leon County, Texas, have been successfully completed on behalf of general partnerships sponsored by the Company and for the Company's own account. The Company owns a cost-bearing billing interest of 16.400% and a net revenue interest of 0.858% in one of these horizontal gas wells, and a cost-bearing billing interest of 13.386% and a net revenue interest of 2.539% in the other well. In the Leon County horizontal oil well, the Company owns a cost-bearing billing interest of 13.386% and a net revenue interest of 0.664%.

In addition, another horizontal oil well (Champion Ranch #1) in Leon County, TX, and a multi-stage vertical well (Rock Hill #1) in Wood County, TX had been drilled to target depth and were being tested as of December 31, 2011 on behalf of general partnerships sponsored by the Company and for the Company's own account. The Company owns a 25% cost-bearing billing interest and a 4.69% net revenue interest in the Champion Ranch #1 well, together with indirect interests, through its ownership of an interest in the partnership drilling this well, equating to a 0.347 working interest and a 0.267 net revenue interest in the well. In the Rock Hill #1 well, the Company owns a 24% cost-bearing billing interest, together with an 18% net revenue interest, before payout, and 9% cost-bearing billing interest, together with a 6.75 net revenue interest, after payout.

With respect to partnerships sponsored by the Company that have operations, the Company owns a number of small interests in some of the partnerships, but the value of all those interests to the Company, as a whole are not considered material.

**See items 8F ("Drilling Activity") and 8G ("Present Activity") for additional information concerning the Company's current operations.**

- 1. The form of organization of the issuer (e.g., corporation, partnership, limited liability company, etc).**

Corporation.

**2. The year that the issuer (or any predecessor) was organized.**

Allied Energy, Inc. f/k/a Allied Energy Group, Inc. (domesticated in Florida on July 17, 2006), f/k/a Technol Fuel Conditioners, Inc. (Technol), f/k/a USR Holdings, Co., f/k/a WowStores.com, f/k/a Interactive Golf Marketing, Inc. (incorporated in Colorado on March 6, 1998).

**3. The issuer's fiscal year end date.**

December 31.

**4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.**

No.

**5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.**

There have been no material reclassifications, mergers or consolidations subsequent to December 31, 2008.

During fiscal year 2011, the Company acquired the following assets as part of the normal course of business:

- a. HQ building at 2427 Russellville Road, described more completely in the footnotes to the financial statement.
- b. Contractual rights to oil and gas leases of approximately 389 acres in Milam County, Texas
- c. Contractual rights to oil and gas leases of approximately 450 acres in Wood County, Texas.
- d. Contractual rights to portions of working interest in oil and gas leases of 54 acres in Yoakum County, Texas

The Company disposed of interests in productive assets in Texas in two transactions with a cumulative sales price of approximately six million dollars during the second and third quarters of 2011. These disposals are recognized as Other Income in the Statement of Operations of the financial statements.

**6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.**

Subsequent to December 31, 2008, the Company has not had any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments. See Part F, Item 17-A of this Information Statement for a description of the status of the Company's obligations under certain contracts.

**7. Any change of control.**

Subsequent to December 31, 2008, a change of control may be deemed to have occurred on April 13, 2009 when Terra Walker transferred a total of 51,000 shares of the Company's

Series A Preferred Stock owned by her in equal amounts of 17,000 shares each, to each of Robert Cueto, Scott Harris and Steven Stengell. Subsequent to this transfer, Robert Cueto, Scott Harris, Steve Stengell, and Terra Walker each owns 25,000 shares of Series A Preferred Stock, which constitutes the total number (100,000) of shares of the Series A Preferred Stock outstanding, as of December 31, 2011.

A change of control also may be deemed to have occurred on March 24, 2011, upon the assignment of voting rights, pursuant to a two-year proxy, as follows: a) Scott Harris signed a proxy assigning to Robert Anastario all voting rights to Mr. Harris' 25,000 shares of Series A Preferred Stock and to his approximately 6,062,500 shares of the Company's common stock; and (b) Robert Cueto signed a proxy assigning to Richard Muller all voting rights to Mr. Cueto's 25,000 shares of Series A Preferred Stock and to his approximately 6,062,500 shares of the Company's common stock.

**8. Any increase of 10% of more of the same class of outstanding securities.**

None subsequent to December 31, 2008.

**9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.**

None subsequent to December 31, 2008.

**10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.**

No.

**11. Any current past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.**

The Company does not believe that there is any litigation existing, pending or threatened that would materially affect its business, financial condition, or operations, and there are no current, past or pending trading suspensions by a securities regulator; however, the Company desires to disclose the following legal matters to which it is a party:

Matter #1: Allied is a defendant in a lawsuit filed in the Commonwealth of Kentucky, in which the plaintiff asserts that certain defendants as members of Gryphon Environmental, LLC, including Allied and its former president, Steven Stengell, engaged in a fraudulent scheme to remove plaintiff as a manager of the company and to defraud him of his membership interest. The defendants have denied the claims and it is expected that the case will be remanded to arbitration.

Matter #2: Allied is cited as "An Additional Defendant" in a lawsuit filed in the District Court of Pawnee County State of Oklahoma, in which the plaintiff as owner of a property asserts that Allied is without claim to a valid lease or working interest in certain leaseholds of the property. The plaintiff alleges that the defendants created a nuisance, trespassed, and were negligent and that plaintiff is entitled to recover the costs of damages for injuries to the

property, for loss of vegetation and standing timber, contamination and erosion of top soil, loss of fertility and productivity of the property for agricultural and grazing purposes, contamination of surface, soil and subsurface groundwater, contamination of surface water, emotional distress and other damages which have occurred or will occur. The plaintiff is seeking a cancellation of the lease and payment for any damages caused. Allied has denied the claims, is defending the action and is actively working with the plaintiff to negotiate a settlement of the case.

Matter #3: On or about June 24, 2011, the Company received a letter from an attorney representing certain mineral interest owners in an oil and gas lease located in Grimes County, Texas, on which lease the Company has drilled a gas well and is currently producing hydrocarbons. The mineral interest owners have alleged that the lessor of the property, as holder of the executive rights, did not have the authority to pool the mineral interest holder's interest. The mineral interest holder is demanding that the Company cease directing payments owed to the mineral interest holder to the holder of the executive rights, account to the mineral interest holders for their proportionate share of production from the Howard Unit and acknowledge the mineral interest holders ownership interest as a co-tenant, or enter into a gas lease that is acceptable to the mineral interest owner and pay a bonus and royalty. The mineral interest owners are requesting a review of the leases and division orders for the payment of royalties, and an accounting of the total production of the wells. To date, there have been no amounts claimed by the mineral interest owners. The Company has engaged counsel to review the matter and to prepare recommendations for resolution of the dispute.

Matter #4: In June 2011, after discovering serious irregularities in the accounting, finance and operations departments of the Company, the board of directors engaged the law firm of Quintairos, Prieto, Wood & Boyer, PA to act as special counsel to the board of directors. The special counsel was authorized, requested to conduct, and continues to conduct, a private internal investigation into the alleged misdeeds and malfeasance of the previous management of the Company. The special counsel has engaged an audit firm to provide forensic auditing services to the Company.

In July 2011, by virtue of the findings of the continuing investigation, the Company, acting as plaintiff, filed a verified complaint in the Commonwealth of Kentucky, Warren Circuit Court, which alleges a conspiracy and concerted action on the part of four defendants that consist of three former executive officers of the Company: Steven Stengell (CEO, president and director), Timothy Brady (CFO and director), Joseph Turner (Vice President of Operations), and a non-executive management-level employee.

The Company alleges that the defendants have breached contractual and fiduciary duties, interfered with business relationships, and conspired to convert property of the Company. The defendants have filed an answer to the claims of the Company and have filed counterclaims to the action. In summary, the counterclaims against the Company allege that: (i) Allied breached the defendants' respective written employment agreements and has refused to pay Stengell, Brady and Turner sums of money owing to them, including amounts due to them under their employment agreements, including amounts due for base salary, bonus and incentive compensation, paid vacation time, vehicle allowance and retirement contributions, up through March 28, 2011, and during the required ninety-day notice period, and for a one-year period thereafter. In addition, defendant Stengell alleges that Allied entered into an agreement under which it agreed to issue and deliver to Stengell 4,000,000 shares of Allied's restricted common stock. (ii) Actions to remove the defendants as officers and directors of the Company "were not taken in accordance with applicable provisions of

Florida law and are invalid, null, void and ineffective.” As of the date of the filing of this disclosure and information statement, there has been no date set for adjudication of the complaint.

Matter #5: On or about January 9, 2012, the Company was served a Summons and Complaint in a civil action filed in The United States District Court, District of Western Kentucky. In the Complaint, Steven Stengell, former CEO of the Company, alleges that he is owed \$258,966.15 (plus interest and attorneys fees and costs) as deferred compensation benefits derived from an Executive Nonqualified Excess Plan in which he was enrolled through the Company. On January 27, 2012 the Company filed two documents with the above mentioned district court: a “Defendants’ answer to Plaintiff’s Complaint” denying all allegations in the complaint and a “Defendant’s Motion to Dismiss, or in the Alternative, Stay the Proceedings”. The Company intends to vigorously defend this matter.

## **B. Business of Issuer.**

### **1. The issuer’s primary and secondary SIC Codes:**

SIC Code: 1381 – Drilling Oil and Gas Wells  
SIC Code: 1382 – Oil and Gas Exploration Services  
SIC Code: 1389 – Oil and Gas Field Services

### **2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations:**

We are currently conducting operations.

### **3. Whether the issuer is or has at any time been a “shell company”:**

No.

### **4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement:**

The Company’s subsidiaries are described below. All the subsidiaries are included in the Company’s consolidated financial statements.

Allied Operating LLC (AO) was formed in September 2008 as a wholly-owned subsidiary of the Company. AO is responsible for and supervises the drilling, operations and maintenance of oil and gas wells owned by the Company’s sponsored general partnerships in Oklahoma.

Allied Alternative Energy, LLC (AAE) was formed in November 2008 as a wholly-owned subsidiary. The business purpose of the subsidiary was to investigate business opportunities relating to alternative energy (e.g. wind, solar, fuel cell). AAE had no activities in 2011. It was dissolved in December 2011.

Allied Gas Transmission, Inc. (AGT) was formed in February 2009 to develop, own, and/or operate natural gas and oil transmission lines. Allied owns 60% of AGT. AGT is engaged in the planning, engineering and development of a gas transmission system in Rogers County, Oklahoma.

Allied Operating Texas, LLC (AOT) was formed in October 2009 as a wholly-owned subsidiary of Allied. AOT is responsible for the drilling operations and maintenance of oil and gas wells owned and controlled by the Company's sponsored general partnerships in Texas.

Allied Holdings, LLC (AH) was formed in December 2009 as a wholly-owned subsidiary of the Company. AH was formed with the intent of owning and managing the real estate assets of the Company.

**5. The effect of existing or probable governmental regulations on the business.**

The Company's oil and gas operations are subject to various federal, state, local and other laws and regulations, such as restrictions on production, permitting, changes in taxes, deductions, royalties and other amounts payable to governments or governmental agencies, price or gathering-rate controls, hydraulic fracturing and environmental regulations. Its operations are impacted by the costs and time delays that are or may be incurred in complying with these regulations. In addition, the Company's business would suffer significantly from government regulation to the extent it experiences substantial additional costs and/or delays if existing laws, including environmental and tax laws, are revised, or if new laws and regulations become applicable to the Company's operations. In particular, currently discussed new laws and regulations related to cap-and-trade, other regulation of green-house gases, hydraulic fracturing, and the taxing of oil and gas drilling and production, could add significant cost increases, increased time to obtain approvals and/or complete qualifying preparation to undertake drilling and/or production activities, and the loss of tax benefits. Many of these changes not only would increase the cost and prolong the timing for many of the Company's activities, but they also may reduce incentive and interest for participation in the Company's oil and gas partnerships, thereby making it more difficult and undoubtedly more expensive for the Company to obtain participants for its sponsored general partnerships.

The Company's activities in forming, and obtaining participants for, its sponsored general partnerships are also regulated by federal and state securities and tax laws that, in the case of the securities laws, can result in more expensive and time-delaying consequences to the Company's efforts to obtain participants in its partnerships.

As a publicly traded entity, the Company also is subject to federal and state securities laws that currently, or if changed, can make it more expensive and time-consuming for the Company to operate.

**6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.**

None.

**7. Costs and effects of compliance with environmental laws (federal, state and local); and**

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the adverse environmental effects of disposal or release of petroleum, chemical and other substances at

various sites. Environmental expenditures are expensed or capitalized depending on the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. We have not incurred any environmental remediation-related costs and liabilities as of December 31, 2011, but we are in a business that has large potential environmental exposure due to the risks associated with this industry.

The Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), known as the “Superfund” law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include owners or operators of any disposal site where the release occurred and also includes companies that disposed of or arranged for the disposal of the hazardous substances at the site where the release occurred. Under CERCLA, such persons may be subject to joint and several liabilities for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. Furthermore, although petroleum, including crude oil and natural gas, is not a “hazardous substance” under CERCLA, at least two courts have ruled that certain wastes associated with the production of crude oil may be classified as “hazardous substances” under CERCLA and that such wastes may therefore give rise to liability under CERCLA. Beyond CERCLA, state laws regulate the disposal of oil and gas wastes, and periodically new state legislative initiatives are proposed that could have a significant impact on us. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damages allegedly caused by the release of hazardous substances or other pollutants into the environment pursuant to environmental statutes, common law or both. The Federal Water Pollution Control Act (“FWPCA”) imposes restrictions and strict controls regarding the discharge of produced waters and other oil and gas wastes into waters of the United States. Permits must be obtained to discharge pollutants into state and federal waters. The FWPCA and analogous state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of oil and other hazardous substances in reportable quantities and may impose substantial potential liability for the costs of removal, remediation and damages. State water discharge regulations and Federal National Pollutant Discharge Elimination System permits applicable to the oil and gas industry generally prohibit the discharge of produced water, sand and some other substances into coastal waters. The cost to comply with zero discharges mandated under federal and state law has not had a material adverse impact on our financial condition and results of operations. Some oil and gas exploration and production facilities are required to obtain permits for their storm water discharges. Costs may be incurred in connection with treatment of wastewater or developing and implementing storm water pollution prevention plans. The Resource Conservation and Recovery Act (“RCRA”) as amended, generally does not regulate most wastes generated by the exploration and production of oil and gas. RCRA specifically excludes from the definition of hazardous waste “drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy.” However, these wastes may be regulated by the EPA or state agencies as non-hazardous solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste compressor oils, can be regulated as hazardous wastes. Although the costs of managing wastes classified as hazardous waste may be significant, we do not expect to experience more burdensome costs than similarly situated companies. The Oil Pollution Act (“OPA”) requires owners and operators of

facilities that could be the source of an oil spill into “waters of the United States” (a term defined to include rivers, creeks, wetlands and coastal waters) to adopt and implement plans and procedures to prevent any spill of oil into any waters of the United States. OPA also requires affected facility owners and operators to demonstrate that they have sufficient financial resources to pay for the costs of cleaning up an oil spill and compensating any parties damaged by an oil spill. Substantial civil and criminal fines and penalties can be imposed for violations of OPA and other environmental statutes. Stricter standards in environmental legislation may be imposed on the oil and gas industry in the future. For instance, legislation has been proposed in Congress from time-to-time that would alter the RCRA exemption by reclassifying certain oil and gas exploration and production wastes as “hazardous wastes” and make the waste subject to more stringent handling, disposal and clean-up restrictions. If such legislation were enacted, it could have a significant impact on our operating costs, as well as the industry in general. Compliance with environmental requirements generally could have a material adverse effect on our capital expenditures, earnings or competitive position. Although we have not experienced any material adverse effect from compliance with environmental requirements, no assurance may be given that this will continue.

#### **8. The number of total employees and number of full-time employees.**

As of December 31, 2011, the Company had 51 total employees, of which 46 were full-time employees.

#### **C. Production**

1. The general partnerships sponsored by the Company have production operations in Leon and Grimes County, Texas, and in Rogers County, Oklahoma.
2. The production in Leon County, Texas is exclusively oil, the production in Grimes County, Texas is primarily natural gas and/or natural gas liquids and condensate, and the production in Rogers County, Oklahoma is primarily natural gas.
3. The general partnerships sponsored by the Company have two horizontal gas wells in production in Grimes County, Texas.
4. The general partnerships sponsored by the Company have interests in one vertical oil well and one horizontal oil well in production in Leon County, Texas.
5. The general partnerships sponsored by the Company have approximately 94 wells in production or under development in Rogers County, Oklahoma. These wells produce gas and/or oil from a variety of formations. Many of these wells are reworked/stripper production where each well is expected to contribute small amounts of gas and/or oil.

#### **D. Productive Wells and Acreage**

The following well production information is subject to change as rates of flow vary from day to day and month to month. All the wells drilled by Allied have experienced declines in production as compared to the production amounts initially reported. This is considered a normal part of the well’s life cycle.

1. The Company holds acreage with small working interests under lease in Rogers County, Oklahoma, on which partnerships sponsored by the Company have approximately 90 oil and/or gas wells currently in production.

2. The Company also has interests in two producing horizontal gas wells in Grimes County, Texas and one producing horizontal oil well in Leon County, Texas. These interests are described above under Item 8A.
  - a. The Company's interests in the Howard #1H gas well in Grimes County, Texas are described above under Item 8A.
  - b. The Company's interests in the Howard #2H gas well in Grimes County, Texas are described above under Item 8A.
  - c. The Company's interests in the Wallrath #1H oil well in Leon County, Texas are described above under Item 8A.

**E. Undeveloped Acreage**

1. The Company has contractual rights to oil and gas leases of approximately 389 acres in Milam County, Texas, which includes marginally producing oil wells and the right to drill additional wells.
2. The Company has contractual rights to oil and gas leases of approximately 450 acres in Wood County, Texas.

The Company plans to contract a third-party petroleum geology/engineering firm to develop preliminary reserve appraisals and location maps for each of the Company's areas of development.

**F. Drilling Activity**

1. Independent contractors perform all drilling activity, field and completion work.
2. In October 2010, the Company, on behalf of certain of its sponsored partnerships, managed the drilling and completion of the Allied Howard #1H well as its first horizontal gas well in Grimes County, Texas. The Allied Howard #1H was drilled to a total measured vertical depth of approximately 11,200 feet, in addition to horizontal sections totaling approximately 6,000 feet in length.
3. In March 2011, the Company, on behalf of certain of its sponsored partnerships, managed the drilling and completion of the Allied Howard #2H well as its second horizontal gas well in Grimes County, Texas. The Allied Howard #2H was drilled to a total measured depth of approximately 11,400 feet, in addition to horizontal sections totaling approximately 6,700 feet in length.
4. In April 2011, the Company, on behalf of certain of its sponsored partnerships, managed the drilling and completion of the Wallrath #1H well as its first horizontal oil well in Leon County, Texas.
5. In October 2011, the Company, on behalf of certain of its sponsored general partnerships, commenced drilling operations on the Rock Hill #1 prospect located on the Company's Wood County, Texas leasehold. In so doing, the Company, as general manager of the partnerships, made a decision to relocate to this drilling site from the originally planned location on the Howard Lease in Grimes, County, Texas. Drilling activities were completed in November

2011, testing followed, and in January 2012 the Company determined to commence completion of the well.

6. In November 2011, on behalf of one of its sponsored general partnerships, the Company commenced, drilling operations on the Champion Ranch #1H prospect located in Leon County, Texas.

#### **G. Present Activity**

1. For years 2011-2012, the Company anticipates that it will drill for the benefit of its sponsored general partnerships, at least three gas/oil wells in Texas, and up to 20 shallow gas wells in Oklahoma. (See item 16,B,1,iii)
2. Allied supervises field operations in Texas and Oklahoma through its wholly-owned subsidiaries, Allied Operating Texas, LLC and Allied Operating, LLC (Oklahoma). Allied also contracts Allied Gas Transmission, Inc., a majority-owned subsidiary, to build pipelines and other gas transmission systems. The Company is reviewing the economics and advisability of extending its current pipeline and gas transmission systems.
3. Allied Operating Texas, LLC (AOT) will be responsible for drilling activities and the daily operations of partnership oil and gas wells located in Texas.
4. Allied Operating, LLC (AO) will be responsible for drilling activities and the daily operations of partnership oil and gas wells located in Oklahoma.
5. All drilling activities, completion work, and lease operating expenses of the partnerships are funded by the general partnerships. For the foreseeable future, substantially all future drilling activity will be dependent on the Company's ability to raise drilling capital from additional sponsored general partnerships.

#### **H. Delivery Commitments**

None.

### **Item 9 The nature of products or services offered.**

#### **A. Principal products or services, and their markets:**

**Sponsoring of oil and gas general partnerships, turnkey oil and gas well drilling management services, and oil and gas well operating and maintenance services.**

Allied is an independent oil and gas development company primarily engaged in the business of sponsoring and providing turnkey drilling and operations management services to oil and gas general partnerships sponsored by the Company. The Company's subsidiary companies provide operating and maintenance services to the general partnerships, primarily through management of experienced subcontractors. Allied's strategic focus and goal is to develop oil and natural gas reserves for its sponsored partnerships and ultimately for its own account. The general partnerships have completed oil and gas wells in Grimes and Leon counties, Texas and in Rogers County, Oklahoma. The Company relies upon its industry partners and subcontracted well operators, as well as consulting geologists and petroleum engineers, and other operational personnel, whose combined industry experience is essential to each project.

**B. Distribution methods of the products or services:**

**Marketing of Oil and Natural Gas**

The Company assists the general partnerships in the selling of their oil and natural gas liquids production under short-term contracts with marketers of oil. The price of oil and natural gas liquids is freely negotiated and is largely determined by the world price for oil, which is principally denominated in U.S. dollars. With respect to certain properties in Texas, the Company has a marketing agreement with US Land and Energy LLC, which is an affiliate of HEI, and of which Kevin Hayden is the Manager, pursuant to which HEI receives a three percent payment on all sales of oil and natural gas as compensation for its efforts in arranging for the sale of hydrocarbons from these properties. (See Part D, Item 11-A and Part F, Item 17-A)

Natural gas sold by the partnerships is generally sold under short-term contracts with prices indexed to market prices. The price of natural gas and natural gas liquids is freely negotiated between buyers and sellers and is principally determined by western Canadian/Midwestern U.S. prices for natural gas.

The Company and HEI monitor buyers for price and service, and the oil and gas products are sold through traditional infrastructure and independent sales channels.

**C. Status of any publicly announced new product or service:**

We have no new publicly announced products or services.

**D. Competitive business conditions, the issuer's competitive position in the industry, and methods of completion:**

The Company has positioned itself as a smaller player within the industry by effectively securing drilling partners, developing interests in prospective leaseholds and working with experienced drilling and well completion partners.

The oil and natural gas industry is highly competitive in all phases. The Company encounters competition from other oil and natural gas companies in all areas of operation, including the acquisition of oil and natural gas properties and the exploration and development of those properties. Our competitors include major integrated oil and natural gas companies, numerous independent oil and natural gas companies, individuals, and drilling and income programs. Most of our competitors are much larger companies that are more established and have substantially larger operating staffs and substantially greater capital resources than we do. Such companies may be able to pay more for oil and natural gas properties and exploratory prospects and to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to acquire additional properties and to discover reserves in the future will depend upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

**E. Sources and availability of raw materials and the names of principal suppliers:**

The Company does not purchase raw materials.

**F. Dependence on one or a few major customers:**

The sponsored partnerships sell oil, gas and hydrocarbon liquids, which are considered commodities. Although at any given time, the Company may be selling a high proportion of the partnerships' production to a few purchasers, the Company believes that these purchasers could be replaced if needed. As such, there does not currently exist a dependence on one or a few major customers for the sale of the products.

**G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:**

None, except for (i) oil and gas overriding royalty agreements to which substantially all of the Company's oil and gas leasehold interests are subject during the life of the respective lease, and which are generally standard for the oil and gas business; and (ii) carried working interests held by HEI with respect to the Grimes County and Leon County wells, for the life of those wells.

**H. The need for any government approval of principal products or services and the status of any requested government approvals:**

The Company and its subsidiaries conduct daily business under the guidelines of the State in which they are incorporated or organized and other States in which they are legally authorized to conduct business. The U.S. Department of Energy, as well as state and local authorities, regulate oil and gas operations. Such operations are subject to on-site inspections, and various regulations relating to cleanliness, maintenance and environmental concerns. Under various statutes and regulations, such regulatory agencies prescribe requirements and establish standards for quality control. The finding of a failure to comply with one or more regulatory requirements can result in a variety of sanctions, including monetary fines. There are no known specific government regulations other than standard business practice, law and conduct, which may affect the Company in following its business plan. Numerous U.S. federal and state government agencies have demonstrated significant supervision in promoting environmental protection and enforcing other regulatory and disclosure statutes.

The Department of Financial Institutions for the Commonwealth of Kentucky regulates the Company's selling activities for its sponsored general partnerships.

State and federal agencies regulate the oil and gas permitting, drilling and operations activities of the Company. The wholly-owned subsidiaries of the Company, acting as operators, are licensed and regulated by the State in which they operate.

**Item 9A Risk Factors.**

(Note: The designation of "Item 9A" was added by the Company)

The Company faces a number of uncertainties and risks in pursuing its business. Many of these risks are enumerated in other places in this Information Statement. They include, among others, the risks that the Company will not be able to obtain sufficient participants and funds to support its drilling programs at desirable or self-sustaining levels, that the Company may not be able to find suitable prospects for drilling at a commercially reasonable cost, that it may not have the ability to contract competent operating and other oil and gas personnel at reasonable costs, that wells in which Company-sponsored partnerships and/or the Company have an interest will not produce oil and/or natural gas at anticipated levels, that the Company will not be able to support the level of capital expenditures required to fund operations, that the risks of exploration will

prevent success, that environmental and other regulatory and governmental factors will have a negative impact on the Company's business, that competition and/or litigation will have a material negative impact, that mechanical and other risks associated with oil and gas production will have a material negative impact, and that costs and availability of drilling equipment and services will have a material negative impact.

In addition to the risk factors described in the preceding paragraph and in other portions of this Information Statement, the Company faces a number of other risks that could have a negative impact upon the business and operations of the Company.

One of these other risk factors is described in "Management's Discussion and Analysis or Plan of Operations", Item 16B-1-iii. This relates to the risk that the Company has outstanding drilling commitments to some of its sponsored general partnerships in the aggregate amount of \$9 million, and the Company currently does not have sufficient cash on hand, or otherwise committed, to satisfy all these obligations. Although the Company believes that it will be able to satisfy these obligations, there is no assurance that this will occur.

Another specific risk factor described elsewhere in this Information Statement is the overall economic effect on the Company of a number of transactions entered into on behalf of the Company by previous management with Hayden Energy Inc. and its affiliates. Although the Company believes that the success of the Company's current and future operations will enable the Company to be successful despite the terms of these transactions, there is no assurance that this will occur.

**Item 10 The nature and extent of the issuer's facilities.**

- A. The Company maintains its corporate offices at 2427 Russellville Road, Bowling Green, Kentucky. The Company purchased the office building in which its offices are located on February 11, 2011 for the amount of \$885,000, and granted a mortgage interest in the property to Edmonton State Bank in the amount of \$708,000, for which the Company is responsible for a monthly mortgage payment of \$5,878.11.
- B. Allied Operating, LLC (AO) of Oklahoma leases office space from M & P Dainty, an Oklahoma limited liability company. The office is located at 12752 S. Highway 169, Oologah, Oklahoma 74053. The lease is annual, with monthly rent of \$2,500 and yearly expiration in September.
- C. See Items 8D and 8E for information concerning the Company's oil and gas assets.

**Part D Management Structure and Financial Information**

**Item 11 The name of the chief executive officer, members of the board of directors, as well as control persons**

**A. Officers and Directors.**

1. Full Name	<b>Scott Harris</b>
Current Position	CEO President Director
2. Business Address	2427 Russellville Road, Bowling Green, KY 42101
3. Employment History (5 years)	Since prior to January 2007, Mr. Harris has served as Vice President and Executive Vice President, and since March

2011 as CEO and President, of the Company.

- 4. Board Memberships/  
Affiliations Allied Energy, Inc: Member, Board of Directors  
Other board memberships/affiliations: None
- 5. Compensation by the  
Issuer Monthly Salary as of December 31, 2011: \$10,000  
2011 Compensation: \$ 463,988  
2010 Compensation: \$ 897,991
- 6. Number and class of  
the issuer's securities  
beneficially owned. Common Stock held as of December 31, 2011:  
6,062,500 shares.  
Series A Preferred Stock held as of December 31, 2011:  
25,000 shares.  
Note: A two-year proxy was granted on March 24, 2011  
to Robert Anastario to vote the 25,000 shares of Series A  
Preferred Stock and 6,062,500 shares of Common Stock  
owned by Mr. Harris.

1. Full Name	<b>Heather Age</b>
Current Position	Secretary
2. Business Address	2427 Russellville Road, Bowling Green, KY 42101
3. Employment History (5 years)	Ms. Age served as Assistant Director of Downtown Redevelopment Authority (Bowling Green, KY, 2003- 2008), Vice President of Allied Alternative Energy, LLC (2008-2011), and as Secretary of the Company (2009- present).
4. Board Memberships/ Affiliations	None
5. Compensation by the Issuer	Monthly Salary as of December 31, 2011: \$2,625 Total Compensation Year 2011: \$54,438 Total Compensation Year 2010: \$65,712
6. Number and class of the issuer's securities beneficially owned.	Common Stock held as of December 31, 2011: -0- shares.  Series A Preferred Stock held as of December 31, 2011: -0- shares

1. Full Name	<b>Robert Cueto</b>
Current Position	Executive Vice President
2. Business Address	2427 Russellville Road, Bowling Green, KY 42101
3. Employment History (5 years)	Since prior to January 2007, Mr. Cueto has served as Senior Account Executive and Vice President of the Company, and, until March 2011, as a member of the Company's board of directors.
4. Board Memberships/ Affiliations	Allied Energy, Inc: Member, Board of Directors until March 2011.
5. Compensation by the Issuer	Monthly Salary as of December 31, 2011: \$10,000 Total Compensation Year 2011: \$446,274

6. Number and class of the issuer's securities beneficially owned. Total Compensation Year 2010: \$877,149  
 Common Stock held as of December 31, 2011: 6,062,500 shares.  
 Series A Preferred Stock held as of December 31, 2011: 25,000 shares  
 Note: A two-year proxy was granted to Richard Muller on March 24, 2011 to vote the 25,000 shares of Series A Preferred Stock and 6,062,500 shares of Common Stock owned by Mr. Cueto.

1. Full Name	<b>Richard Muller</b>
Current Position	Chairman of the Board
2. Business Address	2427 Russellville Road, Bowling Green, KY 42101
3. Employment History (5 years)	Mr. Muller has been the manager/member of M&A Advisors, LLC, a business and financial consulting firm located in Tamarac, FL (2008-present), the president of YT2K, Inc. (2003-2010), the manager/member of Active Stealth, LLC (2006-2010), the manager/member of Energy One Partners, LLC (2007-present), and secretary and a member of the board of directors of AOTI, Inc. (2008-present).
4. Board Memberships/Affiliations	Allied Energy, Inc: Member, Board of Directors (March 2011-present) Other board memberships/affiliations: see 3. above.
5. Compensation by the Issuer	Mr. Muller receives \$2,500.00 per month as compensation for his participation as a member of the board of directors of the Company. M&A Advisors, LLC, a business and financial consulting firm for which Mr. Muller acts as the manager/member and an employee, executed a consulting agreement with the Company for an initial term of six months beginning on April 1, 2011, and ending September 30, 2011, for which M&A Advisors, LLC received compensation of \$50,000 per month. Since October 1, 2011, the consulting agreement has continued on a month-to-month basis for the same monthly compensation. During the initial six-month period, M&A Advisors also earned a \$200,000 success fee for which payment was deferred until January 2012. Monthly Director Compensation as of December 31, 2011: \$2,500. 2011 Total Director Compensation 4/1/2011 thru 12/31/2011: \$22,500, and options to acquire 2,000,000 shares of the Company's common stock at an exercise price of \$0.08 per share. The options expire on August 7, 2014. 2010 Compensation: -0-
6. Number and class of the issuer's securities	Common Stock held as of December 31, 2011: -0- Series A Preferred Stock held as of December 31, 2011:

beneficially owned. -0-  
 Stock Options held as of December 31, 2011: 2,000,000  
 Note: A two-year proxy was granted on March 24, 2011 to Richard Muller to vote 25,000 shares of Series A Preferred Stock and 6,062,500 shares of common stock owned by Robert Cueto.

1. Full Name	<b>Robert Anastario</b>
Current Position	Member, Board of Directors
2. Business Address	1945 Scottsville Road, Suite B2-359, Bowling Green, KY 42104
3. Employment History (5 years)	Since prior to January 2007, Mr. Anastario has been CEO and President of US Warehousing, Inc., Bowling Green, KY.
4. Board Memberships/Affiliations	Allied Energy, Inc: Member, Board of Directors (March 2011-present) Other board memberships/affiliations: Unknown
5. Compensation by the Issuer	Monthly Director Compensation as of December 31, 2011: \$2,500. 2011 Director Compensation 4/1/2011 thru 12/31/2011: \$22,500 and options to acquire 2,000,000 shares of the Company's common stock at an exercise price of \$0.08 per share. The options expire on August 7, 2014. 2010 Compensation: -0-
6. Number and class of the issuer's securities beneficially owned.	Common Stock held as of December 31, 2011: -0- Series A Preferred Stock held as of December 31, 2011: -0- Stock Options held as of December 31, 2011: 2,000,000 Note: A two-year proxy was granted on March 24, 2011 to Robert Anastario to vote 25,000 shares of Series A Preferred Stock and 6,062,500 shares of common stock owned by Scott Harris.

**Control Persons: The following persons may be deemed to be control persons of the Company although each of them disclaims that he or she is a control person:**

*1. Full Name	<b>Kevin Hayden</b>
2. Business Address	1001 Frederica St. Ste 300, Owensboro, KY
3. Employment History (5 years)	Since prior to January 2007, Mr. Hayden has served as the President and a director of Hayden Energy, Inc.
4. Board Memberships/Affiliations	Unknown
5. Compensation by the Issuer	Hayden Energy, Inc., of which Mr. Hayden is the CEO and a principal, performs services for, and receives compensation from, Allied as described under Item 18A (Material Contracts) of this Information Statement.

6. Number and class of the issuer's securities beneficially owned. Common Stock held as of December 31, 2011: 6,198,154 shares.

\* The Company has requested complete information for this section from Mr. Hayden. Mr. Hayden has not responded. The information included herein is based on the Company's attempts to comply with the applicable requirements.

1. Full Name	<b>Terra Walker</b>
2. Business Address	108 Aspen Ct., Bowling Green, KY 42104
3. Employment History (5 years)	Ms. Walker served on the Executive Committee and the Board of Directors of the Company from 2006-2009. Effective as of October 1, 2009, she has been engaged by the Company as a consultant under a Severance Agreement that terminates September 30, 2014.
4. Board Memberships/ Affiliations	None
5. Compensation by the Issuer	2011 Compensation: \$240,000 2010 Compensation: \$285,000
6. Number and class of the issuer's securities beneficially owned.	Common Stock held as of December 31, 2011: 5,500,000 shares. Series A Preferred Stock held as of December 31, 2011: 25,000 shares

**B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:\* [See Note below.]**

1. **A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); None.**

2. **The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities; None.**

3. **A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated.**

There has been no finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated.

Notwithstanding the above, Active Stealth, LLC, and YT2K, Inc, two companies for which Richard Muller served as an officer, director or manager/member, were named as relief defendants in a civil action entitled Securities and Exchange Commission v. Greenstone Holdings, Inc., et al., 10 civ. 1302. As of December 31, 2011, no judgment or civil penalty has been ordered against Active Stealth, LLC or YT2K, Inc.

**4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.**

None.

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\* The Company is not aware of any matters related to Hayden Energy, Inc. or Kevin Hayden that would be required in a response to this Item 11B; but neither Hayden Energy, Inc. nor Mr. Hayden has responded to the Company's inquiry as to whether there are any such matters.

**C. Disclosure of Family Relationships. Describe any family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of any class of the issuer's equity securities.**

None.

**D. Disclosure of Related Party Transactions. Describe any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lesser of \$120,000 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any related person had or will have a direct or indirect material interest.**

- 1) M&A Advisors, LLC, Consulting Agreement. Mr. Richard Muller is a director and interim Chairman of the Company and the manager/member of M&A Advisors, LLC, a company that specializes in business and financial consulting services. On April 21, 2011, M&A Advisors, LLC entered into a consulting agreement with Allied to provide such services for a term of six months beginning on April 1, 2011, and ending September 30, 2011. During the time of the agreement, M&A Advisors, LLC received compensation of \$50,000 per month and earned a success fee of \$200,000, for the completion of certain financial milestones established in the agreement. Payment of the success fee was deferred until January 2012.

Since September 30, 2011, the consulting agreement has been continuing at the same monthly payment rate on a month-to-month basis.

- 2) The Company is party to a number of transactions with Hayden Energy, Inc. and/or Kevin Hayden that qualify for inclusion in this Item 11D. See Item 18A (Material Contracts) for descriptions of those contracts that are incorporated in response to this Item 11D.

**E. Disclosure of Conflicts of Interest. Describe any conflicts of interest. Describe the circumstances, parties involved and mitigating factors for any executive officer or director with competing professional or personal interests.**

- 1) Mr. Richard Muller is a director and interim Chairman of the Company and the manager/member of M&A Advisors, LLC, a company that specializes in business and financial consulting services. M&A Advisors, LLC has entered into a consulting agreement with the Company to provide such services. As a result, situations may arise in which the interests of Mr. Muller, as they relate to M&A Advisors, LLC, may conflict with the interests of Allied or with the interests of Mr. Muller as the Chairman and a director of Allied. By virtue of his responsibility as Chairman and a director of Allied, Mr. Muller is required to act honestly, in good faith and with a view to the best interests of Allied. Conflicts, if any, will be handled in a manner consistent with this responsibility, and in the event that Mr. Muller has an interest in a proposed transaction or agreement involving, or otherwise materially affecting, the Company, he shall disclose in good faith the material facts of his interest in that proposed transaction and his interest in or relationship to any other party to the transaction or agreement. Mr. Muller may elect not to vote with respect to matters in which he or M&A Advisors, LLC has a material interest or which relate to his appointment as the holder of an office or place of profit with Allied. Mr. Muller has abstained in voting for the approval of the consulting agreement executed by and between Allied and M&A Advisors, LLC.

**Item 12 Financial Information for the issuer's most recent fiscal period**

The issuer is providing the following unaudited financial statements for its most recent fiscal period, the period ended December 31, 2011. These unaudited financial statements are incorporated by reference herein, and they are attached at the end of this Information Statement:

- 1) balance sheet;
- 2) statement of income;
- 3) statement of cash flows;
- 4) statement of changes in stockholders' equity; and
- 5) notes to financial statements.

The incorporated documents can also be found at the OTC Markets website, [www.otcmarkets.com](http://www.otcmarkets.com).

**Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence**

The following unaudited Financial Statements have been previously posted to OTC Markets for the Fiscal Year ended December 31, 2010:

1. balance sheet;
2. statement of income;
3. statement of cash flows;
4. statement of shareholder equity; and
5. notes to the financial statements

These Financial Statements are incorporated by reference into this Information Statement.

**Item 14 Beneficial Owners (5% or more)**

<u>Name/Address</u>	<u>Number of Shares and Percentage of Stock of Class held as of 12/31/2011</u>		
1. Scott A. Harris 2427 Russellville Road Bowling Green, KY 42101	Common Stock	6,062,500	(8.11%)
	Preferred Stock	25,000	(25%)
2. Robert F. Cueto 2427 Russellville Road Bowling Green, KY 42101	Common Stock	6,062,500	(8.11%)
	Preferred Stock	25,000	(25%)
3. Steven S. Stengell 830 Fairview Avenue Suite D2, Bowling Green, KY 42101	Common Stock	6,062,500	(8.11%)
	Preferred Stock	25,000	(25%)
4. Technol Acquisition Corp* 8050 N. University Dr. #202 Tamarac, FL 33321	Common Stock	12,812,500	(17.14%)*
5. Terra Walker* 108 Aspen Court Bowling Green, KY 42104	Common Stock	18,312,500	(24.58%)*
	Preferred Stock	25,000	(25%)
6. Hayden Energy, Inc. 1001 Frederica St. Ste 300 Owensboro, KY	Common Stock	6,198,154	(8.29%)
7. Richard Muller 2427 Russellville Road Bowling Green, KY 42101	Holds voting proxy covering (i) 25,000 shares of Series A Preferred Stock and (ii) 6,025,000 shares of Common Stock, both registered in the name of Robert Cueto. Also owns options to purchase 2,000,000 shares of common stock.		
8. Robert Anastario 2427 Russellville Road Bowling Green, KY 42101	Holds voting proxy covering (i) 25,000 shares of Series A Preferred Stock and (ii) 6,062,500 shares of Common Stock, both registered in the name of Scott Harris. Also owns options to purchase 2,000,000 shares of common stock.		

\* Terra Walker owns 65% of the voting stock of Technol Acquisition Corp. (“Technol”) and therefore is deemed to be the beneficial owner of the 12,812,500 shares of Allied Energy, Inc. common stock that are owned by Technol. These Allied shares owned by Technol are included twice in the table, as being “beneficially owned” by both Technol and by Ms. Walker. Because Ms. Walker controls 65% of the voting stock of Technol, and can remove any director, and therefore any officer, of Technol at any time, she is the only person listed as a beneficial owner of the shares of Technol.

**Item 15 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure**

**1. Investment Banker**

None

**2. Promoter**

None

**3. Counsel**

Corporate Counsel  
Patton Boggs, LLP  
1801 California Street, Suite 4900  
Denver, CO 80202  
303-894-6378

**4. Partnership Counsel**

Durham & Zornes  
130 Public Square  
Columbia, KY 42728  
270-384-5997

**5. Special Counsel**

Quintairos, Prieto, Wood & Boyer, P.A.  
One East Broward Blvd, Suite 1400  
Fort Lauderdale, FL 33301 Tel: 954.523.7008 x621

**6. Accountant or Auditor**

**Moody, Famiglietti, & Adronico**  
1 Highwood Drive  
Tewksbury, MA 01876  
United States  
Phone: (978) 557-5300  
Email: [www.mfa-cpa.com](http://www.mfa-cpa.com)

MFA is an independent accounting firm and will perform the audits of the balance sheets of the Company as of December 31, 2011 and 2010 and the related statements of operations, stockholders' equity and cash flows. The objective of an audit of the financial statements is to express an opinion on the financial statements in accordance with U.S. GAAP. The audit of the financial statements will be conducted in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB) and will include tests of the Company's accounting records and other procedures considered necessary to enable MFA to express such an opinion.

In conjunction with the annual audits, MFA will also perform reviews of the Company's unaudited quarterly financial information for each of the four quarters in the year ended December 31, 2011. The reviews will be conducted in accordance with the standards of the PCAOB. A review of interim financial information consists principally of performing analytical procedures and making inquiries of persons responsible for financial and accounting matters. The objective of a review is to provide a basis for communicating whether there are any material modifications that should be made to the interim financial information for it to conform with U.S. GAAP.

Management is responsible for the fair presentation in the financial statements of the Company's financial position, results of operations, and cash flows in conformity with U.S. GAAP. Management is also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

**7. Public Relations Consultant(s)**

McCarthy Strategic Solutions  
113 West Main Street  
Frankfort, KY 40601  
Phone: (502) 875-0081

**8. Investor Relations Consultant**

None

**9. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement – the information shall include the telephone number and email address of each advisor.**

M&A Advisors, LLC  
Richard Muller  
954.489.1210  
muller4@mac.com

**Item 16 Management's Discussion and Analysis or Plan of Operation**

**A. Plan of Operation.** The Company had revenues in each of the last two fiscal years, and as such, this Item 16 A is not applicable.

**B. Management's Discussion and Analysis of Financial Condition and Results of Operations.** The following discussion is intended to assist the reader in understanding our business and results of operations together with our present financial condition. This section should be read in conjunction with the financial statements and the accompanying notes included elsewhere in this report. Statements in our discussion may be forward-looking. These forward-looking statements involve risks and uncertainties. We caution that a number of factors could cause future production, revenues and expenses to differ materially from our expectations. See "Disclosures Regarding Forward-Looking Statements" at the beginning of this Information Statement and also "Risk Factors" elsewhere in this Information Statement for additional discussion of some of these factors and risks.

## **1. Full fiscal years.**

**Cautionary Statement:** There can be no assurance that we will be successful in attracting funding for our sponsored general partnerships or otherwise raising capital, whether in the form of equity, debt, or a combination of the two. Even if we are successful in raising capital, there can be no assurance that any such financing would be available in a timely manner or on terms acceptable to our management and current shareholders. Additional equity financing will be dilutive to our existing shareholders, and any debt financing could involve restrictive covenants with respect to future capital raising activities and other financial and operational matters.

Long-term cash flows are subject to a number of variables including the level of production and prices as well as various economic conditions that have historically affected the oil and gas business. A material drop in oil and gas prices or a reduction in production and reserves would reduce our ability to fund capital expenditures, meet financial obligations, fund our administrative and other obligations, and/or be profitable. We operate in an environment with numerous financial and operating risks, including, but not limited to, the inherent risks of the search for, development and production of oil and gas, the ability to buy properties and sell production at prices which provide an attractive return, the uncertainty of adequate future demand for the Company's sponsored partnerships, and the highly competitive nature of the industry. Our ability to expand our reserve base is, in part, dependent on obtaining sufficient capital through internal cash flow, bank borrowings, or the issuance of debt or equity securities. There can be no assurance that internal cash flow and other capital sources will provide sufficient funds to maintain capital expenditures that we believe are necessary to efficiently develop our properties and offset inherent declines in production and proved reserves.

Management notes that the financial statements referred to herein are unaudited and that an audit of the 2010 financial statements is currently underway. Significant adjustments to the statements may be required by our auditors subsequent to their completion of the Audit in February 2012. Changes to the previous years' financial statements would have a direct effect on the financial statements for 2011 which also will be audited during fiscal year 2012. Management further notes that special counsel has not yet completed its review of certain business activities which may have an effect on the financial statements of both 2010 and 2011.

Finally, the Company's revenue recognition practices and guidelines provide for recognizing turnkey drilling revenues at the time they are received even though significant portions of the related drilling expenses may not have yet been incurred or accrued. As a result, profitability from receipt of turnkey revenues may be shown at the time of receipt of the revenues and a loss may be shown at a subsequent time when the related drilling expenses are incurred—unless there are sufficient other revenues in the subsequent period to offset those drilling expenses.

### **Fiscal Year 2011 As Compared With Fiscal-Year 2010**

For the year ended December 31, 2011, the Company's reported total revenue from operations of \$21.0 million is a 24% decrease from the same period for 2010. Of this amount, for the 2010 period, \$20.5 million in revenue is turnkey drilling revenue, and \$547,587 is oil and gas production revenue. For the year ended December 31, 2010, the Company had \$26.4 million of turnkey drilling revenue and \$1.2 million of oil and gas production revenue.

Also, for the years ended December 31, 2011 and 2010, the Company's net, after-tax earnings (loss) were roughly \$3.2 million and (\$305,676) respectively. This represents a net year-over-year increase of \$3.5 million for 2011 as compared with 2010. It should be noted that during

2011 the Company recorded approximately \$15.759 million of turnkey drilling revenue for which the related drilling expenses were not incurred, accrued or otherwise recorded. Please refer to the cautionary statement (Item 16.B.1) at the beginning of this section.

The Company serves as the managing general partner or general manager of a number of general partnerships involved in the development of oil and natural gas prospects. These partnerships' aggregate oil and natural gas exploration and development costs for 2011 decreased to \$16.7million from \$18.9 million in 2010.

**i. Any known trends, events or uncertainties that have or are reasonably likely to have a material impact on the issuer's short-term or long-term liquidity.**

- a) SG&A Expense. In the past reporting periods, the Company has incurred general, sales and administrative expenses that are too high and that have a material adverse impact on liquidity:

	Fiscal year 2010	Fiscal year 2011
SG&A	\$ 8,674,270	\$5,864,673
As a % of Revenue	32%	28%

Current management is committed to lowering the SG&A expenses of the Company that continue to negatively affect short-term liquidity.

- b) Increased Legal Expenses: The Company can expect increased legal expenses to affect short-term liquidity. Higher legal expenses will be incurred as a result of the Company's commitment to defend claims and counterclaims previously reported in Section 8 B.11, of this Information Statement.

**ii. Internal and external sources of liquidity.**

The Company does not currently have any external sources of liquidity.

**iii. Any material commitments for capital expenditures and the expected sources of funds for such expenditures.**

**Drilling Commitments**: The Company is committed to its sponsored general partnerships, in the aggregate, to drill one horizontal gas well and 18 shallow gas wells and to complete three oil wells. The estimated total costs to the Company to fulfill these obligations is approximately \$9 million, and the Company currently does not have sufficient cash on hand or otherwise committed, to satisfy all these obligations. As a result, the Company will have to pay for a substantial portion of these obligations with funds from other sources. It currently is expected that these commitments will be paid from a combination of the Company's current cash reserves, net production revenue and the Company's net cash flow from turnkey arrangements with future partnerships. There is no assurance that these sources will provide a sufficient amount of funds to pay these commitments. See Note 12 to the Company's Financial Statements for the year ended December 31, 2011.

**iv. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.**

- a) There can be no assurance that we will be successful in raising capital through the funding of our sponsored general partnerships or through any form of equity or debt financing. Even if we are successful in raising capital, there can be no assurances that any such financing would be available in a timely manner or on terms acceptable to our management and current shareholders. Equity financing will be dilutive to our existing shareholders, and any debt financing could involve restrictive covenants with respect to future capital-raising activities and other financial and operational matters.

Long-term cash flows are subject to a number of variables including the level of production and prices as well as various economic conditions that have historically affected the oil and gas business. A material drop in oil and gas prices or a reduction in production or reserves would reduce our ability to fund capital expenditures, meet financial obligations and/or be profitable. We operate in an environment with numerous financial and operating risks, including, but not limited to, the inherent risks of the search for, development of, and production of oil and gas, the ability to buy properties and sell production at prices which provide an attractive return, and the highly competitive nature of the industry. Our ability to expand our reserve base is, in part, dependent on obtaining sufficient capital through internal cash flow, bank borrowings or the issuance of debt or equity securities.

There can be no assurance that internal cash flow and other capital sources will provide sufficient funds to maintain capital expenditures that we believe are necessary to a) complete the drilling program commitments made to the general partnerships sponsored by the Company, b) efficiently develop our properties, and c) offset inherent declines in production and proved reserves.

**v. Any significant elements of income or loss that do not arise from the issuer's continuing operations.**

No.

**vi. The causes for any material changes from period to period in one or more line items of the issuer's financial statements.**

- a) Revenue from operations decreased by 20%, which may be the result of factors including the reorganization and restructuring of the Company, generally unfavorable economic conditions and depressed prices paid for natural gas.
- b) Other income increased significantly due to the sale of revenue producing assets as part of the restructuring of the company.
- c) SG&A decreased by 37.5% primarily due to a reduction in personnel costs in the course of the restructuring of the company.

**vii. Any seasonal aspects that had a material effect on the financial condition or results of operation.**

None.

**C. Off-Balance Sheet Arrangements.**

None

**Part E Issuance History**

**Item 16 List of securities offerings and shares issued for services in the past two years**

<u>Date</u>	<u>Shareholder/Grantee</u>	<u>Shares Issued / Stock Options Granted</u>	<u>Note</u>
January 5, 2010	Kevin Hayden	Issuance of 1,000,000 shares of restricted common stock pursuant to Stock Option Agreement dated September 14, 2009. See Note #2	#1
November 18, 2010	Non-Employee Directors: Maurice Coburn, 100,000 Dirk Olsen, 100,000 Raymond Krizek, 50,000 Samuel Meek, 35,417	Issuance of 285,417 shares of restricted common stock.	#2
January 1, 2011	Timothy Brady 1,000,000 Joseph Turner 1,000,000	Two Stock Option Agreements, each granting options to purchase 1,000,000 common shares @ an exercise price of \$0.01 per share.	#3
February 18, 2011	Dirk Olsen	Issuance of 100,000 shares of restricted common stock.	#4
June 28, 2011	Hayden Energy, Inc.	Issuance of 5,198,154 shares of restricted common stock pursuant to Stock Option Agreement dated September 14, 2009. See Note #2	#5
August 8, 2011	Outside Director Stock Options granted to Richard Muller.	Stock Option Agreement granting an option to purchase 2,000,000 common shares @ an exercise price of \$0.08 per share.	#6

<u>Date</u>	<u>Shareholder/Grantee</u>	<u>Shares Issued / Stock Options Granted</u>	<u>Note</u>
August 8, 2011	Outside Director Stock Options granted to Robert Anastario.	Stock Option Agreement granting an option to purchase 2,000,000 common shares @ an exercise price of \$0.08 per share.	#7
October 28, 2010	Employee Stock Program (Options)	Authorization of up to 3.5 million stock options. No options issued to date.	#8

Note #1: In June 2010, the Company issued 1,000,000 shares of restricted common stock to Kevin Hayden, as the nominee of Hayden Energy, Inc. The stock was issued pursuant to the exercise of a portion of a stock option granted pursuant to a letter agreement dated as of September 14, 2009, by and between the Company and Hayden Energy, Inc, as partial consideration for the purchase by the Company of a 75% working interest in the “Initial Test Well/Unit” located on the Gibbons Creek Prospect in Grimes County, Texas. The shares were issued pursuant to Section 4(2) of the Securities Act. The exercise price for the purchase of the shares was \$0.0001, and a restrictive legend was affixed to the stock certificates stating that the shares have not been registered under the Securities Act of 1933 and setting forth the restrictions on the transferability and sale of the shares under the Securities Act. The stock option exercised is part of the stock option also described in Note #6 below.

Note #2: In November 2010, the Company issued 285,417 shares of restricted common stock to non-employee directors as compensation for the years served from 2008 through 2010. The shares were issued pursuant to Section 4(2) of the Securities Act. Such restricted stock certificates contain a restrictive legend stating that the shares have not been registered under the Securities Act of 1933 and setting forth the restrictions on the transferability and sale of the shares under the Securities Act.

Note #3: In January 2011 a stock option to purchase 1,000,000 shares of the Company’s common stock was granted to each of Timothy Brady and Joseph Turner pursuant to employment agreements executed with the Company. The stock options were granted under Section 4(2) of the Securities Act. The exercise price for the purchase of the shares was \$0.01. The special counsel engaged by the current board of directors of the Company is investigating this matter, and depending upon the findings, the Company intends to dispute the validity of the issuance.

Note #4: In February 2011, the Company issued 100,000 shares of restricted stock to Dirk Olsen for services performed as a director of the Company. The shares were issued pursuant to Section 4(2) of the Securities Act. Such restricted stock certificate contains a restrictive legend stating that the shares have not been registered under the Securities Act of 1933 and setting forth the restrictions on the transferability and sale of the shares under the Securities Act.

Note #5: In June 2011 the Company issued 5,198,154 shares of restricted common stock to Hayden Energy, Inc. The stock was issued pursuant to the exercise of the remaining portion of the stock option granted pursuant to a letter agreement dated as of September 14, 2009, by and between the Company and Hayden Energy, Inc, as partial consideration for the purchase by the Company of a 75% working interest in the “Initial Test Well/Unit” located on the Gibbons Creek Prospect in Grimes County, Texas (See Note #2 above). The shares were issued pursuant to Section 4(2) of the Securities Act. The exercise price per share was \$0.0001, and a restrictive legend was affixed to the stock certificates stating that the shares have not been registered under the Securities Act of 1933 and setting forth the restrictions on the

transferability and sale of the shares under the Securities Act. The stock option that was exercised is part of the stock option described in Note #2 above.

Note #6: In August 2011, the Company granted stock options to purchase 2,000,000 shares to Richard Muller for services performed as an outside director. The exercise price stated for the purchase of the shares is \$0.08. The stock options were granted under Section 4(2) of the Securities Act.

Note #7: In August 2011, the Company granted stock options to Robert Anastario for services performed as an outside director. The exercise price stated for the purchase of the shares is \$0.08. The stock options were granted under Section 4(2) of the Securities Act.

Note #8: On October 28, 2010, the board of directors authorized the issuance of up to 3.5 million shares of the Company's common stock under the Employee Stock Program which included a three-year vesting period for any shares that might be issued. As of December 31, 2011, 2,583,000 shares have been awarded to non-executive employees. The shares were granted under Section 4(2) of the Act.

## **Part F Exhibits**

### **Item 17 Material Contracts**

#### **A. Contracts entered into by and between the Company and Hayden Energy, Inc. (January 1, 2009-December 31, 2011)**

On September 14, 2009, the Company entered into a Letter Agreement with Hayden Energy, Inc. ("HEI") for the rights to participate in a 75% working interest in a test well (the "Initial Test Well," a.k.a the Howard #1H), a Horizontal Georgetown Formation Test Well located on the Gibbons Creek Prospect in Grimes County, Texas. The agreement terms are as follows: In addition to rights to participate in the Initial Test Well, the Company received the first right of refusal to participate in the Second and Third test wells (a.k.a. the Howard #2H, and Howard #3H) to the same Prospect Interval. Payment for the Initial Test Well prospect location included \$825,000 cash, stock options for 1,000,000 shares of Company common stock at an exercise price of \$0.0001, and the timely payment of the costs of drilling and completing the well. Additional potential compensation for HEI consisted of stock options for another 3,340,000 shares of Company common stock, also at an exercise price of \$0.0001 per share, with vesting based on certain Absolute Open Flow performance results of the Initial Test Well, which were met. Additional potential compensation for HEI consisted of stock options for another 1,858,154 shares of Company common stock at an exercise price of \$0.0001 per share, based on certain Absolute Open Flow performance results of the Second Test Well (a.k.a the Howard #2H), which were also subsequently met. All subject stock options have been issued by the Company and have been exercised by HEI. The agreement was later amended on December 30, 2009 and the Company agreed to purchase, and pay all of the costs for, HEI's 25% working interest in the well. In return, HEI received a 15% carried working interest from the Company.

On July 30, 2010, the Company entered into a Letter Agreement with HEI for the rights to participate in up to a 100% working interest in the Horizontal Woodbine Formation Test Well located on the Alabama Ferry Field Area Prospect (a.k.a. the Wallrath #1H) in Leon County, Texas. The agreement terms are as follows: Payment to HEI for the Test Well location was \$650,000 cash, the Company was responsible to pay all costs related to the drilling and completion of the well, plus the Company agreed to provide to HEI a 12.5% carried working interest through the tanks/lines for the life of the well/unit.

On July 31, 2010, the Company entered into a Letter Agreement with HEI for the rights to participate in up to a 100% working interest in the Second Test Well (a.k.a the Howard #2H), a Horizontal Georgetown Formation located on the Gibbons Creek Prospect in Grimes County, Texas. The agreement terms are as follows: Payment to HEI of a prospect fee of \$750,000, the Company was responsible to pay all costs related to the drilling and completion of the well, plus the Company was to provide to HEI a 10% fully carried and fully vested working interest through the tanks/lines for the life of the well/unit.

On January 25, 2011, the Company entered into a Letter Agreement with HEI for the rights to participate in up to a 100% working interest in the Third Test Well (a.k.a the Howard #3H), a Horizontal Georgetown Formation located on the Gibbons Creek Prospect in Grimes County, Texas. The agreement terms are as follows: Payment to HEI of a prospect fee of \$500,000, the Company was responsible to pay all costs related to the drilling and completion of the well, plus the Company was to provide to HEI a 13% fully carried and fully vested working interest through the tanks/lines for the life of the well/unit. As of December 31, 2011, \$300,000 of the \$500,000 prospect fee has been paid to HEI, and the well has not been commenced.

On February 22, 2011, the Company entered into a Letter Agreement with Hayden Energy, Inc for the rights to participate in up to a 100% working interest in the Fourth Test Well (a.k.a the Howard #4H), a Horizontal Georgetown Formation located on the Gibbons Creek Prospect in Grimes County, Texas. The agreement terms are as follows: Payment to HEI of a prospect fee of \$500,000, the Company was responsible to pay all costs related to the drilling and completion of the well, plus the Company was to provide to HEI a 12% fully carried and fully vested working interest through the tanks/lines for the life of the well/unit. As of December 31, 2011, \$100,000 of the \$500,000 prospect fee has been paid to HEI, and the well has not been commenced.

On March 15, 2011 the Company entered into a Consulting Agreement with HEI. The effective date of the agreement is August 1, 2009. As of December 31, 2011, the Agreement remains in effect, however no services have been requested by the Company, or performed by HEI, and consequently, no invoices been presented to the Company pursuant to the Consulting Agreement. Pursuant to the Consulting Agreement, Allied may request that HEI provide consulting services, and HEI will charge Allied for those services based on oil and gas industry consultant compensation. In addition, Allied will pay all of HEI's expenses related to the Consulting Agreement.

On May 27, 2011, the Company entered into a Letter Agreement with HEI for the rights to participate in up to a 100% working interest in the Second Horizontal Woodbine Formation Test Well located on the Alabama Ferry Field Area Prospect (a.k.a. the Champion Ranch 1H) in Leon County, Texas. The agreement terms are as follows: Payment to HEI of the prospect fee for the Test Well location was \$775,000 cash, the Company was responsible to pay all costs related to the drilling and completion of the well, plus the Company was to provide to HEI a 18.75% carried working interest through the tanks/lines for the life of the well/unit and any related disposal wells or pipelines on the property should they occur. As of December 31, 2011, the prospect fee has been paid to HEI, and this well is in the process of being drilled with expected completion to occur, of which there is no assurance, in January 2012.

On September 29, 2010, the Company entered into a Marketing Agreement with US Land and Energy, LLC. Kevin Hayden is listed as Organizer, Manager and Registered Agent for US Land and Energy, LLC. The terms of the agreement are as follows: The Company agrees to pay US Land and Energy, LLC monthly compensation for its marketing efforts "on all oil, gas and related hydrocarbon substances from Allied's related industry oil and gas wells located in the State of

Texas” according to a variable rate that is subject to modification by US Land and Energy, LLC. The current rate is “3% of the product price received times the volume of hydrocarbons.”

- B. Any management contract or any compensatory plan, contract or arrangement, including but not limited to plans relating to options, warrants or rights, pension, retirement or deferred compensation or bonus, incentive or profit sharing (or if not set forth in any formal document, a written description thereof) in which any director or any executive officer of the issuer participates shall be deemed material and shall be included; and any other management contract or any other compensatory plan, contract, or arrangement in which any other executive officer of the issuer participates shall be filed unless immaterial in amount or significance.

1. Non-Qualified Deferred Compensation Plan existed until it was terminated as of January 9, 2012; it is not included in the exhibits since it has no influence on the future results of the Company. The financial aspects of the plan are discussed in the notes to the financial statements.

2. Outside Director Stock Option Agreement: On August 8, 2011, the Company granted to each of its outside directors, Richard Muller and Robert Anastario, stock options to acquire 2,000,000 shares of the common stock of the Company. The exercise price of the stock options is \$0.08 per share.

3. Outside Director Compensation: On August 8, 2011, the Company approved compensation of \$2,500 per month to each of its outside directors, Richard Muller and Robert Anastario.

4. Consulting Agreement. On April 21, 2011, M&A Advisors, LLC entered into a consulting agreement with the Company to provide business and financial services for a term of 6 months beginning on April 1, 2011, and ending September 30, 2011. During the time of the agreement, M&A Advisors, LLC received compensation of \$50,000 per month and earned a success fee of \$200,000, for the completion of certain financial milestones established in the agreement. The Company currently is continuing to engage the services of M&A Advisors, LLC on a month-to-month basis for the same monthly fee of \$50,000 per month. Payment of the success fee has been deferred.

5. Agreement among four related parties. On December 27, 2010, a “Shareholder Agreement” was executed by three directors and a shareholder of the Company pursuant to which a total of 15,614,346 shares of the common stock of the Company would be issued to Steven Stengell, Robert Cueto, Scott Harris and Kevin Hayden. The special counsel engaged by the current board of directors of the Company is investigating the “Shareholder Agreement” and arrangement, and depending upon its findings, the Company intends to dispute the validity of this agreement and of the authorization to issue the shares.

6. Stock Option Agreement: As of January 1, 2011, stock options to purchase 1,000,000 shares of the Company’s common stock were approved for each of Timothy Brady and Joseph Turner pursuant to employment agreements executed with the Company. The exercise price per share for the options was \$0.01. The special counsel engaged by the current board of directors of the Company is investigating this matter, and depending upon the findings, the Company intends to dispute the validity of the issuance.

#### **Item 18 Articles of Incorporation and Bylaws**

- A. The Company posted its Articles of Incorporation on OTC Disclosure and News Service on November 22, 2010.

B. The Company posted its Bylaws on OTC Disclosure and News Service on November 22, 2010.

**Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

**A. ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>Column (a)</b> Total Number of Shares (or Units) Purchased	<b>Column (b)</b> Average Price Paid per Share (or Unit)	<b>Column (c)</b> Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	<b>Column (d)</b> Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
<b>6/30/2008</b>	55,000	\$0.155	55,000	
<b>7/31/2008</b>	25,000	\$0.155	25,000	
<b>8/30/2008</b>	167,500	\$0.155	167,500	
<b>9/30/2008</b>	91,400	\$0.155	91,400	
<b>10/31/2008</b>	300,000	\$0.155	300,000	
<b>11/30/2008</b>	150,000	\$0.155	150,000	
<b>12/31/2008</b>	70,000	\$0.155	70,000	
<b>Total</b>	858,900	\$0.155	858,900	-0-

**Item 20 Issuer's Certifications**

**I, Scott A. Harris, certify that:**

**I have reviewed this Initial Information and Disclosure of Allied Energy, Inc.;**

- 1. 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**
- 2. 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.**

**Signature:** \_\_\_\_\_

**Date:**

**Name:** Scott A. Harris

**Title:** Chief Executive Officer



**ALLIED ENERGY, INC. AND SUBSIDIARIES  
FINANCIAL STATEMENTS (UNAUDITED)**

**December 31, 2011**

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**ALLIED ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
as of December 31, 2011 and December 31, 2010  
(UNAUDITED)

	December 31, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,942,216	\$ 3,406,298
Accounts receivable, net	990,044	241,507
Joint Interest Billing - In Progress	3,769,092	121,797
Employee loans	77,175	129,459
Inventory	22,431	45,817
Deferred income tax assets	537,267	108,089
Prepaid expenses and other current assets	6,870	76,009
Prefunding of Drilling Escrow Account	356,453	577,470
<b>TOTAL CURRENT ASSETS</b>	<b>9,701,548</b>	<b>4,706,446</b>
Investments	6,812	249,190
Property and equipment, net	5,421,268	6,535,029
Oil and gas properties, net	2,061,675	4,392,948
Drilling program syndications	230,034	205,546
Deferred Income Tax Asset	-	168,913
Deferred compensation	554,517	84,868
Employee Loans (Long Term Portion)	-	80,000
Deposits	-	11,930
Other assets	426,335	-
<b>TOTAL ASSETS</b>	<b>\$ 18,402,188</b>	<b>\$ 16,434,870</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of notes payable	88,702	\$ 141,919.00
Accounts payable	1,264,615	3,214,556.00
Accrued liabilities	89,172	115,910
Current portion of accrued severance	259,448	265,872
Revenue payable	734,595	393,228
Deferred revenue	-	-
Income tax payable	1,444,221	207,077
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,880,752</b>	<b>4,338,563</b>
Notes payable	1,755,480	1,738,146
Accrued severance, net of current portion	419,923	681,686
Deferred income tax liabilities	260,265	-
<b>TOTAL LIABILITIES</b>	<b>6,316,420</b>	<b>6,758,395</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Series A preferred stock, \$0.01 par value, 10,000,000 shares authorized, 100,000 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	1,000	1,000
Common stock, \$0.001 par value, 200,000,000 shares authorized, 74,644,487 and 69,446,333 shares issued and outstanding as of June 30, 2011 and December 31, 2010	74,645	69,447
Additional paid-in capital	7,234,180	6,217,637
Treasury stock (858,900 shares)	(133,336)	(133,336)
Retained earnings	2,101,613	611,865
<b>TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO ALLIED ENERGY, INC. AND SUBSIDIARIES</b>	<b>9,278,102</b>	<b>6,766,613</b>
Non-controlling interest	2,807,665	2,909,862
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>12,085,767</b>	<b>9,676,475</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>18,402,188</b>	<b>\$ 16,434,870</b>

See accompanying notes to the unaudited consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements

**ALLIED ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
For the years ended December 31,  
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Revenue		
Turnkey Drilling income	\$ 20,499,266	\$ 26,364,505
Turnkey Production income	\$ 547,587	\$ 1,153,576
<b>Total Revenues</b>	<u><b>21,046,852</b></u>	<u><b>27,518,081</b></u>
Cost of Drilling, Exploration, & Development	<u>16,707,560</u>	<u>18,973,151</u>
<b>Gross Profit</b>	<u><b>4,339,292</b></u>	<u><b>8,544,930</b></u>
Sales, General, & Administrative	<u>5,864,673</u>	<u>8,674,270</u>
Income/(Loss) from Operations	<u><b>(1,525,381)</b></u>	<u><b>(129,340)</b></u>
Other (Income) Expense:		
Gain on Sale of Real Estate Investment	32,729	
Gain on Sale of Oil & Gas producing property	6,001,071	
Dividend Income	101,991	
Interest Expense	(70,188)	(169,917)
Interest & Investment Income	2,712	30,815
Impairment of Drilling Program Syndications		-
Impairment of Oil and Gas Properties		-
Impairment of Investment		(126,993)
Other (Income) Expense:	<u>6,068,315</u>	<u>(266,095)</u>
Net Income/(Loss) Attributable to Minority Interest	<u>102,195</u>	<u>19,834</u>
Net Income/(Loss) before Provision for Income Taxes	<u><b>4,645,129</b></u>	<u><b>(375,601)</b></u>
Provision for Income Taxes	<u>1,479,000</u>	<u>(69,925)</u>
<b>Net Income/(Loss) Attributable to Company</b>	<u><b>\$ 3,166,129</b></u>	<u><b>\$ (305,676)</b></u>
Weighted Average Common Shares Outstanding	<u>72,181,831</u>	<u>68,124,285</u>
Earnings (Loss) per Share Outstanding	<u>\$ 0.0439</u>	<u>\$ (0.0045)</u>
Weighted Average Common Shares Outstanding - Fully Diluted	<u>92,179,177</u>	<u>91,313,631</u>
Earnings/(Loss) per Share - Fully Diluted	<u>\$ 0.0343</u>	<u>\$ (0.0033)</u>

*See accompanying notes to the unaudited consolidated financial statements*

The accompanying notes are an integral part of these consolidated financial statements

**ALLIED ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
For the year ended December 31, 2011  
(UNAUDITED)

	Series A Convertible Preferred Stock, 10,000,000 Shares Authorized	Series A Convertible Preferred Stock, \$0.01 Par Value	Common Stock, 200,000,000 Shares Authorized	Common Stock, \$0.001 Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity Attributable to Parent	Non- Controlling Interest	Total Stockholders' Equity
<b>Balances, December 31, 2010</b>	<u>100,001</u>	<u>\$ 1,000</u>	<u>69,446,333</u>	<u>\$ 69,447</u>	<u>\$ 6,217,637</u>	<u>\$ (133,336)</u>	<u>\$ 611,865</u>	<u>\$ 6,766,614</u>	<u>\$ 2,909,862</u>	<u>\$ 9,676,475</u>
Common stock issued for services	-	-	5,298,154	5,198	1,016,543			1,021,741		1,021,741
Non-controlling interest	-			-	-	-		-	(102,195)	(102,195)
Prior Period Adjustment	-			-	-		(1,676,383)	(1,676,383)		(1,676,383)
Net income attributable to Parent	-			-	-	-	3,166,130	3,166,130	-	3,166,130
<b>Balances, December 31, 2011</b>	<u>100,001</u>	<u>\$ 1,000</u>	<u>74,744,487</u>	<u>74,645</u>	<u>7,234,180</u>	<u>(133,336)</u>	<u>2,101,612</u>	<u>9,278,102</u>	<u>2,807,666</u>	<u>12,085,768</u>

The accompanying notes are an integral part of these consolidated financial statements

**ALLIED ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31,  
(UNAUDITED)

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,166,129	\$ (305,676)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	551,262	559,477
Amortization of lease mineral rights	1,090,992	1,090,991
Stock compensation	1,021,741	856,935
Gain on disposal of fixed assets	(32,729)	(1,451)
Gain on sale of equity securities	-	(3,591)
Allowance for doubtful accounts	49,444	-
Impairment of drilling program sponsorships	1,356,464	-
impairment of investments	236,001	126,993
Deffered Comp underfunding		
Previous Period adjustment to LMR exp in Q1	1,668,113	
Net loss attributable to non-controlling stockholders	(102,195)	(19,834)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	240,697	32,888
Employee loans	132,284	45,826
Deferred Income Tax asset	(598,091)	(234,848)
Inventory	23,386	(45,817)
Joint interest billing - in progress	(3,647,295)	(117,197)
Accounts receivable	(748,537)	767,620
Prefunding of drilling escrow account		(577,470)
Deferred compensation	(469,649)	26,506
Deposits	11,930	(4,745)
Other assets	(271,279)	
Accounts payable	(1,949,941)	2,958,494
Accrued liabilities	(26,738)	43,399
Accrued severance, net	(268,187)	947,558
Revenue Payable	341,367	323,928
Income tax payable	1,237,144	(72,956)
Deferred revenue	-	(376,776)
Deferred tax liability	260,265	(61,041)
	<b>3,272,578</b>	<b>5,959,213</b>
<b>Cash flows from investing activities:</b>		
Purchase of oil and gas properties	(1,784,296)	(2,837,326)
Purchase of investments in drilling program sponsorships	(24,488)	(80,485)
Purchase of investments	6,377	(90,000)
Purchase of property and equipment	(437,501)	(1,156,007)
	<b>(2,239,908)</b>	<b>(4,163,818)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from note payable	729,247	530,633
Repayment of note payable	(1,226,000)	(528,818)
Proceeds from non-controlling stockholders		
Purchase of treasury stock	-	-
	<b>(496,753)</b>	<b>1,815</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>535,917</b>	<b>1,797,210</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,406,298</b>	<b>1,609,087</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 3,942,216</b>	<b>\$ 3,406,297</b>
<b>Supplemental Disclosure of Cash Flows Information:</b>		
Interest paid	\$ 75,215	\$ 154,521
Income taxes paid	\$	\$ 358,545
Supplemental Disclosure of non-cash investing and financing activities:		
Disposal of fully depreciated property and equipment	\$	\$ 177,299

See accompanying notes to the unaudited consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements

ALLIED ENERGY, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
As of December 31, 2011

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allied Syndications, Inc., d/b/a Allied Energy Group, Inc., was incorporated in Texas on June 3, 2003 to provide oil and gas services to investors. Technol Fuel Conditioners, Inc. (“Technol”) was incorporated in Colorado on March 6, 1998 as Interactive Golf Marketing Inc. Pursuant to a merger agreement between Technol and Allied Syndications, Inc. (“ASI”), in April 2005, all the outstanding shares of ASI’s common stock were exchanged for the common stock of Technol, and Technol was the surviving entity of the merger. Upon this transaction, the assets and all related debt of Technol, as Technol existed before the merger, were sold to former management, and post-merger Technol was released from all obligations and claims related to those assets. The resulting entity, Technol, was reincorporated in Florida and changed its name to Allied Energy Group, Inc. In December 2007, Allied Energy Group, Inc. changed its name to Allied Energy, Inc. (“Allied,” or the “Company”).

Allied is an independent oil and gas development company primarily engaged in the business of sponsoring and providing turnkey drilling and operations management services to oil and gas general partnerships sponsored by the Company. The Company’s subsidiary companies provide operating and maintenance services to the general partnerships. Allied’s strategic focus and goal is to develop oil and natural gas reserves for its sponsored partnerships, as well as for its own account. The partnerships sponsored by the Company are formed to develop oil and natural gas reserves in the continental United States. The Company may at times participate in the same prospects for its own account outside of the partnerships. Allied relies upon its industry partners and subcontracted well operators, as well as consulting geologists and petroleum engineers, and other operational personnel whose combined industry experience is essential to each project.

The Company’s majority-owned subsidiary, Allied Gas Transmission, Inc. (“AGT”), owns and operates a natural gas gathering and transmission line to service certain partnership wells in Rogers County, Oklahoma. In addition to AGT, Allied has two wholly-owned subsidiaries that act as operators for the sponsored general partnerships of the Company in Oklahoma and Texas, Allied Operating, LLC (“AO”), and Allied Operating Texas, LLC (“AOT”), respectively.

As of December 31, 2011, Allied was the managing general partner or general manager of 54 partnerships and joint ventures, with plans to establish and sponsor at least three additional partnerships during 2012. Allied holds small equity interests (generally less than 1%) in 20 of these partnerships, which include interests in an aggregate of 151 wells, including 108 producing wells.

As of December 31, 2011, in addition to the wells held by partnerships in which Allied has an interest, Allied owned varying small net revenue interests (generally less than 5%) in 7 wells that were producing or awaiting hook-up, and in 2 wells involved in testing or completion.

The consolidated financial statements include the accounts of Allied and its wholly-owned subsidiaries: Allied Operating, LLC (“AO”), Allied Alternative Energy, LLC (“AAE”), Allied Operating Texas, LLC (“AOT”) and Allied Holdings, LLC (“AH”), as well as the accounts of Allied Gas Transmission, Inc. (“AGT”), which is Allied’s 60%-owned subsidiary. Allied Energy, Inc. and its subsidiaries are collectively referred to as “Allied” or “the Company.” All significant inter-company transactions have been eliminated.

During February 2009, the Company established AGT to be in the business of constructing and managing gathering systems and/or pipelines related to some of the property interests owned by the Company’s partnerships. The Company owns 60% of AGT, and the remaining 40% is owned by outside stockholders. AGT currently owns approximately five miles of pipeline, giving several properties south of AGT’s main compression station access to gas purification, treatment and access to the high pressure line of the gas purchaser. In addition to its own facilities, AGT operates a leased amine unit to bring the raw gas to

ALLIED ENERGY, INC. AND SUBSIDIARIES  
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pipeline quality. AGT derives revenue from the transmission charges applied to existing wells owned by partnerships operated by Allied Energy or its subsidiaries. In addition, AGT has invested in the planning, engineering and possible acquisition and development of an approximately ten-mile natural gas transmission system to connect the Company's northern producing field in Oklahoma to the Company's southern lease in Oklahoma that includes a compressor station, master meter and tap. This system, if completed, would enable the Company to sell directly to the local purchaser and bypass the existing market to the North. Actual construction of this transmission system has not commenced. The economic feasibility of the plans to extend the current transmission lines to the North is currently being reviewed. No additional investments by AGT will be pursued until the review has been completed.

During December 2009, the Company established AH, which is engaged in the ownership and management of Allied's real estate holdings. As of December 31, 2011, these real estate holdings consisted of three properties, including the Company's office building. Each property is described more specifically below under Note 8 – Notes Payable.

During 2008, the Company established AAE to explore alternative energy sources. AAE never began operations and was dissolved in December 2011.

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The following summarizes significant accounting policies to assist the reader in understanding and evaluating the consolidated financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been applied consistently in all material respects.

Use of Estimates– The preparation of financial statements in conformity with accounting principles in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. Although management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from these estimates.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company maintains cash balances with certain banks whose balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. The FDIC's temporary Transaction Account Guarantee (“TAG”) Program provides depositors with unlimited coverage for non-interest-bearing transaction accounts at participating FDIC-insured institutions. All of the banks at which Allied maintains balances have elected to participate in the TAG Program. At various times throughout the year, the Company had amounts on deposit at financial institutions in excess of federally insurable limits.

Cash and Cash Equivalents– Cash and cash equivalents include cash on hand and cash in bank in interest-bearing and non-interest bearing accounts. Highly liquid investments with original maturities of three months or less are considered cash equivalents.

Allowance for Doubtful Accounts – The Company has elected to record bad debts using the allowance method. The estimated allowance is based upon historical data and other pertinent information relative to the receivables in question. Allied books receivables primarily to recognize investment monies called down from Allied's investment partnerships not yet received. Management expects this balance to remain low due to the nature of the financial commitment in which our partners have engaged. There was no such allowance recorded as of December 31, 2011 or December 31, 2010.

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Investments – The Company’s investment portfolio consists of an investment in equity securities, which are recorded at fair value and which are held as available for sale, and of long-term investments in a limited liability company and in general partnerships, which are recorded at cost and which are evaluated for other than temporary impairment on a quarterly basis in accordance with Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures.” Investment in equity securities, which are held as available for sale, and the long-term investment in a limited liability company are included in the accompanying consolidated balance sheets as investments (See Note 4). Investments in general partnerships are included in the accompanying consolidated balance sheets as drilling program syndications and valued following the cost method (See Note 5).

The Company’s policy for the evaluation of securities to determine whether the impairment is other than temporary is based on analysis of the following factors: (1) rating downgrade or other credit event (e.g., failure to pay interest when due); (2) financial condition and near-term prospects of the issuer or non-issuer, including any specific events which may influence the operations of the issuer or non-issuer, such as changes in technology or discontinuance of a business segment; (3) prospects for the issuer’s or non-issuer’s industry segment; and (4) intent and ability of the Company to retain the investment for a period of time sufficient to allow for anticipated recovery in fair value. The Company evaluates its investments in securities to determine other than temporary impairment, no less than quarterly. Investments that are deemed other than temporarily impaired are written down to their estimated net fair value, and the related losses are recognized in operations.

Employee Loans – On a case-by-case basis, the Company has made non-interest bearing loans to employees. The balance of employee loans outstanding totaled \$77,175 and \$209,459, at December 31, 2011 and December 31, 2010, respectively.

Property and Equipment, Net– Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets which range from five to thirty-nine years. Amortization of leasehold improvements is computed using the straight-line basis over the lesser of the estimated useful lives of the underlying assets or the terms of the related leases. When asset items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred. Replacements and Improvements to the property are capitalized.

Oil and Gas Properties – The Company uses the successful efforts method of accounting for oil and gas producing activities pursuant to the provisions of ASC 932, “Extractive Activities – Oil and Gas.” A significant portion of the Company’s oil and gas properties are controlled through leasing arrangements. Costs to obtain lands and acquire leased mineral rights with oil and gas properties, including costs to drill and equip exploratory wells that find proved reserves and to drill and equip development wells along with related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed as incurred.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company’s experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted in accordance with management’s best estimates.

Gains and losses are recognized on sales of entire interests in proved and unproved oil and gas properties. Sales of partial interests are generally treated as a recovery of costs and any resulting gain or loss is

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recorded as other income. The Company did sell partial working interests in certain producing wells during 2011. These transactions are appropriately reflected in the financial statements.

The Company records an impairment expense for suspended well costs, if the Company determines by assessing the reserves and economic viability of the project that the development of the well is not making sufficient progress.

Impairment of Long-lived Assets—In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and oil and gas properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Fair Value of Financial Instruments – The Company measures its financial assets and liabilities in accordance with U.S. GAAP. For certain financial instruments, including cash, accounts receivable, employee loans, accounts payable, accrued expenses and notes payable, the carrying amounts approximate fair value due to their short maturities.

Revenue Recognition – The Company recognizes revenue in accordance with ASC 605-10, “Revenue Recognition in Financial Statements.” Under these guidelines, revenue is recognized on sales transactions when all of the following exist: Persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. The Company generates and recognizes revenue from the management of drilling program syndication partnerships, drilling and development of its own wells, transmission charges and consulting services it provides for drilling and development, when it has the contractual right to receive revenue.

The Company sells crude oil and natural gas under short-term agreements at prevailing market prices. The Company’s net revenue interest in the leased property is recognized at the point of sale, when the crude oil and natural gas is extracted from the tanks by the customer or purchaser, whereby the customer or purchaser has assumed the risks and rewards of ownership, the sales price is fixed or determinable and collectability is reasonably assured.

Stock-Based Compensation—The Company has adopted ASC 718-10, “Share Based Payment” and related interpretations. ASC 718-10 requires companies to estimate and recognize the fair value of stock-based awards to employees and directors. The value of the portion of an award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line attribution method.

Advertising Costs— Advertising costs are charged to expense during the period in which they are incurred. Advertising expenses for the twelve months ended December 31, 2011 and 2010 approximated \$63,334 and \$63,400, respectively.

Income Taxes—The Company accounts for income taxes pursuant to the provisions of ASC 740-10, “Accounting for Income Taxes,” which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

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The Company has adopted the provisions of ASC 740-10, "Accounting for Uncertain Income Tax Positions." When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of December 31, 2011, tax years 2006 through 2010 remain open for Internal Revenue Service ("IRS") audit. The Company has received no notice of audit from the IRS for any of the open tax years.

Allied and certain of its subsidiaries (AO, AAE, AOT and AH) file consolidated federal and applicable state income tax returns. AGT files separate federal and applicable state income tax returns, as Allied holds a 60% ownership interest in AGT.

The Company accrues for and remits income taxes on a pro-rata basis throughout the year based on the expected year-end liability. Estimates, judgments and assumptions are made quarterly based on available information and take into consideration estimated income taxes based on prior-year income tax returns, changes in income tax law, income tax strategies and other factors. In certain situations, revenue is remitted to the Company, when required by state laws, net of certain oil and gas related taxes.

Penalty/ Interest Policy – The Company's policy is to accrue penalties and interest on any required tax filings as well as uncertain tax positions, if any, in its consolidated statements of operations.

Legal Costs– In the normal course of business, the Company incurs costs to hire and retain external legal counsel to advise it on regulatory, litigation and other matters. The Company expenses these costs as the related services are received.

Environmental – The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the adverse environmental effects of disposal or release of petroleum, chemical and other substances at various sites. Environmental expenditures are expensed or capitalized depending on the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. As of December 31, 2011 and 2010, the Company has not recorded environmental remediation related costs and liabilities in the accompanying consolidated financial statements.

Earnings per Share – Basic earnings per share is computed in accordance with ASC 260-10, "Earnings Per Share," by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. As of December 31, 2011, certain option agreements had been signed with board approval. As

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of December 31, 2011, there are both option agreements outstanding as well as commitments which may or may not be valid, enforceable or realized, some of which the Company intends to dispute. For the purposes of this disclosure, all potentially dilutive options and commitments have been taken into account for the calculation of earnings per share, even if the Company intends to dispute their validity.

Reclassification— Certain prior period amounts have been reclassified to conform to current period presentations.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (“FASB”) published Accounting Standards Update (“ASU”) No. 2010-01 Equity (Topic 505) – “Accounting for Distributions to Shareholders with Components of Stock and Cash—a consensus of the FASB Emerging Issues Task Force,” as codified in ASC 505. ASU No. 2010-01 clarifies the treatment of certain distributions to shareholders that have both stock and cash components. The stock portion of such distributions is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. Early adoption is permitted. The adoption of this standard did not have an impact on the Company’s consolidated financial position and results of operations.

In January 2010, the FASB published ASU No. 2010-02, “Consolidation (Topic 810) – Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification,” as codified in ASC 810, “Consolidation.” This ASU clarifies the applicable scope of ASC 810 for a decrease in ownership in a subsidiary or an exchange of a group of assets that is a business or nonprofit activity. The ASU also requires expanded disclosures. The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this standard did not have an impact on the Company’s consolidated financial position and results of operations.

In January 2010, ASU No. 2010-3 was issued, which aligns the oil and gas reserve estimation and disclosure requirements of Extractive Industries – Oil and Gas (Topic 932) with the oil and gas reporting requirements of the U.S. Securities and Exchange Commission’s (“SEC”) Final Rule, “Modernization of Oil and Gas Reporting Requirements.” The SEC Final Rule, which was issued in December 2008, revised and expanded several disclosure requirements for public entities engaged in oil and gas producing activities. As stated in the adopting release of the SEC Final Rule, application was contingent on the FASB conforming its standards to the requirements of the SEC Final Rule. ASU 2010-3 is effective for annual periods ending on or after December 31, 2009 and is applied prospectively as a change in estimate. However, entities that became subject to the disclosure requirements of Topic 932 solely due to the change to the definition of significant oil and gas producing activities are permitted to apply the disclosure provisions of Topic 932 in annual periods beginning after December 31, 2009. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operations.

In January 2010, ASU No. 2010-06 “Fair Value Measurements and Disclosures (Topic 820): – Improving Disclosures about Fair Value Measurements” was issued. ASU No.2010-06 clarifies disclosure requirements related to fair value measurements and disclosures – Overall Subtopic (“Subtopic 820-10”) of the FASB Accounting Standards Codification. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure about purchase, sales, issuances, and settlement in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The amendment did not have a material impact on the Company’s consolidated financial position

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and results of operations. The adoption of the disclosure requirement is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In February 2010, the FASB issued ASU No. 2010-09 "Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements." ASU No. 2010-09 requires that an SEC filer, as defined, evaluate subsequent events through the date that the financial statements are issued. The update also removed the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. The adoption of this guidance on January 1, 2010 did not have a material effect on the Company's consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-13 "Stock Compensation" (Topic 718). ASU No.2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In April 2010, the FASB issued ASU No.2010-14, "Accounting for Extractive Activities – Oil & Gas" (Topic 932). ASU No. 2010-14 amends FASB accounting Standard paragraph 932-10-S99-1 due to SEC Release No. 33-8995 [FR 78], "Modernization of Oil and Gas Reporting" and provides an update as to the amendments to SEC Regulation S-X, Rule 4-10. The adoption of this standard was effective in the second quarter of 2010 and did not have any impact on the Company's consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-17. "Revenue Recognition-Milestone Method" (Topic 605) ASU No.2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. An entity often recognizes these milestone payments as revenue in their entirety upon achieving a specific result from the research or development efforts. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The ASU is effective for fiscal years and interim periods within those fiscal years beginning on or after June 15, 2010. Early application is permitted. Entities can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-21 (ASU No. 2010-21) "Accounting for Technical Amendments to Various SEC Rules and Schedules" and No. 2010-22 (ASU No. 2010-22) "Accounting for Various Topics – Technical Corrections to SEC Paragraphs." ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release No. 33-9026: "Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies." ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of Staff Accounting Bulletin ("SAB") 112, "Business Combinations," which amends or rescinds portions of certain SAB topics. Both ASU No.

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2010-21 and ASU No. 2010-22 were effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 did not have a material impact on the Company's consolidated financial statements.

Other ASUs not effective until after December 31, 2011, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

NOTE 2 – OIL AND GAS PROPERTIES, NET

Oil and gas properties include amounts incurred to acquire and develop leases and their related properties. The net balances as of December 31, 2011 and December 31, 2010 were \$2,061,675 and \$4,392,948, respectively. Lease Mineral Rights ("LMR") depletion and amortization expense was approximately \$1,090,992 for the twelve months ended December 31, 2011.

NOTE 3 – PROPERTY and EQUIPMENT, NET

	December 31, 2011	December 31, 2010
Furniture and fixtures - 7 yrs.	\$ 81,316	\$ 71,837
Equipment - 5 yrs.	958,819	873,228
Leasehold improvements– 7 yrs.	0	169,265
Building improvements– 7 yrs.	280,829	0
Automobiles – 5 year life	305,815	270,568
Property – 39 year life	465,740	465,740
Building – 39 year life	1,018,453	1,975,000
Gas transmission sys. – 22 yrs.	3,592,800	3,592,800
Sub-total	<u>6,703,772</u>	<u>7,418,438</u>
Less: acc. depreciation and amort.	<u>(1,282,504)</u>	<u>(883,409)</u>
Total	<u>\$ 5,421,268</u>	<u>\$ 6,535,029</u>

Depreciation and amortization expense was \$551,262 and \$559,477 for the twelve months ended December 31, 2011 and December 31, 2010, respectively.

NOTE 4 – INVESTMENTS

The Company had an investment in a limited liability company totaling \$236,201 as of December 31, 2010. In 2011, management carried out a review of the liquidity, cash flow, business development prospects and progress of the limited liability company. It concluded that the business no longer supported investment value and wrote the investment down to \$ 0 as of December 31, 2011. The Company's ownership of the long-term investment in this limited liability company ("LLC") did not exceed 20% of the LLC's equity and was recorded at cost considering the fact that the Company did not exercise significant influence over the LLC's management, financing and operating policies, and this investment did not qualify as in-substance common stock pursuant to the provisions of FASB ASC 323-10-15-13.

The Company had investments in equity securities of \$6,812 and \$12,989 for the twelve months ended December 31, 2011 and December 31, 2010, respectively. There was no significant change in our investment account during 2011. The investments are carried at fair value. Eventual gains or losses realized on short-term investment holdings are included in Other Income within the Consolidated Statement of Operations.

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NOTE 5 – INVESTMENTS IN DRILLING PROGRAM SYNDICATIONS

The Company acts as the managing general partner or general manager for several general partnerships for drilling program syndications. In general, the Company does not invest in these partnerships, although it may do so on occasion and/or it may receive a carried interest. As of December 31, 2011, none of the Company's interests in a partnership exceeded 3% of the partnership. Therefore, these investments are recorded at cost. As of December 31, 2011, there were no impairment charges recorded on drilling program syndications.

NOTE 6 – DEFERRED COMPENSATION PLAN

The Company maintains a deferred compensation plan (known as the "Executive Nonqualified Excess Plan") in the form of a Rabbi Trust, covering key executives of the Company as determined by the Board of Directors. The Rabbi Trust gives certain senior employees the ability to defer all or a portion of their salaries and bonuses to marketable securities that can be bought and sold at the employee's discretion. Although the assets have been primarily comprised of trading securities carried at their fair value, in 2011 the assets represented the cash value of a life insurance policy. The assets of the Rabbi Trust are available to satisfy the claims of the Company's creditors in the event of bankruptcy or insolvency of the Company. Participants may make voluntary pre-tax contributions to the deferred compensation plan. In addition, the Company may make discretionary matching contributions to the plan. The Company's contributions vest ratably over three years. At December 31, 2011, all participants were vested in the Plan. The unvested contributions under the deferred compensation plan totaled \$0 and \$84,868 at December 31, 2011 and December 31, 2010, respectively, and are included in the accompanying consolidated balance sheets. As of December 31, 2011, the Company had recorded a Company asset (represented by the cash value of a life insurance policy) of approximately \$ 554,417 and liabilities under deferred compensation plan of approximately \$ 626,083 of vested balances in favor of certain executives.

Effective as of January 9, 2012, the Company's deferred compensation plan was terminated.

NOTE 7 – 401(k) PROFIT SHARING PLAN

The Company has a 401(k) Plan ("Plan") to provide retirement and incidental benefits to its employees. Employees may contribute from 1% to 50% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the IRS. The Company matches employee contributions dollar-for-dollar per person. All matching contributions vest to participants ratably over a six-year period, beginning with the second year of participation. The Company recorded contributions to the Plan of approximately \$56,835 and \$103,800 for the twelve months ended December 31, 2011 and 2010, respectively.

Effective as of October 1, 2011, the Company's 401K plan was terminated.

NOTE 8 – NOTES PAYABLE

In February 2011, the Company's home office building was sold to an independent third party, resulting in the Company's 50% acquisition as tenant-in-common being dissolved. The Company's five promissory notes in the aggregate face amount of \$1,750,000, which the Company had issued as part of the purchase price for its interest in the building, were waived by the holder of the note as part of the consideration received by the Company for its interest in the building. The holder of the note also returned to the Company all previous promissory note payments, totaling \$500,000, plus accumulated equity of approximately \$24,000, which was recorded as Other Income on the Consolidated Statement of Operations.

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On February 11, 2011 the Company purchased an 11,200 square foot building at 2427 Russellville Road in Bowling Green, Kentucky, for \$885,000. The building serves as the Company's new corporate headquarters. The building was financed through a financial institution with 20% down and the remaining \$708,000 financed by a promissory note. The promissory note is to be paid in monthly installments of \$5,878.11 for 180 months, at an interest rate of 5.75%. The note has an outstanding balance of approximately \$682,474 at December 31, 2011.

In August 2009, the Company acquired a truck for \$50,758 which was financed through a promissory note to a financial institution. The promissory note is payable in monthly installments of approximately \$1,180 for 48 months at an interest rate of 5.5% per annum and is collateralized by the truck. The Company has an outstanding balance of approximately \$22,530 and \$35,070 under this note at December 31, 2011 and December 31, 2010, respectively.

In August 2009, the Company acquired a truck for \$30,050 which was financed through a promissory note to a financial institution. The promissory note is payable in monthly installments of approximately \$935 for 36 months at an interest rate of 7.5% per annum and is collateralized by the truck. The Company has an outstanding balance of approximately \$7,294 and \$17,533 under this note at December 31, 2011 and December 31, 2010, respectively.

In May 2009, the Company acquired a truck for \$35,000 which was financed through a promissory note to a financial institution. The promissory note is payable in monthly installments of approximately \$1,577 for 24 months at an interest rate of 7.5% per annum and is collateralized by the truck. The Company paid off the note and has no outstanding balance at December 31, 2011.

In June 2010, the Company acquired a truck for approximately \$47,000, which was financed through a promissory note to a financial institution. The promissory note is payable in monthly installments of approximately \$1,100 for 48 months at an interest rate of 5.25% per annum and is collateralized by the truck. The Company has an outstanding balance of approximately \$30,448 and \$41,553 under this obligation at December 31, 2011 and December 31, 2010, respectively.

In October 2010, Allied Holdings, LLC purchased an investment property (land) for \$125,000. Allied Holdings, LLC made a down payment of \$18,750 for the property and obtained a \$106,250 loan through a promissory note to a financial institution. The promissory note is payable in monthly installments for 180 months at a variable interest rate of prime plus 300 basis points and is collateralized by the investment property. The monthly payment is approximately \$915. The Company had an outstanding balance of approximately \$101,074 and \$105,536 at December 31, 2011 and December 31, 2010, respectively.

In November 2010, Allied Holdings, LLC acquired 292 acres in Butler County, KY for \$372,592, with the intent to develop the oil and/or natural gas resources on the property. The property was financed through a promissory note to a financial institution. The promissory note is payable in monthly payments of \$3,194 for 180 months at an interest rate of 6.25%. The Company had an outstanding balance of approximately \$355,754 and \$371,312 at December 31, 2011 and December 31, 2010, respectively.

In July 2011, the Company acquired a Jeep Wrangler for approximately \$21,247, which was financed through a promissory note to a financial institution. The promissory note is payable in monthly installments of approximately \$646 for 36 months at an interest rate of 5% per annum and is collateralized by the vehicle. The Company has an outstanding balance of approximately \$18,523 at December 31, 2011.

Principal maturities of notes payable at December 31, 2011 are as follows:

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Year	Amount
2012	\$ 89,702
2013	85,242
2014	72,187
2015	64,020
2016	67,934
Thereafter	839,014
	\$ 1,218,099

NOTE 9 – FAIR VALUE MEASUREMENTS

The Company records fair value of monetary and non-monetary instruments in accordance with ASC 820 “Fair Value Measurements and Disclosures.” The ASC establishes a framework for measuring fair value, establishes a fair value hierarchy based on inputs used to measure fair value, and expands disclosure about fair value measurements. Adopting this statement has not had a significant effect on the Company’s consolidated financial condition, cash flows, or results of operations.

In accordance with ASC 820, the financial instruments have been categorized, based on the degree of subjectivity inherent in the valuation technique, into a fair value hierarchy of three levels, as follows:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. Government securities, publicly traded equity securities).
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable. Unobservable inputs reflect the reporting entity’s subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

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The composition of investments portfolio as of December 31, 2011 was as follows:

Investments	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value	Total Fair Value	Cost
Equity securities	\$ 6,812	\$ -	\$ -	\$ 6,812	\$ 9,399
Investment in limited liability company	-	-	0	0	500,000
Total Investments	<u>\$ 6,812</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 6,812</u>	<u>\$ 509,399</u>
Investment in general partnerships (See Note 5)	-	-	230,034	230,034	322,643
Total Drilling Program Syndications	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,034</u>	<u>\$ 230,034</u>	<u>\$ 322,643</u>

The composition of investments portfolio as of December 31, 2010 was as follows:

Investments	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value	Total Fair Value	Cost
Equity securities	\$ 12,989	\$ -	\$ -	\$ 12,989	\$ 9,399
Investment in limited liability company	-	-	236,201	236,201	500,000
Total Investments	<u>\$ 12,989</u>	<u>\$ -</u>	<u>\$ 236,201</u>	<u>\$ 249,190</u>	<u>\$ 509,399</u>
Investment in general partnerships (See Note 5)	-	-	205,546	205,546	322,643
Total Drilling Program Syndications	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,546</u>	<u>\$ 205,546</u>	<u>\$ 322,643</u>

The Company's portfolio valuations classified as Level 3 are priced using subjective evaluation about the assumptions market participants would use in pricing the financial instrument, as well as using the annual financial statements of respective investees. The carrying value of Level 3 investments approximates the fair value at December 31, 2011. During the quarter, the Company recorded no impairments on

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investments. Based on the criteria described above, the Company believes that the current level classifications are appropriate based on the valuation techniques used and that the fair values accurately reflect current market assumptions in the aggregate.

NOTE 10 – EQUITY

Capitalization

The Company has the following classes of stock authorized:

<u>Class</u>	<u>Par Value</u>	<u>Shares</u>
Common Stock	\$ 0.001	200,000,000
Preferred Stock	\$ 0.01	10,000,000

Common Stock

On September 18, 2008, the Board of Directors approved restricted stock grants totaling 5,804,375 common shares to three current and one former executive officer. The market price for the stock on that date was \$0.13 per share. Stock certificates representing the shares were issued in March of 2010.

In August 28, 2008, 350,000 restricted common shares were granted to the owners of United Producers as part of the acquisition of certain assets from United Producers by Allied Operating, LLC. Stock certificates representing the shares were issued in January of 2010.

During 2009, the Company issued 25,000 restricted shares of common stock for a total value of \$500 for services rendered.

On September 14, 2009 the Company agreed to grant to Hayden Energy Inc. options to purchase an aggregate of 6,198,541 common shares of the Company's authorized unissued share capital in accordance with various terms of the agreements between the Company and Hayden Energy Inc.

In June 2010, the Company issued 1,000,000 shares of restricted common stock to Hayden Energy Inc., valued at a total of \$95,000, for services performed during the acquisition of a working interest in an initial test well/unit located in Grimes County, Texas pursuant to the provisions of an agreement between Allied and Hayden Energy Inc.

In November 2010, 285,417 restricted common shares were issued as part of compensation to non-employee Directors for the years served from 2008 through 2010. The shares were valued at \$45,667.

In January 2011, the Board of Directors granted options to two Allied Energy executives for the purchase an aggregate of 2,000,000 restricted common shares at an exercise price of \$.01 per share and an expiration date of January 1, 2021, and in accordance with various other terms of the agreement. These grants are being reviewed for validity, legality, etc. as described below.

In February 2011, the Board of Directors issued 100,000 restricted common shares, valued at \$28,000, to a director in exchange for professional services to the Company.

In June 2011, the Company issued 5,198,154 common shares pursuant to exercise of stock options by Hayden Energy Inc. The shares issued were valued at approximately \$988,000.

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In June 2011, the Board of Directors began a review of certain prior issuances of stock and of stock options to directors and/or executive officers to determine the legality, validity and other justification of such transactions. Included in this review are the issuance of a total of 2,000,000 stock options to two executive officers in January 2011, and the issuance of 12,002,916 shares to executive officers, directors and certain other persons, in the years 2009, 2010, and 2011. This review has not been completed.

Preferred Stock

The Company has a class of 10,000,000 shares of preferred stock, issuable from time to time in one or more series. The board of directors is authorized to fix the dividend rights, dividend rate, conversion rights, voting rights, terms of redemption, preferences, restrictions and other matters relating to each series of preferred stock.

During 2008 the Company issued an aggregate of 100,000 shares of Series A preferred stock, valued at \$1,000, to the members of the executive management team. Each share of the Series A preferred stock has 1,000 votes on all matters presented to be voted upon by the holders of common stock. One share of Series A preferred stock has the same dividend and liquidation rights as one share of common stock so that the Series A preferred stock is pari passu with the common stock with respect to dividends and liquidation.

NOTE 11 – NON-CONTROLLING INTERESTS

During February 2009, Allied established AGT and issued 5,000,000 shares of common stock. Three million of these shares were issued to Allied, and two million, or 40%, were sold to investors who are not affiliates of Allied. The following is a reconciliation of the carrying amounts of total equity and the amounts attributable to Allied, which is referred to as the Parent, and to the non-affiliated stockholders (“Non-controlling Interest”):

	Parent	Non- controlling Interest	Total
Balances, December 31, 2010	\$ 557,792	\$ 2,909,862	\$ 3,467,654
Net Loss	(153,293)	(102,197)	(255,490)
Balances, December 31, 2011	<u>\$ 404,499</u>	<u>\$ 2,807,665</u>	<u>\$ 3,212,164</u>

Investment of Allied in AGT of \$404,499 is eliminated in consolidation.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases office space, equipment and vehicles under various operating lease obligations with non-cancelable operating lease terms that expire at various dates through December 31, 2014. Certain operating lease agreements provide for an escalation clause, as applicable, to the base obligation. The Company is also responsible for certain operating expenses. The following is a schedule by year of the future minimum lease payments required under operating leases, which have initial or remaining non-cancelable terms in excess of one year as of December 31, 2011:

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Years ending December 31,	Operating Leases
2012	\$ 85,186
2013	56,094
2014	14,623
2015	0
<u>Total minimum payments</u>	<u>\$ 155,903</u>

Drilling Commitments

The Company has given commitments to drill wells, on a turnkey basis, for seven sponsored general partnerships with aggregate expected costs of approximately \$ 9.0 million. The Company previously has received and recorded the turnkey revenue amounts received by the Company with respect to these commitments.

Contingencies

The Company has various lawsuits and claims arising in the ordinary course of its business. In the opinion of the Company, although final disposition of some or all of these suits and claims may impact the Company's consolidated financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on the Company's consolidated financial position.

NOTE 13 – RELATED PARTY TRANSACTIONS

Employee Loans

The Company included amounts totaling \$77,175 and \$209,459 as employee loans receivable in the accompanying consolidated balance sheets at December 31, 2011 and at December 31, 2010, respectively. Amounts due represent unsecured non-interest bearing advances and do not follow any specific repayment terms.

NOTE 14 – SUBSEQUENT EVENTS

In October 2011, the Company, on behalf of one of its sponsored general partnerships, commenced drilling operations on the Rock Hill #1 prospect located on the Company's Wood County, Texas leasehold. The Company, as general manager of the partnerships, made a decision to relocate the drilling site to Wood County from the originally planned location on the Howard Lease in Grimes, County, Texas. Drilling activities were completed in November 2011, and in late January 2012, the Company determined to commence completion of the well. The Company owns a 24% cost-bearing working interest with an 18% net revenue interest, and an after-payout 9% working interest with a 6.75% net revenue interest in this well.

In November 2011, the Company signed contracts for the construction of an Amine Plant to purify the gas of two gas-producing wells in Grimes County, Texas, which were shut-in in most of December 2011. Construction and installation commenced at the end of November and was completed by December 14, 2011. Both gas wells are expected to resume production at approximately their previous rates. The Company is the general manager of the partnerships that own an interest in those wells. The Company owns a 16% working interest, with less than 1% net revenue interest in one of the wells, and a 13.4% working interest, with a 2.54% net revenue interest in the other well.

In November 2011, on behalf of one of its sponsored general partnerships, the Company commenced, drilling operations on the Champion Ranch #1H prospect located in Leon County, Texas. The Company directly owns a 25% cost-bearing billing interest with a 4.69% net revenue interest in this well. It also

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owns an interest in a partnership that it sponsored and formed for the purpose of drilling the Champion Ranch #1H prospect. The Company's interest in this partnership equates to an indirect 0.347% working interest and a 0.267% net revenue interest in the well.