Skye Petroleum

"Bringing Tomorrows Technology to Yesterdays Wells"

QUARTERLY REPORT PERIOD ENDED 9/30/2012

ITEM 1 The exact name of the issuer and the address of its principal executive offices.

Current Name: **Skye Petroleum, Inc.** ("Skye" or the "Company")
Former Name: **National Equities Holdings, Inc.**

13515 Southwest Freeway, Suite 207
Sugar Land, Texas 77478

Phone: 281.265.1199
Fax: 281.265.0979
Email: Office@SkyePetroleum.com
Website: www.skyepetroleum.com

ITEM 2 Shares Outstanding.

(i) Reporting Period: **September 30, 2012**
(ii) Common Stock: **290,000,000 authorized Shares**
Preferred Stock: **10,000,000 authorized Shares**
(iii) Common Stock: **207,247,000 Shares Issued and Outstanding**
Preferred Stock: **0 Shares Issued and Outstanding**
(iv) Total Shares Freely Tradable: **95,163,505**
(v) Total Number of Beneficial Owners: **5**
(vi) Total Number of Shareholders of Record: **698**

ITEM 3 Interim Financial Statements.

The Interim Financial Statements are attached at the end of this Quarterly Update and include:

1. **Balance Sheet for the periods ended September 30, 2012 and December 31, 2011 (Unaudited).**

2. **Statement of Operations for the three and nine months ended September 30, 2012 and 2011 (Unaudited).**

3. **Statement of Stockholders' Deficit for the periods ended September 30, 2012 and December 31, 2011 (Unaudited).**

4. **Statement of Cash Flows for the nine months ended September 30, 2012 and 2011 (Unaudited).**

5. **Notes to Financial Statements (Unaudited).**

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

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

Skye Petroleum, Inc. is a Delaware corporation. Skye is currently conducting operations and is revenue positive. Skye has developed a unique and pro-active approach in dealing with the problem of paraffin

buildup that can clog and limit the flow of oil in today's oil wells. This new, proprietary chemical treatment has been both lab tested and field-tested in oil wells in the states of Texas, Colorado and Pennsylvania. Successful tests were competed on 3 oil wells in the state of Louisiana in June 2012. The results of the Louisiana tests have led to the largest order of Skye Chem Wax Dispersant Technology in the company's history that appears in this quarterly report.

Skye has been revenue positive since Q3 2011. Skye has received revenue in Q4 2012, making this quarter the sixth consecutive revenue positive quarter. The Company has generated repeat sales of its Wax Dispersant technology for paraffin treatment. Skye intends to continue expanding chemical sales, and has had discussions with major oil and pipeline companies regarding application of its technology to address their continuing problems with paraffin buildup.

Skye began working with Vector Energy Solutions Co. (VESCO) of Louisiana for the purpose of distributing Skye's Wax Dispersant chemical technology in the United States, as well as overseas. There is no distribution agreement of any sort with VESCO for distribution in the United States. Skye is able to sell directly to its current customers and potentially new customers in the USA. Skye does have an unsigned agreement with VESCO and Endurall, Inc. for the Australian/Indonesian markets, that must be renewed every October 1st if both parties agree. Skye is free to sell it's technology through other potential distribution networks in the United States.

Skye has received bonding from the Department of Environmental Protection on its lease acreage in PA (The Company has leases in PA, totaling 450 acres and 11 oil wells) and is actively pumping four of the oil wells under lease. Two of the wells are generating too much water at this time to continue producing. The other 5 wells were abandoned by the previous leaseholder who removed the pump jacks, effectively abandoning the wells. Skye has reported this action to the DEP and is seeking resolution to the matter. Skye previously had 646 acres under lease. In this quarter, approximately 200 acres of lease agreements expired. Skye hopes to resign another lease agreement for those acres in 2013. The Company is seeking funds in order to drill on its current leases. Skye has received permits for six (6) new wells in this quarter on its current leases. Skye further expects revenue from the 4 active wells in this quarter. Skye did not receive oil revenue in the previous quarter due to requirement changes for minimum oil load pickups by the company Skye uses for this purpose.

C. Off-Balance Sheet Arrangements.

None

ITEM 5 Legal Proceedings.

Any current, past, pending or threatened, legal proceeding 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.

None

ITEM 6 Defaults Upon Senior Securities.

None

ITEM 7 Other Information.

Gerald Weber, Chairman, CEO and President of Skye, advanced Skye $69,764 ($39,000 in Q1-2012, $10,000 in Q2-2012 and $20,764 in Q3-2012) during 2012 as an advance without interest or a repayment schedule. If Mr. Weber chooses and the Board of Directors accepts, the loan may be paid off with restricted shares of Skye common stock. Mr. Weber purchased 27,614,200 shares of Skye common stock from Brad Knollenberg and his wife for $53,000 in a private transaction during the first quarter of 2012. This did not involve any Company money from Skye and the Knollenberg shares were canceled and reissued to Mr. Weber with a restrictive legend. Mr. Weber and his spouse own approximately 41 million shares of Skye common stock.

During 2012, the Company raised $210,000 and issued 4.2 million restricted shares of its common stock for direct investments into the company.

On April 3, 2012, at the Shareholder Annual Meeting, a new Board of Directors was elected. Gerald Weber was elected Chairman and re-appointed as CEO, as well as appointed President. Wentworth "Buck" Eaton was reelected as a Director and reappointed as Chief Operations Officer and Secretary. R. Brandon Rhodes was elected to the Board of Directors and appointed Chief Development Officer. James Ryerson was elected to the Board of Directors and appointed Chief Production Officer. Jon Laria, who has been serving as the CPA for the Company was elected to the Board of Directors and appointed Chief Financial Officer. Due to Laria's election, Mary George, CPA, CMA will now serve as the Company's accountant.

On July 13, 2012, the Company awarded 9,547,000 shares to the investors who had previous purchased the stock for $0.10 a share to reduce their average price paid to $0.05 per share which is the price the Company is now selling new shares.

ITEM 8 Exhibits.

Material Contracts.

Every material contract, not made in the ordinary course of business that will be performed after the disclosure document is posted or was entered into more than two years before such posting.

None

Articles of Incorporation and Bylaws.

Attached to Initial Disclosure Statement filed October 21, 2010.

ITEM 9 Certifications.

I, Gerald Weber, CEO, certify that:

1. I have reviewed this disclosure statement of Skye Petroleum, Inc.

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement, and,

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 8, 2012

/s/ Gerald Weber
Gerald Weber

I, Wentworth "Buck" Eaton, COO, certify that:

1. I have reviewed this disclosure statement of Skye Petroleum, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement, and,

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 8, 2012
/s/ Wentworth "Buck" Eaton
Wentworth "Buck" Eaton

SKYE PETROLEUM, INC.

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

SKYE PETROLEUM, INC.
(A CORPORATION IN THE DEVELOPMENT STAGE)

SKYE PETROLEUM, INC.
BALANCE SHEET (Unaudited)
For the periods ended September 30, 2012 and December 31, 2011

	(Unaudited)	
ASSETS	**September 30, 2012**	**December 31, 2011**
Current Assets		
Cash – unrestricted	$4,864	$5,576
Prepaid Expenses	0	1,500
Total Current Assets	4,864	7,076
Property and Equipment, net	19,313	17,891
Deposits	27,803	25,000
Intangible Assets, net	1,068,417	1,130,667
TOTAL ASSETS	$1,120,397	$1,180,634
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$85,211	$107,392
Advances	138,784	69,020
Accounts payable - related party	47,183	47,183
Total Current Liabilities	271,178	223,595
Long-term Debt		
Long – term obligations	0	0
TOTAL LIABILITIES	271,178	223,595
STOCKHOLDERS' EQUITY		
Common stock; 290,000,000 shares authorized, at $.001 par value; 207,247,000 and 190,000,000 shares issued and outstanding, respectively	207,247	190,000
Capital in excess of par	12,346,601	12,150,348
Accumulated deficit	(11,704,629)	(11,383,309)
TOTAL STOCKHOLDERS' EQUITY	849,219	957,039
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,120,397	$1,180,634

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

SKYE PETROLEUM, INC.
STATEMENTS OF OPERATIONS (Unaudited)
For the three and nine months ended September 30, 2012 and 2011

		UNAUDITED		UNAUDITED	
		Three Months Ended		Nine Months Ended	
		Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
REVENUE					
Chemical sales	$	23,520	0	32,721	0
Oil & gas sales		0	4,005	0	4,005
Service income		0	5,883	0	5,883
Interest income		15	0	66	0
		23,535	9,888	32,787	9,888
OPERATING EXPENSES					
Chemicals		(11,167)	(15,824)	(17,663)	(15,824)
Field supplies		0	0	(812)	(3,853)
Oil well operating cost		(9,910)	(10,799)	(26,246)	(10,799)
Selling, general and administrative		(63,101)	(137,899)	(243,589)	(452,163)
Gain(loss) on disposal of assets		0	(6,276)	(477)	(6,276)
Depreciation & amortization		(21,771)	(22,417)	(65,320)	(69,455)
Total Operating Expenses		(105,949)	(193,215)	(354,107)	(558,370)
(LOSS) FROM OPERATIONS		(82,414)	(183,327)	(321,320)	(548,482)
PROVISION FOR TAXES		0	0	0	0
NET (LOSS)	$	(82,414)	(183,327)	(321,320)	(548,482)
WEIGHTED SHARES OUTSTANDING		205,823,220	177,749,451	198,556,506	174,579,376
NET (LOSS) PER SHARE	$	(0.00)	(0.00)	(0.00)	(0.00)

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

SKYE PETROLEUM, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT (Unaudited)
For the periods ended September 30, 2012 and December 31, 2011

Unaudited	**Common Stock**		**Add'l Paid**	**Accumulated**	
	Shares	**Amount**	**in Capital**	**Deficit**	**Total**
Balance at December 31, 2010	**169,175,610**	**$169,176**	**$11,745,135**	**($10,796,703)**	**$1,117,608**
Issuance of common stock to directors, officers and vendors	12,250,000	$12,250	0	-	12,250
Sale Proceeds from common stock sales	8,574,390	$8,574	405,213	-	413,787
Net Loss for the year ended Dec. 31, 2011	-	-	-	(586,606)	(586,606)
Balance at December 31, 2011	**190,000,000**	**$190,000**	**$12,150,348**	**($11,383,309)**	**$957,039**
Issuance of common stock to directors, officers and vendors	3,500,000	$3,500	0	-	3,500
Sale Proceeds from common stock sales	13,747,000	$13,747	196,253	-	210,000
Net Loss for the period ended September 30, 2012	-	-	-	(321,320)	(321,320)
Balance at Sept 30, 2012	**207,247,000**	**$207,247**	**$12,346,601**	**($11,704,629)**	**$849,219**

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

SKYE PETROLEUM, INC.
STATEMENTS OF CASH FLOWS (Unaudited)
For the nine months ended September 30, 2012 and 2011

	(Unaudited)	
	September 30, 2012	**September 30, 2011**
Cash Flows from Operating Activities:		
Net loss for the period	$ (321,320)	$ (548,482)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation expense and amortization	65,320	69,455
Add (deduct) loss (gain) on sale of assets	477	6,276
Shares issued to officers & vendors	3,500	51,400
Changes in current assets or liabilities	(20,681)	2,300
Deposits made	(2,803)	(25,000)
Net Cash Used In Operating Activities	(275,507)	(444,051)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(4,969)	(10,480)
Proceeds from selling assets	0	22,800
Net Cash Provided By (Used In) Investing Activities	(4,969)	12,320
Cash Flows from Financing Activities:		
Advances (repayments)	69,764	25,000
Proceeds from stock sale	210,000	413,587
Net Cash Provided By Financing Activities	279,764	438,587
Net Increase (Decrease) in Cash	(712)	6,856
Cash at beginning of period	5,576	78
Cash at end of period	$ 4,864	$ 6,934
Supplemental Cash Flow Information:		
Cash paid for interest	$ 0	$ 0
Cash paid for income taxes	$ 0	$ 0

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

SKYE PETROLEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Skye Petroleum, Inc. (formerly named National Equities Holdings, Inc.) is a Delaware corporation. Skye Petroleum, Inc. reported revenues since reestablishing itself during the third quarter of 2011 and therefore is no longer considered a development stage enterprise. It will continue to devote efforts to raising capital resources and other business development opportunities until it becomes self sustaining, which may take another year or more. The Company considered December 20, 2001 the inception of the development stage for financial reporting purposes because on that date bankruptcy proceedings were dismissed by the bankruptcy court and the Company began to focus on future activities.

Skye Petroleum, Inc. (the Company) has developed a unique and pro-active approach in dealing with the problem of paraffin buildup that can clog and limit the flow of oil in oil wells. This new, proprietary chemical treatment has been both lab tested and field-tested in oil wells in the states of Texas, Colorado and Pennsylvania. Further tests were successfully completed in the state of Louisiana in June 2012. The results of these tests have led to chemical sales in Q3 2012.

Many of today's wells are experiencing flow assurance problems that create costly flow blockages in oil production. Paraffin is a heavy organic produced by petroleum fluids. These paraffin deposits exist in crude oil in various quantities and forms. During the oil production process, paraffin will precipitate or crystallize into solids when temperature or pressure drops. The flow of oil will decrease as a result of blockages in the walls of the tubular and the reservoir surfaces when these heavy solids prevent its designed flow.

The Company has a three part plan approach to generate its revenue. Plan 1, is to share the increased production revenue that our propriety treatment process brings to the well. Plan 2, is to sell chemicals directly to production companies that have oil reserve holdings. Plan 3, is to own/lease and operate fields for Skye Petroleum, on behalf of our shareholders. All 3 Plans have produced revenue for Skye Petroleum.

The Company signed its first contract in March 2010 to utilize its treatment process on established oil wells and the initial results were outstanding. As of September 30, 2012, the Company treated nine oil wells with its treatment services and has a contract to service eleven more oil wells bringing the total count to twenty (20) oil wells under service contract. The initial treatments provided good results, generating our first revenue in the 3rd quarter of 2011. On September 7, 2011 the Company announced it recorded revenue for the first time since launching operations under Skye Petroleum Inc. from its first contract. The contract is still in place, but the company has placed a greater emphasis on Plan 2 and Plan 3 going forward due to greater revenue upside potential, reduced expenses and resistance to splitting oil well revenue from lease holders.

1. ORGANIZATION (continued)

The chemical process used on these wells was improved in the lab resulting in the development of a new formulation.

On April 4, 2011 the Company announced the opening of a Northeastern regional office in Sugar Grove, Pennsylvania. With the continued developments in this region, management determined a permanent office was necessary to further the mission of Skye Petroleum.

The Company held its annual shareholder meeting on Tuesday April 5, 2011 in Jamestown, New York. The Board of Directors was expanded to three with the addition of Gerald Weber, the Company's Chief Development Officer. On November 3, 2011, Gerald assumed the role of CEO.

On April 18, 2011 the Company announced that it had leased 142 acres in Northwest Pennsylvania for oil up to 1500 feet. This was the first of several leases that was acquired in NW Pennsylvania in 2011. Several of these anticipated leases have existing oil wells and additional wells may be drilled on acreage covered by such leases. By December 31, 2011, the Company had increased its oil and gas lease holdings to 646 acres with 11 oil wells. In Q3 2012, approximately 200 acres of lease agrrements expired. Skye maintains 450 acres, with 11 wells on these leases.

The Company intends to use its technology and geology to tap what may be significant reserves, as well as see increased production in the existing wells. We believe our paraffin control technology will continue to be a successful tool with existing wells, but could also potentially make a powerful impact on new drilling in these high paraffin areas in order to minimize future problems with paraffin.

Skye received DEP approval for an oil and gas permit in the State of Pennsylvania allowing it to acquire its own leases for its shareholders. The state amended the bonding rules causing delays in our permitting. The new rules were subsequently vetoed by the governor. Skye has received permits for 6 locations to drill oil wells on a current lease. Skye will not only treat and produce existing wells with its technology within these leases, but is actively developing drilling opportunities on these same leases.

On April 3, 2012, the Company held its Annual Shareholders Meeting and elected Gerald Weber (Chief Executive Officer and President), Wentworth "Buck" Eaton (Chief Operations Officer), R. Brandon Rhodes (Chief Development Officer), Jon Laria (Chief Financial Officer) and James Ryerson (Chief Production Officer) to the Company's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company believes that the disclosures made are adequate to make the information presented not misleading. The information reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods set forth herein. All such adjustments are of a normal and recurring nature.

Accounting Method: The Company recognizes income and expenses based on the accrual method of accounting.

Dividend Policy: The Company has not yet adopted a policy regarding payment of dividends.

Basic and Diluted Net Income (loss) Per Share: Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding in each period.

Revenue Recognition: Initially, the primary source of revenue for the Company will be from the revenue sharing agreements from customers that contract for its proprietary treatment process on existing oil wells. The Company receives a percentage of the increased oil production that its propriety treatment process brings to the wells of its customers oil wells. Skye Petroleum, Inc. has a revenue sharing agreement based upon the oil well production above the baseline levels established prior to implementation of its process and systems. The customer sells the oil on the open market and shares the sale proceeds generated from the increased oil production with the Company.

The Company signed a contract with its first customer in March 2010. As of March 31, 2011, the Company has nine oil wells operating under its oil well treatment process and it has another 11 oil wells under contract for its treatment services.

The Company recorded revenue in the 3rd quarter of 2011 from its initial sharing agreement in NW Pennsylvania. Also, the Company received revenue from selling oil from the wells acquired in 2011. Further, the Company recorded revenue from chemical sales to an operator in Texas during the fourth quarter of 2011. The Company has received revenue from chemical sales in the first, second and third quarter of 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade Accounts Receivable: The Company's billing terms are net balance due within 30 days of invoicing.

Advertising and Market Development: The Company expenses advertising and marketing costs as incurred.

Income Taxes: The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws is recorded, when it is more likely than not, that such tax benefits will not be realized.

Financial and Concentrations Risk: The Company does not have any concentration or related financial credit risks except for cash and accounts receivable, however, the Company considers the accounts to be fully collectible at the recorded amounts. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.
Estimates and Assumptions: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of

America. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the straight line method over the estimated useful lives of the assets, which range from 1 to 10 years.

Inventory: Inventory consists of supplies, and is stated at the lower of cost or market. Cost is determined on the first-in, first-out method. Inventories are reviewed and reconciled annually, because inventory levels turn over rapidly.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill: Goodwill is recorded when the purchase price of an acquired business exceeds the fair value of the net assets acquired. Goodwill is not amortized. The Company had no goodwill on its books for either period presented.

Intangible assets: Intangible assets currently include the purchase price for its proprietary process used to treat oil wells. The Company exchanged 30 million shares of its common stock for the intellectual rights for the treatment of oil wells developed by Jim Ryerson, Chief Production Officer of Skye Petroleum, Inc. in December 2009. The Company valued the stock at $30,000, or $0.001 per share and it will amortize the intangible asset over an estimated useful life of 10 years.

On October 19, 2010, the Company agreed to terms with a privately held Canadian company for the purchase of all worldwide intellectual rights for the process it uses in treating oil wells in exchange for 20 million shares of the Company's common stock. The Company recorded this transaction as a purchase of an intangible asset at a fair market value of $1,200,000, or $0.06 per share, the value of the stock at the time of signing the agreement and it is reflected in these financial statements. This intangible is being amortized over a period of ten years.

Impairment of Long-Lived Assets: The Company reviews its major assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered impaired, then impairment will be recognized in an amount determined by the excess of the carrying amount of the asset over its fair value.

Advances: The Company was advanced $69,020 during 2011 to help fund operations. The advance was from Gerald Weber (who is a shareholder, officer and director) and it has no repayment terms and no interest requirements. In Q1, Q2 and Q3 of 2012, another $69,764 was advanced by Weber under the same terms. The advance balance at September 30, 2012 is $138,784.

Financial Instruments: The carrying amounts of financial instruments are considered by management to be their estimated fair values due to their short-term maturities. Securities that are publicly traded are valued at their fair market value based as of the balance sheet date presented.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock Based Compensation: Effective January 1, 2006 the company adopted FAS 123R (ASC 718) using the modified prospective method which recognizes compensation costs on a straight-line basis over the requisite service period of the SFAS No. 123R (ASC 718) requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised be classified as cash inflows from financing activities and cash outflows from operating activities. The company also applies SFAS No. 123R (ASC 718) and EITF No. 96-18 stock based compensation to non-employees. No activity has occurred in relation to stock options during the periods presented.

The Company awards shares to its Board of Directors for service on the Board. The shares issued to the Board are “restricted” and are not to be re-sold unless an exemption is available, such as the exemption afforded by Rule 144 promulgated under the Securities Act of 1933, as amended. The Company recognizes the expense based on the fair market value at time of the grant. Directors are granted up to 35,000 shares a year for each year of service.

The Board authorized and awarded ten (10) million shares to Buck Eaton, Chief Operations Officer and ten (10) million shares to Gerald Weber, Executive Vice President of Development as incentives for them joining the Company in 2009. In addition, four (4) million shares were awarded and issued to vendors in exchange for services rendered during 2009. During 2010 and 2011, the Company awarded 7,025,000 and 12,250,000, respectively, to employees and vendors in exchange for services. These transactions were recorded at $0.001 per common share, or at par value of the Company’s stock.

Uncertainties – The accompanying financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern during the next twelve months depends on the ability of the Company to generate revenues from operations, to raise more capital or obtain new sources of financing sufficient to sustain operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Other Recent Accounting Pronouncements: In May 2009, the FASB issued SFAS 165 (ASC 855-10) entitled “Subsequent Events”. Companies are now required to disclose the date through which subsequent events have been evaluated by management. Public entities (as defined) must

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

conduct the evaluation as of the date the financial statements are issued, and provide disclosure that such date was used for this evaluation. SFAS 165 (ASC 855-10) provides that financial statements are considered “issued” when they are widely distributed for general use and reliance in a form and format that complies with GAAP. SFAS 165 (ASC 855-10) is effective for interim and annual periods ending after June 15, 2009 and must be applied prospectively.

The adoption of SFAS 165 (ASC 855-10) during the quarter ended September 30, 2009 did not have a significant effect on the Company’s financial statements as of that date or for the quarter or year-to-date period then ended. In June 2009, the FASB issued SFAS 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. (“SFAS 168” or ASC 105-10) SFAS 168 (ASC 105-10) establishes the Codification as the sole source of authoritative accounting principles recognized by the FASB to be applied by all nongovernmental entities in the preparation of financial statements in conformity with GAAP.

SFAS 168 (ASC 105-10) was prospectively effective for financial statements issued for fiscal years ending on or after September 15, 2009 and interim periods within those fiscal years. The adoption of SFAS 168 (ASC 105-10) on July 1, 2009 did not impact the Company’s results of operations or financial condition. The Codification did not change GAAP, however, it did change the way GAAP is organized and presented. As a result, these changes impact how companies reference GAAP in their financial statements and in their significant accounting policies.

With the exception of the pronouncements noted above, no other accounting standards or interpretations issued or recently adopted are expected to have a material impact on the Company’s financial position, operations or cash flows.

3. INCOME TAXES

The Company has incurred losses since its inception and, therefore, has not been subject to federal income taxes. As of June 30, 2012, the Company had net operating loss ("NOL") carry forwards for income tax purposes of approximately $11.7 million which expire in various tax years through 2021. Under the provisions of Section 382 of the Internal Revenue Code, ownership changes in the Company in 1997 and again in 2001 will severely limit the Company's ability to utilize its NOL carryforward to reduce future taxable income and related tax liabilities. Additionally, because United States tax laws limit the time during which NOL carry forwards may be applied against future taxable income, the Company may be unable to take full advantage of its NOL for federal income tax purposes should the Company generate taxable income.

4. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS: The Company may also be periodically subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, such legal proceedings and claims will not materially affect the financial position, results of operations or cash flows of the Company.

5. STOCKHOLDERS' EQUITY

During 2009 the Company completed the sale of 850,000 shares of common stock for $85,000 to three (3) investors.

As of December 31, 2010, the Company completed a private placement (the “Private Placement”) of 8,872,000 shares of the Company’s common stock (the “Shares”) at prices ranging from $0.05 to $0.10 per share for total consideration of $830,251. During the first six months of 2011, the Company completed the private placement of 7,174,390 shares for total consideration of $350,713. In the final 2 quarters of 2011, the company raised $62,000 for approximately 1,200,000 shares. Not all investors were “accredited investors” as that term is defined under Regulation D (“Regulation D”) of the Securities Act of 1933, as amended (the “Securities Act”). By law, a maximum of 35 “non-accredited” investors are allowed to participate in this offering. The Private Placement was exempt from registration under the Securities Act pursuant to Regulation D. One of the investors was a related party to the CEO.

Proceeds from the Private Placement were used to meet projected cash flow requirements during the development stage process. The Company records the issuance of common stock at the time the transaction is completed which is typically the date funds are received. The amount of shares issued and outstanding per transfer agent may vary from the number of shares recorded in these financial statements due to the timing between when shares are sold and when they get reported as issued by the transfer agent.

During the first quarter of 2011, the Company amended its Articles of Incorporation authorizing the issuance of up to 10,000,000 shares with a par value of $0.01 of Preferred stock and 290,000,000 shares with par value $0.001 of Common stock.

On April 4, 2012, the Board of Directors voted to amend the Private Placement Memorandum that was previously used to raise capital by selling restricted shares at .10 per share. The amendment will establish the sales price for those shares issued at .05 per share. This will force the company to issue a total of 9,547,000 shares to those shareholders. The shares were issued in July 2012. This issuance will cause a dilution of 4.84% of the shares outstanding as of the period ending 3/31/2012. The company will continue to raise funds by issuing restricted shares priced at .05 per share.

PREFERRED STOCK: The Company's articles of incorporation authorize the issuance of up to 10,000,000 shares of preferred stock, with a par value of $.01 and other characteristics determined by the Company's board of directors. As of September 30, 2012, there was no preferred stock issued or outstanding.

6. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2011, officers, directors, beneficial owners and their related parties own approximately 65% of the outstanding common stock of the Company. Gerald Weber purchased the vast majority of Brad Knollenberg's holding in Skye Petroleum in the first quarter of 2012 in a private transaction.

7. GOING CONCERN

The Company has a negative working capital, has incurred operating losses in its two most recent fiscal years, and its operating activities have required financing from related parties. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company may continue to need outside financing to support its internal growth.

8. SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to September 30, 2012 through November 8, 2012, the date these financial statements were issued, and has determined that it does not have any additional material subsequent events to disclose, other than those disclosed above.