

# **Aztec Oil & Gas, Inc.**

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## **Annual Report For the Year Ended August 31, 2012**

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## **Cautionary Statement**

This annual report and the documents or information incorporated by reference herein contain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, among others, the following:

- our growth strategies;
- anticipated trends in our business;
- our ability to make or integrate acquisitions;
- our liquidity and ability to finance our exploration, acquisition and development strategies;
- market conditions in the oil and gas industry;
- the timing, cost and procedure for proposed acquisitions;
- the impact of government regulation;
- estimates regarding future net revenues from oil and natural gas reserves and the present value thereof;
- planned capital expenditures (including the amount and nature thereof);
- increases in oil and gas production;
- the number of wells we anticipate drilling in the future;
- estimates, plans and projections relating to acquired properties;
- the number of potential drilling locations; and
- our financial position, business strategy and other plans and objectives for future operations.

We identify forward-looking statements by use of terms such as “may,” “will,” “expect,” “anticipate,” “estimate,” “hope,” “plan,” “believe,” “predict,” “envision,” “intend,” “will,” “continue,” “potential,” “should,” “confident,” “could” and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from the information contained in the forward-looking statements. You should consider carefully the statements under the “Risk Factors” section of this report and other sections of this report which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, and the following factors:

- the possibility that our acquisitions may involve unexpected costs;
- the volatility in commodity prices for oil and gas;
- the accuracy of internally estimated proved reserves;
- the presence or recoverability of estimated oil and gas reserves;
- the ability to replace oil and gas reserves;
- the availability and costs of drilling rigs and other oilfield services;
- environmental risks;
- exploration and development risks;
- competition;
- the inability to realize expected value from acquisitions;
- the ability of our management team to execute its plans to meet its goals;
- other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our businesses, operations and pricing.

Forward-looking statements speak only as of the date of this report or the date of any document incorporated by reference in this report. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

As used in this Annual Report, references to “Aztec,” “Company,” the “Registrant,” “we,” “our” or “us” refer to Aztec Oil & Gas, Inc., including its subsidiaries, unless the context otherwise indicates.

#### Forward-Looking Statements

This Annual Report (this “Report”) contains forward-looking statements. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking information includes statements relating to future actions, prospective products, future performance or results of current or anticipated products, sales and marketing efforts, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, business strategies, cost savings, objectives of management, and other matters. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as “may,” “will,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential,” or “continue” or the negative of these similar terms. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as that information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In evaluating these forward-looking statements, you should consider various factors, including the following: (a) those risks and uncertainties related to general economic conditions, (b) whether we are able to manage our planned growth efficiently and operate profitable operations, (c) whether we are able to generate sufficient revenues or obtain financing to sustain and grow our operations, (d) whether we are able to successfully fulfill our primary requirements for cash, which are explained below under “Liquidity and Capital Resources”. We assume no obligation to update forward-looking statements, except as otherwise required under the applicable federal securities laws.

#### (a) BUSINESS DEVELOPMENT

##### Business Development, Organization and Acquisition Activities

The Company was originally organized under the name Aztec Communications Group as a Utah corporation (“Aztec Communications”). Aztec Communication’s original principal business objective involved its participation in the broadcast and television business through its then wholly-owned subsidiaries, Lloyd Communications, Inc., an Illinois corporation (“Lloyd”), and Golden Circle Broadcasting Inc., a Tennessee corporation (“Golden Circle”). As a result of adverse business circumstances, in 1989-1990, the Company sold Lloyd and Golden Circle and ceased its business operations in the broadcast and television business. No material business operations were conducted by the Company from 1989-1990 until 2004. In November 2003 the Company reorganized under the laws of the State of Nevada. In 2004, the Company changed its name from Aztec Communications Group, Inc. to Aztec Oil & Gas, Inc. Since 2004, Aztec’s business plan has been to purchase, manage and participate in oil and gas interests utilizing strategies that seek to manage and reduce the risks associated with traditional exploration and production operations.

Aztec is a Houston-based, oil and gas exploration and production company focusing on various areas in the U.S, including Texas, Louisiana and Oklahoma.

## **BUSINESS OF ISSUER**

### **Principal Products, Services and Principal Markets**

Phase one of Aztec's business plan called for purchasing working interests in proved oil & gas properties with undrilled reserves and also participating in working interests in drilling projects. Aztec's growth strategy is partially based on participation, as it intends to team up with outside participation investors who will assume part or all of the costs associated with the drilling of additional wells in exchange for a part of the revenues derived from the wells they finance. This strategy allowed a reduction in the financial risks for Aztec in drilling new wells, while Aztec would still be receiving income from present field production in addition to income from any successful new drilling.

Phase two of Aztec's business plan called for investing in various drilling prospects with industry professionals. Aztec has participated in drilling projects in Texas, Oklahoma, and Louisiana. Various wells have been completed and several have been plugged and abandoned.

Phase three of Aztec's business plan calls for intermittently sponsoring, originating, developing and managing balanced, lower risk, highly focused developmental and exploratory drilling projects with investors in areas with controlled drilling costs and better success rates where the process can sometimes be repeated in a relatively consistent manner. This stage further balances Aztec's approach to profitable energy asset development through lower-risk, highly focused, predominantly "development" drilling projects in which Aztec seeks participation from multiple individual and entity investors.

Aztec is currently in its third stage of its business plan. In this stage, Aztec focuses on drilling in basins in the state of Texas and other states of the United States. We participate in such regions directly or with a select number of local, highly experienced operators who have access to leases located in geological trends that have demonstrated substantial historical production, plus potential remaining reserves which have the potential to be exploited in a low-risk, systematic fashion. Aztec Drilling & Operating, LLC, a wholly owned subsidiary of Aztec, acts as the operator for each of the Partnerships and drilling and operations are most often sub contracted to the local or other operators. Such local operators have been, and will in the future be selected by Aztec on the basis of their demonstrated track records.

In order to execute our business plan, we have entered into employment and consulting agreements with several of our current and past officers and directors to provide services to the Company. The Company plans to retain consultants with respect to current and proposed properties and operations. The Company, from time to time, may retain independent engineering and geological consultants and the services of lease brokers, geophysicists, etc. in connection with its operations.

### **Limited Partnerships**

In 2006 Aztec entered the sponsored drilling program industry and undertook three small, very limited annual drilling partnerships in Appalachia. Drilling in Appalachia was recommended to Aztec by several broker dealers and a wholesaler, supposedly, because many broker dealers were familiar with drilling programs from the area. Aztec intentionally limited its sponsored drilling programs over the subject two and one half years in order to study and become fully familiar with the nuances of the sponsored drilling program industry before expanding to the Company's full capabilities. In the summer of 2008, due to what it felt was a questionable outlook for shallow gas drilling in the Appalachian region and other areas; Aztec decided to discontinue any natural gas drilling in Appalachia and most other areas, and announced such publicly at several industry conferences.

Aztec focused all drilling from 2009 through 2012 in the counties of Texas. In addition to the initial, three existing small Appalachian drilling partnerships mentioned above; Aztec has sponsored and closed thirteen partnerships under various Aztec Oil & Gas Drilling Programs. Aztec Energy LLC, a wholly-owned subsidiary of Aztec, acts as Managing General Partner of all drilling partnerships and another wholly-owned Aztec subsidiary, Aztec Drilling & Operating, LLC, is the turnkey drilling contractor and operator

to the partnerships while many times subcontracting field drilling and operations to local operators. Aztec owns a 30% interest in all of its drilling partnerships. In general clarification of its activities, Aztec sometimes sponsors lower risk, development and exploratory drilling programs which include significant tax benefits, all of which are sold through FINRA member Broker Dealers and Registered Investment Advisors only to Accredited Investors. Aztec's drilling programs focus, primarily, on shallow oil drilling, are very unique, and also incorporate a sophisticated Exit Strategy for investors.

As of August 31, 2012, Aztec has formed sixteen Limited Partnerships. Aztec has raised total gross proceeds of \$50,663,901 (net \$44,893,448) from outside "accredited" investors. The partnerships consist of 334 gross (196 net) wells. For all sixteen partnerships, Aztec, through its wholly-owned subsidiary, Aztec Energy, LLC ("Aztec Energy"), acts as the Managing General Partner is allocated thirty percent ownership interest in each Limited Partnership (for which interest Aztec contributed all leases and covers all tangible drilling costs). Investors will receive 70% - 85% of the cash distributions, defined as revenue in excess of expenses, from successful wells drilled within the partnership, with the percentage dependent on the rate of return to investors during the first five years of the partnership. After several years from the date of the first distribution, investors in the partnerships may request that the Managing General Partner, subject to a 10% limitation based on the total interests in the profits or capital of the Partnership, financial ability and other terms, repurchase their units at a price equal to several times cash flow for the preceding twelve months. There have been no such requests to date. Another Aztec subsidiary, Aztec Drilling & Operating, LLC, ("ADO LLC") serves the Partnerships as turnkey drilling contractor and operator, while many times subcontracting field drilling and operations to local operators.

Aztec has a controlling financial interest in all the Limited Partnerships, therefore, the partnerships' financial statements are consolidated with those of Aztec and the other partners' equity is recorded as non-controlling interest.

Aztec is currently in its third stage of its business plan. In this stage, Aztec focuses on drilling in basins in the state of Texas and other states of the United States. We participate in such regions directly or with a select number of local, highly experienced operators who have access to leases located in geological trends that have demonstrated substantial historical production, plus potential remaining reserves which have the potential to be exploited in a low-risk, systematic fashion. Aztec Drilling & Operating, LLC, a wholly owned subsidiary of Aztec, acts as the operator for each of the Partnerships and drilling and operations are most often sub contracted to the local or other operators. Such local operators have been, and will in the future be selected by Aztec on the basis of their demonstrated track records.

### **Developing New Business Strategies**

Aztec will analyze all relevant factors and make a determination based on a composite of available information, without reliance on any single factor. The period within which Aztec will decide to participate in a given business venture cannot be predicted and will depend on certain factors, including the time involved in identifying businesses, the time required for the Company to complete its analysis of such businesses, the time required to prepare appropriate documentation and other circumstances.

### **Uncertainties Related to the Oil and Gas Business in General**

Aztec's current business is subject to all of the risks normally incident to the exploration for and production of oil and gas, including blow-outs, cratering, pollution, fires, and theft of equipment. Each of these incidents could result in damage to or destruction of oil and gas wells or formations or production facilities or injury to persons, or damage to or loss of property. As is common in the oil and gas industry, Aztec is insured against these risks; however, no oil and gas firms, including Aztec, can ever be sure its insurance or that of its suppliers is adequate.

The oil and gas business is further subject to many other contingencies which are beyond the control of Aztec. Wells may have to be shut-in because they have become uneconomical to operate due to changes in the price of oil, depletion of reserves, or deterioration of equipment. Changes in the price of imported oil,

the discovery of new oil and gas fields and the development of alternative energy sources have had and will continue to have a dramatic effect on the Company's business.

### **Risks Associated with Acquisitions**

If appropriate opportunities present themselves and financing is available, Aztec would acquire businesses, wells, reserves, technologies, services or product(s) that the Company believes are strategic.

Aztec currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that Aztec will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product(s) into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or impairment or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any future acquisitions of other businesses, technologies, services or product(s) might require Aztec to obtain additional equity or debt financing, which might not be available on terms favorable to Aztec, or at all, and such financing, if available, might be dilutive.

### **Because the Oil and Gas industry is cyclical, the Company's operating results may fluctuate.**

Aztec's operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside Aztec's control. As a strategic response to changes in the competitive environment, Aztec may from time to time have to make certain pricing, marketing decisions or acquisitions that could have a material short-term or long-term adverse effect on Aztec's business, results of operations and financial condition.

Oil and natural gas prices have been and are expected to remain volatile. This volatility causes oil and gas companies and drilling contractors to change their strategies and expenditure levels. Aztec may experience in the future, significant fluctuations in operating results based on these changes.

There can be no assurance that such patterns will not have a material adverse effect on Aztec's business, results of operations and financial condition. There can be no assurance that Aztec will receive any material amount of revenue as it pursues new business strategies in the future. The foregoing factors, in some future quarters, may lead Aztec's operating results to fall below the expectations.

### **Competition**

The search for viable oil and gas prospects and leases is intensely competitive. The Company will compete with other business entities, many of which will have a competitive edge over the Company by virtue of their stronger financial resources and prior experience in the business. There is no assurance that the Company will be successful in identifying and executing suitable business opportunities.

There are many companies and individuals engaged in the oil and gas business. Some are very large and well established with substantial capabilities and extensive earnings records. The Company is at a competitive disadvantage as compared with some other firms and individuals in acquiring and developing oil and gas properties since our competitors may have greater financial resources and larger technical staffs than the Company. In addition, in recent years a number of small companies have been formed which have objectives similar to those of the Company and which present substantial competition to the Company.

A number of factors, beyond the Company's control and the effect of which cannot be accurately predicted, affect the production and marketing of oil and natural gas. These factors include crude oil imports, actions by foreign oil producing nations, the availability of adequate pipeline and other transportation facilities, the marketing of competitive fuels and other matters affecting the availability of a ready market, such as fluctuating supply and demand.

### **Government Regulation**

In general, our oil and gas production activities are, and any drilling operations of the Company would be, subject to extensive regulation by numerous federal, state and local governmental authorities, including state conservation agencies, the Department of Energy and the Department of the Interior (including the Bureau of Indian Affairs and Bureau of Land Management). Regulation of the Company's production, transportation and sale of oil or gas has a significant effect on the Company and its operating results.

The current production operations of the Company are, and any drilling operations of the Company would be, subject to regulation by state conservation commissions which have authority to issue permits prior to the commencement of drilling activities, establish allowable rates of production, control spacing of wells, prevent waste and protect correlative rights, and aid in the conservation of natural gas and oil. Typical state regulations require permits to drill and produce oil, protection of fresh water horizons, and confirmation that wells have been properly plugged and abandoned.

In addition, various federal and state authorities have the authority to regulate the exploration and development of oil and gas and mineral properties with respect to environmental matters. Such laws and regulations, presently in effect or as hereafter promulgated, may significantly affect the cost of our current oil and gas production and any exploration and development activities undertaken by the Company and could result in loss or liability to the Company in the event that any such operations are subsequently deemed inadequate for purposes of any such law or regulation.

### **Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts**

With regards to the Company's future oil and gas production, the Company does not hold any patents, trademarks, licenses, etc., with respect to, nor are patents significant in regard to, the Company's oil and gas production activities. The Company plans to enter into confidentiality agreements with its future employees, future suppliers and future consultants and in connection with its license agreements with third parties and generally seeks to control access to and distribution of its technology, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary information without authorization or to develop similar technology independently.

### **Employees**

At August 31, 2012, the Company had a President, a CFO, a Vice President, who also serves as Corporate Secretary and Treasurer, one Senior Economist who is also Director, two outside Directors, an Engineer, an Investment Coordinator, a Special Projects Manager, a National Business Coordinator and various consultants. The Company has no present intention of adding any more full time employees, other than an in-house accountant, until it substantially increases its income. The Company plans to retain consultants with respect to current and proposed properties and operations. The Company, from time to time, may retain independent engineering and geological consultants and the services of lease brokers and geophysicists in connection with its operations.



## **RISK FACTORS**

### **Risk Factors Relating to Our Business**

**The drilling of oil and natural gas wells is highly speculative and risky and may result in unprofitable wells.**

Oil and natural gas drilling is a highly speculative activity. The wells drilled may not be productive. Even completed wells may not produce enough natural gas or oil to show a profit. Delays and added expenses may also be caused by poor weather conditions affecting, among other things, the ability to lay pipelines.

**Prices for oil and natural gas have been quite unstable; a further decline could cause the Company to be unprofitable even though the Company's majority production is oil.**

Global economic conditions, political conditions, and energy conservation have created unstable, low prices. Revenues of each well are directly related to natural gas and oil prices which the Company cannot predict. A decline in gas and oil prices would result in lower revenues for the Company. Prices for natural gas and oil are likely to remain extremely unstable.

**Environmental hazards involved in drilling oil and gas wells may result in substantial liabilities for the Company.**

There are numerous natural hazards involved in the drilling of wells, including unexpected or unusual formations, pressures, blowouts, etc. involving possible damages to property and third parties, surface damages, bodily injuries, damage to and loss of equipment, reservoir damage and loss of reserves. Uninsured liabilities may result in the loss of Company properties. The Company may be subject to liability for pollution, abuses of the environment and other similar damages. Insurance coverage may be insufficient to protect the Company. In that event, Company assets would pay personal injury and property damage claims and the costs of controlling blowouts or replacing destroyed equipment rather than for drilling activities. These payments would cause the Company to be less profitable.

**Increases in drilling costs would reduce the Company's profitability.**

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the ability of the Company to acquire additional leases, gas and oil equipment, and supplies. The foregoing would increase costs and may lead, depending on the price which the Company receives for its oil or gas, to lower profits of the Company.

**Reduced availability of drilling rigs, due in part to intense competition in drilling, may delay the drilling of wells.**

A large number of companies and individuals engage in drilling for natural gas and oil; and there is competition for the most desirable leases as well as materials and equipment to drill and complete wells. Increased drilling operations in some areas of the United States have resulted in the decreased availability of drilling rigs and gas/oil field tubular goods. Also, international developments and the possible improved economics of domestic oil and gas exploration may influence others to increase their domestic oil and gas exploration. These factors may reduce the availability of rigs, equipment and services to the Company resulting in delays in drilling activities. The reduced availability of rigs, equipment and services could delay the Company in drilling wells on a timely basis and delay the production of natural gas or oil.

**Local delays in Company oil or gas production could reduce the Company's profitability.**

Wells drilled for the Company may have access to only one potential market. Local conditions including but not limited to closing businesses, conservation, shifting population, pipeline maximum operating pressure constraints and development of local oversupply or deliverability problems could halt or reduce

sales from Company wells. A delay in the production and sale of the Company's oil and gas could reduce the Company's profitability.

### **Risks Relating to Our Common Shares**

**We may, in the future, issue additional common shares, which would reduce investors' percent of ownership and may dilute our share value.**

Our Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock and 20,000,000 shares of preferred stock of which 100,000 shares of preferred stock are presently issued. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing shareholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

**Our common shares are subject to the "Penny Stock" Rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.**

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock", for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules requires: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person; and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our Common shares and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

**Because we do not intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.**

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay

dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

### **Taxation**

Our operations, as is the case in much of the petroleum industry generally, are significantly affected by federal tax laws. Federal, as well as state, tax laws have many provisions applicable to corporations which could adversely affect the future tax liability of the Company.

### **Commitments and Contingencies**

We are liable for future restoration and abandonment costs associated with our oil and gas properties. These costs include future site restoration, post closure and other environmental exit costs. The costs of future restoration and well abandonment have not been determined in detail. Texas regulations require operators to post bonds that assure that well sites will be properly plugged and abandoned. Management views this as a necessary requirement for operations within Texas and does not believe that these costs will have a material adverse effect on our financial position as a result of this requirement.

## **ITEM 2. DESCRIPTION OF PROPERTY**

Our producing properties consist essentially of working and royalty interests owned by us in various oil and gas wells and leases located in Texas and Louisiana.

As of August 31, 2012, we had an interest in 335 gross wells (209 net), of which 159 gross (93 net) wells have been completed and are currently producing oil and gas. During 2012, we owned working interests in oil and gas properties located in Doddridge County and Tyler areas of West Virginia. However, the Company sold these properties and no longer has any interests in West Virginia. The majority of our current wells are located in Brown, Medina, San Patricio, and Palo Pinto and counties in Texas.

### **Reserves**

Our proved reserves as of August 31, 2012 and 2011 are set forth below:

#### **Proved Reserves (2012)**

	<u>Oil (Bbls)</u>	<u>Gas (Mcf)</u>	<u>Undiscounted Future Net Revenue</u>	<u>Present Value of Proved Reserves Discounted at 10% per year</u>
Proved Developed Producing	558,680	802,800	\$ 37,051,550	\$ 20,488,850
Proved Undeveloped	469,140	727,360	32,031,205	11,394,315
<b>Total Proved</b>	<u>1,027,820</u>	<u>1,530,160</u>	<u>\$ 69,082,755</u>	<u>\$ 31,883,165</u>

#### **Proved Reserves (2011)**

	Oil (Bbls)	Gas (Mcf)	Undiscounted Future Net Revenue	Present Value of Proved Reserves Discounted at 10% per year
Proved Developed Producing	871,150	489,460	\$ 54,043,580	\$ 26,389,400
Proved Undeveloped	131,660	605,080	13,535,188	10,012,649
<b>Total Proved</b>	<u>1,002,810</u>	<u>1,094,540</u>	<u>\$ 67,578,768</u>	<u>\$ 36,402,049</u>

The estimates for 2012 and 2011 are based primarily on the reserve reports, dated August 31, 2012 and 2011, issued from independent petroleum consultants. Such reports are, by their very nature, inexact and subject to changes and revisions. Proved developed reserves are reserves expected to be recovered from existing wells with existing equipment and operating methods. Interests included in such reserve reports can be already assigned, earned or in various stages of assignment. Proved undeveloped reserves are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which existence and recoverability of such reserves can be estimated with reasonable certainty, or from existing wells where a relatively major expenditure is required to establish production. See Supplemental Oil and Gas Disclosures included as part of our consolidated financial statements.

The following table sets forth certain information regarding production volumes, revenue, average prices received and average production costs associated with our sales of oil and natural gas for periods noted.

	<u>Year Ended August 31,</u>	
	<u>2012</u>	<u>2011</u>
<b>Net Production:</b>		
Oil (BBL)	35,305	20,360
Natural Gas (MCF)	54,720	75,684
Oil Equivalent (BOE)	44,425	32,974
<b>Oil and Natural Gas Sales:</b>		
Oil	\$ 3,306,190	\$ 1,829,219
Natural Gas	156,203	\$ 297,004
Total	\$ 3,462,393	2,126,223
<b>Average Sales Price:</b>		
Oil (\$ per BBL)	\$ 93.65	\$ 89.84
Natural Gas (\$ per MCF)	\$ 2.85	\$ 3.92
Oil Equivalent (\$ per BOE)	\$ 77.94	\$ 64.48
<b>Oil and Natural Gas Costs:</b>		
Lease operating expenses	\$ 1,458,798	\$ 1,839,756
<b>Average production cost per MCFE</b>		
<b>Net Sales, less production cost per MCFE</b>	\$ 6.75	\$ 1.72
<b>Net Sales, less production cost per BOE</b>	\$ 40.51	\$ 10.33

The increase in production is a direct relation to the increase in the number of productive wells in 2012 over 2011 as stated in the table below.

The following summarizes the Company's productive oil and gas well interests as of August 31, 2012 and 2011. Productive wells are producing wells and wells capable of production. Gross wells are the total number of wells in which the Company has an interest. Net wells are the sum of the Company's fractional working interests owned in the wells.

Oil and Gas Wells:	As of August 31,	
	2012	2011
Gross	335	385
Net	209	143

The following summarizes the Company's net productive oil and gas wells completed in the years ending August 31, 2012 and 2011. All drilling was in the United States.

Oil and Gas Wells:	As of August 31,	
	2012	2011
Productive	71	58
Dry	5	3

### ITEM 3. LEGAL PROCEEDINGS

On January 5, 2012, Aztec Drilling and Operating, LLC (ADO) filed a lawsuit against one of its operators, Ziegler-Peru, Inc., and its principal, Mr. Edward Ziegler, alleging, among other things, breach of contract, promissory estoppel, negligent misrepresentation, fraud, and constructive fraud. Ziegler-Peru, Inc. and Mr. Ziegler filed a countersuit against ADO. Other parties have also intervened in the case. The main action is titled *Aztec Drilling & Operating LLC v. Ziegler-Peru, Inc. and Edward R. Ziegler*; Cause No. 2012-01120; In the 165<sup>th</sup> Judicial Court of Harris County, Texas. The Company did not take up any liabilities associated with the countersuit as it believes the probability of such a claim is minimal.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matters to a vote of security holders during the fiscal year ended August 31, 2012.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

#### Market Information

Our stock symbol is AZGS. For the fiscal years ended August 31, 2011 and 2012 and quarter ended November 30, 2012, the prices of the common stock in the over-the-counter market, as reported and summarized by the OTC Bulletin Board and the OTC Pink Sheets, were \$0.90 high bid, and \$0.01 low asked. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

The table below sets forth the high and low bid prices of our common stock for each quarter shown, as provided by the NASD Trading and Market Services Research Unit. Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<b>CALENDAR QUARTER</b>	<b>HIGH</b>	<b>LOW</b>
FISCAL 2011		
Quarter ended November 30, 2010	\$0.90	\$0.66
Quarter ended February 28, 2011	\$0.87	\$0.48
Quarter ended May 31, 2011	\$0.75	\$0.45
Quarter ended August 31, 2011	\$0.54	\$0.30
FISCAL 2012		
Quarter ended November 30, 2011	\$0.60	\$0.24
Quarter ended February 29, 2012	\$0.48	\$0.27
Quarter ended May 31, 2012	\$0.45	\$0.24
Quarter ended August 31, 2012	\$0.42	\$0.08
FISCAL 2013		
Quarter ended November 30, 2012	\$0.24	\$0.01

#### Holdings

As of August 31, 2012 there were approximately 49 shareholders of record of common stock, not including common stock held in street name.

#### Dividends

The Company has never paid or declared any dividend on its Common Stock and does not anticipate paying cash dividends in the foreseeable future. Holders of common stock are entitled to receive such dividends as the board of directors may from time to time declare out of funds legally available for the payment of dividends. The Company does not anticipate paying any dividends on its common stock in the foreseeable future.

#### Stock Repurchase

The Company did not repurchase any of its shares during the fiscal year covered by this report.

#### Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

During 2012, Aztec issued 507,017 shares valued at \$160,000 to various consultants and directors for services rendered during the fiscal years ending August 31, 2011 and 2012.

## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

This Management's Discussion and Analysis or Plan of Operation ("MD&A") section of this Report discusses our results of operations, liquidity and financial condition, and certain factors that may affect our future results. You should read this MD&A in conjunction with our financial statements and accompanying notes included in this Report.

### **PLAN OF OPERATION**

Aztec is an oil and gas exploration, development and production company focusing on Texas and numerous areas throughout the U.S. Its interests are highly diversified as exemplified by its corporate participation in two Deep Lake wells in Cameron Parish, Louisiana ranging from 13,600 feet to 14,300 feet in depth versus its corporate participation in three shallow gas wells in Oklahoma of which two are conventional wells, and the third is a horizontal, Coal Bed Methane (CBM) well. It's sponsored drilling programs focus primarily on shallow oil wells. In 2006 Aztec entered the sponsored drilling program industry and over the next two and one half years undertook three small, very limited annual drilling partnerships in Appalachia. Drilling in Appalachia was recommended to Aztec by several broker dealers and a wholesaler, supposedly, because many broker dealers were familiar with drilling programs from the area. Aztec intentionally limited its sponsored drilling programs over the subject three years in order to study and become fully familiar with the nuances of the sponsored drilling program industry before expanding to the Company's full capabilities. In the summer of 2008, due to what it felt was a questionable outlook for shallow gas drilling in the Appalachian region; Aztec decided to discontinue any natural gas drilling in Appalachia and most other areas, and announced such publicly at several industry conferences.

Aztec focused all drilling in 2009, 2010, 2011 and 2012 on Texas and adjoining states. In addition to the initial three existing small Appalachian drilling partnerships mentioned above; Aztec has since sponsored and closed thirteen additional Limited Partnerships. Aztec Energy LLC, a wholly-owned subsidiary of Aztec, acts as Managing General Partner of all drilling partnerships and another wholly-owned Aztec subsidiary, Aztec Drilling & Operating, LLC, is the turnkey drilling contractor and operator for the partnership and primarily subcontracts field drilling and operations to local operations. Aztec owns a 30% interest in all of its drilling partnerships. In general clarification of its activities, Aztec sponsors lower risk, development and exploratory drilling programs which include significant tax benefits, all of which are sold through FINRA member Broker Dealers and Registered Investment Advisors only to Accredited Investors.

Aztec's plans are to continue managing current drilling programs in addition to expanding our operations with future additional drilling programs primarily focused on shallow oil drilling. Further, we will continue to develop oil and gas properties and operations owned outside of the drilling program partnerships.

### **RESULTS OF OPERATIONS**

#### **Fiscal Year Ended August 31, 2012 Compared to Fiscal Year Ended August 31, 2011.**

For the year ended August 31, 2012, the Company had oil and gas revenues of \$3,462,393 and lease operating expense of \$1,458,798 as compared to oil and gas revenues of \$2,126,223 and lease operating expense of \$1,839,756 for the year ended August 31, 2011. The increase in revenues is the combination of the increase in the number of productive wells in 2012 over 2011 and the \$13.46 BOE increase in the sales price. The decrease in lease operating costs is a result of changing operators and established economies of scale resulting from additional wells within a common location.

Other income recorded from field operations related to management and overhead increased from \$0 for the year ended August 31, 2011 to \$101,643 for the year ended August 31, 2012. The increase is a result of an expansion of our operating business section.

General and administrative expenses increased from \$2,468,819 for the year ended August 31, 2011 to \$3,084,419 for the year ended August 31, 2012. The increase was primarily due to the addition of employees and consulting and professional fees to keep pace with the company's growth.

Depreciation, depletion, amortization and accretion decreased from \$1,212,669 for the year ended August 31, 2011 to \$1,062,891 for the year ended August 31, 2012. The decrease was a result of prior year write down of certain oil and gas properties, combined with the addition of new oil and gas properties with substantial reserves.

During the year ended August 31, 2012, the Company recorded an impairment of oil and gas properties of \$2,789,712 as compared to \$3,458,256 for the year ended August 31, 2011. The Company estimates the future cash flows expected in connection with the properties and compares such future cash flows to the carrying amount of the properties to determine if the carrying amount is recoverable. When the carrying amounts of the properties exceed their estimated undiscounted future cash flows, the carrying amounts of the properties are reduced to their estimated fair value.

During the year ended August 31, 2012, the Company recorded dry well expenses of oil and gas properties of \$1,034,142 as compared to \$613,727 for the year ended August 31, 2011. The increase was due to additional unsuccessful exploratory drilling plus the significant increase in the total number of wells the company is drilling and completing.

Interest expense decreased from \$61,476 for the year ended August 31, 2011 to \$38,322 for the year ended August 31, 2012 due to paying down of debt.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of August 31, 2012, we had \$3,663,749 in available cash as compared to \$4,120,824 for August 31, 2011. The decrease in cash was due, among other things, to the increase in the number and drilling of oil and gas properties.

Aztec holds notes with CSI Energy, LP ("CSI"), a company controlled by consultant and shareholder, Franklin C. Fisher, Jr. Aztec holds one note in the amount of \$205,560 with an interest rate of 6.00%, payable to CSI. The note is due in full on September 1, 2013.

Aztec has notes payable directly to Franklin C. Fisher, Jr. Aztec holds one note in the amount of \$267,183 with an interest rate of 6.00%. The note is due in full on September 1, 2013.

In May 2007, Aztec established a line of credit with Amegy Bank National Association with a credit limit of \$200,000. In February 2008, the amount of the line of credit increased from \$200,000 to \$400,000. Interest on any outstanding balances is charged at one-half of one percent above the Amegy Bank National Association prime rate. At August 31, 2012, the prime rate was five percent (5.00%), making the loan rate five and one-half percent (5.50%). Starting in May 2010, the line has been extended for annually and is currently due in June 26, 2013. As of August 31, 2012, there was no balance outstanding under this facility.

### **Cash used in operating activities**

Cash used in operating activities for the years ended August 31, 2012 and 2011 was \$523,243 and \$1,883,701, respectively. The decrease is due to our increased revenues.



**Cash used in investing activities**

Cash used in investing activities for the years ended August 31, 2012 and 2011 was \$8,064,623 and \$14,563,754 respectively. The decrease was due to fewer acquisitions of oil and gas properties in the fiscal year ending August 31, 2012.

**Cash flow from financing activities**

Cash provided by financing activities for the years ended August 31, 2012 and 2011 was \$8,130,792 and \$15,634,355, respectively. The decrease is due to a decrease in private placements and larger distributions to partners.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**ITEM 7. FINANCIAL STATEMENTS.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Aztec Oil & Gas, Inc.  
Houston, Texas

We have audited the accompanying consolidated balance sheets of Aztec Oil & Gas, Inc. (the "Company") as of August 31, 2012 and 2011 and the related consolidated statements of operations, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform each audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*GBH CPAs, PC*

GBH CPAs, PC  
www.gbcpas.com  
Houston, Texas  
March 21, 2013

**AZTEC OIL & GAS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

ASSETS	August 31,	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 3,663,749	\$ 4,120,824
Accounts receivable – oil and gas sales	904,545	289,534
Accounts receivable – related party	311,998	203,929
Accounts receivables – working interest owners	353,539	225,115
Prepaid expenses and other current assets	192,536	198,665
Note receivable	202,384	-
Total current assets	5,628,751	5,038,067
Non-current assets:		
Oil and natural gas properties, successful efforts method of accounting, net	17,345,554	13,850,268
Property and equipment, net	127,021	33,246
Advances for oil and gas costs	20,204	93,521
Advances for oil and gas costs – related party	367,694	979,147
<b>TOTAL ASSETS</b>	<b>\$ 23,489,224</b>	<b>\$ 19,994,249</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,608,929	\$ 1,042,932
Accounts payable and accrued liabilities – related party	1,487,226	1,054,649
Salary payable	378,000	378,000
Interest payable – related parties	240,233	219,300
Common stock payable	10,521	19,354
Line of credit and notes payable	-	21,330
Total current liabilities	3,724,909	2,735,565
Long-Term liabilities:		
Asset retirement obligations	280,354	170,768
Notes payable to related parties	472,743	679,907
Total long-term liabilities	753,097	850,675
Total liabilities	4,478,006	3,586,240
Equity:		
Preferred stock, Series A, \$.001 par value, 20,000,000 shares authorized, 100,000 shares issued and outstanding	100	100
Common stock, \$.001 par value, 100,000,000 shares authorized, 12,973,537 and 12,466,520 shares issued and outstanding, respectively	12,973	12,466
Additional paid-in capital	5,333,648	5,174,156
Accumulated deficit	(19,104,875)	(15,751,642)
Total Aztec Oil & Gas, Inc. deficit	(13,758,154)	(10,564,920)
Non-controlling interest	32,769,372	26,972,929
Total equity	19,011,218	16,408,009
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 23,489,224</b>	<b>\$ 19,994,249</b>

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

**AZTEC OIL & GAS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>For the Year Ended August 31,</b>	
	<b>2012</b>	<b>2011</b>
Oil and natural gas sales	\$ 3,462,393	\$ 2,126,223
Other income	101,643	-
Total income	3,564,036	2,126,223
Operating expenses:		
General and administrative	3,084,419	2,468,746
Lease operating expenses	1,458,798	1,839,756
Dry well expenses	1,034,142	613,727
Depreciation, depletion, amortization and accretion	1,062,891	1,212,669
Impairment of oil and gas properties	2,789,712	3,458,256
Loss on disposition of oil and gas properties	11,828	580,970
Total operating expenses	9,441,790	10,174,124
Other expenses:		
Interest expense, net	(38,322)	(61,476)
Total other expense	(38,322)	(61,476)
Net loss	(5,916,076)	(8,109,377)
Loss attributable to non-controlling interest	2,562,843	3,624,457
Net loss attributable to Aztec Oil & Gas, Inc.	\$ (3,353,233)	\$ (4,484,920)
Basic and diluted loss per common share	\$ (0.27)	\$ (0.36)
Weighted average common shares outstanding – basic and diluted	12,630,050	12,301,990

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

**AZTEC OIL & GAS, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the Two Years Ended August 31, 2012**

	Preferred Stock		Common Stock		Additional	Accumulated	Non-	
	Shares	Amount	Shares	Amount	Paid-In	Deficit	controlling	Total
					Capital		Interest	
Balances, August 31, 2010	100,000	\$ 100	12,170,884	\$ 12,170	\$ 4,957,992	\$(11,266,722)	\$14,615,168	\$ 8,318,708
Stock issued for stock payable	-	-	40,512	41	45,459	-	-	45,500
Share-based compensation expense	-	-	255,124	255	170,705	-	-	170,960
Investments from limited partners, net of syndication costs	-	-	-	-	-	-	17,154,490	17,154,490
Distributions to limited partners	-	-	-	-	-	-	(1,172,272)	(1,172,272)
Net loss	-	-	-	-	-	(4,484,920)	(3,624,457)	(8,109,377)
Balances, August 31, 2011	100,000	\$ 100	12,466,520	\$ 12,466	\$ 5,174,156	\$(15,751,642)	\$26,972,929	\$ 16,408,009
Stock issued for stock payable	-	-	22,352	22	9,228	-	-	9,250
Share-based compensation expense	-	-	484,665	485	150,264	-	-	150,749
Investments from limited partners, net of syndication costs	-	-	-	-	-	-	10,233,850	10,233,850
Distributions to limited partners	-	-	-	-	-	-	(1,874,564)	(1,874,564)
Net loss	-	-	-	-	-	(3,353,233)	(2,562,843)	(5,916,076)
Balances, August 31, 2012	100,000	\$ 100	12,973,537	\$ 12,973	\$ 5,333,648	\$(19,104,875)	\$32,769,372	\$ 19,011,218

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

**AZTEC OIL & GAS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended August 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net loss	\$ (5,916,076)	\$ (8,109,377)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	156,167	180,210
Depreciation, depletion, amortization and accretion	1,062,891	1,212,669
Impairment of properties	2,789,712	3,458,256
Dry well expenses	1,034,142	613,727
Loss on disposition of oil and gas properties	11,828	580,970
Changes in:		
Accounts receivable – oil and gas sales	(617,395)	(263,747)
Accounts receivable – related party	(108,069)	35,829
Accounts receivable – working interest owners	(128,424)	(225,115)
Prepaid expenses and other current assets	1,129	(126,207)
Accounts payable and accrued liabilities	737,343	709,706
Accounts payable and accrued liabilities – related party	453,509	66,265
Salary payable	-	(16,887)
Net cash used in operating activities	<u>(523,243)</u>	<u>(1,883,701)</u>
Cash flows from investing activities:		
Acquisition of oil and gas properties	(7,758,356)	(14,119,252)
Advances for oil and gas costs	(20,204)	(93,521)
Advances for oil and gas costs – related party	(367,694)	(578,233)
Acquisition of fixed assets	(118,370)	(33,748)
Proceeds from note receivable	200,000	261,000
Net cash used in investing activities	<u>(8,064,624)</u>	<u>(14,563,754)</u>
Cash flows from financing activities:		
Investments from limited partners, net of syndication costs	10,233,850	17,154,490
Distributions to limited partners	(1,874,564)	(1,172,272)
Proceeds from notes payable and line of credit	22,664	26,662
Repayments on notes payable and line of credit	(43,994)	(172,689)
Repayments on notes payable – related party	(207,164)	(201,836)
Net cash provided by financing activities	<u>8,130,792</u>	<u>15,634,355</u>
Net decrease in cash	(457,075)	(813,100)
Cash at beginning of year	4,120,824	4,933,924
Cash at end of year	<u>\$ 3,663,749</u>	<u>\$ 4,120,824</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 20,355	\$ 15,674
Income taxes	-	-
Non-cash investing and financing activities:		
Increase in asset retirement obligations	\$ 143,222	\$ 106,350
Stock issued for stock payable	9,250	45,500
Note receivable issued for sale of oil and gas properties	400,000	-
Oil and gas properties sold for forgiveness of debt	31,146	-
Advances for oil and gas costs applied to oil and gas additions	1,072,668	-

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

**AZTEC OIL & GAS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND HISTORY**

Aztec Oil & Gas, Inc. (“Aztec”, or the “Company”), initially known as Aztec Communications Group, Inc., was organized in Utah on January 24, 1986, and did not have any activity from 1986 to 2003. In November 2003, Aztec Communications Group, Inc. reincorporated in Nevada. In 2004, there was a change in control and new management was elected to pursue oil and gas exploration and development. On August 13, 2004, the Company changed its name to Aztec Oil & Gas, Inc. and affected a 3-for-1 forward stock split. On August 10, 2012, the Company effectuated a 1-for-3 reverse stock split. All shares and per share numbers have been adjusted to give effect to the stock split unless otherwise stated.

Aztec is a Houston-based oil and gas exploration and production company focusing on various areas in the U.S, including Texas, Louisiana and Oklahoma.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Use of Estimates*

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

Aztec’s consolidated financial statements are based on a number of significant estimates, including oil and gas reserve quantities which are the basis for the calculation of depreciation, depletion and impairment of oil and gas properties, and timing and costs associated with its asset retirement obligations. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are vulnerable to changes in prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

*Principles of Consolidation*

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of Aztec and all its subsidiaries, Aztec Energy LLC, Aztec Drilling & Operating, LLC, Aztec Operating Company and partnerships in which Aztec has controlling interests. Inter-company balances and transactions are eliminated in consolidation.

*Reclassifications*

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

*Cash and Cash Equivalents*

Cash and cash equivalents include demand deposits and money market funds. The Company considers short term, highly liquid investments that have an original maturity of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value. Financial instruments that potentially subject Aztec to concentration risk consist primarily of cash deposits in money market accounts. The Company maintains its cash balances in one financial institution. Beginning December 31,



2010 through December 31, 2012, all non-interest-bearing transaction accounts are fully insured, regardless of balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to the depositor's other accounts held by a FDIC-insured institution, which are insured for balances up to \$250,000 per depositor until December 31, 2013. At August 31, 2012, the Company had a cash balance of \$3,663,749, of which \$150,656 in cash deposits were in excess of FDIC insured limits.

### ***Concentration of Credit Risk***

Aztec's related and non-related party receivables primarily consist of accounts receivable from oil and gas sales. Accounts receivable are recorded at invoice amount and do not bear interest. Any allowance for doubtful accounts is based on management's estimate of the amount of probable losses due to the inability to collect from customers. As of August 31, 2012 and 2011, no allowance for doubtful accounts has been recorded and none of the accounts receivable have been collateralized.

Although Aztec is directly affected by the well-being of the oil and gas production industry, management does not believe a significant credit risk exists at August 31, 2012 and 2011.

### ***Accounts Receivable***

Accounts receivable consist primarily of oil and gas receivables, net of a valuation allowance for doubtful accounts.

### ***Oil and Gas Properties, Successful Efforts Method***

Aztec uses the successful efforts method of accounting for oil and gas property acquisition, exploration, development, and production activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells, are capitalized as incurred. Costs to drill exploratory wells that are unsuccessful in finding proved reserves are expensed as incurred. In addition, the geological and geophysical costs, and costs of carrying and retaining unproved properties (i.e. delay rentals) are expensed as incurred. Costs to operate and maintain wells and field equipment are expensed as incurred.

Capitalized proved property acquisition costs are amortized by field using the unit-of-production method based on total proved reserves. Capitalized exploration well costs and development costs (plus estimated future dismantlement, surface restoration, and property abandonment costs, net of equipment salvage values) are amortized in a similar fashion (by field) based on their proved developed reserves. Support equipment and other property and equipment are depreciated over their estimated useful lives.

The Company reviews proved oil and natural gas properties and other long-lived assets for impairment annually. These reviews are predicated by events and circumstances, such as downward revision of the reserve estimates or commodity prices that indicate a decline in the recoverability of the carrying value of such properties. The Company estimates the future cash flows expected in connection with the properties and compares such future cash flows to the carrying amount of the properties to determine if the carrying amount is recoverable. When the carrying amounts of the properties exceed their estimated undiscounted future cash flows, the carrying amounts of the properties are reduced to their estimated realizable value. The factors used to determine realizable value include, but are not limited to, estimates of proved reserves, future commodity prices, the timing of future production, future capital expenditures and a risk-adjusted discount rate. These estimates of future product prices may differ from current market prices of oil and gas. Any downward revisions to management's estimates of future production or product prices could result in an impairment of the Company's oil and gas properties in subsequent periods. Unproved oil and gas properties that are individually significant are also periodically assessed for impairment of value. An impairment loss for unproved oil and gas properties is recognized at the time of impairment by providing an impairment allowance.

There were proved asset impairments of \$2,789,712 and \$3,458,256 recorded for the years ended August 31, 2012 and 2011, respectively.

### ***Property and Equipment***

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of three to five years.

Expenditures for normal repairs and maintenance are charged to expense as incurred. Significant renewals and improvements are capitalized. The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts, and any resulting gain or loss is recognized in the year of disposal.

### ***Fair Value of Financial Instruments***

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

### ***Asset Retirement Obligations***

The Company recognizes the fair value of a liability for an asset retirement obligation (“ARO”) in the period in which it is incurred. The asset retirement cost is capitalized as part of the carrying value of the assets to which it is associated, and depreciated over the useful life of the asset. The ARO and the related asset retirement cost are recorded when an asset is first drilled, constructed or purchased. The asset retirement cost is determined and discounted to present value using a credit-adjusted risk-free rate. After initial recording, the liability is increased for the passage of time, with the increase being reflected as accretion expense in the statements of operations. Subsequent adjustments in the cost estimate are reflected in the ARO liability and the amounts continue to be amortized over the useful life of the related long-lived assets.

### ***Income Taxes***

Aztec uses the asset and liability method in accounting for income taxes. Deferred tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities, and are measured using the tax rates expected to be in effect when the differences reverse. Deferred tax assets are also recognized for operating loss and tax credit carry-forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is used to reduce deferred tax assets when uncertainty exists regarding their realization.

A tax benefit from an uncertain position may be recognized if it is "more likely than not" that the position is sustainable, based upon its technical merits. The tax benefit of a qualifying position is the largest amount of

tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of August 31, 2012 and 2011, the Company had not recorded any tax benefits from uncertain tax positions.

### ***Non-Controlling Interests***

Aztec has a controlling interest in sixteen limited partnerships. Therefore, the partnerships' financial statements are consolidated with those of Aztec and the other partners' equity is recorded as non-controlling interest in the equity section of the accompanying Balance Sheet. As of August 31, 2012, non-controlling interest was \$32,769,372. Losses attributable to non-controlling interest were \$2,562,843 and \$3,624,457 for the fiscal years ended August 31, 2012 and 2011, respectively.

### ***Revenue Recognition***

Aztec recognizes oil and natural gas revenue under the sales method of accounting for its interests in producing wells as oil and natural gas is produced and sold from those wells. The volumes sold may differ from the volumes to which Aztec is entitled based on its interests in the properties. These differences create imbalances which are recognized as a liability only when the imbalance exceeds the estimate the party's share of remaining reserves. Aztec had no significant imbalances as of August 31, 2012 and 2011.

### ***Share-Based Compensation***

Compensation for all share-based payment awards is based on estimated fair value at the grant date. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods, if any.

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their fair values. For expensing purposes, the value of common stock issued to non-employees and consultants is determined based on the fair value of the equity instruments issued and charged to expense based upon the nature of the service for which the stock compensation was paid.

### ***Basic and Diluted Income (Loss) Per Share of Common Stock***

Basic income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and convertible debt or convertible preferred stock, using the if-converted method. EPS excludes all potential dilutive shares of common stock if their effect is anti-dilutive. As of August 31, 2012 and 2011, there were 2,000,000 options and 6,333,333 warrants outstanding, respectively, which were all anti-dilutive.

### ***Subsequent Events***

The Company evaluated all events and transactions after August 31, 2012 through the date these financial statements were issued for consideration and disclosure.

### ***Recently Issued Accounting Pronouncement***

The Company does not expect that any recently issued accounting pronouncements will have a significant impact on the financial statements of the Company.

### NOTE 3 – INVESTMENT IN DRILLING PARTNERSHIPS

As of August 31, 2012, Aztec has formed sixteen Limited Partnerships. Aztec has raised total gross proceeds of \$50,663,901 (net \$44,893,448) from outside “accredited” investors to invest in these partnerships. The partnerships consist of 334 gross (196 net) wells. For all sixteen partnerships, Aztec, through its wholly-owned subsidiary, Aztec Energy, LLC (“Aztec Energy”), acts as the Managing General Partner is allocated thirty percent ownership interest in each Limited Partnership (for which interest Aztec contributed all leases and covered all tangible drilling costs). Investors receive 70% - 85% of the cash profits, defined as revenue in excess of expenses, from successful wells drilled within the partnership, with the percentage dependent on the rate of return to investors during the first five years of the partnership. After three years from the date of the first distribution, investors in the partnerships may request that the Managing General Partner, subject to a 10% limitation based on the total interests in the profits or capital of the Partnership, financial ability and other terms, repurchase their units at a price equal to three times cash flow for the preceding twelve months. There have been no such requests to date. Another Aztec subsidiary, Aztec Drilling & Operating, LLC, (“ADO LLC”) serves the Partnerships as turnkey drilling contractor and operator, and often subcontracts out the drilling and operating to third parties.

During the fiscal years ending August 31, 2012 and 2011, Aztec completed the funding of additional three and four drilling partnerships and raised total gross proceeds of \$11,530,000 (net \$10,233,850) and \$19,274,750 (net \$17,154,490) from outside “accredited” investors, respectively. During the years ending August 31, 2012 and 2011, all partnerships had nine gross (three net) and four gross wells (two net) dry wells, respectively. The properties in the partnerships recorded an impairment expense in the amount of \$1,910,252 and \$709,496 in the fiscal years ending August 31, 2012 and 2011, respectively. These wells are producing with a market rate sales contract in place for gas sales and oil at spot rates.

Aztec has controlling financial interests in all Limited Partnerships; therefore, the partnerships’ financial statements are consolidated with those of Aztec and the other partners’ equity is recorded as non-controlling interest.

### NOTE 4 – OIL AND GAS PROPERTIES

Following table summarizes Aztec’s oil & gas properties, at costs, as of August 31, 2012 and 2011:

	2012	2011
Proved leasehold costs	\$ 317,443	\$ 626,011
Unproved leasehold costs	-	25,244
Costs of wells and development	20,705,516	15,266,051
Development drilling in progress	4,786,325	5,085,736
Exploratory drilling in progress	-	449,536
Capitalized exploratory well costs charged to expense	264,075	170,768
Total cost of oil and gas properties	26,073,359	21,623,346
Less: accumulated depletion and impairment	(8,727,805 )	(7,773,078 )
Ending balance	\$ 17,345,554	\$ 13,850,268

#### *Suspended Well Costs*

The Company accounts for any suspended well costs in accordance with FASB ASC Topic 932 *Extractive Activities – Oil and Gas* (“ASC 932”). ASC 932 states that exploratory well costs should continue to be capitalized if: (1) a sufficient quantity of reserves are discovered in the well to justify its completion as a producing well and (2) sufficient progress is made in assessing the reserves and the economic and operating feasibility of the well. If the exploratory well costs do not meet both of these criteria, these costs should be expensed, net of any salvage value. Additional annual disclosures are required to provide information about management’s evaluation of capitalized exploratory well costs.

In addition, ASC 932 requires annual disclosure of: (1) net changes from period to period of capitalized exploratory well costs for wells that are pending the determination of proved reserves, (2) the amount of exploratory well costs that have been capitalized for a period greater than one year after the completion of drilling and (3) an aging of exploratory well costs suspended for greater than one year, designating the number of wells the aging is related to. Further, the disclosures should describe the activities undertaken to evaluate the reserves and the projects, the information still required to classify the associated reserves as proved and the estimated timing for completing the evaluation.

The following table reflects the net changes in capitalized exploratory well costs during fiscal 2012 and 2011.

	2012		2011
Beginning balance	\$ 449,536	\$	1,434,024
Capitalized exploration well costs	425,636		1,725,526
Reclassification to wells and development	(513,595 )	(1,434,024 )	
Capitalized exploratory well costs charged to expense	(361,577 )	(1,275,990 )	
Ending balance	\$ -	\$	449,536

***Dry well expenses***

Dry hole costs of \$1,034,142 and \$613,727 were recorded for the years ended August 31, 2012 and 2011, respectively.

***Impairment of oil and gas properties***

Asset impairments of \$2,789,712 and \$3,458,256 were recorded for the years ended August 31, 2012 and 2011, respectively.

***Loss on disposition of oil and gas properties***

During the fiscal years ending August 31, 2012 and 2011, Aztec disposed of oil and gas properties for a net loss of \$11,828 and \$580,970, respectively. Management felt the properties sold were not going to contribute to the extent anticipated and made the decision to sell them. The properties were sold to a third party in an arm’s length transaction.

The following table reflects the calculation of the loss on disposition of oil and gas properties during fiscal 2012:

	Amount
Note received for sale of oil and gas properties	\$ 400,000
Liabilities assumed for sale of oil and gas properties	31,149
Total consideration for sale of oil and gas properties	431,149
Less:	
Capitalized oil and gas properties	3,349,849
Accumulated depletion, depreciation, amortization and impairment	(2,861,380 )
Oil and gas properties, net	<u>488,469</u>
Add:	
ARO liability settled	45,532
Loss on disposition of oil and gas properties	<u>\$ (11,788 )</u>

The following table reflects the calculation of the loss on disposition of oil and gas properties during fiscal 2011:

Cash received for sale of oil and gas properties	\$ 261,000
Less:	
Capitalized oil and gas properties	1,910,060
Accumulated depletion, depreciation, amortization and impairment	<u>(1,049,166 )</u>
Oil and gas properties, net	860,894
Add:	
ARO liability settled	<u>18,924</u>
Loss on disposition of oil and gas properties	<u>\$ (580,970 )</u>

On January 1, 2012, Aztec sold oil and gas property to their operator in exchange for forgiveness of taxes and other operating expenses owed to them and a 5% overriding royalty interest in the same wells. At the time of sale, the wells were considered to be uneconomical, therefore the fair value of the overriding royalty interest was considered to be zero at the day of sale. Aztec recorded a loss on the sale of \$45,603.

On June 6, 2012 Aztec sold oil and gas property to a third party in exchange for a \$400,000 note receivable bearing interest at 5% payable in two installments of \$200,000 on the day of sale and on August 30, 2012. Aztec recorded a gain on the sale of \$33,821. As of August 30, 2012, the remaining \$200,000 has not been received and was received on October 16, 2012 together with accrued interest.

#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31, 2012 and 2011:

	Useful Lives	2012	2011
		<u>                    </u>	<u>                    </u>
Automobiles	5 years	\$ 40,058	\$ 9,600
Computer and equipment	3 years	72,524	18,810
Furniture and fixture	5 years	25,930	18,868
Leasehold improvement	3.75 years	27,136	-

Subtotal	165,648	47,278
Less: accumulated depreciation	(38,627 )	(14,032 )
Property and equipment, net	\$ <u>127,021</u>	\$ <u>33,246</u>

Depreciation expense for the years ended August 31, 2012 and 2011 was \$24,595 and \$7,058, respectively.

#### **NOTE 6 – ASSET RETIREMENT OBLIGATIONS**

The following table summarizes changes to Aztec’s asset retirement obligations for the years ended August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Asset retirement obligations at beginning of year	\$ 170,768	\$ 80,386
Additions for exploratory and development drilling	152,447	110,144
Disposals and abandonments	(45,532 )	(24,625 )
Timing adjustments	(9,225 )	(3,794 )
Accretion expense	11,896	8,657
Asset retirement obligations at end of year	\$ <u><u>280,354</u></u>	\$ <u><u>170,768</u></u>



## NOTE 7 – NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following at August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
\$205,560 note payable to CSI Energy, LP (“CSI”), a company controlled by Franklin C. Fisher, Jr., a consultant and shareholder of the Company. This note was originated in August 2007, is unsecured, bears interest at 6% per annum and is due in full on September 1, 2013.	\$ 205,560	\$ 205,560
Misc. note payable to CSI. These notes were originated between March 2009 and May 2009, are unsecured, bear interest at 3.25% per annum and are due in full on September 1, 2012.	-	99,747
\$336,600 note payable to Franklin C. Fisher, Jr. This note was originate in January 2009, is unsecured, bears interest at 6% per annum and is due in full on September 1, 2013.	267,183	336,600
\$38,000 note payable to Franklin C. Fisher, Jr. This note was originated in August 2007, is unsecured, bears interest at 3.25% per annum and is due in full on September 1, 2012.	-	38,000
Total notes payable to related parties	<u>\$ 472,743</u>	<u>\$ 679,907</u>

Total interest expense accrued on the related-party notes during the years ended August 31, 2012 and 2011 were \$34,383 and \$56,800, respectively. Principal and interest payments on the related-party notes during the years ended August 31, 2012 and 2011 were \$220,614 and \$217,510, respectively.

## NOTE 8 – LINE OF CREDIT AND NOTE PAYABLE

In May 2007, Aztec obtained a line of credit from Amegy Bank National Association (“Amegy”), with a credit limit of \$200,000. In February 2008, the amount of the line of credit increased from \$200,000 to \$400,000. Interest on any outstanding balances is charged at one-half of one percent above the Amegy’s prime rate. Since May 2010, the line has been extended annually and is currently due on June 26, 2013. At August 31, 2012 and 2011, the prime rate was five percent (5.00%), making the loan interest rate five and one-half percent (5.50%). As of August 31, 2012, there was no balance outstanding under this facility.

As of August 31, 2011, Aztec had a note payable in the amount of \$21,330 to a third party lender who financed a commercial insurance policy. This note was originated in August 2012, is unsecured, and bears interest at 11.21% per annum. The Company paid off the balance in 2012.

## NOTE 9 – STOCKHOLDERS' EQUITY

Aztec is authorized to issue 20,000,000 shares of preferred stock. In 2004, Series A Preferred Stock was designated and 100,000 shares were immediately issued for cash and services. The Series A Preferred Stock is not convertible or redeemable, but at all times may vote 70% of the total votes of all common shares outstanding. The Series A Preferred Stock has no liquidation or stated value and has no dividend requirement.

During 2012, Aztec issued 484,665 shares of common stock valued at \$150,749 to various officers and directors for services. Aztec also issued 22,352 shares of common stock for \$9,250 of stock payable accrued at August 31, 2011.

During 2011, Aztec issued 295,636 shares of common stock valued at \$216,460 to various officers and directors for services. Some of these issuances were for \$45,500 of stock payable accrued at August 31, 2010.

## NOTE 10 – OPTIONS AND WARRANTS

A summary of Aztec's option activities for the years ended August 31, 2011 and 2012 are as follows:

	<u>Number of Units</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, August 31, 2010	2,600,000	\$ 0.54	5.25	\$ 546,000
Expired	<u>(600,000)</u>	2.25		
Outstanding, August 31, 2011	2,000,000	0.33	5.79	-
Activities - none	<u>-</u>	-	-	-
Outstanding, August 31, 2012	<u><u>2,000,000</u></u>	\$ 0.33	4.79	-

A summary of Aztec's warrant activities for the years ended August 31, 2011 and 2012 are as follows:

	<u>Number of Units</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, August 31, 2010	8,666,666	\$ 0.22	7.33	-
Expired	<u>(2,333,333)</u>	2.01		
Outstanding, August 31, 2011	6,333,333	0.22	6.33	-
Activities - none	<u>-</u>	-	-	-
Outstanding, August 31, 2012	<u><u>6,333,333</u></u>	\$ 0.22	5.33	-

During the year ended August 31, 2012, the maturity date on the 6,000,000 warrants originally issued to an officer of the Company during 2004 was extended from February 9, 2011 to December 31, 2017. During the year ended August 31, 2012, the maturity date on the 333,333 warrants originally issued to an officer of the Company during 2010 was extended from October 19, 2012 to October 19, 2017. The Company evaluated these modifications in order to determine the incremental compensation costs in accordance with FASB ASC 718. Fair value of each warrant was estimated on the date of codification using the Black-Scholes option pricing model with the following assumptions; risk-free interest rate at 0.82%, expected volatility of 253.83%, expected life 5.47 years and a dividend rate of zero. The Company determined that there were no incremental compensation costs resulting from the modification.

There were no unamortized compensation costs related to outstanding option and warrant awards as of August 31, 2012.

#### **NOTE 11 – RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2012, Aztec expensed director fees in the amount of \$32,000. The amount was recorded as general and administrative expense. The fees were payable in common stock.

On June 15, 2007, Aztec entered into an employment agreement with Franklin C. Fisher, Jr., (“Fisher”) who assumed the role of Chief Executive Officer and Chairman of the Board. Fisher was, prior to February 2010, also a major shareholder in Aztec. Prior to Fisher assuming the role of Chief Executive Officer and Chairman of the Board, Aztec entered into a consulting agreement with International Fluid Dynamics, Inc. (IFD), a company owned and controlled by Fisher. The Agreement entered into on June 22, 2004, engaged IFD to provide, among other things, advice and consulting regarding Aztec’s business, acquisition and marketing strategies. The agreement’s term begins January 1, 2005 through December 31, 2014. The IFD agreement provides for monthly retainers to be paid to IFD as follows: \$10,000 per month beginning January 1, 2005 through December 31, 2007, \$12,500 per month beginning January 1, 2007 through December 31, 2010 and \$15,000 per month beginning January 1, 2011 through December 31, 2014. At IFD’s election, payment can be made in common stock with a value equivalent to the monthly consulting fee due. For valuation purposes, any monthly fee paid in stock will be valued at 75% of the average closing price for the five trading days preceding the date at which the fee is due. To date, none of the retainers have been paid in Aztec stock. In January 2005, 99% of the proceeds payable to IFD were assigned to Fisher. Effective February 1, 2010, Fisher resigned as Director and Chairman of the Board of the Corporation as well as resigning as Chief Executive Officer of the Corporation, which resulted in the termination of the employment agreement with Fisher. Effective February 2, 2010, Aztec entered into a consulting agreement with Fisher. The agreements term began February 2, 2010 through February 1, 2015. The agreement provides for a monthly retainer in the amount of \$15,000 per month. At Fisher’s election, payment can be made in common stock with a value equivalent to the monthly consulting fee due. For valuation purposes, any monthly fee paid in stock will be valued at 75% of the average closing price for the five trading days preceding the date at which the fee is due. To date, none of the retainers have been paid in Aztec stock.

During 2012, the Company expensed \$360,000 for services in relation to Fisher’s and IFD’s prior and current consulting agreements, which were recorded in general and administrative expense. Aztec expensed \$34,383 as interest in relation to loans made by Fisher, IFD and CSI in prior years.

During 2012, Aztec purchased leasehold interests from CSI for cash. The amount was recorded as oil and natural gas properties at the fair value of \$93,026. The Company also purchased other assets from CSI for cash at the fair value of \$12,865.

In October 2008, Aztec entered into a consulting agreement with Mr. Waylan R. Johnson (“Johnson”) who assumed the role of President. Upon signing the agreement, Johnson was issued 500,000 shares of Aztec’s common stock valued at \$20,000 and warrants to purchase 1,000,000 common shares, exercisable until October 19, 2010, at an exercise price of \$0.20 cents per share. The warrants had a fair value of \$33,054

and were expensed immediately. In April 2009, Johnson also received 500,000 shares valued at \$30,000. The shares issued to Johnson were recorded as stock for services in general and administrative expense and equity. In February 2010, Johnson was issued warrants to purchase 1,000,000 common shares, exercisable until October 19, 2012, at an exercise price of \$0.20 cents per share. The warrants had a fair value of \$69,213 and were expensed immediately. Effective May 16, 2010, Johnson's consulting agreement was amended. Under the new consulting agreement, Johnson is to receive \$20,000 per calendar month, with \$5,000 paid in cash and \$15,000 paid in stock. The consulting agreement was also amended on November 1, 2010 to allow Johnson to receive \$10,000 paid in cash and \$10,000 paid in stock per calendar month and then amended again on April 30, 2012, to be effective May 1, 2012, which increased Johnson's monthly consulting fee to \$25,000 per calendar month, payable as \$15,000 paid in cash and \$10,000 paid in stock. The Company expensed \$140,000 in consulting fees payable in cash and \$120,000 in consulting fees payable in common stock in accordance with Johnson's new consulting agreement and bonuses throughout the year. Johnson was additionally reimbursed \$2,009 for operating costs.

Johnson owns 51% of Resaca Resources, LLL ("Resaca"), a contract operator for one of Aztec's subsidiaries, Aztec Drilling and Operating. Johnson also owns 100% of Texas Energy Group, L.L.C. ("TEG"), a company which provides support to Aztec with office personnel on an as needed basis. Johnson also owns 50% of Chopper Dan Holdings, LLC ("CDH"), a company that rents office space in Spicewood, Texas to Aztec on a month-to-month basis.

The Company purchased oil and gas properties from Resaca. The amount was recorded as oil and natural gas properties of \$1,953,514. The Company also recorded \$912,588 in oil and gas sales received from Resaca acting as contract operator for our properties. The Company also reimbursed Resaca \$444,184 for oil and gas expenses and \$47,962 in operating costs, which are recorded as general and administrative expense. As of August 31, 2012, the Company had advanced Resaca \$367,694 for oil and gas properties. Aztec reimbursed TEG \$88,280 for operating costs, which were recorded as general and administrative expense. Aztec expensed \$52,044 for rent related to CDH, which was recorded in general and administrative. All transactions were recorded at cost.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

We currently occupy office space under a lease service agreement dated April 1, 2010 and ending September 30, 2010. The lease was subsequently renewed on October 1, 2010 for three additional months and on January 1, 2011, Aztec signed a sixty-three month lease with rent abated for the first three months; \$2,543 for months 4-15 and rent escalating at a rate of 3% each subsequent twelve month period starting with month sixteen. On June 12, 2012, we expanded our office space and signed a forty-five month lease. The additional space has a service date starting July 1, 2012 and ending March 31, 2016. The rent is abated for the first two months; \$1,508 for months 2-14 and rent escalating at a rate of 2.8% each subsequent twelve month period starting. The office is located at One Riverway in Houston, Texas. For the years ended August 31, 2012 and 2011, Aztec incurred \$52,297 and \$51,631, respectively, for office rental expense related to the lease.

Future minimum lease payments for the non-cancellable leases in excess of one year are as follows:

Year ended August 31,	Amount
2013	\$ 82,549
2014	84,018
2015	85,491
2016	63,440
Total	<u>\$ 315,498</u>

On January 5, 2012, Aztec Drilling and Operating, LLC (ADO) filed a lawsuit against one of its operators, Ziegler-Peru, Inc., and its principal, Mr. Edward Ziegler, alleging, among other things, breach of contract,

promissory estoppel, negligent misrepresentation, fraud, and constructive fraud. Ziegler-Peru, Inc. and Mr. Ziegler filed a countersuit against ADO. Other parties have also intervened in the case. The main action is titled Aztec Drilling & Operating LLC v. Ziegler-Peru, Inc. and Edward R. Ziegler; Cause No. 2012-01120; In the 165th Judicial Court of Harris County, Texas. The Company did not take up any liabilities associated with the countersuit as the Company believes the probability of such a claim is minimal.

### NOTE 13 – INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Aztec's deferred tax assets and liabilities at August 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets:		
Net operating loss	\$ 2,257,900	\$ 1,916,900
Oil and gas properties – depletion, impairment, intangible drilling costs	2,822,700	2,033,200
Share-based compensation expense	53,000	53,000
Total deferred tax assets	5,133,600	4,003,100
Less: valuation allowance	(5,133,600 )	(4,003,100 )
Deferred tax assets, net	\$ <u>          -</u>	\$ <u>          -</u>

At August 31, 2012, Aztec had a net operating loss carryforwards for federal and state income tax purposes of approximately \$6,640,900 which will begin to expire, if unused, beginning in 2024. The valuation allowance increased approximately \$1,130,500 and \$1,509,100 for the years ended August 31, 2012 and 2011, respectively.

The above estimates are based upon management's decisions concerning certain elections which could change the relationship between net income and taxable income. Management decisions are made annually and could cause the estimates to vary significantly.

Reconciliation between actual tax expense (benefit) and income taxes computed by applying the U.S. federal income tax rate and state income tax rate to income from continuing operations before income taxes are as follows:

	2012	2011
Computed at U.S. and State statutory rates (34%)	\$ (1,139,200 )	\$ (1,524,800 )
Permanent differences	8,700	15,700
Change in valuation allowance	1,130,500	1,509,100
Total	\$ <u>          -</u>	\$ <u>          -</u>

### NOTE 14 – SUBSEQUENT EVENTS

During the period from September 1, 2012 through February 28, 2013, Aztec issued 136,743 shares of common stock for services. These shares have fair value of \$38,000.

In December 2012, Aztec formed the seventeenth drilling limited partnership, Aztec Comanche A Oil & Gas Limited Partnership (“Aztec Comanche AA, LP”), with 93 outside investors and raised total gross proceeds of \$4,915,000 (net \$4,355,375).

**SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES  
(UNAUDITED)**

In December 2008, the Securities and Exchange Commission (“SEC”) announced revisions to its regulations on oil and gas reporting. In January 2010, the Financial Accounting Standards Board issued an accounting standards update which was intended to harmonize the accounting literature with the SEC’s new regulations. The revised regulations were applied in estimating and reporting our reserves as of August 31, 2012.

Future cash inflows for 2012 were computed by applying average price for the year to the year-end quantities of proved reserves. The 2012 average price for the year was calculated using the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period. Future cash inflows for 2012 were computed by applying the year end spot price to the year-end quantities of proved reserves. The difference in average versus year end pricing for 2012 versus 2011, respectively, is reflected as a component of change in prices in the table below. Future development, abandonment and production costs were computed by estimating the expenditures to be incurred in developing and producing proved oil and gas reserves at the end of the year, based on year-end costs. Future income taxes were computed by applying statutory tax rates to the estimated net pre-tax cash flows after consideration of tax basis and tax credits and carryforwards. The estimated future net cash flows are then discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. All of the Company’s reserves are located in the United States.

The following schedules relating to the proved oil and gas reserves, standardized measure of discounted future net cash flows and changes in the standardized measure of discounted future net cash flows have their foundation in engineering estimates of future net revenues that are derived from proved reserves and prepared using the prevailing economic conditions. These reserve estimates are made from evaluations conducted by independent geologists, of such properties and will be periodically reviewed based upon updated geological and production data. Estimates of proved reserves are inherently imprecise. Subsequent development and production of Aztec’s reserves will necessitate revising the present estimates. In addition, information provided in the schedules does not provide definitive information as to the results of any particular year but, rather, helps explain and demonstrate the impact of major factors affecting Aztec’s oil and gas producing activities. Therefore, Aztec suggests that all of the aforementioned factors concerning assumptions and concepts should be taken into consideration when reviewing and analyzing this information.

(1) Capitalized Costs Relating to Oil and Gas Producing Activities:

	As of August 31,	
	2012	2011
Proved oil and gas properties	\$ 26,073,359	\$ 21,148,566
Unproved oil and gas properties	-	474,780
Subtotal	26,073,359	21,623,346
Less: accumulated depletion and impairment	(8,727,805)	(7,773,078)
Net capitalized costs	<u>\$ 17,345,554</u>	<u>\$ 13,850,268</u>

(2) Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities:

	<u>For the Years Ended August 31,</u>	
	<u>2012</u>	<u>2011</u>
Acquisition of properties:		
Proved	\$ 165,769	\$ 1,812,078
Unproved	9,952	25,244
Exploration costs	425,636	1,728,526
Development costs	<u>7,156,999</u>	<u>10,553,404</u>
Net capitalized costs	<u>\$ 7,758,356</u>	<u>\$ 14,119,252</u>

(3) Results of Operations for Producing Activities:

	<u>For the Years Ended August 31,</u>	
	<u>2012</u>	<u>2011</u>
Sales	\$ 3,462,393	\$ 2,126,223
Production costs	(1,458,798)	(1,839,756)
Dry well expense	(1,034,142)	(613,727)
Depreciation, depletion, amortization, accretion, and impairment	<u>(3,852,603)</u>	<u>(4,670,925)</u>
Results of operations for producing activities	<u>\$ (2,883,150)</u>	<u>\$ (4,998,185)</u>

(4) Reserve Quantity Information:

The following table sets forth proved oil and gas reserves together with the changes therein, proved developed reserves and proved undeveloped reserves for the years ended August 31, 2012 and 2011, respectively.

	<u>2012</u>		<u>2011</u>	
	<u>Oil (BBL)</u>	<u>Gas (MCF)</u>	<u>Oil (BBL)</u>	<u>Gas (MCF)</u>
Proved reserves:				
Beginning of the fiscal year	1,002,810	1,094,540	125,875	454,145
Revisions of previous estimates	(105,251)	(459,213)	(36,081)	41,346
Sales of minerals in place	(269,600)	-	(4,408)	-
Extensions and discoveries	435,166	949,553	937,784	674,733
Production	<u>(35,305)</u>	<u>(54,720)</u>	<u>(20,360)</u>	<u>(75,684)</u>
End of the fiscal year*	<u>1,027,820</u>	<u>1,530,160</u>	<u>1,002,810</u>	<u>1,094,540</u>
Proved developed reserves:				
Beginning of fiscal year	871,150	518,149	65,655	118,460



End of fiscal year	558,680	802,800	871,150	489,460
Proved undeveloped reserves				
Beginning of fiscal year	131,660	576,391	60,210	335,685
End of fiscal year	469,140	727,360	131,660	605,080

\* Non-controlling interests own 70% of reserves held by our consolidated limited partnerships. Of total ending reserves at August 31, 2012 and 2011, 991,256 bbl and 1,530,160 mcf and 698,696 bbl and 765,838 mcf are attributable to non-controlling interests, respectively.

During the years ended August 31, 2012 and 2011, the Company had reserve studies and estimates prepared on its various properties. The difficulties and uncertainties involved in estimating proved oil and gas reserves makes comparisons between companies difficult. Estimation of reserve quantities is subject to wide fluctuations because it is dependent on judgmental interpretation of geological and geophysical data

(5) Standardized Measure of Discounted Future Net Cash Flows Relating to the Proved Reserves:

	As of August 31,	
	2012	2011
Future cash inflows	\$ 99,607,490	\$ 90,521,310
Future production costs	(27,694,000)	(18,055,955)
Future development costs	(2,831,995)	(4,886,587)
Future cash flows, net	69,081,495	67,578,768
Less: discounted for estimated timing of cash flows	(37,198,330)	(31,176,719)
Standardized measure of discounted future net cash flows**	<u>\$ 31,883,165</u>	<u>\$ 36,402,049</u>

\*\*Non-controlling interests own 70% of reserves held by our consolidated limited partnerships. Of total ending standardized measure of discounted future net cash flows, \$30,925,644 and \$24,598,060 are attributable to non-controlling interests as of August 31, 2012, and August 31, 2011, respectively.

We did not include an income tax provision. Our 30% of the future net cash flow does not project an income tax liability in the foreseeable future due to our net operating loss and current annual general and administrative costs.

The following schedule summarizes changes in the standardized measure of discounted future net cash flow relating to the Proved Oil and Gas Reserves for the years ended August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Standardized measure, beginning of year	\$ 36,402,049	\$ 5,006,042
Extensions, discoveries and improved recovery	12,597,795	34,139,919
Revisions of previous estimates	(5,409,648)	(560,088)
Sales of minerals in place	(5,286,850)	(216,770)
Net change in prices and production costs	(5,895,837)	(1,704,516)
Accretion of discount	3,640,205	500,604
Oil and gas sales, net of production costs	(2,003,595)	(286,467)
Development costs incurred	(127,293)	(24,360)
Changes in estimated future development costs	7,769,941	17,780
Change in timing of estimated future production and other	<u>(9,803,603)</u>	<u>(470,095)</u>
Standardized measure, end of year	<u>\$ 31,883,164</u>	<u>\$ 36,402,049</u>

Extensions and discoveries for the year ended August 31, 2012 added 435,166 and 949,553 barrels of oil and MCF of gas of proved reserves, respectively. These additions resulted primarily from our development drilling programs within the new partnerships funded during the fiscal year ending August 31, 2012 as described in Note 3.

## **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## **ITEM 8A. CONTROLS AND PROCEDURES.**

### ***Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). As a result of this evaluation, we identified no material weaknesses in our internal control over financial reporting as of August 31, 2012. Accordingly, we concluded that our disclosure controls and procedures were not effective over the financial reporting process based on the fact that our year end report was not timely filed. The delay was due to the ability to obtaining a year end Reserve Report that contained the necessary information required to process our financial statements in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U. S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our consolidated financial statements in accordance with U. S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

### ***Management's Annual Report on Internal Control over Financial Reporting.***

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management has concluded, as of August 31, 2012, we did not maintain effective control over the financial reporting process based on the fact that our year end report was not timely filed. The delay was due to the ability to obtaining a year end Reserve Report that contained the necessary information required to process our financial statements in accordance with accounting principles generally accepted in the United States of America.

### ***Inherent Limitations over Internal Controls***

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

***Attestation Report of the Registered Public Accounting Firm.***

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

***Changes in Internal Control over Financial Reporting.***

We have made no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### PART III

#### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

Each director of our Company serves for a term of one year or until the successor is elected at the Company's annual shareholders' meeting and is qualified, subject to removal by the Company's shareholders. Each officer serves, at the pleasure of the board of directors, for a term of one year and until the successor is elected at the annual meeting of the board of directors and is qualified.

Set forth below is the name, age and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of our current directors and executive officers.

Name	Age	Position	Director Since
Waylan Johnson	48	President	N/A
Larry Hornbrook	65	Chief Financial Officer	N/A
Ariane E. Cox	29	VP and Secretary-Treasurer	N/A
Kenneth E. Lehrer	66	Sr. Economist and Director	August 8, 2005
Mark Vance	59	Director	October 25, 2005
Dayton F. Wheeler	33	Director	February 1, 2010

#### **Waylan R. Johnson**

President of Aztec Oil & Gas, Inc., entered into the oil & gas industry over 20 years ago. He began his career in 1989 working for an independent oil and gas exploration company. After gaining crucial industry experience, Mr. Johnson ventured out and, in the fall of 1990, founded his first oil company which participated in numerous drilling ventures throughout Texas. In 1992 Mr. Johnson sold his ownership interest in the company and concentrated on performing financial consulting work for numerous privately held industry companies. By 1993, Mr. Johnson formed his second private investment firm. Over the next seven years, his firm held interest in multiple drilling prospects, produced numerous properties, and drilled and operated their properties on behalf of the company's internal partners.

In 2000, Mr. Johnson co-founded Border to Border Exploration (BBX). BBX became the third company to take oil and gas leases in what has now become the Bakken Shale (the third largest oil field discovery in the United States in recent years). BBX was able to take a \$1.5 million investment and develop it into a gross value of approximately \$55 million. Mr. Johnson later sold out of his general partnership with BBX but still continues to hold interest in the limited partnership. Over the next couple of years, Mr. Johnson founded several privately held companies, all based out of Austin, Texas. One of these companies is Resaca Resources, LLC, a registered, bonded oil and gas operator with the Texas Railroad Commission (operator # 703236). Mr. Johnson has been instrumental in developing business plans and exploration programs for both his own companies and others. Additionally, Mr. Johnson is active in the investment field and continues to manage his own personal investments in the oil and gas industry. Throughout Mr. Johnson's career, he has established long-term business and personal relationships with many public and private oil and gas companies which contribute significantly to Aztec's success and Aztec's deal flow and industry resources.

**Larry Hornbrook, CFO**

Larry A. Hornbrook, CPA, has practiced public accounting since 1990 as a sole practitioner or under the company name of Crawford & Hornbrook, PLLC. His clientele are in a variety of industries including oil and gas, real estate, construction, and services. The firm performs tax research and planning, tax return preparation, financial statement preparation and corporate restructurings.

Mr. Hornbrook was Tax Manager for Golden Corral Corporation, an owner of national and regional restaurant chains, from 1987 to 1989.

He served as Tax Manager for Transcontinental Energy Corporation from 1983 to 1986. Transcontinental Energy Corporation was an independent oil and gas producer and contract driller, which offered public limited partnerships. His responsibilities included preparation of federal and state income and franchise taxes for corporate entities, preparation of federal and state income tax returns for over 30 partnership involving more than 10,000 partners.

He served as Tax Manager for Mitchell Energy & Development Corp. from 1978 to 1983. Mitchell was one of the largest independent energy firms headquartered in Texas and owned and operated oil and gas wells, contract drilling rigs, pipelines, compressors and liquid extraction plants.

Mr. Hornbrook was Tax Senior for Arthur Andersen & Co from 1975 to 1978.

Mr. Hornbrook has been a Texas Certified Public Accountant since 1978. He received his B.S. (Management) Cum Laude from the University of South Dakota. He served in the United States Marine Corps from 1969 to 1972 attaining the rank of Sergeant and receiving a Meritorious Mast for excellent performance of duties. He also received a Meritorious Unit Commendation, Good Conduct Medal, National Defense Medal, and Vietnam Service Medal with two stars.

**Ariane E. Cox, VP, Secretary, Treasurer**

Ms. Cox graduated from Texas A&M University with a Bachelors of Science in Economics & Business. She first worked as a legal secretary/assistant in a law practice where she assisted in partner support, client liaison, trial preparation and prepared pleadings, affidavits, discovery, etc. From 2006 through 2008 she worked as an Account Manager at TFI Resources where she provided daily support to contractors and client companies in addition to validating and filing tax reports and reconciling accounts. She joined Aztec in 2009 as Administrative Coordinator for all of Aztec's activities. In 2010, Ms. Cox was promoted to Vice President, Secretary-Treasurer of Aztec and continues to serve as Administrative Coordinator. Her duties include managing the needs of the company as it expands in both the oil and gas and private placement sectors and monitoring and over-sighting regulatory compliance.

**Kenneth E. Lehrer, Sr. Economist and Director**

Dr. Lehrer formed a consulting organization in 1982, engaged in the areas of economics, finance, economic damage analysis (including business and technology losses), banking, business, ESOP and non-public business valuations, securities, healthcare, fairness and advisory opinions, intellectual property valuations, real estate and corporate finance. His company both prepares institutional economic/finance reports, feasibility analysis, corporate business plans and provides litigation support (having been qualified in both state and federal courts) in the areas of economics, banking, corporate and IP valuations and finance. Dr. Lehrer served from 1984 to 2002 as an Adjunct Professor of Finance at the University of Houston, Graduate School of Business Administration and is presently an Adjunct Professor of Finance and Economics at the University of Phoenix (Houston Division).

Dr. Lehrer has served at the direction of the Board of Directors for the Federal Home Loan Bank of Dallas as agent for the Federal Savings and Loan Insurance Corporation regarding - Acadia Savings and Loan Association, French Market Homestead Savings, Twin City Savings and First Savings of Louisiana. He is a member of the National Association of Corporate Directors. Dr. Lehrer commenced his career in 1970 at Bankers Trust Company, New York City, and then became a Manager for shipping magnate Costas Lemos. There, he assisted on projects in New York, Houston, Denver, Guam and Europe. Dr. Lehrer relocated to

Houston in 1977. Dr. Lehrer holds four degrees from New York University: B. S. (Finance), MBA (Banking), MA (Economics) and a PhD. (Urban Economics). Dr. Lehrer is registered with the SEC as an Investment Advisor.

**Mark Vance, Director**

From 2002 to mid-2005, Mr. Vance was the senior executive in charge of strategic alliances with Worksafe, Inc. (Dallas, TX) and YCO Services (Houston, TX). Most recently, he developed Worksafe's strategic plan and led the mezzanine fund raise with private equity groups in the U.S. At YCO Services, he created an alliance partnership with Compaq/Hewlett Packard for the distribution of professional services.

From 1998 to 2001, Mr. Vance was vice president of business development and chief financial officer for Control Network System Inc. in Los Angeles. This \$17 million privately held, fully integrated company developed international voice over data networks between the U.S. and Asia and was acquired by Total Access Inc. in December 2001. As a company founder, he developed strategic relationships in addition to managing all financial affairs, cash management and investor relations.

Mr. Vance was a founder and served as senior vice president and chief financial officer for Telescope International Inc. (Houston, TX), part of the Williams Group of companies, from 1996 to 1997. He developed the business plan and investor presentation and succeeded in raising first rounds of private equity funding, positioning the company for an IPO.

Prior, he was a founder and developed the strategic plan for a \$10 million private equity raise with Alex Brown that led to the merger of Matrix Telecom and DNS Communications (Dallas, TX) creating a formidable competitor in the industry. He served as chief operating officer and chief financial officer--including management of the finance, legal, accounting, human resources, information services and insurance departments--from 1993 to 1995.

He served as director of finance (and chief financial officer of a subsidiary) at Witel Corporation (Houston, TX) from 1992 to 1993. While there he developed and instituted a Latin American distributorship program for the company, including strategic marketing, pricing and sales policies.

Mr. Vance served as a financial analyst, controller and tax manager with various companies within the energy industry in Houston from 1976 to 1991 including Mitchell Energy, Quintana Petroleum, and Texaco.

He received his MBA in Accounting from the University of Houston in 1979, and a Bachelor of Science degree in finance from LSU in 1976.

**Dayton F. Wheeler, Director**

Mr. Wheeler holds his Masters in Business Administration in International Finance/Business. Mr. Wheeler currently works for StoneGate Senior Care where he is responsible for coordinating the use of business intelligence systems with financial forecasting as Senior Financial Analyst. Previously, he worked with the NCR Corporation where he was responsible for the Entertainment Line-of-Business revenue forecasting, daily and weekly financial reporting, and business metric reporting. Mr. Wheeler has also worked as a consultant in the areas of implementing business strategies, data management, and technological infrastructure. He brings another strong financial background to the Board of Directors of Aztec Oil & Gas, Inc. In addition, he speaks Mandarin Chinese and Spanish and has lived and traveled extensively throughout Asia.

Directors are elected in accordance with our bylaws to serve until the next annual stockholders meeting or until replaced. The directors are issued stock on a quarterly basis, based on the weighted average stock price for the quarter as compensation to directors for services.

None of our directors or officers is a director in any other reporting companies. None of our directors or officers has been affiliated with any company that has filed for bankruptcy within the last five years. There are no family relationships among our directors or officers. We are not aware of any proceedings to which any of our officers or directors, or any associate of any such Officer or Director, is a party adverse to our Company or any of our subsidiaries or has a material interest adverse to it or any of its subsidiaries.

**Code of Ethics.**

The Company has not yet adopted a Code of Ethics because it has only three directors.

**Audit Committee Financial Expert.**

The Board of Directors has not established an audit committee and does not have an audit committee financial expert. The Board is of the opinion that an audit committee is not necessary since the Company has only three directors and to date, such directors have been performing the functions of an audit committee and all are experienced financial professionals.

**Committees and Procedures**

- (1) The registrant has no standing audit, nominating and compensation committees of the Board of Directors, or committees performing similar functions. The Board acts itself in lieu of committees due to its small size.
- (2) The view of the board of directors is that it is appropriate for the registrant not to have such a committee because its directors participate in the consideration of director nominees and the Company and its board is so small.
- (3) The members of the Board who act as the nominating committee are not independent, pursuant to the definition of independence of a national securities exchange registered pursuant to Section 6(a) of the Act (15 U.S.C. 78f(a)).
- (4) The nominating committee has no policy with regard to the consideration of any director candidates recommended by security holders, but the committee will consider director candidates recommended by security holders.
- (5) The basis for the view of the board of directors that it is appropriate for the registrant not to have such a policy is that there is no need to adopt a policy for a small company.
- (6) The nominating committee will consider candidates recommended by security holders, and by security holders in submitting such recommendations.
- (7) There are no specific, minimum qualifications that the nominating committee believes must be met by a nominee recommended by security holders except to find anyone willing to serve with a clean background.
- (8) The nominating committee's process for identifying and evaluation of nominees for director, including nominees recommended by security holders, is to find qualified persons willing to serve with a clean backgrounds. There are no differences in the manner in which the nominating committee evaluates nominees for director based on whether the nominee is recommended by a security holder, or found by the board.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities (referred to as "reporting persons"), to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other Aztec Oil & Gas, Inc. equity



securities. Reporting persons are required by Commission regulations to furnish us with copies of all Section 16(a) forms they file. We believe, based solely on our review of the copies of such forms and other written representations to us, that during the fiscal year ended August 31, 2012, all reporting persons have complied with all applicable Section 16(a) filing requirements.

#### ITEM 10. EXECUTIVE COMPENSATION

As a result of the Company's policy of compensating with shares, minimal officer or director cash compensation was paid during the fiscal year ended August 31, 2012. Aztec intends to continue its policy of share investments in the Company's future.

##### SUMMARY COMPENSATION TABLES

Name and Principal Position	Annual Compensation			
	Year	Salary (\$)	Bonus (\$)	Compensation (\$)
Kenneth E. Lehrer Sr. Economist/Director	2012	-0-	-0-	-0-
	2011	-0-	-0-	-0-
	2010	-0-	-0-	-0-
Larry Hornbrook (2) CFO, Director	2012	-0-	-0-	-0-
	2011	-0-	-0-	-0-
	2010	-0-	-0-	5,717
Mark Vance Director	2012	-0-	-0-	-0-
	2011	-0-	-0-	-0-
	2010	-0-	-0-	-0-
Waylan R. Johnson President	2012	-0-	-0-	140,000
	2011	-0-	-0-	110,000
	2010	-0-	-0-	41,868
Ariane Cox (3) VP and Secretary	2012	87,458	-0-	-0-
	2011	73,958	-0-	-0-
	2010	50,828	750	-0-
Mark Vance Director	2012	-0-	-0-	-0-
	2011	-0-	-0-	-0-
	2010	-0-	-0-	-0-

(1) In August 2006, the company retained the services of Mr. Larry Hornbrook as CFO. Mr. Hornbrook is paid an hourly rate for his services. One third of the amount is paid in cash and two thirds is paid in stock. The number of shares is determined using the average value of the shares traded during the month.

**LONG-TERM COMPENSATION TABLE**

Name and Principal Position	Year	Long-Term Compensation			
		Awards Restricted Award(s)(\$)	Stock Securities Underlying Options/ SARs(#)	Payouts LTIP Payouts (\$)	All Other Compensation (\$)
Larry Hornbrook CFO	2012	-0-	-0-	-0-	-0-
	2011	-0-	-0-	-0-	-0-
	2010	-0-	\$10,104	-0-	-0-
Kenneth Lehrer Sr. Economist, Director	2012	-0-	\$12,000	-0-	-0-
	2011	-0-	\$12,000	-0-	-0-
	2010	-0-	\$12,000	-0-	-0-
Mark Vance Director	2012	-0-	\$10,000	-0-	-0-
	2011	-0-	\$10,000	-0-	-0-
	2010	-0-	\$10,000	-0-	-0-
Waylan R. Johnson President	2012	-0-	\$120,000	-0-	-0-
	2011	-0-	\$130,000	-0-	-0-
	2010	-0-	\$246,713	-0-	-0-
Ariane Cox VP and Secretary	2012	-0-	\$4,167	-0-	-0-
	2011	-0-	\$4,700	-0-	-0-
	2010	-0-	\$5,900	-0-	-0-
Dayton Wheeler Director	2012	-0-	\$10,000	-0-	-0-
	2011	-0-	\$10,000	-0-	-0-
	2010	-0-	\$7,500	-0-	-0-

**Option/ SAR Exercises**

None of our directors or executive officers exercised any stock options or stock appreciation rights during the fiscal year ended August 31, 2012. Mr. Johnson holds unexercised stock options held as of such date.

**Long-Term Incentive Plan Awards**

The Company has no long-term incentive plans.

**Compensation of Directors**

Our directors do not receive monetary compensation for their services as directors.

**Employment Contracts**

The Company currently has four employment agreements.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

A. The following table lists, as of August 31, 2012, the number of shares of common stock of our Company that are beneficially owned by (i) each person or entity known to our Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each officer and director of our Company; and (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal shareholders and management is based upon information furnished by each person using “beneficial ownership” concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. Except as noted below, each person has sole voting and investment power.

The percentages below are calculated based on 12,973,537 shares of our common stock issued and outstanding as of March 21, 2013. Unless otherwise indicated, the address of each person listed is c/o Aztec Oil & Gas, Inc., One Riverway, Suite 1580, Houston, Texas 77056.

Title Of Class	Name, Address Of Beneficial Owner And Position(1)	Shares Of Common Stock	Percent Of Class(2)
Common	Larry Hornbrook CFO	164,975	1.27%
Common	Ken Lehrer Sr. Economist, Director	562,587	4.34%
Common	Mark Vance Director	219,364	1.69%
Common	Waylan R. Johnson President	1,482,518	11.43%
Common	Ariane Cox VP & Secretary	35,199	0.27%
Common	Dayton Wheeler Director	72,919	0.56%
	All directors and officers as a group (6 persons)	2,537,562	19.56%

(1) Unless otherwise indicated, each person named in the above-described table has the sole voting and investment power with respect to his shares of the Common Stock beneficially owned.

(2) Unless otherwise provided, the calculation of percentage ownership is based on 12,973,537 shares of our common stock issued and outstanding as of March 21, 2013 any shares of the Common Stock which are not outstanding as of such date but are subject to options, warrants, or rights of conversion exercisable within 60 days of March 21, 2013, shall be deemed to be outstanding for the purpose of computing

percentage ownership of outstanding shares of the Common Stock by such person but shall not be deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

**B. Persons Sharing Ownership of Control of Shares**

There are no persons sharing ownership or control of shares.

**C. Non-voting Securities and Principal Holders Thereof**

The Company has not issued any non-voting securities.

**D. Preferred Stock**

On June 11, 2004, the Board of Directors authorized up to 20,000,000 shares of Series A Preferred Stock. Series A Preferred stock was established on August 26, 2004 and all 100,000 shares were immediately issued with 50,000 shares for \$15,000 cash and 50,000 shares for services valued at \$15,000. The shares of outstanding Series A Preferred Stock shall have the number of votes equal to seventy percent (70%) of votes of all outstanding shares of capital stock such that all the outstanding shares of Preferred Stock shall always constitute 70% of the voting rights of the Corporation, but the holders are not obliged or bound to vote said stock or to vote together and the shares are owned by separate entities. Such Series A Preferred stock has no other extraordinary preferences.

**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**a. Transactions with Related Persons.** Refer to the notes to the consolidated financial statements regarding transactions in which any related person had or will have a direct or indirect material interest.

The Officers and Directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

**b. Parents of Issuer.** The Company has no parents.

**c. Promoters and Control Persons.** The Company has not had a promoter at any time during the past five fiscal years.

**ITEM 13. EXHIBITS.**

(a) Exhibits

Number	Description
3.1	Articles of Incorporation *
3.2	Bylaws*
21	Subsidiaries of Aztec Oil & Gas, Inc.

\*Incorporated by Reference. Filed on Registration Statement Form S-18 effective February 14, 1986. Commission File No. 33-349

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

### **Audit Fees**

The aggregate fees billed by our independent auditors, GBH CPAs, PC, for professional services rendered for the audit of our annual financial statements for the years ended August 31, 2012 and 2011 were \$75,000 and \$68,000, respectively.

### **Audit-Related Fees**

For the years ended August 31, 2012 and 2011, there were no fees billed for assurance and related services by our Auditor relating to the performance of the audit of our financial statements which are not reported under the caption "Audit Fees" above.

### **Tax Fees**

We do not use our Auditors for tax compliance, tax advice and tax planning.

### **All Other Fees**

None

The Board of Directors has considered the nature and amount of fees billed by our Auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining GBH CPAs, PC's independence.

### **Policy on pre-approval of audit and permissible non-audit services**

Our Board of Directors unanimously approved 100% of the fees paid to the principal accountant for audit-related, tax and other fees. Our Board of Directors pre-approves all non-audit services to be performed by the auditor. The percentage of hours expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

**Additional Disclosure to Annual Report for Pink OTC Markets  
for the Year Ending August 31, 2012**

**Part B Share Structure**

Item VI Number of Shares Outstanding

Class of shares as of August 31	No. of Shares Authorized	Shares Outstanding	Public Float	Total No. of Shareholders of Record*	Total No. of Beneficial Shareholders
Common stock					
2012	100,000,000	12,973,537	7,674,327	49	7
2011**	100,000,000	38,136,007	19,968,102	51	7
Preferred stock					
2012	100,000	100,000	100,000	2	2
2011**	100,000	100,000	100,000	2	2

\*Shareholders of record does not include common stock held in street name with Cede & Co

\*\* As reported on the amended annual filing for August 31, 2010 published January 19, 2011.

**Part C Business Information**

**Item VII The name and address of the transfer agent\***

Name: Standard Registrar & Transfer Company  
 Address: 12528 S 1840 E, Draper, UT 84020-9100  
 Telephone number: (801) 571-8844  
 Registered Under Exchange Act: Yes  
 Regulatory Authority: Security Exchange Commission (SEC)

**Item VIII The nature of the issuer's business**

*In describing the issuer's business, please provide the following information:*

**A. Business Development.**

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;*  
 The publicly traded company was incorporated on November 21, 2003 under the name Aztec Communications Group, Inc.
3. *The issuer's fiscal year end date;*  
 August 31
4. *Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding;*  
 The Company has never been and is currently not in the process of filing bankruptcy, receivership or any other similar proceeding.
5. *Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets;*  
 None

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

There has not been any default of the terms of any note, loan, lease or other indebtedness or financing arrangement requiring the issuer to make payments.

**7. Major change of control;**

No

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

No

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

On August 13, 2004, the Registrant effectuated a 3-for-1 forward stock split. On August 10, 2012, the Registrant effectuated a 1 for 3 reverse stock split.

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

The company has not been delisted and, to the best of the Company's knowledge, is not in the process of being delisted.

**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.**

At this time, to the Company's knowledge, there are not 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.

**B. Business of Issuer.** Describe the issuer's business so a potential investor can clearly understand it. To the extent material to an understanding of the issuer, please also include the following:

**1. The issuer's primary and secondary SIC Codes;**

Primary Code: 13

Secondary Code: 131

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

Aztec is currently conducting operations.

**3. Whether the issuer is or has at any time been a "shell company"**

The Company has never been classified as a shell in its prior filings. While new management has not been involved in the day to day operations of the Company since inception, it accepts the accuracy of the Company's prior filings and further states categorically that the Company has never been a shell since the date of the last change in control.

**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;**

Aztec Drilling and Operating LLC	Aztec XB Oil & Gas LP
Aztec Energy LLC	Aztec XC Oil & Gas LP
Aztec Operating Company	Aztec XI-A Oil & Gas LP
Aztec 2006A Oil & Gas Limited Partnership	Aztec XI-B Oil & Gas LP
Aztec 2006B Oil & Gas Limited Partnership	Aztec XI-C Oil & Gas LP
Aztec 2007A Oil & Gas Limited Partnership	Aztec XI-D Oil & Gas LP
Aztec VIIIA Oil & Gas LP	Aztec XII-A Oil & Gas LP
Aztec VIIIB Oil & Gas LP	Aztec XII-B Oil & Gas LP
Aztec VIIIC Oil & Gas LP	Aztec XII-C Oil & Gas LP
Aztec XA Oil & Gas LP	Aztec Comanche A Oil & Gas LP

Please refer to audited statements for additional information

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

The Company does not foresee any existing or probably governmental regulations on the business, which could adversely affect its business at this time.

**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;**

NA

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

The Company does not foresee any existing or probable governmental environmental regulations (federal, state or local) on the business, which could adversely affect the business of the Corporation at this time.

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

Number Total Employees: 5

Number of Full-time Employees: 5

**Item IX The nature of products or services offered**

*In responding to this item, please describe the following so that a potential investor can clearly understand the products and services of the issuer:*

**A. Principal products or services, and their markets;**

Please see Business of Issuer on page 5.

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

NA

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

NA

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

The search for viable oil and gas prospects and leases is intensely competitive. The Company will compete with other business entities, many of which will have a competitive edge over the Company by virtue of their stronger financial resources and prior experience in the business. There is no assurance that the Company will be successful in identifying and executing suitable business opportunities.

There are many companies and individuals engaged in the oil and gas business. Some are very large and well established with substantial capabilities and extensive earnings records. The Company is at a competitive disadvantage as compared with some other firms and individuals in acquiring and developing oil and gas properties since our competitors may have greater financial resources and larger technical staffs than the Company. In addition, in recent years a number of small companies have been formed which have objectives similar to those of the Company and which present substantial competition to the Company.



A number of factors, beyond the Company's control and the effect of which cannot be accurately predicted, affect the production and marketing of oil and natural gas. These factors include crude oil imports, actions by foreign oil producing nations, the availability of adequate pipeline and other transportation facilities, the marketing of competitive fuels and other matters affecting the availability of a ready market, such as fluctuating supply and demand.

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

The Company does not use any raw materials.

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

The Company is not dependent on one or a few customers.

**G. Patents, trademarks, licenses, franchises, concessions,**

With regards to the Company's future oil and gas production, the Company does not hold any patents, trademarks, licenses, etc., with respect to, nor are patents significant in regard to, the Company's oil and gas production activities. The Company plans to enter into confidentiality agreements with its future employees, future suppliers and future consultants and in connection with its license agreements with third parties and generally seeks to control access to and distribution of its technology, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary information without authorization or to develop similar technology independently.

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

In general, our oil and gas production activities are, and any drilling operations of the Company would be, subject to extensive regulation by numerous federal, state and local governmental authorities, including state conservation agencies, the Department of Energy and the Department of the Interior (including the Bureau of Indian Affairs and Bureau of Land Management). Regulation of the Company's production, transportation and sale of oil or gas has a significant effect on the Company and its operating results.

The current production operations of the Company are, and any drilling operations of the Company would be, subject to regulation by state conservation commissions which have authority to issue permits prior to the commencement of drilling activities, establish allowable rates of production, control spacing of wells, prevent waste and protect correlative rights, and aid in the conservation of natural gas and oil. Typical state regulations require permits to drill and produce oil, protection of fresh water horizons, and confirmation that wells have been properly plugged and abandoned.

In addition, various federal and state authorities have the authority to regulate the exploration and development of oil and gas and mineral properties with respect to environmental matters. Such laws and regulations, presently in effect or as hereafter promulgated, may significantly affect the cost of our current oil and gas production and any exploration and development activities undertaken by the Company and could result in loss or liability to the Company in the event that any such operations are subsequently deemed inadequate for purposes of any such law or regulation.

**XI. Legal/Disciplinary History of Officers, Directors, and Control Persons:**

None of our officers, directors, or control persons has been the subject of any of the following in the last five years:

a. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

b. 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;

c. 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 a 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; or

d. 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.

**Item XIV Beneficial Owners**

*Provide a list of the name, address and shareholdings of all persons beneficially owning more than five percent (5%) of any class of the issuer's equity securities. To the extent not otherwise disclosed, if any of the above shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.*

Title Of Class	Name, Address Of Beneficial Owner And Position(1)	Shares Of Common Stock	Percent Of Class(2)
Common	Larry Hornbrook CFO	164,975	1.27%
Common	Ken Lehrer Sr. Economist, Director	562,587	4.34%
Common	Mark Vance Director	219,364	1.69%
Common	Waylan R. Johnson President	1,482,518	11.43%
Common	Ariane Cox VP & Secretary	35,199	0.27%
Common	Dayton Wheeler Director	72,919	0.56%
	All directors and officers as a group (6 persons)	2,537,562	19.56%

**Item XV 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. Promoters** -None

**3. Counsel**

Name: Robert Sonfield, Jr.  
 Firm: Sonfield & Sonfield  
 Address: 770 South Post Oak, Ste 435, Houston, TX 77056  
 Phone: 713.877.8333

**4. Accountant or Auditor** - *the information shall clearly (i) describe if an outside accountant provides audit or review services, (ii) state the work done by the outside accountant and (iii) describe the responsibilities of the accountant and the responsibilities of management (i.e. who audits, prepares or reviews the issuer's financial statements, etc.). The information shall include the accountant's phone number and email address and a description of the accountant's licensing and qualifications to perform such duties on behalf of the issuer.*

Firm: GBH CPAs, PC  
Address: 6002 Rogerdale, Suite 500, Houston, TX 77072  
Phone: 713.482.0000  
Email: info@gbhcpas.com  
CPA firm licensed in Texas, PCOAB Registered  
Audit services

Firm: Schmuck, Smith, Tees & Co, PC  
Address: 3500 Washington Ave, Ste 200, Houston, TX 77007  
Phone: 713.880.4900  
CPA firm licensed in Texas  
Monthly accounting and quarterly compilations

**5. Public Relations Consultant(s)** –  
None

**6. Investor Relations Consultant**

Name: Tony Drake  
Firm: Phoenix IR Associates, Inc.  
Address: 21523 Indigo Hill Lane, Katy, TX 77450  
Phone: 281.579.1602  
Email: shareholders@aztecog.com

**7. 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.*

Firm: Schmuck, Smith, Tees & Co, PC  
Address: 3500 Washington Ave, Ste 200, Houston, TX 77007  
Phone: 713.880.4900  
Licensed in Texas

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

During 2011, Aztec issued 886,907 shares of common stock valued at \$216,460 to various consultants and directors for services rendered during the fiscal years ending August 31, 2010 and August 31, 2011. These shares are not restricted at this time and were issued pursuant to the exemption from registration set forth in Rule 506 of the Securities Act.

**Item XVIII Material Contracts**

*A. Every material contract, not made in the ordinary course of business, that will be performed after the disclosure statement is posted through the OTC Disclosure and News Service or was entered into not more than two years before such posting. Also include the following contracts:*

*1. Any contract to which directors, officers, promoters, voting trustees, security holders named in the disclosure statement, or the Designated Advisor for Disclosure are parties other than contracts involving only the purchase or sale of current assets having a determinable market price, at such market price;*

None.

*2. Any contract upon which the issuer's business is substantially dependent, including but not limited to*

*contracts with principal customers, principal suppliers, and franchise agreements;*

None.

*3. Any contract for the purchase or sale of any property, plant or equipment for consideration exceeding 15 percent of such assets of the issuer; or*

None.

*4. Any material lease under which a part of the property described in the disclosure statement is held by the issuer.*

None.

*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.*

None.

*C. The following management contracts or compensatory plans need not be included:*

*1. Ordinary purchase and sales agency agreements;*

None

*2. Agreements with managers of stores in a chain organization or similar organization;*

None

*3. Contracts providing for labor or salesmen's bonuses or payments to a class of security holders, as such; and*

None.

*4. Any compensatory plan that is available to employees, officers or directors generally and provides for the same method of allocation of benefits between management and non-management participants*

None.

#### **Item 9 Certifications.**

I, Waylan Johnson., certify that:

1. I have reviewed this Annual Disclosure Statement of Aztec Oil & Gas, 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 the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

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

By: //s// Waylan Johnson

Waylan Johnson

Date: March 21, 2013

I, Larry Hornbrook, certify that:

1. I have reviewed this Annual Disclosure Statement of Aztec Oil & Gas, 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 the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

By: //s//Larry Hornbrook

Larry Hornbrook

Date: March 21, 2013

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, Aztec Oil & Gas, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant)

**AZTEC OIL & GAS, INC.**

Date: March 21, 2013

By: /s/ Waylan R. Johnson

Name: Waylan R. Johnson

Title: President

Date: March 21, 2013

By : /s/ Larry A. Hornbrook

Name: Larry A. Hornbrook

Title: Chief Financial Officer

Date: March 21, 2013

By : /s/ Ken Lehrer

Name: Ken Lehrer

Title: Sr. Economist, Director

Date: March 21, 2013

By : /s/ Mark Vance

Name: Mark Vance

Title: Director

Date: March 21, 2013

By : /s/ Dayton F. Wheeler

Name: Mark Vance

Title: Director