

# **QUEST OIL CORPORATION**

## **Second Amended Quarterly Report (For the period ending September 30, 2010)**

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**\* This Second Amended Quarterly Report amends Items II and V.**

**Item I            The exact name of the issuer and its principal offices.**

Quest Oil Corporation (sometimes referred to hereinafter as the “Company”)  
222 Sidney Baker South  
Suite 350H  
Kerrville, Texas 78028  
830-257-0777 Phone  
830-895-7881 Fax

**Item II            Shares outstanding.**

Capital Structure as at September 30, 2010

Common Stock

Authorized	14,998,000,000
Issued and Outstanding	14,998,000,000 <sup>†</sup>
Public Float	8,370,757,457 <sup>††</sup>
Shareholders of Record	317

Preferred Stock

Authorized	5,000,000
Issued and Outstanding	413,397

Series B Preferred Stock

Designated	1,000,000*
Issued and Outstanding	100,000

Series C Preferred Stock

Designated	1,000,000*
Issued and Outstanding	313,497

<u>Reserved and Escrowed Shares</u>	6,584,406,000**
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<sup>†</sup> Since the date of our first amended Quarterly Filing on October 20, 2010, the Company has issued an additional 6,465,948,781 shares. 5,000,000,000 shares that were previously reserved pursuant to a mutually agreed and court approved settlement for 25 secured noteholders, were issued, on a pro-rata basis, to the secured noteholders and the remaining 1,465,948,781 shares were issued to Company CEO Joseph F Wallen. As we describe in the Legal Proceedings (Section V), we are obligated to issue an additional 5,000,000,000 common shares to Mr. Wallen once we are able to amend our Articles of Incorporation.

<sup>††</sup>We define “Public Float” as the number of “Freely Tradable Shares,” consistent with Item VI subsection (iv) of the Pink OTC Markets “Guidelines for Providing Adequate Current Information.” Our current Public Float is derived from our *Shareholder List* dated October 19, 2010, provided to the Company by Action Stock Transfer, the Company’s registered transfer agent under the section “Free Trading Shares.”

\*The Company designated a total of 1,000,000 Series B Preferred Stock and 1,000,000 Series C Preferred Shares. For a complete description of these shares please refer to pages 3-8 of the Company’s Annual Report as filed with OTC Markets (Pink Sheets) on July 12, 2010. 3,000,000 Preferred Shares remain authorized and available for designation.

\*\*These common shares are held at Action Stock Transfer, in the name of Quest Oil Corporation, are owned and under dispositive control and may only be voted by Quest Oil Corporation. They are reserved as collateral

for agreements the Company reached with various parties in order to settle Company debts which may be paid in cash at the Company's election. 3,545,750,000 shares are reserved for King Capital Corporation ("KCC") pursuant to a settlement agreement reached on September 17, 2009, which is described on page 29 of the Company's March 31, 2010 Annual Report filed with Pink Sheets. 3,288,656,000 shares are reserved for Recovery Partners I, LP ("RPI") pursuant to a settlement agreement reached on May 29 2009, which is described on pages 28 and 29 of the Company's March 31, 2010 Annual Report. The reservation of shares related to KCC relate to the settlement of a controversy relating to the Company's acquisition of its Canadian assets which are further described in Item IV (c) (2) b herein. The reservation of shares for RPI relate to a controversy arising from the Company's nonperformance and default on a promissory note. The Company owes KCC and its assignees \$848,109. The Company owes RPI and its assignees \$610,275. Pursuant to a mutually agreed and court approved settlement, the Company may pay obligations to KCC or RPI in cash or with common shares. The Company will receive a dollar-for-dollar credit on all payments made in cash and a credit of \$.0001944 for every common share of stock it tenders as payment.

Review of the Company's information disclosed on PinkSheets.com as well as on the US Securities & Exchange Commission website ([www.sec.gov](http://www.sec.gov)) will complete the picture of the Company's precarious balance sheet and financial situation.

#### Potential New Issuances

As a part of its October 7, 2009 Settlement Agreement and Release, the Company agreed that other than all previous commitments regarding its common and preferred stock, that until October 7, 2012 all issuances of its common stock would be issued as restricted. Further, the Company agreed that all common stock issuances should be cleared as free trading shares *only* pursuant to a registration of such shares in an effective Registration Statement filed with the Securities and Exchange Commission under the Act or pursuant to Rule 144 of the Act and shall bear a restrictive legend.

To the extent the Company is unable to make payments in cash to its lenders and those it is owes money to, and the Company makes such payments in stock, this will cause significant dilution to our shareholders. Historically, because of the Company's balance sheet and perilous financial situation, the Company has made such payments in stock.

See Section V under Legal Proceedings for additional description of the transactions underlying 5,000,000,000 common shares that are "to be issued" to Mr. Wallen.

#### Top 11 Quest Oil Corporation Shareholders of Record†

Name of Shareholder	Number of Shares
Joseph F. Wallen	1,565,967,602
Vicis Capital, LLC	833,333,336
Rock Hill Partners, LLC	433,333,331
Navigator Management Ltd., Double U Master Fund, LP	416,666,667
Enable Growth Partners, LP	333,333,333
SRG Capital LLC, Gerber Capital Management	312,500,000
Bristol Investment Fund, Ltd.	250,000,000
JGB Capital, LP	250,000,000
LH Financial Services Corp Alpha Capital Aktiengesellschaft	250,000,000
Nite Capital LLC	250,000,000

SDS Capital Group SPC	250,000,000
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†This excludes 6,584,406,000 Reserved and Escrowed Shares listed in Section II. Pursuant to the related Escrow Agreement, the Company owns, controls and votes all settlement shares.

### Issuances Within the Last Three Years

Between September 2007 and the date of this filing, and other than as set forth above, the Company made the Common Stock and Preferred Stock share issuances set forth on the chart below to the persons and in such amounts as set forth opposite their respective names. **Based on information provided directly by the Company and without independent review, none of the persons receiving shares during such period were engaged for investor relations or stock promotional activities and, to the best of our and the Company's knowledge, said persons are not deemed "control persons" in that they received their securities for other services or from investments. None of such persons were "...person[s] who obtained securities of the Issuer in connection with a negotiation with the Issuer within the three-year period prior to the date of ..." this filing.**

This chart shows issuances: (a) made between October 20, 2010 and the date of this filing, and (b) issuances we are obligated to make in the future should we amend our Articles of Incorporation and increase our authorized common stock.

Why did we issue these shares?								
Shareholder	Date Issued	Number/Type of Shares	Pymt of Debt	Prof Fees	Share Exchg	Consulting (Promotion)	Asset Purch	Unknown
AJW Offshore, Ltd. By First Street Manager II, LLC 1044 Northern Blvd Roslyn, NY 11576	12/01/10	163,750,000	x					
AJW Partners, LLC by SMS Group, LLC 1044 Northern Blvd Roslyn, NY 11576	12/01/10	38,125,000	x					
AJW Qualified Partners, LLC by AJW Manager, LLC 1044 Northern Blvd Roslyn, NY 11576	12/01/10	106,250,000	x					
New Millenium Capital Partners II, LLC by First Street Manager II, LLC 1044 Northern Blvd Roslyn, NY 11576	12/01/10	4,375,000	x					

Bristol Investment Fund, Ltd. 10990 Wilshire Blvd Ste 1410 Los Angeles, CA 90024	12/01/10	250,000,000	x					
DKR Soundshore Oasis Holding Fund Ltd. /Oasis DKR Management Company 1281 E Main St Stamford, CT 06901	12/01/10	150,000,000	x					
Enable Growth Partners, LP One Ferry Bldg Ste 255 San Francisco, CA 94111	12/01/10	333,333,333	x					
Enable Opportunity Partners, LP One Ferry Bldg Ste 255 San Francisco, CA 94111	12/01/10	83,333,333	x					
Gemini Master Fund, Ltd. 35 Waterview Blvd Parsippany, NJ 07054	12/01/10	125,000,000	x					
JGB Capital, LP 660 Madison Ave 21 <sup>st</sup> Fl New York, NY 10021	12/01/10	250,000,000	x					
LH Financial Services Corp Alpha Capital Aktiengesellschaft 160 Central Park S Suite 2701 New York, NY 10019	12/01/10	250,000,000	x					
Navigator Management Ltd., Double U Master Fund, LP – Broad & Wall Equities 44-24 16 <sup>th</sup> Ave Brooklyn, NY 11204	12/01/10	416,666,667	x					
Navigator Management Ltd., Harborview Master Fund, LP 850 Third Ave Ste 1801 New	12/01/10	125,000,000	x					

York, NY 10022								
Navigator Management Ltd., Monarch Capital Fund, Ltd. Krieger & Prager LLP 39 Broadway Ste 1440 New York, NY 10006	12/01/10	125,000,000	x					
Nite Capital LLC, Nite Capital, LP 100 E Cook Ste 201 Libertyville, IL 10006	12/01/10	250,000,000	x					
OTA, LLC - F. Berdon Co., LP One Manhattanville Rd Purchase, NY 10527	12/01/10	31,250,000	x					
OTA - Paul Masters, IRA One Manhattanville Rd Purchase, NY 10527	12/01/10	31,250,000	x					
Platinum Partners, LLC 152 W 57 <sup>th</sup> St New York, NY 10271	12/01/10	187,500,000	x					
RNK Capital LLC, Grey K Fund, LP 527 Madison Ave 6 <sup>th</sup> Fl New York, NY 10022	12/01/10	72,500,000	x					
RNK Capital LLC, Grey K Offshore Fund, Ltd 527 Madison Ave 6 <sup>th</sup> Fl New York, NY 10022	12/01/10	52,500,000	x					
Rock Hill Partners, LLC RHP Master Fund, Ltd Three Bala Plaza E, Ste 585 Bala Cynwyd, PA 19004	12/01/10	433,333,331	x					
SDC Capital, Ellis International Ltd, Inc. 20 E Sunrise Hwy Ste 302 Valley	12/01/10	125,000,000	x					

Stream, NY 11581								
SDS Capital Group SPC Ltd. 53 Forest Ave 2 <sup>nd</sup> Fl Old Greenwich, CT 06870	12/01/10	250,000,000	x					
SRG Capital, LLC, Gerber Capital Management 120 Broadway 40 <sup>th</sup> Fl New York, NY 10271	12/01/10	312,500,000	x					
Vicis Capital LLC 126 E 56 <sup>th</sup> St Ste 700 New York, NY 10022	12/01/10	833,333,336	x					
Joseph F. Wallen 811 Vestal Dr PO Box 1221 Fredericksburg, TX 78624	12/01/10	1,465,948,781	x					
Joseph F. Wallen 811 Vestal Dr PO Box 1221 Fredericksburg, TX 78624	12/01/10	5,000,000,000 (to be issued)	x					

This chart shows all issuances made by the Company for the prior three years, up to October 20, 2010.

			Why did we issue these shares?					
Shareholder	Date Issued	Number/Type of Shares	Payment of Debt	Professional Fees	Share Exchange	Consulting (Promotion)	Asset Purchases	Unknown
Ivan Bebek 3135 Travers Ave West Vancouver, BC Canada V7V1G4	04/16/10	1,200,000 Common	x					
AMT Distribution Centre Inc. 605-1500 W Georgia St Vancouver, BC Canada V6G2Z6	06/02/10	4,500,000 Common			x			
Asian Exposition Canada, Inc. 605-1500 W Georgia St Vancouver, BC Canada V6G2Z6	06/02/10	4,500,000 Common			x			
Yumiko Ayukawa 6-15151 26th Ave Surrey, BC Canada V4P2Z8	04/16/10	200,000 Common	x					

XIX Distribution Ltd. 605-1500 Georgia St Vancouver, BC Canada V6G2Z6	06/02/10	4,500,000 Common			x			
Joseph F. Wallen 811 Vestal Dr PO Box 1221 Fredericksburg, TX 78624	07/02/07	18,821 Common		x				
W A & Lillian Walker 1777 Rocky Rd Blanco, TX 78606	06/08/07	500,000 Common		x				
Mike Rowe Box 8139 Covington, WA 98042	09/02/08	3,000 Common						x
Sapphire Investment Holdings	07/19/07	3,823 Common						x
QLX Distribution Ltd. 605-1500 Georgia St Vancouver, BC Canada V6G2Z6	06/02/10	4,500,000 Common			x			
Quest Oil Corp 222 Sidney Baker Street South, Suite 350H Kerrville, Texas 78028 Collateral for Recovery Partners I, LP Settlement Agreement	07/20/09	3,950,000,00 0 * Common	x					
Quest Oil Corp 222 Sidney Baker Street South, Suite 350H Kerrville, Texas 78028 Collateral for King Capital Corporation Settlement Agreement	10/07/09	4,350,000,00 0 * Common	x					
Stanley Jerome Pawlik 1217 Cape Coral Pkwy E Cape Coral, FL 33904	05/02/07	500 Common						x
North American Asian Pacific Trade Association Inc. 605-1500 Georgia St Vancouver, BC Canada V6G2Z6	06/02/10	4,500,000 Common			x			
Barbra Manson 8531 N 85th St Scottsdale, AZ 85258	06/21/10	250,000 Common		x				
William E. Laub Sr. 33 Birch Hill Rd W. Brookfield, MA 01585	09/03/07	10,000 Common						x
Lost Horse Ranch LLC 9588 Lost Horse Ln Kuna, ID 83634	06/21/10	2,000,000 Common	x					
Jr McAllister 513 North Shore Dr Cisco, TX 76437	08/17/10	10,000,000 Common					x	



King Capital Corporation 1571 Bellevue ave Suite 201 West Vancouver, BC Canada V7V1A6	06/02/10	1,983,333 Common	x					
Gibraltar Global Securities Inc. 214 Lagoon Crt Sandypoint Nassau, Bahamas	07/26/10	1,000,000 Common	x					
Frank Grabs 513 North Shore Dr Cisco, TX 76437	08/17/10	10,000,000 Common		x			x	
Elco Securities Ltd Loyalist Plaza Don Mackay Blvd Marsh Harbour Abaco, Bahamas	06/21/10	1,000,000 Common	x					
Rumman Faruqi 145 Chatsworth Court Pembroke Rd London, UK W8 6DN	03/20/08	65,000 Common						x
Joseph D. Devigili 1082 SW 42nd Ter Deerfield Beach, FL 33442	04/21/09	1,500 Common						x
Andrew A. McDermott 803 Tennessee St Graham, TX 76450	05/07/10	10,000,000 Common					x	
Amanda Francis	06/02/10	9,999 Preferred C			x			
Haywood Securities, Inc.	06/02/10	60,000 Preferred C			x			
Mai Nishimura	06/02/10	10,000 Preferred C			x			
Robert Kirstiuk	06/02/10	60,000 Preferred C			x			
Drew Davis 5522 Ocean Place West Vancouver, BC Canada V7W1N8	04/16/10	50,000 Preferred C			x			
Barry McClure 201-1571 Bellevue Ave West Vancouver, BC Canada V7V1A6	04/16/10	100,000 Preferred C			x			
Christopher Torr 19022 Hartland Street Reseda, CA 91335	04/16/10	600,000 Preferred C			x			
Darren Van Unen 3475 Mathers Ave West Vancouver, BC Canada V7V2K8	04/16/10	500,000 Preferred C			x			
Eric Christiansen 4833 Vista Place West Vancouver, BC Canada V7W3E7	04/16/10	100,000 Preferred C			x			
Pink Holdings Inc 2923 Tower Hill Ave West Vancouver, BC Canada V7V4W6	04/16/10	180,000 Preferred C			x			

Robert Reid 9818 198B Street Langley, BC Canada V1M2X5	04/16/10	1,000,000 Preferred C			x			
Shenelle Management Ltd. 1661 West 5th Ave Vancouver, BC Canada V6J1N5	04/16/10	1,000,000 Preferred C			x			
Recovery Partners I, LP 2038 Corte Del Nogal #110 Carlsbad, CA 92011	05/29/09	100,000 Preferred B	x					

\* The Company has and may direct transfers of these shares in lieu of a cash payment pursuant to court approved Settlement Agreements in order to pay Company debts.

### Additional Reserved Shares Information

<b>Lender</b>	<b>Debt/Note Balance **</b>	<b>Payments (Cash)</b>	<b>Payments (Stock)</b>	<b>Collateral Shares for Debt</b>
King Capital Corporation	\$848,109	-	192,296	3,545,750,000
Recovery Partners I, LP	\$610,275	-	157,725	3,138,656,000
			-	
			5,000,000,000	
Secured Noteholders*	\$4,887,476	1,352,524	†	0
<b>Total</b>	<b>\$6,345,860</b>	<b>\$1,352,524</b>	<b>\$350,021</b>	<b>11,684,406,000</b>

\* Cash payments of \$1,200,000, and a credit of \$152,524 related to a receivership liquidation of certain assets.  
The Note balance does not include accrued interest of \$3,326,358

\*\*At September 30, 2010

†This represents the value of \$7,500,000 at the current trading price of .0015 per share. We will continue to carry the debt amounts to the secured noteholders on our books based on the cash value owed less (a) cash payments made and (b) common stock payments made through the conversion of debt to equity.

## **Item III Interim Financial Statements.**

### **Quest Oil Corporation**

## **Consolidated Financial Statements**

**(Unaudited – See Notice to Reader)**

**September 30, 2010**

Notice to Reader

Balance Sheet	Statement 1
Statement of Income	Statement 2
Statement of Cash Flows	Statement 3
Statement of Stockholders' Equity	Statement 4

Notes to Financial Statements

### **Item IV          Management's Discussion and Analysis or Plan of Operation.**

#### **A. Introduction and Summary**

We are in the business of trying to produce oil from sub-surface lease rights to typically underappreciated oil and gas bearing properties, some of which have existing wells drilled and others that are un-drilled. Some existing wells we have access to require significant "work-over" efforts in order to bring on or increase oil production, and others require very little resources.

In a nutshell, we pump crude oil and sometimes natural gas out of the ground, pay for all of the related and myriad of costs for doing so, and we market our crude oil and natural gas to purchasers. Typically we are paid by the crude oil and natural gas purchasers a number of days or weeks later. We can request payment on an expedited basis; however, we pay a small fee for doing so. Delays in payment for our crude oil and natural gas sometimes cause “cash flow” issues. Bottom line - the more oil we pump out of our wells on our properties, and the more we control our costs of executing on the removal of the oil and the other costs we incur every day (salaries, replacement of oil well components, etc.), the more money we make.

As of the date of this filing, we had approximately 9 wells producing approximately 14 barrels of oil per day. The last sale of oil we made yielded \$72.00 per barrel. Although these numbers change from time-to-time, this is a good estimate of what we bring in (in cash) on a day-to-day basis from oil and sometimes natural gas sales.

Our oil and gas production varies depending on a number of operational issues. For example, our production might go down if a pump or well goes bad. Conversely, if we were to add a pump or motor to a non-producing well, our production for a given period might increase. We do produce oil and we do sell oil.

During the July 1, 2010 to September 30, 2010 quarterly period, we sold about 320 barrels of oil at an average price of \$68.00 per barrel. We spent about \$24,000 during this same period to run our business. This equates to about \$75.00 in costs for every barrel of oil we sold. Because we spent more money than we took in, we operated at a loss, and we required additional cash in order to run our business and grow in terms of the number of barrels of oil we were able to produce, including maintaining the present production levels that give us the cash flow that we have. We would give ourselves a below average “grade” if we were teachers. We can do better.

Going forward, we need to do a better job of controlling costs and getting more cash in our bank account from oil and gas sales from properties we have under lease. We also are interested in acquiring new assets that are operated more efficiently. We are also interested in bringing on more and better managers. To the extent we do this, we will hopefully be able to raise additional capital and put new investment money “into the ground” and increase the number of barrels of (and gas equivalent) oil we are able to sell. If our top line revenues increase (from oil or gas sales or from other means) and our costs of operating related to a “per barrel of oil” measure are reduced, then we will be much more successful as a business than we have been historically. We are hopeful, but cannot guarantee, that we will be able to offer a better performance to our stakeholders.

#### B. Additional Discussion and Presentation

The presentation below represents what is potentially available to the Company. This is to say, that if we had a cleaner balance sheet, stronger management and more capital, we could take advantage of these opportunities more expeditiously and with greater potential for success. Realistically though, we have a problematic balance sheet, little new capital and troublesome security arrangements with legacy lenders. We also have not performed as a management group as well as we believe we are capable of. Therefore, we will and must move – operationally – at a much more cautious pace as we do our best to create as much value for our stakeholders as we can.

#### C. Plan of Operation.

Quest Oil Corporation is an independent oil and gas company with a primary focus on acquiring, developing and participating in U.S. and Canadian crude oil and natural gas properties. Our philosophy in regards to acquisition of any properties, joint-venture deals or farm-ins has historically and continues to be operating the properties ourselves unless we can team with a quality partner. We are currently focused on an aggressive M&A growth strategy that includes the acquisition of small to mid tier target oil and gas exploration companies with significant growth potential.

Presently, the Company is focused on its United States Oil and Gas assets.

### Our CEO's Biography, Mr. Joe Wallen

Mr. Wallen is a Graduate of the University of Texas at San Antonio Business School with a Bachelor of Business Administration degree, with concentration in accounting, in 1978 and has spent the last 30 years performing operations, administrative functions and accounting functions from general ledger to financials for numerous mid-tier oil and gas companies. Although his main focus has been in the Texas oil and gas industry, Mr. Wallen has worked in the prolific Altamont-Bluebell Field in the Uintah Basin of Utah. He handled the financial and field operations for Roadrunner Oil Inc, an independent operator. His duties included the monthly government filings, maintaining daily communications with field personnel, internal accounting and lease operation. Mr. Wallen is well placed to understand the intricacies of oil and gas accounting and field operations. Mr. Wallen performed consulting for Tauren Exploration (Texas) in February 1992 and through 1997 where he was responsible for all accounting and general ledger functions of the company, including the field operations, communications and scheduling of field personnel and the drilling and production of the oil/gas leases, all monthly government filings. In June 1997, Mr. Wallen joined Road Runner Oil Inc (Utah) where he was responsible for all administrative operations of the oil field in the Uintah County, Utah through August 2002. After the sale of the Road Runner properties, Mr. Wallen consulted for several oil and gas companies in operations and financial functions from August 2002 until March 2004. In March 2004 Mr. Wallen started his own company known as Wallstin Petroleum and in August 2005 Mr. Wallen merged with Quest Oil Corporation. In January 2007 Mr. Wallen acquired B&B Oil, Inc. and established Mason Oil & Gas, LLC acquiring his own oil and gas properties.

### 1. Share Exchange

On August 8, 2010, the Company completed a share exchange transaction with B&B Oil, Inc. Pursuant to the share exchange transaction, for 100,000,000 of our restricted common shares, B&B Oil exchanged all of its outstanding shares, giving Quest Oil a 100% equity interest in and title to B&B Oil's assets, subject to commitments made by B&B Oil to the same assets.

We purchased B&B Oil, Inc. subject to the interests of the senior lenders of B&B Oil, Inc., who maintain a (1) senior lien on B&B's Oil and Gas assets (leases and equipment) and (2) our stock in B&B Oil, Inc.

Incorporated in the State of Texas in June 2004, B&B Oil Inc. primarily focused on the exploration and development of proven oil and gas properties. From 2007 to the date of the exchange, B&B Oil acquired oil and gas leases that consist of approximately 560 acres in Hawkeye Field and approximately 398 acres in the Midkiff Field in Eastland County, Texas. These properties include wells that are currently productive, and numerous prospects that the Company believes warrant further development. Productive wells on the leases will require relatively modest capital expenditures to generate cash flow from production. From this exchange, the Company plans to implement a development strategy that will combine proven producing wells, new developmental wells, and highly predictable reworks, thereby diversifying exploration and development expenditures with the intent to maximize returns and minimize risk.

### 2. Our Properties

Below lists our current property interests; however, we are currently in negotiations to acquire, or in the alternative, enter into joint-venture deals or farm-ins deals on several additional U.S. properties. We are currently seeking to acquire assets or shares of entities actively engaged in businesses which generate revenue. We currently produce de minimus revenues and are unable to satisfy our current cash requirements to continue as an operating company. As such, current management believes additional funding will be required in order for the company to survive as a going concern and to finance growth and to achieve our strategic objectives. In addition to our oil and gas plays, management is actively pursuing additional sources of funding. If we do not

begin to produce revenues or raise sufficient funds in the future, we may not be able to fund expansion, take advantage of future opportunities, meet our existing debt obligations or respond to unanticipated requirements. Financing transactions in the future may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. We intend to retain any future earnings to retire any existing debt, finance the expansion of our business and any necessary capital expenditures, and for general corporate purposes.

We have several oil and gas acquisitions in various negotiation stages and are investigating various opportunities to determine whether or not they will add value to the Company for the benefit of our shareholders. Our Board of Directors intends to obtain certain assurances of value of the target entity's assets prior to consummating such a transaction. Any possible business combination or transaction may result in a significant issuance of shares and substantial dilution to our present stockholders.

Our assets are located in either the United States or Canada.

a. **United States Assets**

**Hawkeye Property, Eastland County, Texas**

The Eastland County, Texas leases, "Hawkeye/Midkiff," consists of 11 oil leases totaling just over a thousand acres, more or less, with approximately 200 existing wells. This property consists of 1,070 acres consisting of 7 leases and 91 wells of which 69 are known producers, 16 are injection wells, and there are 8 water supply wells.

The Company owns 100% of the working interest with an average 73% net revenue interest in all the leases. Production on the Hawkeye/Midkiff occurs from the shallow Adams Branch Limestone in the Canyon Group at a depth of approximately 1,100 feet. Further analysis of the Hawkeye/Midkiff revealed that of the 200 existing wells there are approximately 140 capable of being placed on production. After the initial flush production, the estimated daily production per well on average was 4-5 barrels of oil per day.

Gleason Engineering prepared an estimate of proved hydrocarbon liquid and gas reserves, and future production rates as of March 31, 2006 attributable to certain shut-in wells and drilling opportunities, which were been acquired by Quest Oil Corporation. The following is what was discovered:

**Production & Development History**

The first wells drilled to test the Adams Branch Sand within the study area were drilled in 1982. Throughout the 1980's, Quest's research indicated that more than two hundred (200) wells were drilled and successfully completed in the Adams Branch Sand. Quest's records suggest that there are currently eleven (11) active producing wells and one hundred sixty-six (166) wells available for production reactivation while nineteen (19) are completed as injection wells. Another twenty-four (24) have been plugged and abandoned.

In contrast to the above, the Railroad Commission of Texas indicated that one hundred fifty-six (156) wells are indicated to be open with fifteen (15) classified as injection wells. Additionally, well test records indicate that one hundred ten (110) wells had indications of production from well test records such that reserves can be reliably estimated in accordance with generally accepted standards. This leaves fifty-nine (59) wells for which no well or test data were identified.

As of the close of the Fiscal Year, full time production operations were not yet established.

**Future Production Rates**

Initial production rates were based on a review of well test records available from the files of the Texas Railroad Commission. At the time there were eleven (11) wells producing from the field. Test data and other related

information was used to estimate the anticipated initial production rates for those wells that could reasonably anticipated to be returned to production. Those wells for which well tests were lacking or unavailable were not considered to be viable for reactivation. This is not to suggest that these wells cannot be returned to production, but rather that data were not available to ascertain with a suitable degree of certainty, the likelihood of returning the wells to production. Should future testing and evaluation indicate that the, currently lacking test data, are viable production candidates, then it is possible that an additional reserve volume could be added to these properties.

### Reserve Estimates

In general, the reserves for the wells and locations reviewed by Gleason Engineering were estimated utilizing generally accepted engineering practices. An analysis and interpretation of production history, test records, and geologic mapping were conducted to assist in the estimate of recoverable reserves from the captioned leases. Conclusions derived from a study of these records indicated that reserve recovery per well could range from about 8,500 gross barrels to 6,200 gross barrels and average about 7,000 barrels per well for the wells with reserves classified as Proved Undeveloped or Probable.

As indicated above there are reported to be another group of wells in the subject leases which may be able to be returned to production. If additional study warrants and testing indicates the feasibility of such, operations could be initiated to place these wells on production. As stated above, if the wells are found to be productive, then the reserve volumes that may be realized could be comparable to the oil volumes reported above. However, the current absence of any quantified engineering data precludes the assignment of reserves to these wells at this time.

As a final consideration, the estimates of producing rates and reserves by Gleason were lower than those represented by the Company. Generally accepted engineering practice requires the reliance on quantified and verifiable data in reaching a conclusion regarding reserve volumes.

### Capital Requirements

The Reserves presented in the Table of Estimated Gross Remaining Reserves are grouped into two categories. Those categories are, Proved Undeveloped and Probable. These two categories correspond to SPE reserve definitions as outlined below.

In the case of all reserves reported, there is an expectation that certain capital expenditures may be required to realize the production of the Oil Volumes Estimated. Quest Oil Corporation had estimated that a capital investment of \$8,500 per well would adequately cover the costs of returning the subject wells to production. This estimate was based on expenditures incurred on twelve (12) wells, which were being reactivated at the time of this report. Gleason Engineering accepted these estimates as represented and has made no investigation as to the validity of Quest's assumptions in this regard.

### Reserves

The summary table below presents the estimated net remaining proved reserves as of March 31, 2006 reviewed by Gleason Engineering. Hydrocarbon liquid volumes are expressed in standard 42 gallon barrels and are comprised of crude oil, condensate and natural gas liquids. All sales gas volumes are expressed in thousands of cubic feet (MCF) at the official temperature and pressure bases of the areas where the gas reserves are located.

## Estimated Gross and Net Remaining Reserves

Attributable to Certain Wells  
**Eastland County, Texas**  
As of March 31, 2006

<u>Reserve Category</u>	Gross Oil Volumes (bbl)	Net Oil Volumes (bbl)	Gross Gas Volumes (mcf)	Net Gas Volumes (mcf)	Future Net Cash Flow (\$)	PV @ 10% (\$)
Proved Producing	34,008	27,108	0	0	781,735	513,616
Proved Non- Producing	76,227	59,238	0	0	1,942,788	908,461
Proved Undeveloped	395,082	303,745	0	0	10,653,026	4,575,991
Total Proved	505,317	390,091	0	0	13,377,549	5,998,068
Probable	192,925	153,285	0	0	4,539,249	1,924,443
Total Proved & Probable	698,242	543,376	0	0	17,916,798	7,922,511

2010 Survey, Hawkeye-Midkiff

Additionally in 2010, Quest Oil had another survey done on the property. Hydrocarbon Imaging Services, Inc. (“HIS”) performed a georadiometric survey on the Hawkeye-Midkiff Lease for B & B Oil, Kerrville, Texas. This technology is not a generally accepted industry standard in making determinations regarding oil and gas lease asset values. HIS did an extensive and thorough traverse of the Hawkeye-Midkiff Lease on July 17, 2010. HIS was asked to evaluate the radiometric anomalies of the Hawkeye-Midkiff Lease as well as provide an overall assessment.

Hawkeye-Midkiff: Well Locations

There are over 100 well bores on the indigenous property of the Hawkeye-Midkiff with 35 wells currently equipped for production. Most of the wells were drilled into the shallow Cross Cut sand. The future reservoir target will be the deeper Barnett Shale or Ellenberger. Historical cums on these wells are being compiled and will be available in the near future.

Hydrocarbon Anomalies

Specific to the Hawkeye-Midkiff Lease, HIS found adjusted radiation intensities ranging from 80 cps to 160 cps of gamma ray radiation. HIS found the Hawkeye- Midkiff Lease holding significant commercial hydrocarbons. The survey identified other “Areas of Interest” off lease that might be areas to investigate for future leasing and drilling expansion. HIS also identified the individual leases that make up the Hawkeye-Midkiff field.

Geology Overview

With the Cross Cut-Cisco Sand being the main producing formation at the Hawkeye-Midkiff and surrounding leases, the survey references a number of outstanding studies for review and consideration. In most cases, the studies involve the Barnett Shale and the Bend Arch area as the primary area of focus. However, the Marble Falls and Ellenberger limestone formations “bracket” the Barnett Shale. Therefore, the Barnett Shale is



mentioned and its importance as a hydrocarbon reservoir is certainly validated. The geologic time scale is depicted in detail and revealed the interaction of the hydrocarbon development in a unique way.

### Hawkeye-Midkiff General Area

It is the opinion of HIS that the Hawkeye-Midkiff field contains a gas-rich oil zone (high GOR- Gas Oil Ratio) deeper than has been previously drilled with the Barnett Shale being the source rock. The report surmised that the deepest well in the Hawkeye-Midkiff Field was drilled to the Marble Falls formation which sits **directly above** the Barnett Shale. In its estimation, there are two main factors involved in the lack of an aggressive exploitation program for the Barnett Shale in this area: The acreage is too “checker-boarded”—no large contiguous acreage plays. This also hurts the “long horizontal lateral” mentality of the majors. In addition, the formation is too shallow to “make the bend” for horizontal drilling.

### Reserve Estimates

HIS developed a procedure to estimate initial or remaining reserves based upon the reduction of radiation below 180 counts per second. HIS can establish the area of any lease which has 180 counts per second or lower. This further establishes the commercial or non-commercial quantity of hydrocarbons depending upon drilling and/or development costs.

HIS condenses the overall property into three primary areas of reserves that correlate into recovery factors. The estimates focus on 180 cps (non-commercial in all cases), 150 cps (above average reserves; commercial for medium depth wells; primary recoveries should be consistent with industry averages), and 140 cps (between 120-140 cps equates to excellent recoveries). Using surface recorded radiation and volumetric procedure, HIS determined that the remaining reserves are estimated to be the following: (Note: “M” equals million)

Oil Reserves: Hawkeye-Midkiff Field:

180 cps (OOIP) Reserves In Place-Acres 22.9 MBO (1045 acres) – non-commercial.

150 cps (Proved Possible) Reserves Recoverable 14.5 MBO (1044 acres) – above average.

140 cps (Proved Undeveloped) Reserves Recoverable 11.8 MBO (1043 acres) – excellent.

### Drilling Locations

The survey identified 3 prime drilling prospects in the immediate area based on the 10-20 acre spacing. This grouping should allow for future stimulation via gas and/or water injection. HIS, using the gas-rich Barnett Shale as the underlying reservoir for the reserve base, estimated the depth of the region as shallow as 2000’-3000’ feet. With HIS’ radiometric expertise, companies can prioritize its drilling activity with more reliability. Another tool HIS uses is the cross-sectional cut-away to illustrate the concentration of hydrocarbons and their drainage potential. This unique feature gives the producer a better idea when choosing drilling locations and also re-entry candidates. Certainly, the cross-sectional analysis can be helpful in designing water floods and other tertiary recovery methods.

### Stimulation Techniques for Shallow Barnett Shale Formations

HIS described the recent advancement and success of acid based radial jet drilling. Furthermore, HIS would recommend a subsequent “hot gas” displacement using a unique gas injection system as a “mini-frac” called the Hydraulic Gas Compressor or HGC. The HGC can inject hot gas during the radial jet-acid displacement system up to 4000 psig. This will allow micro channels to be opened and it will allow for an efficient cleanup of drilling fines. In essence, the radial jet drilling can accomplish more than most expensive “water fracs”. With the water-drive of the Ellenberger formation just below the Barnett Shale, the control factor of this newly improved technology can insure fewer, if any, water breakthroughs.

## Faulting & Trapping Structures

HIS found no evidence of significant trapping structures of the Hawkeye-Midkiff lease.

## Summary and Conclusions, 2010 Survey

The performed survey provided HIS enough information to come to the following conclusions:

1. Confirmed consistent hydrocarbon anomalies;
2. There are significant hydrocarbon reserves present throughout the Hawkeye-Midkiff Lease;
3. Confirmed Reserve anomalies with historical projections;
4. Identified potential drilling locations for the Hawkeye-Midkiff lease;
5. Identified proven stimulation techniques such as radial jet drilling, glycolic acid treatments, HGC hot gas displacement;
6. Identified possible additional acreage to be leased.

Hydrocarbon Imaging Services took historical radiometric technology to a more complete and reliable level. Historic documentation of radiometric's success ratio and interpretation averages are 75%-85% in its accuracy. HIS concluded that the ownership of the Hawkeye-Midkiff lease and their partners will find value and direction with its findings and interpretations of our 21st Century radiometric surveying.

## Parker County, Texas

On February 6, 2006 we entered into a joint venture participation agreement for a 4.5% interest in the Odum-Martin Ranch No. 1 horizontal well. The well is in the Newark East Field (Barnett Shale) in Southeast Parker County close to the Hood County border. Historical production for past twelve month period from this well has provided the Company an average of approximately \$1,546 in monthly revenues. This amount has continued for the past four years of operation and may diminish over time.

We plan to continue to search for U.S. based target properties which will support our hedging strategies directed towards offsetting the risks involved in our other projects. Major energy companies and large independents continue to focus their attention and resources toward the exploration and production of large fields and have been divesting themselves of their mature, smaller oil fields. These targets are often proven, mature oil fields that possess significant proved reserves. The recent economics of the oil and gas market have improved as prices have risen substantially, providing ample opportunities for smaller independent companies such as Quest to acquire and exploit mature North American petroleum leases. This focus on mature oil fields and proven gas reserves reduces exploration risks and logistical uncertainties inherent in these operations and should position us in a unique niche segment in the domestic oil and gas industry.

## **b. Canadian Assets**

The Company's target oil and gas plays consist of approximately 20,000 acres in three prolific gas regions of Southern Alberta, namely, Warner, South Taber and Diamond. An additional three natural gas wells are waiting to be tied-in to local infrastructure. Additional production of 150 BOED will be added once tie-in is completed in the Diamond region gas wells.

## Warner

The Company has a 40% working interest in 16.5 sections and 100% 1 section in the Warner area (approx. Twp. 5 Rge 17W4M), and this area offers the potential for stacked multi-zone production from the Barons, Medicine Hat, Bow Island and Belly River formations.

Reservoir mapping and overall well productivity suggests the Barons sand reservoir quality improves northwest along the trend. As a result of reduced sizes for spacing units the Company has locations for three new offset wells, and the development opportunity for over 50 shallow gas wells. A shallow gas mandate provides low risk and low cost drill program. The results are low levels of production with long life deliverability. Numerous wells in the Warner area have been in production over 15 years.

Based on the geological mapping there are also up to 14 Medicine Hat development locations to drill on 160 acres spacing on the Company's acreage, and with its' partners the Company has licensed and will be drilling two Medicine Hat wells as twin locations to the existing 15-29 and 12-30 by-passed well bores.

#### South Taber

In the South Taber area (approx. Twp. 9 Rge 17W4M) the Company has a 50% working interest in 640 acres of land (1 section), with the opportunity for three additional wells. Additionally, the Company believes the Milk River formation merits exploration in this area and intersects the larger Warner natural gas play.

#### Diamond

In the Diamond area (approx Twp. 10 Rge 23W4) the Company has a 50% operated working interest in 1920 acres of land (3 sections). In this area the Bow Island and Barons zones indicate sizeable potential. An exploration drilling location has been identified and is in the process of regulatory approval. At present the Company has three standing wells in place that have been deemed commercially viable.

#### c. Off-Balance Sheet Arrangements.

The Company does not have any off-balance sheet arrangements.

### **Item V            Legal proceedings.**

On October 29, 2010, a Complaint was filed against the Company in the United States District Court for the Southern District of New York, case Number 08 Civ. 10106 (AKH). The Complaint was filed by three secured noteholders acting in concert in which the Company had defaulted payment.

Thereafter, these noteholders filed a motion for an injunction that would force the Company to issue shares based on these secured notes at a per share price that is currently in dispute

After receiving notice of the subject lawsuit and injunction papers, Mr. Wallen exercised his rescission rights under Section 5.6 of the Share Exchange Agreement entered into between the Company and B&B Oil, Inc. Section 5.6 of this Agreement provides B&B Oil, Inc. and its shareholders, including Mr. Wallen, the immediate right to rescind the Agreement in the event certain creditors instigate legal action. On November 26, 2010, Mr. Wallen called an emergency meeting of the Board of Directors of the Company to discuss the orderly unwinding of the Agreement. Upon presentation of this issue of rescission, Mr. Wallen retired from the meeting, and the uninterested members of the Board presented Mr. Wallen with an offer to resolve the rescission issue, granting the Company a one-time waiver of his rescission rights, in consideration of an amendment to the Share Exchange Agreement. This amendment provides additional consideration to B&B Oil Inc.'s shareholders of 6,400,000,000 Company common shares. The offer was accepted.

None of the other rights of B&B Oil Inc.'s secured creditors were affected as a result of the amendment to the Share Exchange Agreement.

Thereafter, the Company issued 1,465,948,781 to Mr. Wallen, and promised to issue an additional 5,000,000,000 common shares upon the Company's Articles of Incorporation being amended to increase the Company's authorized common stock.

Pursuant to a previously executed mutually agreed and court approved settlement agreement with another creditor, the Company's transfer agent issued 5,000,000,000 of its reserved common shares to 25 of its secured creditors on a pro-rata basis.

All shares issued or to be issued in this Section V are restricted, and pursuant to the terms of the agreement are not eligible for an exemption from registration and require the filing of and effectiveness of a re-sale registration statement with the United States Securities & Exchange Commission.

#### **Item VI        Defaults upon senior securities.**

The Company has not met numerous financial obligations – including those to secured lenders which have the right to foreclose certain assets of the Company at anytime. All current defaults upon senior securities as they currently exist have been disclosed in or referenced in the Company's previous filings with the US Securities & Exchange Commission ("SEC") and Pink Sheets, including (1) the Quarterly Report for the period ending June 30, 2010 filed with Pink Sheets on January 14, 2010, (2) the Annual Report and (3) the Form 8-K filed with the SEC on May 29, 2009.

#### **Item VII       Other information.**

None.

#### **Item VIII      Exhibits.**

None.

#### **Item IX        Certifications.**

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

The certifications shall follow the format below:

I, Joseph F. Wallen, certify that:

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

Date: December 6, 2010

**QUEST OIL CORPORATION**

/s/ Joseph F. Wallen

By: Joseph F. Wallen

Its: President

Executed signature on file at the Law Offices of Marc Applbaum, Corporate Counsel for the Company