

**BLACK DRAGON RESOURCE COMPANIES, INC.**  
**100 North Land Avenue**  
**Oil City, La 71061**

**ANNUAL REPORT FOR PERIOD ENDING**  
**DECEMBER 31, 2009**

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PART 1	

**ITEM 1 –Business:**

Black Dragon Resource Companies, Inc. (the “Company” or “Black Dragon” or the “Issuer”) was incorporated under the laws of the State of Delaware on June 26, 1998.as Vita Health, Inc. On December 12, 1999, the Company amended its Articles of Incorporation to change its name to Vita Warehouse Company, Inc. Then, on August 8, 2001 it again amended its Articles of Incorporation changing its name to Black Dragon Resources, Inc.; and on December 7, 2004 to its current name Black Dragon Resource Companies, Inc.

The Company’s principal business is energy, involving exploration for, and production of, crude oil and natural gas, and transportation and sale of crude oil, natural gas and petroleum products. The oil and gas industries are highly competitive. There is competition within the industries and also with other industries in development and production of oil and gas properties. Black Dragon is in the business of enhancing the productive output of crude oil and natural gas in mature, marginal stripper wells, a well which has slowed to producing one-half (1/2) barrels of crude oil per day or less.

There are approximately 400,000 crude oil stripper wells in the United States producing nearly one million (1,000,000) barrels of crude oil per day. In addition, there are nearly 245,000 natural gas stripper wells, defined as natural gas well producing less than sixty thousand (60,000) cubic feet of natural gas per day. The Department of Energy estimates that the marginal wells which were plugged and abandoned between 1993 and 2000 represents One Hundred Fifty Million (150,000,000) barrels of crude still in the ground. The Company sees its greatest opportunity in the exploitation of these marginal wells and plans to continue to acquire viable blocks of wells and raise the daily average output through the use of its enhanced recovery techniques.

The number of regular employees for the years ended 2009, 2008 and 2007 is three (3). Regular employees are defined as active executive, management, professional, technical and wage employees who work full time or part time for the Company and are covered by the Company's benefit plans and programs.

Black Dragon maintains a website at [black-dragonoil.com](http://black-dragonoil.com). Our annual report, quarterly reports, interim reports and any amendments to those reports are made available through our website as soon as reasonably practical after we electronically file or furnish the reports to Pinksheets OTC and may also be viewed at [www.pinksheets.com](http://www.pinksheets.com).

The Company is a publicly traded company which trades on Pinksheets OTC. Its symbol is BDGR and its CUSIP Number is 09202W 106. The Company maintains its principal corporate office at:

Black Dragon Resource Companies, Inc.  
100 North Land Ave.  
Oil City, La 71061  
Telephone: (318) 995- 0404  
Facsimile: (318) 995-0708  
E-mail [bdgroil@bellsouth.net](mailto:bdgroil@bellsouth.net)

#### **Transfer Agent**

The Transfer Agent for the Company is:

Signature Stock Transfer, Inc.  
2632 Coachlight Court  
Plano, TX. 75093

Signature Stock Transfer, Inc. is a registered transfer agent with Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1933 (the "Act").

### **Description of Securities:**

The securities of the Company are fully described in the Initial Information and Disclosure Statement published on October 27, 2009 and is incorporated herewith by reference, except for the changes set forth below:

On December 7, 2009, the Company amended its Certificate of Incorporation to increase the authorized common stock of the Company from 500,000,000 shares at par value \$0.0001 to 1,000,000,000 at the same par value. (On February 18, 2010 the Company amended its Certificate of Incorporation to increase the authorized common stock of the Company to 1,600,000,000 at par value \$0.0001.)

In addition to the Common Stock, the Company has several series of preferred stock authorized and issued and outstanding. There have been no changes in the authorization or the issue of these shares since the filing of the Company's Initial Disclosure Statement on October 27, 2009 for the period ending September 29, 2009. Said report is incorporated herein by reference.

As of December 31, 2009, 613,491,215 shares were issued and outstanding, of which 606,011,316 shares are in the public float. As of December 31, 2009 the authorized common stock of the Company was 1,000,000,000 shares, with a par value of \$0.0001.

There are no beneficial owners of common stock with positions greater than 5%. See the table on page 54 of this Annual Report. As of December 31, 2009, the Company had 240 shareholders of record. Cede & Company (Depository Trust) holds 92.16% of the shares in "street name".

### **Security Offerings and Securities Issued for Payment of Services**

The Company has not offered any securities in any unregistered offerings or in reliance upon any exemption from registration under the Act or state securities laws. The Company has not issued shares of its common stock in payment for services rendered by any provider or vendor of the Company.

### **ITEM 1A – Risk Factors**

Black Dragon's financial and operating results are subject to a variety of risks inherent in the global oil and gas businesses. Many of these risk factors are not within the Company's control and could adversely affect our business, our financial and operating results or our financial condition. We discuss some of these risks in more detail below.

## Risks related to our industry, business and strategy

***Oil and natural gas prices are volatile and have substantially declined in recent months. The recent decline has adversely affected our financial results. Further price declines or even continuation of current low oil and natural gas prices could significantly affect our future financial results and impede our growth.***

Our revenues, profitability and liquidity are substantially dependent upon prevailing prices for oil and natural gas, which can be extremely volatile. Even relatively modest drops in prices can significantly affect our financial results and impede our growth. Prices for oil and natural gas may fluctuate widely in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a wide variety of additional factors that are beyond our control, such as the domestic and foreign supply of oil and natural gas; the price of foreign imports; the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; technological advances affecting energy consumption; domestic and foreign governmental regulations; and the variations between product prices at sales points and applicable index prices. Our operations are focused on oil and gas exploration and production in the Louisiana On-Shore and Texas District 3 regions of the United States. Regional oil and gas prices may vary from national prices due to regional factors such as regional gas production being constrained by regional gas pipeline capacity.

***The current global and US economic and financial crises may have impacts on our business and financial condition that we currently cannot predict***

The current global and US economic recessions, credit crisis and related turmoil in national and global financial systems have substantially contributed to the dramatic decrease in oil and gas prices in the second half of 2008 and in 2009. The price declines have adversely affected US oil and gas producers. The economic downturn and decline in oil and gas prices are providing declines in drilling costs and increased availability of field equipment, but those cost reductions may only partially mitigate the adverse effects of lower oil and gas prices.

Uncertainties as to the extent, duration and impacts of the global and US crises increase uncertainties and risks for us. With the general economic and financial crises, (i) our ability to access capital markets is more restricted now than a year ago and may be restricted in the future when we may like, or need, to raise financing, (ii) our suppliers, customers and business partners may be unable to meet their obligations to us, (iii) we may be unable to profitably sell, extend or explore oil and gas lease rights we currently own and (iii) we may face unanticipated challenges to our business and financial condition. Unexpected bankruptcies of financial institutions or unexpected illiquidity of funds in cash-equivalent investments, such as money market funds, may limit or delay our access to our cash equivalent deposits, causing us to lose some or all of those funds or to incur additional costs to borrow funds needed on a short-term basis.

***Our development and exploration operations require substantial capital, and we may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in our natural gas and oil reserves.***

The oil and natural gas industry is capital intensive. We make, and expect to continue to make, substantial capital expenditures in our business and operations for the exploration for and development, production and acquisition of oil and natural gas reserves. To date, we have financed capital expenditures primarily with sales of our securities, sale of certain oil and gas properties and, to a lesser extent, from cash generated by operations. We may not generate meaningful cash flow from our oil and natural gas production, even though our future depends on our ability to generate oil and natural gas operating cash flow. We may generate additional capital to fund increases in capital expenditures through any of: (i) the sale of some oil and gas lease interests, (ii) additional sales of our securities and/or (iii) debt financing. We may not be able to obtain equity or debt financing on terms favorable to us, or at all. Our ability to grow our oil and natural gas reserves and cash flow may be severely impacted if we are unable to obtain equity or debt financing as we may not be able to continue to drill all or some of our projects.

***Oil and gas operations are inherently risky.***

The nature of the oil and gas business involves a variety of risks, particularly the risk of drilling wells that are found to be unable to produce any oil and gas or unable to produce and sell oil and gas at prices sufficient to repay the costs of the wells and the costs of producing the wells. We may in the future recognize substantial impairment expenses when uneconomic wells and declines in oil and gas prices result in impairments of the capitalized costs of our oil and gas properties.

The oil and gas business also includes operating hazards such as fires, explosions, cratering, blow-outs and encountering formations with abnormal pressures. The occurrence of any of these risks could result in losses. The occurrence of any one of these significant events, if it is not fully insured against, could have a material adverse effect on our financial position and results of operations.

***We may be unable to find additional reserves.***

Our revenues depend on whether we find or acquire additional reserves. Unless we conduct successful exploration and development activities, or acquire properties, our proved reserves will decline. Our future oil and natural gas reserves and production as well as our cash flow and income are dependent on our ability to efficiently develop and exploit our current reserves and economically find or acquire additional reserves. Our planned exploration and development projects may not result in significant additional reserves, and we may be unable to drill productive wells at low reserve replacement costs.

***We could be adversely impacted by changes in the oil and gas market.***

The marketability of our oil and gas production depends in part upon the availability, proximity and capacity of gas gathering systems, pipelines and processing facilities. Federal and state regulation of oil and gas production and transportation, general economic conditions, changes in supply and changes in demand all could adversely affect our ability to produce and market oil and natural gas. If market factors were to change dramatically, the financial impact could be substantial because we would incur expenses without receiving revenues from the sale of production. The availability of markets is beyond our control.

***We are subject to extensive government regulations.***

Our business is affected by numerous federal, state and local laws and regulations, including energy, environmental, conservation, tax and other laws and regulations relating to the oil and gas industry. These include, but are not limited to:

the prevention of waste,  
the discharge of materials into the environment,  
pollution,  
permits for drilling operations,  
drilling bonds, and  
reports on operations, spacing of wells, and utilization of pooling properties.

Failure to comply with any laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of injunctive relief, or both. Moreover, changes in any of the above laws and regulations could have a material adverse effect on our business. Concerns of global warming may result in changes to laws and regulations that increase the cost of oil and gas operations and decrease the use and demand for crude oil and natural gas. In view of the many uncertainties with respect to current and future laws and regulations, including their applicability to us, we cannot predict the overall effect of such laws and regulations on our future operations.

***New government regulation and environmental risks could increase our costs.***

Many jurisdictions have at various times imposed limitations on the production of oil and gas by restricting the rate of flow for oil and gas wells below their actual capacity to produce. Because current regulations covering our operations are subject to change at any time, compliance in the future may require us to incur significant costs or activity restrictions.

***Our operations and financial condition may be impacted adversely by new taxes and changes to tax laws.***

The federal, state and local governments in which we operate impose taxes on the oil and gas products we sell and for many of our wells, sales and use taxes on significant portions of our drilling and operating costs. In the past, there has been a significant amount of discussion by legislators and presidential administrations concerning a variety of energy tax proposals. U.S. President Obama has recently proposed sweeping changes in federal laws on the income taxation of small oil and gas exploration and production companies such as us. President Obama has proposed to eliminate allowing small US oil and gas companies from (i) deducting intangible US well costs as incurred and (ii) taking percentage depletion deductions. Many states have raised state taxes on energy sources and additional increases may occur. Changes to the law could adversely affect our business and our financial results.

***Shortages of rigs, equipment, supplies and personnel could delay or otherwise adversely affect our cost of operations or our ability to operate according to our business plans.***

As we have encountered at times in the past, we may experience shortages of drilling and completion rigs, field equipment and qualified personnel which may cause delays in our ability to continue to drill, complete, test and connect wells to processing facilities. At times in the past, these costs have sharply increased in various areas. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail our exploration and development operations, which may materially adversely affect our business, financial condition and results of operations.

***Shortages of transportation services and processing facilities may result in our receiving a discount in the price we receive for oil and natural gas sales or may adversely affect our ability to sell our oil and natural gas.***

We may experience limited access to transportation lines, trucks or rail cars used to transport our oil and natural gas to processing facilities. We may also experience limited access to processing facilities. If either or both of these situations arise, we may not be able to sell our oil and natural gas at prevailing market prices. We may be completely unable to sell our oil and natural gas, which may materially adversely affect our business, financial condition and results of operations.

***We could be adversely impacted by customer(s) and industry partners unable to meet their obligations.***

Substantially all of our accounts receivable arise from oil and natural gas sales or joint interest billings to third parties in the oil and gas industry. Our financial results could be adversely impacted by one or more of such third parties being unable to meet their obligations to us.

## Risks Related to our Common Stock

***Our common stock is thinly traded, so investors may not be able to sell any significant number of shares of our stock at prevailing market prices.***

Limited trading of our stock may make it difficult for investors to sell their shares in the public market at any given time at prevailing prices.

***Our stock price and trading volume may be volatile, which could result in losses for our stockholders.***

The equity trading markets may experience periods of volatility, which could result in highly variable and unpredictable pricing of equity securities. The market of our common stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur.

***We may issue debt or preferred stock with rights that are preferential to, and could cause a decrease in the value of, our common stock.***

We may issue debt and/or shares of preferred stock without action by our stockholders. Rights or preferences of the debt or preferred shares could include, among other things:

- the establishment of principal and interest obligations or dividends which must be paid prior to declaring or paying dividends or other distributions to our common stockholders,
- a security interest in some or all of our assets that could be foreclosed in the event of default of a loan agreement or similar instrument,
- greater or preferential liquidation rights which could negatively affect the rights of common stockholders and
- the right to convert the debt or preferred stock at a rate or price which would have a dilutive effect on the outstanding shares of common stock.

## Potential Governmental Regulation

**Federal Income Tax:** Federal income tax laws significantly affect our operations. The principal provisions that affect us are those that permit us, subject to certain limitations, to deduct as incurred, rather than to capitalize and amortize, our domestic “intangible drilling and development costs” and to claim depletion on a portion of our domestic oil and natural gas properties based on 15% of our oil and natural gas gross income from such properties (up to an aggregate of 1,000 barrels per day of domestic crude oil and/or equivalent units of domestic natural gas).

**Environmental Matters:** The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities to the government and third parties and may

require the Company to incur costs to remedy discharges. Natural gas, oil or other pollutants, including salt water brine, may be discharged in many ways, including from a well or drilling equipment at a drill site, leakage from pipelines or other gathering and transportation facilities, leakage from storage tanks and sudden discharges from damage or explosion at natural gas facilities of oil and natural gas wells. Discharged hydrocarbons may migrate through soil to water supplies or adjoining property, giving rise to additional liabilities.

A variety of federal and state laws and regulations govern the environmental aspects of natural gas and oil production, transportation and processing and may, in addition to other laws, impose liability in the event of discharges, whether or not accidental, failure to notify the proper authorities of a discharge, and other noncompliance with those laws. Compliance with such laws and regulations may increase the cost of oil and natural gas exploration, development and production. The Company does not anticipate that compliance will have a material adverse effect on our capital expenditures or earnings. Failure to comply with the requirements of the applicable laws and regulations could subject the Company to substantial civil and/or criminal penalties and to the temporary or permanent curtailment or cessation of all or a portion of its operations.

The Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), also known as the “superfund law,” imposes liability, regardless of fault or the legality of the original conduct, on some classes of persons that are considered to have contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of a disposal site or sites where the release occurred and companies that dispose or arrange for disposal of the hazardous Substances found at the time. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and severable liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Company could be subject to liability under CERCLA because of its drilling and production activities, which generate relatively small amounts of liquid and solid waste that may be subject to classification as hazardous substances under CERCLA.

The Resource Conservation and Recovery Act of 1976, as amended (“RCRA”), is the principal federal statute governing the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a “generator” or “transporter” of hazardous waste or an “owner” or “operator” of a hazardous waste treatment, storage or disposal facility. At present, RCRA includes a statutory exemption that allows most oil and natural gas exploration and production waste to be classified as non-hazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. As a result, the Company is not required to comply with a

substantial portion of RCRA's requirements because its operations generate minimal quantities of hazardous wastes. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Repeal or modification of the exemption by administrative, legislative or judicial process, or modification of similar exemptions in applicable state statutes, would increase the volume of hazardous waste the Company is required to manage and dispose of and would cause the Company to incur increased operating expenses.

The Oil Pollution Act of 1990 ("OPA") and regulations thereunder impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of federal safety, construction or operating regulations. Few defenses exist to the liability imposed by OPA. In addition, to the extent the Company acquires offshore leases and those operations affect state waters, the Company may be subject to additional state and local cleanup requirements or incur liability under state and local laws. OPA also imposes ongoing requirements on responsible parties, including proof of financial responsibility to cover at least some costs in a potential spill. We cannot predict whether the financial responsibility requirements under the OPA amendments will adversely restrict the Company's proposed operations or impose substantial additional annual costs to it or otherwise materially adversely affect the Issuer. The impact, however, should not be any more adverse to the Company than it will be to other similarly situated owners or operators.

The Federal Water Pollution Control Act Amendments of 1972 and 1977 ("Clean Water Act") imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the crude oil and natural gas industry into certain coastal and offshore waters. Further, the EPA has adopted regulations requiring certain crude oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of crude oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

Underground injection is the subsurface placement of fluid through a well, such as the re-injection of brine produced and separated from crude oil and natural gas production. The Safe Drinking Water Act of 1974, as amended, establishes a regulatory framework for underground injection, with the main goal being the protection of usable aquifers. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Hazardous-waste injection well operations are strictly controlled, and certain wastes, absent an exemption, cannot be injected into underground injection control wells. In North Dakota, no underground injection may take place except as authorized by permit or rule. We currently own and operate various underground injection wells in that state. Failure to abide by our permits could subject us to civil and/or criminal enforcement. We believe that we are in compliance in all material respects with the requirements of applicable state underground injection control programs and our permits.

The Clean Air Act of 1963 and subsequent extensions and amendments, known collectively as the “Clean Air Act”, and state air pollution laws adopted to fulfill its mandate provide a framework for national, state and local efforts to protect air quality. Our operations utilize equipment that emits air pollutants which may be subject to federal and state air pollution control laws. These laws require utilization of air emissions abatement equipment to achieve prescribed emissions limitations and ambient air quality standards, as well as operating permits for existing equipment and construction permits for new and modified equipment. We believe that we are in compliance in all material respects with the requirements of applicable federal and state air pollution control laws.

There are numerous state laws and regulations in the states in which we operate which relate to the environmental aspects of our business. These state laws and regulations generally relate to requirements to remediate spills of deleterious substances associated with oil and natural gas activities, the conduct of salt water disposal operations, and the methods of plugging and abandonment of oil and natural gas wells which have been unproductive. Numerous state laws and regulations also relate to air and water quality.

We do not believe that our environmental risks will be materially different from those of comparable companies in the oil and natural gas industry. We believe our present activities substantially comply, in all material respects, with existing environmental laws and regulations. Nevertheless, we cannot assure you that environmental laws will not result in a curtailment of production or material increase in the cost of production, development or exploration or otherwise adversely affect our financial condition and results of operations. Although we maintain liability insurance coverage for liabilities from pollution, environmental risks generally are not fully insurable. In addition, because we have acquired and may acquire interests in properties that have been operated in the past by others, we may be liable for

environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination not discovered during our assessment of the acquired properties. Additionally, various legislative and regulatory climate change initiatives are currently being considered to address emissions of greenhouse gases, including carbon dioxide and methane. It is not possible at this time to predict how climate change provisions that may be implemented would impact our business. However, future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business.

**Federal Leases.** For those operations on federal oil and natural gas leases, such operations must comply with numerous regulatory restrictions, including various non-discrimination statutes, and certain of such operations must be conducted pursuant to certain on-site security regulations and other permits issued by various federal agencies. In addition, on federal lands in the United States, the Minerals Management Service (“MMS”) prescribes or severely limits the types of costs that are deductible transportation costs for purposes of royalty valuation of production sold off the lease. In particular, MMS prohibits deduction of costs associated with marketer fees, cash out and other pipeline imbalance penalties, or long-term storage fees. Further, the MMS has been engaged in a process of promulgating new rules and procedures for determining the value of crude oil produced from federal lands for purposes of calculating royalties owed to the government. The natural gas and crude oil industry as a whole has resisted the proposed rules under an assumption that royalty burdens will substantially increase. We cannot predict what, if any, effect any new rule will have on our operations

#### Climate change and greenhouse gas restrictions.

Due to concern over the risk of climate change the current federal and some state governments are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. These requirements could make our products more expensive and reduce demand for hydrocarbons, as well as shifting hydrocarbon demand toward relatively lower-carbon sources. Current and pending greenhouse gas regulations may also increase our compliance costs, such as for monitoring or sequestering emissions.

#### Government sponsorship of alternative energy.

Federal and state governments are providing tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. Such new technologies may reduce the demand for oil and gas and thereby have a material adverse effect on the Company.

## Management Effectiveness

In addition to external economic and political factors, our future business results also depend on our ability to manage successfully those factors that are at least in part within our control. The extent to which we manage these factors will impact our performance relative to competition.

### Exploration and development

Our ability to maintain and grow our oil and gas production depends on the success of our exploration and development efforts. Among other factors, we must continuously improve our ability to identify the most promising resource prospects and apply our project management expertise to bring discovered resources on line on schedule.

### Project management.

The success of the Company's business depends on complex, long-term, capital intensive projects. These projects in turn require a high degree of project management expertise to maximize efficiency. Specific factors that can affect the performance of major projects include our ability to: negotiate successfully with others; model and optimize reservoir performance; develop markets for project outputs, whether through long-term contracts or the development of effective spot markets; manage changes in operating conditions and costs, including costs of third party equipment or services such as drilling rigs and shipping; prevent, to the extent possible, and respond effectively to unforeseen technical difficulties that could delay project startup or cause unscheduled project downtime; and influence the performance of project operators where the Company does not perform that role.

### Operational efficiency.

An important component of our competitive performance is our ability to operate efficiently, including the Company's ability to manage expenses and improve production yields on an ongoing basis. This requires continuous management focus, including technology improvements, cost control, productivity enhancements and regular reappraisal of our asset portfolio.

### Safety, business controls, and environmental risk management.

Our results depend on our ability to minimize the inherent risks of oil, and gas production and to control effectively our business activities. We apply rigorous management systems and continuous focus to workplace safety and to avoiding spills or other adverse environmental events. For example, we work to minimize spills through a combined program of effective operations and comprehensive inspection and surveillance. Similarly, we are implementing cost-effective new technologies and adopting new operating practices to reduce air emissions, not only in response to government requirements but also to address community priorities. Substantial liabilities and other adverse impacts could result if our management systems and controls do not function as intended.

## Forward Looking Statements

Except for statements of historical fact, some information in this document contains “forward-looking statements” that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “should,” “will,” “would” or similar words. The statements that contain these or similar words should be read carefully because these statements discuss our future expectations, contain projections of our future results of operations or of our financial position, or state other forward-looking information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able accurately to predict or control.

Further, we urge you to be cautious of the forward-looking statements which are contained in this annual report because they involve risks, uncertainties and other factors affecting our operations, market growth, service, products and licenses. The factors listed in the sections captioned “Risk Factors” and “Description of Business,” as well as other cautionary language in this document and events in the future may cause our actual results and achievements, whether expressed or implied, to differ materially from the expectations we describe in our forward-looking statements. The occurrence of any of the events described as risk factors or other future events could have a material adverse effect on our business, results of operations and financial position.

Since our common stock is considered a “penny stock” we are ineligible to rely on the safe harbor for forward-looking statements provided in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

### ITEM 1B- Unresolved Staff Comments

The Company SEC status in non-reporting and as such Item 1B does not apply.

## ITEM 2 – Additional Oil and Gas Disclosures

### Properties

The area of interest to acquire properties and the current properties leased and operated by Black Dragon are located in on- shore oil and gas producing region of Louisiana, Mississippi, and Texas District 3. Following the use of current oil and gas recovery techniques, the Company anticipates that some thirty-six (36) billion barrels of oil will be stranded in this area. A significant portion of this “stranded” oil and gas is in reservoirs which are economically viable given the Company’s enhanced recovery techniques, and are especially amenable to extraction through the use of carbon dioxide (CO<sup>2</sup>) injection.

### 1. Production:

The Financial Accounting Standards Board (“FASB”) Rule No. 69 requires producers of oil and gas to report: (i) the average net sales price per unit oil produced; and (ii) the average cost (lifting cost) per unit of production. The table below sets forth this information for the Company’s last three (3) fiscal years.

<b>Fiscal Year</b>	<b>Average Net Sales Price</b>	<b>Average Production Costs</b>
		<b>Lifting Cost</b>
<b>2007</b>	\$ 58.98	\$ 30.15
<b>2008</b>	77.26	40.92
<b>2009</b>	57.33	42.87

### 2. Productive Wells:

The following table sets forth the number of oil and natural gas wells located in the United States in which the Company had a working interest as of December 31, 2009:

Productive Wells as of December 31, 2009

<b>Location</b>	<b>Gross</b>			<b>Net</b>		
	<b>Oil</b>	<b>Gas</b>	<b>Total</b>	<b>Oil</b>	<b>Gas</b>	<b>Total</b>
<b>Louisiana</b>	220	20	240	165	15	180

- a) The number of gross wells is the total number of wells in which a working interest is owned.
- (b) The number of net wells is the sum of fractional working interests we own in gross wells expressed as whole numbers and fractions thereof.

### 3. Undeveloped Acreage:

On October 27, 2009, the Company filed its Initial Company Information and Disclosure Document with Pink Sheets OTC Markets. This disclosure document may be found at [www.pinksheets.com](http://www.pinksheets.com) under the Company’s trading symbol BDGR and the tab filings. The pertinent information regarding the Company’s productive wells is unchanged from the date of that filing. The Company, therefore, incorporates the information contained in the Initial Company Information and Disclosure Document by reference in this annual report and includes the information contained therein in regard to its productive wells in this annual report.

### 4. Drilling Activity:

On October 27, 2009, the Company filed its Initial Company Information and Disclosure Document with Pink Sheets OTC Markets. This disclosure document may be found at [www.pinksheets.com](http://www.pinksheets.com) under the Company’s trading symbol BDGR and

the tab filings. The pertinent information regarding the Company's productive wells is unchanged from the date of that filing. The Company, therefore, incorporates the information contained in the Initial Company Information and Disclosure Document by reference in this annual report and includes the information contained therein in regard to its productive wells in this annual report.

#### 5. Present Activities:

The Company is currently drilling zero (0) oil wells, and operating twenty (20) natural gas wells. Black Dragon expects to increase its capacity in fiscal 2010 to add twenty-five (25) producing oil wells, and to add ten million (10,000,000) metric cubic feet of natural gas production.

We expect that our production during this coming fiscal year will approach three thousand (3000) barrels per month of crude.

The price of natural gas remains sufficiently depressed so that the Company has not expended significant resources on the production of natural gas during this fiscal year ending December 31, 2009. However, the Company as of December 31, 2009 is producing eight hundred ( 800) metric cubic feet of natural gas.

#### 6. Delivery Commitments:

The Company has no delivery commitments.

#### 7. Selected Financial Information

The table below compares our oil and gas properties for the last two (2) years ending December 31, 2009 and December 31, 2008:

	December 31, 2009	December 31, 2008
Properties being amortized	\$ 14,033,742	\$ 14,721,278
Accumulated depreciation and depletion	(1,650,071)	(1,580,071)
<b>Net oil and gas properties</b>	<b>\$ <u>12,383,671</u></b>	<b>\$ <u>13,141,207</u></b>

#### ITEM 3- Legal Proceedings

The Company has been named as a Third Party defendant in a lawsuit filed by OMDA Oil & Gas, Inc. against Joseph Lanza and various family members and commercial entities owned by Mr. Lanza. Mr. Lanza is not an officer of Black Dragon and the Company's attorneys, as well as management, strongly feel that the suit has no merit and that the prospects are that the Company will prevail or be dismissed from the action. The action alleges that certain oil and gas properties owned by the defendants

are the property of the plaintiff. Black Dragon has oil and gas leases on all or most of these properties. The relief being sought in the action is title to the properties. Defendants Lanza *et. alia*, in the opinion of trial counsel have good clean title to the properties and are expected to prevail. The action was brought in 2005 and is pending.

The table below sets out more fully the legal actions in which the Company is involved:

<b>Principal Parties</b>	<b>Nature of Action</b>	<b>Status</b>	<b>Relief</b>
<b>Plaintiff :OMDA</b> <b>Defendants:</b> <b>Joseph Lanza,</b> <b><i>et.alia</i></b>	Title and interest in certain oil and gas producing properties.	Pending	Title to the properties, no dollar amount specified in the action
<b><i>Third Party</i></b> <b><i>Defendant:</i></b>  <b><i>Black Dragon</i></b>			

#### **ITEM 4- Submission of Matters to a Vote of Security Holders**

The Company issued one share of Series C, Convertible Preferred Stock. This stock contains provisions which provide for 151% of the voting rights of the Common Shareholders. The Directors and Officers decided this stock issue would effectively prevent a “hostile” takeover of the Company. These types of issues are commonly referred to as a “Poison Pill”.

#### **Executive Officers of the Issuer**

<b>Name</b>	<b>Age</b>	<b>Position Held</b>
<b>Scott D. Smith</b>	28	Chairman of the Board, Chief Executive Officer
<b>Thomas Neely</b>	82	Secretary
<b>Gary Zorne</b>	53	Chief Financial Officer

**Mr. Smith** has extensive experience in the oil and gas production industry having been a Petroleum Landman for multiple major oil companies on a contract basis in the area known as the Bennett Shale, and various other oil fields in East Texas and

most recently in Haynesville Shale. He has had and continues to have a close working relationship with his predecessor, R. Gerald Bailey, PhD, at the Company. Mr. Smith was handpicked by Dr. Bailey because of his extensive knowledge of Black Dragon's leases and ownership as well as his outstanding leadership qualities. Mr. Smith is a life-long resident of the Republic of Texas and attended Texas Tech University in Lubbock.

**Mr. Neely** retired from his position as a Traffic Engineer with the City of Portland, Oregon in 1983. Since retiring he has served as a Director and Officer of several different companies, including Maesa Petroleum, Inc., OMDA Oil and Gas, Inc., and most recently Black Dragon. Mr. Neely is a veteran of the United States Army having served from 1946 until his honorable discharge in 1948. He attended Mutnomah College in Portland, Oregon, and Lewis and Clarke College in Lake Oswego, Oregon.

**Mr. Zorne** has over 30 years of experience both in the public sector as a Certified Public Accountant and acted as Chief Financial Officer and Controller of several small to medium sized companies in a wide array of industries. He has focused most of his efforts in the Oil and Gas and Construction Industries. He has worked directly in the field as a supervisor and cost accountant to ensure efficient and cost effect procedures are implemented and utilized.

#### **Disciplinary History of Executive Officers of the Company**

The Executive Officers of the Company, Mr. Smith, Mr. Neely and Mr. Zorne, have not been convicted in any criminal proceeding. Nor has any of them been the subject of an cease and desist, or order by any court, self-regulating organization, state investor protection bureau, the Securities and Exchange Commission or any other organization, suspending or barring these individuals from involvement in any business, securities or commodities or banking activities. There are no judgments against any of the Executive Officers or finding by any court of competent jurisdiction of any violation of securities law, state or federal. There are no such orders, judgments or findings pending in any forum of competent jurisdiction, state or federal, of any violations of securities laws.

#### **Persons Providing Advice and Assistance on Matters Relating to Operations, Business Development and Disclosure**

The Company has not at this time engaged the services of an investment banker, investor relations or public relations companies. The Company has not yet appointed an independent accounting firm to audit its financials.

The Company has engaged the services of Executive Support and Services Group, Corp. ("ESSG"). ESSG is a consulting firm, which employs attorneys, certified

public accountants, and management consultants. ESSG advises the Company regarding disclosure matters and compliance issues relating to public companies. ESSG has provided assistance with the preparation of this document.

Executive Support and Services Group, Corp is a corporation formed under the laws of New York with principal offices located at:

408 West 57<sup>th</sup> Street  
Suite 8E  
New York, NY 10019  
Telephone (212) 262-1166  
Facsimile (347) 710-1183  
E-mail: [edaparma@gmail.com](mailto:edaparma@gmail.com)

Securities Counsel for the Company is:

M. David Sayid, Esq.  
Sayid and Associates LLP  
408 West 57<sup>th</sup> Street  
Suite 8E  
New York, NY 10019  
Telephone (212) 262-6188  
Facsimile (212) 247-7535

## **PART II**

### **ITEM 5- Market for Issuers Common Equity, Related Stockholders' Matters and Issuer's Purchases of Equity Securities**

A. The Company's common equity shares are publicly traded Over the Counter (OTC) on the Pink Sheets Exchange under the symbol BDGR. The common shares of the Company are considered to be "penny stocks," that is, having a price per share below five (\$5.00) dollars, as such the sales of these shares are subject to a number of restrictive rules under the Securities and Exchange Act (the "Act").

These rules require that potential purchasers of the common equity be made aware of the high risk attendant to penny stocks as well as restrict the number of broker-dealers allowed to offer such stock to their clientele. Therefore, the market for these shares is limited.

The table below sets forth the high and low sales prices for our common stock in each quarter of the last two fiscal years.

<b>Common Stock Price</b>		
<b>2008</b>	<b>High</b>	<b>Low</b>
Quarter Ended March 31	0.045	0.031
Quarter Ended June 30	0.052	0.042
Quarter Ended Sept 30	0.017	0.014
Quarter Ended Dec 31	0.0026	0.015
<b>2009</b>		
Quarter Ended March 31	0.0026	0.0008
Quarter Ended June 30	0.02	0.0035
Quarter Ended Sept 30	0.014	0.011
Quarter Ended Dec 31	0.0035	0.0019

B. There are no stockholders' matters related to the common equity of the Issuer. We have not declared a cash dividend on our common stock, and we do not anticipate the payment of future dividends. There are no restrictions that currently limit our ability to pay dividends on our common stock other than those generally imposed by applicable state law.

C. The Issuer has not repurchased common shares of its own stock during this period.

#### **ITEM 6- Selected Financial Data (Unaudited)**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Sales and other operating revenues</b>	\$ 1,111,213	\$ 1,789,803	\$ 1,943,938
<b>Cost of Sales and other operating income</b>	843,319	1,538,516	1,476,359
<b>Net Sales</b>	\$ 267,890	\$ 251,287	\$ 467,589
<b>Other income and expenses</b>	78,813	(14,566)	39,466
<b>Net profit (loss)</b>	\$ 346,703	\$ 236,731	\$ 507,055
<b>Earnings per share</b>	\$ 0.0005	\$ 0.002	\$ 0.002
<b>Total Assets</b>	\$ 17,920,940	\$17,138,956	\$16,434,971
<b>Long Term Debt</b>	\$ 976,402	\$ 3,088,062	\$ 3,378,504

## **ITEM 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Introduction**

The following discussion and analysis should be read in conjunction with the “Selected Financial Data” and the accompanying financial statements and related notes included elsewhere herein. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Some of the factors that could cause or contribute to such differences are discussed below and elsewhere in this Annual Report, particularly in “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A: Risk Factors.” Many of these factors are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

### **Overview**

We focus our oil and natural gas exploration, exploitation and developmental operations on projects located in the western United States. We have funded our operations with a combination of, (i) cash received from the sale of our equity, and (ii) proceeds received from the sale of certain of our oil and gas assets, and we intend to increase stockholder value by profitably growing reserves and production primarily through drilling operations. Our company began oil and gas operations in January, 2005.

We believe that our existing project portfolio provides us with the opportunity to rapidly grow reserves and cash flow if we are able to prove that our acreage positions can be developed in a commercial fashion. A number of unprofitable wells may need to be drilled while we test various drilling, completion and stimulation methods.

Within the main focus areas of our existing project portfolio, we expect the following drilling activity, and our share of the cost of that drilling activity to occur in 2010:

Projects	Expected 2010 Wells	Approximate Working Interest	Expected Net Capital Required (In Millions)
1. Humble	15	16%	.75
2. Mexico	20	15%	1.00
3. Ramsey	10	80%	1.50
4. Pala	10	78%	1.00
5. Glassel	5	80%	1.00
6. Noel	6	75%	1.50

While our base case drilling activity would result in drilling costs of approximately three million (\$3,000,000) dollars, we may expand drilling activity to as much as seven million (\$7,000,000) dollars, if project economics and general economic conditions support the more aggressive drilling program. If we elect to expand drilling activities, we may need to access additional capital. We have no third-party commitments to provide additional capital and there is no assurance such capital will be available to us, or if available, that the terms will be favorable to us. We may access capital from equity and/or debt offerings.

We have not entered into any commodity derivative arrangements or hedging transactions. Although we have no current plans to do so, we may enter into commodity swap and/or hedging transactions in the future in conjunction with oil and gas production. We have no off-balance sheet arrangements

### Impact of Current Economic Conditions

The global and national economic and financial crises and the significant fall in oil and gas prices combined with the risk that oil and gas prices remained soft in 2009 impacts us in many ways, most notably: (i) decreasing our revenue as oil and gas is produced, (ii) potentially decreasing the value of our proved reserves and the value of our oil & gas leases, and (iii) potentially decreasing the opportunities in 2010 to profitably drill wells. However, we do believe that the weakness in oil and gas prices should provide us with the opportunity to experience significant decreases in service costs relating to drilling, completing and operating oil and gas wells. We anticipate that by combining decreases in services costs with enhanced production from our focus areas, we could drill commercially successful wells, even at current commodity price levels.

### Results of Operations

#### Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

For the year ended December 31, 2009, we recorded a net profit attributable to common stockholders of \$ 346,703, \$0.0005 per common share, basic and diluted) for the year ended December 31, 2009, as compared to net profit attributable to common

stockholders of \$ 236,721, \$ 0.002 per common share, basic and diluted) for the year ended December 31, 2008.

### Oil and Gas Operations

For 2009, we had total oil and gas revenues of \$497,213 compared with \$1,338,878 for 2008. During the year ended December 31, 2009, the Company generated a net operating profit (EBTIDA) of \$267,890 and generated a net income of \$346,703. For the year ended December 31, 2008, the Company generated a net operating profit from operations of \$251,287 (EBTIDA) and a net operating profit of \$236,721.

### Impairments

We use the full-cost accounting method, which requires recognition of an impairment of oil and gas properties when the total capitalized costs (net of related deferred income taxes) exceed a “ceiling”. We did not recognize an impairment of our oil and natural gas properties at December 31, 2009 under the “full-cost method” of accounting.

### Income Taxes

Deferred Income Tax consists of the following:

	December 31, 2009	December 31, 2008
<b>Net operating loss carryforward</b>	\$ 149,222	\$ 385,943
<b>Less valuation allowance</b>	<u>(149,222)</u>	<u>(385,943)</u>
<b>Deferred tax asset</b>	<u>\$ 0</u>	<u>\$ 0</u>

The valuation allowance decreased by \$149,222 in 2009, and by \$236,721 in 2008, respectively. At December 31, 2009, the Company has utilized all net operating loss carry-forwards for federal income tax purposes of \$149,222. These net operating loss carry-forwards expired at various dates beginning in 2015 through 2026. Due to the uncertainty with respect to ultimate realization, the Company has established a valuation allowance for all deferred income tax assets.

### Liquidity Issues

The Company’s earnings history, aggressive production enhancement program and aggressive acquisition’s policy has resulted in increased trade payables. The Company has reinvested cash flows generated from operations into enhancement of productivity and increased revenues from oil and gas sales. This has placed the Company in a highly leveraged position and requires the company to raise additional capital.

Management is taking action to address the Company's liquidity issues. Management has sold specific interests in certain leases to sustain operations and has commenced a drilling program to increase production and revenues. The Company has, subsequent to the year-end, raised capital to sustain its obligations.

In addition to working with its operators, the Company is looking to refinance certain of its capital assets and to add outside capital to make acquisitions and sustain operations.

The Company's liquidity and ability to achieve profitability is dependent on its ability to raise capital to improve its leverage position and to generate adequate production volume to sustain its operations and service debt.

#### **Net Cash Provided by Operating Activities**

Cash flows provided (used) by operating activities were \$634,693 in 2009 as compared to \$287,630 for the period ending December 31, 2008. The additional \$347,063 in cash flow in December 2009 compared to December 2008 is due to an increase in the amount of Oil and Gas Receivables, 136,278 for the period ending December 31, 2009 as compared to \$0.00 for the period ending December 31, 2008.

#### **Net Cash Provided (Used) in Investing Activities**

The investing activity of the Company for the period ending December 31, 2009 resulted provided (used) (\$ 580,036) as compared to cash provided (used) in investment activity of (\$ 385,141) for the same period ending December 31, 2008. While the Company used less cash for its leaseholds (\$ 687,536) for the period ending December 2009 as compared to (\$1,185,411) for the period ending December 2008, it had far less amortization and depletion for the period ending December 2009, \$70,000 as compared to \$ 440,000. Additionally, investment activity other than oil and gas provided cash in the amount of \$37,500 for the fiscal year ending December 2009 as compared to cash used (\$ 360,270) in the fiscal year ending December 2008.

#### **Net Cash Provided (Used) in Financing Activities**

For the fiscal year ending December 31, 2009, the Company experienced an increase in cash in the amount of \$5,518 as compared to a decrease in cash for the year ending December 2008 of (\$ 8,513). This is despite the fact that the Company used (\$49,139) in the fiscal year ending December 31, 2009 as compared to cash provided by financing activity of \$ 89,993.

#### **Long Term Debt**

In addition to the Company's current liabilities of \$3,072,843 for the year ending December 31, 2009, the Company has long term debt of \$976,402. This long term debt consists of Convertible Promissory Notes.

## **Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Such accounting principles allow in some cases for the adoption of accounting policies that are not uniformly followed by all companies in a given industry. For example, we have adopted the full cost accounting method for oil and gas exploration and production activities. Many of our competitors use the full cost accounting method while other competitors use the successful efforts method. Our significant accounting policies are summarized in the Notes to our financial statements contained herein. Financial statement preparation also involves the use of estimates. We believe the following to be the most critical of our significant accounting policies and our estimates in the preparation of our financial statements.

### **Full Cost Accounting Method**

We use the full cost method of accounting for our oil and gas properties. Under this method, all acquisition, exploration, development and estimated abandonment costs, including certain related employee costs and general and administrative costs (less any reimbursements for such costs), incurred for the purpose of acquiring and finding oil and gas are capitalized. Unevaluated property costs are excluded from the amortization base until we have made a determination as to the existence of proved reserves on the respective property or impairment. We review our unevaluated properties to determine whether the costs should be reclassified to the full cost pool and thereby subject to amortization. Sales of oil and gas properties are accounted for as adjustments to the net full cost pool with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves.

### **Recently Issued Accounting Pronouncements**

In March 2004, the Financial Accounting Standards Board (FASB) approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. The accounting provisions of EITF 03-1 are effective for all reporting periods beginning after June 15, 2004, while the disclosure requirements are effective only for annual periods ending after June 15, 2004. The Company has evaluated the impact of the adoption of EITF 03-1 and does not believe

the impact will be significant to the Company's overall results of operations or financial position.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". The amendments made by Statement 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has evaluated the impact of the adoption of SFAS 151, and does not believe the impact will be significant to the Company's overall results of operation or financial position.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions, an amendment of FASB Statements No. 66 and 67 (SFAS 152)". The amendments made by Statement 152 amend FASB statement 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to State that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real-estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005, with earlier application encouraged. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations of financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions." The amendments made by Statement 153 are based on the principal that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for non-monetary exchanges of similar productive assets and replace it with a broader exception for exchanges of non-monetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basic measurement principle (fair value) for exchange of similar productive assets. The Board believe that exception required that some Non-monetary exchanges, although commercially substantive, be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the Board believes this Statement produces financial reporting

that more faithfully represents the economics of the transactions. The Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Shared-Based Payment") Statement 123 ( R ) will provided investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation costs relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123 ( R ) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123 ( R ) replaces FASB Statement No. 123, Accounting for Stock-based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used.

Public entities (other than those filing as small business issuers) will be required to apply Statement 123 (R) as of the first interim or annual reporting period that begins after December 15, 2005. The Company has evaluated the impact of the adoption of SFAS 123 (R), and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In March 2005, the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 107 ("SAB 107"). The interpretations in SAB 107 express views of the staff regarding the interaction between Statement of Financial Accounting Standards Statement No. 123 (revised 2004), "Share-Based Payment" ("Statement 123 ( R )") and certain SEC rules and regulations and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular SAB 107 provides guidance related to share-based payment transactions with nonemployees, the transition from public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of Statement 123 ( R ) in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption

of Statement 123 (R ) and disclosures in Management's Discussion and Analysis subsequent to adoption of Statement 123 (R ).

## **Item 7 A- Quantitative and Qualitative Disclosures about Market Risk**

### **Commodity Price Risk**

The Company's oil and gas business makes it vulnerable to changes in wellhead 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. By definition, proved reserves are based on current oil and gas prices. Declines in oil and gas prices reduce the estimated quantity of proved reserves and increase annual amortization expense (which is based on proved reserves). Declines in oil and gas prices can reduce the value of our oil and gas properties and increase impairment expense.

We expect oil and gas price volatility to continue. We do not currently utilize hedging contracts to protect against commodity price risk. As our oil and gas production grows, we may manage our exposure to oil and natural gas price declines by entering into oil and natural gas price hedging arrangements to secure a price for a portion of our expected future oil and natural gas production.

### **Operating Cost Risk**

We have generally experienced rising operating costs (including drilling costs) which impacts our cash flow from operating activities and profitability. With the decline in oil and gas prices in recent months, we have seen a reduction in drilling activity in the region where our properties are located, and we are beginning to see significant decreases in drilling costs, but little or no reduction in oil and gas production costs other than production taxes (which are generally levied as a percentage of revenue). If oil and gas prices were to recover to levels seen in December 2007, we anticipate the reductions in drilling activity and drilling cost rates will substantially reverse and may fully reverse and continue to rise.

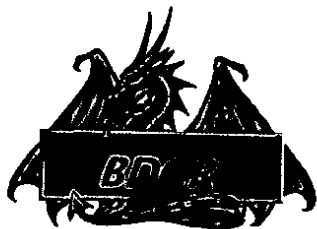
Decreases in drilling costs and production costs can have a significant impact on our profitability and may be deciding factors on how many wells we will drill in a given project.

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## ITEM 8 - Financial Statements and Supplementary Data

### Black Dragon Resource Companies, Inc. Index to Financial Statements

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Unaudited Balance Sheets as of December 31, 2009 and 2008	30-31
Unaudited Statement of Operations for the years 2009 and 2008	32
Unaudited Statement of Cash Flows for the years 2009 and 2008	33
Unaudited Statement of Changes in Shareholders' Equity for years 2009 and 2008	34
Notes to the Financial Statements	35-48



*Black Dragon Resource Companies  
PO Box 608  
Oil City, LA 71061  
318-995-0404 ~ Fax 318-995-0708  
BDGR@bellsouth.net*

March 15, 2010


To the Board of Directors  
Black Dragon Resource Companies, Inc.  
100 North Land Ave  
Oil City, LA 70161

Sirs:

I have compiled the accompanying balance sheet of Black Dragon Resource Companies, Inc., as of December 31, 2009 and 2008 and the related statements of income, cash flows and changes in stockholders' equity then ended in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements, information that is the representation of management. I have not audited nor reviewed the accompanying financial statements, and, accordingly, do not express an opinion or any other form of assurance on them.

I am not independent with respect to these financial statements.

  
Gary R. Zorne, CPA  
Chief Financial Officer

Black Dragon Resource Companies, Inc.  
 Unaudited Balance Sheet  
 For the Periods Ending December 31, 2009 and  
 2008

	December 31, 2009	December 31, 2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,761	\$ 2,242
Oil and gas revenues receivables	43,722	180,000
Dues from affiliates	3,051,064	1,371,240
Notes receivables	1,984,487	1,956,532
<b>Total current assets</b>	<b>5,087,034</b>	<b>3,510,014</b>
<b>Fixed Assets</b>		
Oil and gas properties	14,033,742	14,721,278
Less accumulated depreciation and depletion	(1,650,071)	(1,580,071)
<b>Total oil and gas properties</b>	<b>12,383,671</b>	<b>13,141,207</b>
<b>Other Assets</b>		
Other property and equipment	450,235	487,735
<b>Total other assets</b>	<b>450,235</b>	<b>487,735</b>
<b>Total Assets</b>	<b>\$ 17,920,940</b>	<b>\$ 17,138,956</b>
<b>Liabilities and Shareholder Equity</b>		
<b>Current Liabilities</b>		
Accounts payable (trade)	\$ 2,222,034	\$ 500,075
Accrued liabilities	550,809	441,232
Notes Payable	300,000	300,000
<b>Total current liabilities</b>	<b>3,072,843</b>	<b>1,241,307</b>
<b>Long Term Liabilities</b>		
Convertible promissory notes	976,402	3,088,062
<b>Total liabilities</b>	<b>\$ 4,049,245</b>	<b>\$ 4,329,369</b>
<b>Shareholder Equity</b>		
Common Stock par value \$0.0001; 1,000,000,000 authorized; issued and outstanding 613,491,215	613,491	247,111

Preferred stock par value \$4.50; 50,000,000 shares authorized; Issued and outstanding 889,762	3,896,881	3,984,381
Preferred stock par value \$1.00; 1 share authorized; issued and outstanding 1	1	1
Additional paid-in-capital	9,199,980	8,763,455
Treasury Stock	( 36,139)	( 36,139)
Retained earnings (deficit)	<u>197,481</u>	<u>( 149,222)</u>
Total shareholder equity	<u>13,871,695</u>	<u>12,809,587</u>
Total liabilities and shareholder equity	<u>\$ 17,920,940</u>	<u>\$ 17,138,956</u>

The accompanying notes are an integral part of the financial statements

Black Dragon Resource Companies, Inc.  
 Unaudited Statement of Operations  
 For the periods ending December 31, 2009 and  
 December 31, 2008

	December 2009	December 2008
<b>Operating revenues</b>		
Oil and gas sales	\$ 497,213	\$ 1,338,878
Gain on sale of leases	<u>614,000</u>	<u>450,925</u>
<b>Total operating revenue</b>	<u><u>1,111,213</u></u>	<u><u>1,789,803</u></u>
<b>Operating costs and expenses</b>		
Oil and gas production/lifting costs	396,066	709,094
Production taxes	16,667	58,588
Marketing costs	0	1,999
Depreciation, amortization and depletion	70,000	440,000
General and administrative	<u>360,586</u>	<u>328,835</u>
<b>Total Operating Costs</b>	<u><u>843,319</u></u>	<u><u>1538516</u></u>
<b>Other income and expense</b>		
Interest Income	107,813	104,095
Interest Expense	<u>(29,000)</u>	<u>(118,661)</u>
<b>Total other income and expense</b>	<u><u>78,813</u></u>	<u><u>( 14,566)</u></u>
<b>Net profit (loss)</b>	<u><u>\$ 346,703</u></u>	<u><u>\$ 236,721</u></u>
<b>Earnings per share</b>	<u><u>\$ 0.0005</u></u>	<u><u>\$ 0.002</u></u>

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

Black Dragon Resource Companies, Inc.  
 Unaudited Statement of Cash Flows  
 For the periods ending December 31, 2009 and  
 December 31, 2008

	December 31, 2009	December 31, 2008
<b>Cash provided (used) by operating activities</b>		
Net income (loss)	\$ 346,703	\$ 236,731
<b>Adjustments to net income to reconcile net cash provided (used) by operations</b>		
Oil and gas receivables	136,278	0
Other receivables	(1,679,824)	( 484,725)
Trade accounts payable	1,721,959	377,901
Accrued payables	<u>109,577</u>	<u>157,733</u>
<b>Total net cash provided (used) by operating activities</b>	<b>\$ <u>634,693</u></b>	<b>\$ <u>287,630</u></b>
<b>Cash provided (used) by investing activities</b>		
Leasehold interests	( 687,536)	(1,185,411)
Depletion and amortization	70,000	440,000
Other property	37,500	( 360,270)
<b>Total net cash provided (used) in investing activities</b>	<b>\$ <u>( 580,036)</u></b>	<b>\$ <u>( 385,141)</u></b>
<b>Cash provided (used) by financing activities</b>		
Notes receivables	( 29,955)	157,363
Convertible Notes	( 736,589)	( 290,442)
Common Stock	366,380	29,823
Preferred "D" Stock	( 87,500)	( 350,270)
Additional paid-in capital	<u>436,525</u>	<u>542,519</u>
<b>Total net cash provided (used) in financing activities</b>	<b>\$ <u>( 49,139)</u></b>	<b>\$ <u>89,993</u></b>
<b>Net cash (decrease) for period</b>	<b>\$ 5,518</b>	<b>\$ ( 8,518)</b>
<b>Cash at beginning of period</b>	<b>\$ 2,243</b>	<b>\$ 10,760</b>
<b>Cash at end of period</b>	<b>\$ 7,761</b>	<b>\$ 2,243</b>

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

Black Dragon Resource Companies, Inc.  
 Unaudited Statement of Change in Shareholder Equity  
 For the periods ending December 31, 2009 and  
 December 31, 2008

	Common Stock	Preferred stock "D"	Preferred Stock "A"	Treasury Stock	Additional paid in capital	Earnings (deficit)	Total
<b>Balance at the end of Dec. 2008</b>	\$247,111	\$3,984,381	\$ 1	\$(36,139)	\$8,763,455	\$(149,222)	\$12,809,587
<b>Issuances of common stock</b>	366,380				436,525		802,905
<b>Issuances of Preferred "D" stock</b>		(87,500)					(87,500)
<b>Net income for the period</b>						346,703	346,703
<b>Balance as of Dec. 31, 2009</b>	\$613,491	\$3,896,881	\$ 1	\$(36,139)	\$9,199,980	\$197,481	\$13,871,695

The accompanying notes are an integral part of the financial statements

Black Dragon Resource Companies, Inc.  
Notes to the Financial Statements  
For the periods ending December 31, 2009 and  
December 31, 2008

## **1. Organization and summary of significant Accounting Policies**

### **Nature of Operations**

Black Dragon Resource Companies, Inc., a Delaware corporation, (“Black Dragon” or the “Company”) is a publicly traded independent energy company engaged primarily in the acquisition, development, production and sale of oil and natural gas and oil and natural gas properties in the United States. Black Dragon’s principal executive office is located at 100 North Land, Oil City, Louisiana 71061. Black Dragon was incorporated as Vita Health, Inc. On December 12, 1999 the company amended its certificate of incorporation to change its name to Vita Warehouse Company, Inc.; on August 8, 2001, to Black Dragon Resource, Inc. and, on December 07, 2004, to Black Dragon Resource Companies, Inc.

### **Risk Factors Related to Concentration of Sales and Products**

The company’s future financial condition and results of operations will depend upon prices received for its oil and natural gas as well as the costs of finding, acquiring, developing and producing reserves. Prices for oil and natural gas are subject to fluctuations in response to changes in supply, market uncertainty, and a variety of other factors beyond the Company’s control. These factors include worldwide political instability, especially in the Middle East, the foreign supply of oil and natural gas, the price of foreign imports, the level of consumer product demand and the price and availability of alternative fuels.

### **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. Management used significant estimates in determining the carrying value of its expense related to sales volumes. The significant estimates include the use of proved oil and gas reserve volumes and the related present value of estimated future net revenues.

Black Dragon Resource Companies, Inc.  
Notes to the Financial Statements  
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## **1. LIQUIDITY ISSUES**

During the year ended December 31, 2009, the Company generated a net operating profit (EBTIDA) of \$267,890 and generated a net income of \$346,703. For the year ended December 31, 2008, the Company generated a net operating profit from operations of \$251,287 (EBTIDA) and a net operating profit of \$236,721.

The Company's earnings history, aggressive production enhancement program and aggressive acquisition's policy has resulted in increased trade payables. The Company has reinvested cash flows generated from operations into enhancement of productivity and increased revenues from oil and gas sales. This has placed the Company in a highly leveraged position and requires the company to raise additional capital.

Management is taking action to address the Company's liquidity issues. Management has sold specific interests in certain leases to sustain operations and has commenced a drilling program to increase production and revenues. The Company has, subsequent to the year-end, raised capital to sustain its obligations.

In addition to working with its operators, the Company is looking to refinance certain of its capital assets and to add outside capital to make acquisitions and sustain operations.

The Company's liquidity and ability to achieve profitability is dependent on its ability to raise capital to improve its leverage position and to generate adequate production volume to sustain its operations and service debt.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less. The Company maintains its deposit accounts at Capital One Bank and the amount of these deposits may exceed federally insured limits from time to time. Company has not experienced any losses in such accounts. The present balance does not exceed the insured limits.

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

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. For certain of the Company's financial instruments, including accounts receivable (trade and related party), notes receivable and account payable (trade and related party), and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts owed for long-term debt also approximate fair value because interest rates and terms offered to the Company are at current market rates.

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are cash accounts receivable arising from its normal business activities. The Company places its cash in what it believes to be credit-worthy financial institutions. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for un-collectable accounts.

### **Notes Receivable**

Notes receivable consist of several notes from individuals secured by interests in oil and gas properties. The debt for these notes is serviced by the net revenues attributable to the maker's individual interests. The revenues are collected by the Company and the corresponding amounts of principal and interest are applied to the outstanding note balances until such time as the notes have been retired.

### **Oil and Gas Properties**

The Company follows the "full-cost" method of accounting for oil and gas property and equipment costs. Under this method, all productive and nonproductive costs incurred in the acquisition, exploration, and development of oil and gas reserves are capitalized. Such costs include lease acquisitions, geological and geophysical services, drilling, completion, equipment, and certain general and administrative costs directly associated with acquisition, exploration, and development activities. General and administrative costs related to production and general overhead are expensed as incurred. No gains or losses are recognized upon the sale or disposition of oil and gas properties, except in transactions that involve a significant amount of reserves.

Black Dragon Resource Companies, Inc.  
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(continued)

Proceeds from the sale of oil and gas properties are generally treated as a reduction of oil and gas property costs. Fees from associated oil and gas the exploration and development partnerships, if any, will be credited to oil and gas property costs to the extent they neither do not represent reimbursement of general and administrative expenses currently charged to expense.

In accordance with the full cost method of accounting, future development, site restoration and dismantlement and abandonment costs, net of salvage values, are estimated on a property-by-property basis based on current economic conditions and are amortized to expense as the Company's capitalized oil and gas property costs are amortized.

The provision for depreciation and depletion of oil and gas properties is computed on the unit-of-production method. Under this method, the Company computes the provision by multiplying the total unamortized costs of oil and gas properties including future development, site restoration, and dismantlement abandonment costs, but excluding costs of unproved properties by an overall rate determined by dividing the physical units of oil and gas produced during the period by the total estimated units of proved oil and gas reserves. As of December 31, 2008, all of the Company's oil and gas production operations are conducted in the United States.. The cost of unevaluated properties not being amortized, to the extent there is such a cost, is assessed quarterly to determine whether the value has been impaired below the capitalized cost. The cost of any impaired property is transferred to the balance of oil and gas properties being depleted. The costs associated with the unevaluated properties relate to projects which were undergoing exploration or development activities or in which the Company intends to commence such activities in the future. The company will begin to amortize these costs when proved reserves are established or impairment is determined. Management believes no such impairment exists at December 31, 2009.

In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," the Company reports a liability for any legal retirement obligations on its oil and gas properties, the associated costs are capitalized as part of the full cost pool.

Following is a reconciliation of the asset retirement obligation liability for the Years ending December 31, 2009 and 2008

Black Dragon Resource Companies, Inc.  
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Asset retirement obligation, beginning of year	\$ 0	\$ 0
Liabilities incurred	--	--
Liabilities settled	--	--
Accretion expense	--	--
Revisions in estimated liabilities	--	--
Asset retirement obligation, end of year	<u>\$0</u>	<u>\$0</u>

At the end of each reporting period, the unamortized cost of oil and gas properties, net of related deferred income taxes, is limited to the sum of the estimated future net revenues from proved properties using current prices, discounted at 10%, and the lower of cost or fair value of unproved properties, adjusted for related income tax affects ("Ceiling Limitation").

The calculations of the ceiling limitation and provision for depreciation, depletion, and amortization are based on estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities or proven reserves and in projecting the future rates of production, timing, and plan of development. The accuracy of any reserves 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 gas that are ultimately recovered.

### **Other Property and Equipment**

Non-oil and gas producing properties and equipment are stated at cost; major renewals and improvements are charged to the property and equipment accounts; while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to operations.

Depreciation for non-oil and gas properties is recorded on the straight-line method at rates based on estimated useful lives ranging from three to thirty one and one half years.

### **Impairment of Long-Lived Assets**

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes

Black Dragon Resource Companies, Inc.  
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SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". Although retaining many of the fundamental recognition and measurement provisions of SFAES No. 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. The statement also supersedes certain provisions of Accounting Principles Board Opinion No. 30, "reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," and will require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period or periods in which the losses are incurred rather than as of the measurement date, as presently required. The Company adopted this new statement on January 1, 2005, and concluded that the effect of adopting this statement had no material impact on the Company's financial position, results of operations, or cash flows.

### **Revenue Recognition**

The Company recognizes revenue upon transfer of ownership of the product to the customer which occurs when (i) the product is physically received by the customer, or (ii) the Company issues an invoice to the customer which evidences an arrangement between the customer and the Company, (iii) a fixed sales price has been included in such invoice, and (iv) collection from such customer is probable.

### **Income Taxes**

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be recognized.

Black Dragon Resource Companies, Inc.  
Notes to Financial Statements for the periods ending  
December 31, 2009 and December 31, 2008.  
(continued)

## Deferred Income Tax

Deferred Income Tax consists of the following:

	December 31, 2009		December 31, 2008
<b>Net operating loss carry-forward</b>	\$ 149,222	\$	385,943
<b>Less valuation allowance</b>	(149,222)	\$	(385,943)
<b>Deferred tax asset</b>	\$ 0.00	\$	0.00

In 2009, the valuation allowance decreased by \$149,222 and by \$236,721 in 2008, respectively. At December 31, 2009, the Company has utilized all net operating loss carry-forwards for federal income tax purposes of \$149,222. These net operating loss carry-forwards expired at various dates beginning in 2015 through 2026. Due to the uncertainty with respect to ultimate realization, the Company has established a valuation allowance for all deferred income tax assets.

## Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income" establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the year ended December 31, 2009 and 2008, the Company did not report any components of comprehensive income.

## Earnings per Share

The Company uses SFAS No. 128, "Earnings per Share" for calculating the basic and diluted earnings (loss) per share. Basic earnings (loss) per share are computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the numerator is increased by the amount of interest expense attributable to the convertible promissory notes payable and the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Additionally, the number of shares outstanding for the year ending December 31, 2009 increased common stock determined under "if converted" method, due to the issuance of convertible notes payable during the year ending December 31, 2009.

Black Dragon Resource Companies, Inc.  
Notes to Financial Statements for periods ending  
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(continued)

## **New Accounting Pronouncements**

In March 2004, the Financial Accounting Standards Board (FASB) approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. The accounting provisions of EITF 03-1 are effective for all reporting periods beginning after June 15, 2004, while the disclosure requirements are effective only for annual periods ending after June 15, 2004. The Company has evaluated the impact of the adoption of EITF 03-1 and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". The amendments made by Statement 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has evaluated the impact of the adoption of SFAS 151, and does not believe the impact will be significant to the Company's overall results of operation or financial position.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions, an amendment of FASB Statements No. 66 and 67 (SFAS 152)". The amendments made by Statement 152 amend FASB statement 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to State that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real-estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005, with earlier application encouraged. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations of financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions." The amendments made by Statement 153 are based on the principal that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for non-monetary exchanges of similar productive assets and replace it with a broader exception for exchanges of non-monetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basic measurement principle (fair value) for exchange of similar productive assets. The Board believe that exception required that some Non-monetary exchanges, although commercially substantive, be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the Board believes this Statement produces financial reporting that more faithfully represents the economics of the transactions. The Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Shared-Based Payment") Statement 123 ( R ) will provided investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation costs relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123 ( R ) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123 ( R ) replaces FASB Statement No. 123, Accounting for Stock-based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used.

Public entities (other than those filing as small business issuers) will be required to apply Statement 123 (R) as of the first interim or annual reporting period that begins after December 15, 2005. The Company has evaluated the impact of the adoption of SFAS 123 (R), and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In March 2005, the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 107 ("SAB 107"). The interpretations in SAB 107 express views of the staff regarding the interaction between Statement of Financial Accounting Standards Statement No. 123 (revised 2004), "Share-Based Payment" ("Statement 123 (R)") and certain SEC rules and regulations and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular SAB 107 provides guidance related to share-based payment transactions with nonemployees, the transition from public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of Statement 123 ( R ) in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of Statement 123 ( R ) and disclosures in Management's Discussion and Analysis subsequent to adoption of Statement 123 (R).

## **BUSINESS COMBINATION, ACQUISITIONS**

The Company made the following acquisitions:

### Acquisitions:

Effective January 10, 2005, the Company acquired a 50% Working Interest in 100 wells in Caddo Parish, Louisiana. The Company issued notes convertible to common stock for the properties. Subsequently the Company acquired the remaining 50% in these 100 wells and also 100% working interest in another 220 wells. This brings the total to 320 wells with 100% working interest located in Caddo Parish for 4,880,000 shares of common stock. The per share price was \$.52 for a total of \$2,560,000 in common stock, and 289,522 shares of convertible Black Dragon Series D preferred shares, face value of \$ 4.50 per share, with a total value of \$5,715,200.

The Company subsequently purchased various interests in various wells, and an additional 8,664,000 shares and debt were issued and conversion thereon.

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The Company effective June 30, 2005 paid \$ 60,000 cash for properties in the fourth quarter.

The Company also entered an agreement to purchase 316 wells, more or less, for a \$300,000 note and 700,000 preferred shares. The wells were being independently evaluated for the Company and the seller in order to establish a definite price. For the financial statements these are reflected at a value of \$3, 450,000 and the acquisition was completed November 03, 2005.

The Company entered an agreement to purchase 8000 acres, more or less, on Caddo Lake with 16 existing wells. The purchase is for development of oil and gas. The Company is acquiring a 72% working interest and the acquisition was booked at \$2,500,000 with a payment of \$100,000 non-refundable, as of the financial statement dated December 31, 2005 the acquisition payable is at \$2,400,000. Closing and the preparation of a note payable at 10% interest amortized over 15 years. The Company subsequently sold the acquisition back to the original seller in 2006 for a profit in excess of \$500,000.

## OIL AND GAS PROPERTIES

Oil and gas properties consisted of the following as of December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
<b>Properties being amortized</b>	\$ 14,033,72	\$ 14,721,278
<b>Accumulated depreciation and depletion</b>	(1,650,071)	(1,580,071)
<b>Net oil and gas properties</b>	\$ 12,383,671	\$ 13,141,207

The Company had gross production from both oil and gas of \$497,213 for the year ended December 31, 2009 and \$ 1,338,878 for the year ended December 31, 2008, respectively.

## LAND

The company acquired 30 acres, more or less, and a spring water well at an initial cost of \$425,000, consideration being a combination of cash and stock in the amount of \$225,000. The remaining balance of \$200,000 is in the form of a promissory note, with interest at 8%, due and payable with accrued interest on December 31, 2005.

Black Dragon Resource Companies, Inc.  
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The note had been extended through December 31, 2006. No further extensions have been requested nor granted. The company intends to continue to hold this asset for a future economic return. The Company has made betterments and improvements at a cost of \$25,235. The asset is booked at cost.

Cost (Land Value 425,000)      \$ 450,235

### LONG TERM DEBT

Long term debt consisted of the following as of December 31, 2008 and 2007:

	2008	2007
<b>Note payable to an individual at 8% interest per annum. Principal and interest due in one lump sum payment on December 31, 2005. Note is secured by the property</b>	\$ 200,000	\$ 200,000

This note has been extended through December 31, 2006. It is past due as of the issuance of these financial statements. Management has had discussions with the holder of the Note and will attempt to restructure or refinance the debt to allow additional time for repayment. Consequently, because of the maturity date, this note has been reclassified as current for the years presented.

	2008	2007
<b>Note payable to an individual at 13% interest per annum, payable in one lump sum on Feb. 7, 2007</b>	\$100,000	\$100,000
<b>Total notes payable</b>	<b>\$300,000</b>	<b>\$300,000</b>

### ENVIROMENT

Black Dragon, as owner of oil and gas properties is subject to various federal, state and local laws and regulation relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the owner of real property and the lessee under oil and gas leases for the cost of pollution clean-up resulting from operations, subject the owner/lessee to liability for pollution damages and impose restrictions on the injection of liquids into subsurface strata.

Although Company environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasing stringent regulations could require the Company to make additional unforeseen environmental expenditures.

The Company will maintain insurance coverage that it believes is customary in the industry, although it is not fully insured against all environmental risks.\

The Company is not aware of any environmental claims existing as of December 31, 2008 a material impact on its consolidated financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past non-compliance with environmental laws will not be discovered on the Company's properties.

#### **OTHER FINANCIAL LEASES**

The Company has no commitment to leases of buildings, space, equipment, etc. which would affect the ownership of its oil, and gas leases. The Company has use of facilities in Oil City, Louisiana under an arrangement with a shareholder. The company has not established future minimum rental payments required under other financial leases.

#### **LEGAL – PENDING LITIGATION AND SECURITY COUNSEL**

The Company has been named as one of the defendants in a lawsuit filed by OMDA Oil & Gas, Inc. The Company purchased specific oil and gas interests from OMDA Oil & Gas Management, Inc. Management and counsel for the Company feel that the suit has no merit.

Security counsel for the Company is:

Sayid and Associates, LLP  
408 West 57<sup>th</sup> Street  
Suite 8E  
New York, New York  
(212) 262-1166

Black Dragon Resource Companies, Inc.  
Notes to Financial Statements periods ending  
December 31, 2009 and December 31, 2008  
(continued)

In addition to security counsel, the Company employs the services of Executive Support and Services Group, Corp. located at the same address as counsel for matters of preparing appropriate compliance documents and reporting assistance.

## **CAPITAL STOCK**

For the year ended December 31, 2009, the Company had the following significant equity transactions:

### **Common Stock:**

The Company issued 366,380,000 shares reducing convertible notes payable.

### **PREFERRED STOCK:**

On November 4, 2005, the Company issued 700,000 Series D par value \$4.50 preferred shares for a value of \$ 3,150,000 for purchase of properties.

On December 4, 2005, the Company issued 265,478 Series D par value \$ 4.50 preferred shares for a value of \$ 1,194,651 to purchase properties.

In July 2006, the Company issued one share of Series C, Convertible Preferred Stock. This stock contains provisions which provide for 151% of the voting rights of the Common Shareholders. The Directors and Officers decided this stock issue would effectively prevent a "hostile" takeover of the Company. These types of issues are commonly referred to as a "Poison Pill". The issuance resolution must be ratified by the common shareholders at the next meeting of the Shareholders.

There were no stock options or warrants outstanding as of December 31, 2008 and 2007.

In 2008, the Company sold a drilling rig to one of the Preferred Shareholders for a corresponding reduction in Preferred Stock.

In 2009, the Company surrendered Oil Leases reducing the Preferred Stock.

## **INCOME TAXES:**

The Company has made no provision for income taxes or for deferred tax assets as the company has net operating losses (NOL Carryover) for use in future years.

## **SUPPLEMENTAL INFORMATION ABOUT OIL & GAS PRODUCING ACTIVITIES:**

The Company has had an independent engineer reserve estimate (PV10) prepared based upon a limited scope engagement as of September, 2006. Due to the cost of such types of reports, Management had elected not to have a current report prepared on its Oil and Gas Reserves at that time. Therefore, supplemental information cannot be presented. The Company has engaged the services of a Petroleum Engineer to conduct a Reserve Study as of the Balance Sheet Date. These financial statements are subject and directly affected by the results of this study. The Financial Statements included herein may be required to be revised and the effects of such revisions are not as yet known.

### **ITEM 9 - Changes in and Disagreements with Accountants on Accounting and Accounting Disclosures**

The Company's status with the Security and Exchange Commission ("SEC") is non-reporting. As such, the Company has not engaged an accounting firm to audit its financials. It is the intention of the Company to file a registration statement with the SEC, which will require the auditing of its financial statements at a time when it is better financially able to afford the cost of such reporting requirements.

#### **ITEM 9A - Controls and Procedures**

##### *Management's Evaluation of Disclosure Controls and Procedures*

The Company's chief executive officer, principal financial officer and principal accounting officer have evaluated the Company's disclosure controls and procedures as of December 31, 2009. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company the minimum requirements for disclosure for non-reporting companies set forth in Section 15(c)211 of the Securities and Exchange Act

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

Management, including the Company's chief executive officer, principal financial officer and principal accounting officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting. Based on this evaluation, management concluded that its internal control over financial reporting was effective as of December 31, 2009.

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

There were no changes since the filing of the Company's Initial Information and Disclosure Statement that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 9B - Other Information

On October 3, 2009 Scott D. Smith was elected Chair of the Board of Directors and Chief Executive Officer of the Company. Mr. Smith's annual salary is \$ 95,000.00 per annum. Like all employees of the Company, Mr. Smith is an "at will" employee of the Company and does not have an employment contract.

## PART III

### ITEM 10- Directors, Executive Officers and Corporate Governance

#### Directors

The following table sets forth the Board of Directors, their age and positions held within the Company:

Name	Age	Position
Scott D. Smith	28	Director, Chair of the Board of Directors, Chief Executive Officer
Thomas Neely	82	Director, Secretary

**Scott D. Smith**, has served as our CEO and Chair of our Board of Directors since October, 2009. Mr. Smith attended Texas Tech University, Lubbock, Texas and has had extensive experience as a Petroleum Landman throughout the Louisiana and East Texas region. Prior to joining the Company, Mr. Smith was employed at CSC Interest Inc. from August 2006 until he joined the Company in October of 2009.

**Thomas Neely**, retired from his position as a Traffic Engineer with the City of Portland, Oregon in 1983. Since retiring he has served as a Director and Officer of several different companies, including Maesa Petroleum, Inc., OMDA Oil and Gas, Inc., and most recently Black Dragon. Mr. Neely is a veteran of the United States Army having served from 1946 until his honorable discharge in 1948. He attended Mutnomah College in Portland, Oregon, and Lewis and Clarke College in Lake Oswego, Oregon.

#### Executive Officers

**Gary Zorne**, age 53, is employed as the Company's Chief Financial Officer. Mr. Zorne is employed as the Company's Chief Financial Officer. Mr. Zorne began working for the Company in March of 2007 and was instrumental in bringing the Company financial records current. Prior to that, He was the controller of a General Contracting Company specializing in Government Projects. Mr. Zorne has practiced as a Certified Public Accountant in Houston, Texas from 1983 through 1990 as a Sole proprietor and

later moved to Las Vegas, Nevada to work as a Controller for several construction companies. He later moved to Louisiana and acted as Chief Financial Officer for an Oil and Gas Production company.

### **Disciplinary History of the Board of Directors**

See page 20 and 21 above in this Annual Report. There are no orders, judgments or actions pending against any of the members of the Board of Directors that bar, suspend or otherwise prevent them from any business activity.

### **Board of Directors**

The business affairs of the Company are managed under the direction of the board of directors. The board of directors meets on a regularly scheduled basis during the fiscal year of the Company to review significant developments affecting the Company and to act on matters requiring approval by the board of directors. It also holds special meetings as required from time to time when important matters arise, which require action between scheduled meetings. The board of directors had seventeen (17) meetings during the 2009 fiscal year. Each of the Company's directors participated in at least 75% of the meetings of the board of directors and the committees of the board on which he served during 2009. The Company does not have a formal policy regarding directors' attendance at the Annual Meeting; however, all incumbent directors, as well as the nominees for election as director, are encouraged to attend each annual meeting of the stockholders of the Company. All incumbent directors attended the 2009 Annual Meeting.

### **Director Independence**

The board of directors has determined that all of the directors may be considered an "independent" director.

### **Standing Committees of the Board of Directors**

The board of directors does not currently have any standing committees.

### **Certain Transactions and Corporate Governance**

Company policies provide that (a) our board of directors is to approve all related party transactions (as defined for financial reporting) before such transactions are consummated and (b) monitors and reviews any other issues involving potential conflicts of interest. The Company compiles information about transactions between the Company and its directors, officers, and greater-than-five-percent stockholders (and their immediate family members and their affiliated entities). Such information includes the nature of each transaction and the amount(s) involved. The board of directors reviews and evaluates this information, with respect to directors, as part of its assessment of each director's independence. Based on a review of the transactions between the Company and its directors, officers, and greater than-five-percent stockholders (and their immediate family members, and their affiliated entities), the Company has determined that, during the 2009 fiscal year, it was not a party to any transaction (excluding compensation paid to a party as a Company director or

employee) in which the amount involved exceeds \$120,000 and in which (i) any of the Company's directors, executive officers or any of their immediate family members or affiliates, has a direct or indirect material interest in the other party to the transaction, and (ii) any greater-than-five-percent stockholder of the Company has a direct or indirect material interest in the other party to the transaction.

### **Communication with the Board of Directors**

Stockholders may communicate with the board of directors, including the non-management directors, by sending a letter to Scott D. Smith, our Chief Executive Officer and Chairman, at our principal executive office address. All such communications shall be shared with the members of the board of directors, or if applicable, a specified committee or director.

### **Code of Business Ethics and Conduct**

The Company has not yet adopted both a Code of Business Conduct and Ethics and a Code of Ethics.

### **SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information as of March 1, 2010 concerning the beneficial ownership of the Company's voting common stock by: (a) each director, director nominee and named executive officer; (b) each person the Company knows to beneficially own more than 5% of the issued and outstanding shares of a class of common stock; and (c) all of the Company's executive officers and directors as a group. The persons named in the table have sole voting and investment power with respect to all shares they owned, unless otherwise noted. In computing the number of shares beneficially owned by a person and the percentage of ownership held by that person, shares of common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after March 1, 2010 are deemed exercised and outstanding, while these shares are not deemed exercised and outstanding for computing percentage ownership of any other person.

Name and address of Shareholder	No. of Shares of Common Stock Beneficially Owned	Percent of Shares of Common Stock outstanding**
Scott D. Smith	None	*
Thomas Neely	567,000	*
Gary Zorne	None	*
Executive Officers and Directors as a Group	567,000	*
Shareholders beneficially owning 5% or more of the Common stock of the corporation***	None	

\* Less than 1% of the issued and outstanding shares of the class.

\*\* Percentage is calculated on the basis of 613,491,295 shares, the total number of shares of voting common stock outstanding on December 31, 2009.

\*\*\* 92.16% of the issued and outstanding shares are held in street name by Cede & Company (the Depository Trust).

### Equity Compensation Plans

The Company currently has no equity compensation plans.

## Executive Compensation

### Summary Compensation Table

The following table sets forth in summary form the compensation earned during the years ended December 31, 2009, 2008 by our Chief Executive Officer, our Chief Financial Officer, and up to three additional most highly compensated executive officers, each of whom had total compensation exceeding \$100,000. The individuals named in the following table are referred to collectively as the "Named Executive Officers," or "NEOs."

<i>Name and principal position</i>	<i>Yr.</i>	<i>Salary</i>	<i>Bonus</i>	<i>Stock Award (A)</i>	<i>Options Awards (A)</i>	<i>Non-equity incentive plan compensation</i>	<i>Pensions and deferred earnings (B)</i>	<i>All other comp.</i>	<i>Total</i>
<b>Scott Smith</b> CEO	2008	0	0	0	0	0	0	0	0
	2009	\$23,700	0	0	0	0	0	0	\$23,700
<b>Thomas Neely</b> Secretary	2008	0	0	\$57	0	0	0	0	\$57
	2009	0	0	0	0	0	0	0	0
<b>Gary Zorne</b>	2008	65,000	0	0	0	0	0	0	65,000
	2009	65,000	0	0	0	0	0	0	65,000

A. The amounts in these columns reflect the dollar amount expensed for financial reporting purposes for the fiscal years ending December 31, 2008 and 2009, as applicable, in accordance with FAS 123(R) of awards and thus may include awards granted in and prior to such year.

B. This column reflects changes in pension value and non-qualified deferred compensation earnings. The Company has no pension plans or non-qualified deferred compensation plans.

### Summary of Directors' Compensation

<i>Name</i>	<i>Fee Earned or paid in cash</i>	<i>Stock Awards</i>	<i>Options Awards</i>	<i>Non-Equity Incentive Plan compensation</i>	<i>Change in Pension Value and Non-Qualified Deferred Compensation</i>	<i>All other compensation</i>	<i>Total</i>
<b>Scott Smith</b>	0	0	0	0	0	0	0
<b>Thomas Neely</b>	0	\$57	0	0	0	0	\$57

### Employment and Other Material Contracts

The employees of the Company, including Mr. Smith, Mr. Neely and Mr. Zorne, are *at-will*. The Company does not have any bargaining units, labor contracts or other material agreements with any entity or individual.

I, Scott D. Smith, certify that:

1. I have reviewed this Initial Company and Disclosure Statement of Black Dragon Resource Companies, Inc.

2. Based on my knowledge, this disclosure statement does not contain any untrue statements made, in light of the circumstances under which such statements were made not misleading with respect to the period(s) 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.

The undersigned hereby certifies that the information herein is true and correct to the best of my knowledge and belief.

Dated this 18<sup>th</sup>, day of March, 2010

Black Dragon Resource Companies, Inc.

By: /s/ Scott D. Smith

Scott D. Smith, CEO and Chair of the Board of Directors  
Telephone (318) 995-0710

## **EXHIBITS:**

The Articles of Incorporation and the By-laws of the Company are incorporated hereto by reference. These exhibits were filed as part of the Initial Information and Disclosure Statement published on [www.pinksheets.com](http://www.pinksheets.com) on October 27, 2009.