

Doral Energy Corp.  
Form 10-Q  
December 21, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended **October 31, 2009**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **000-52738**

**DORAL ENERGY CORP.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or  
organization)

**98-0555508**

(I.R.S. Employer Identification No.)

**415 West Wall, Suite 500**

**Midland, TX**

(Address of principal executive offices)

**79701**

(Zip Code)

**(432) 789-1180**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  **Yes**  **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any,

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every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) **Smaller reporting company**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As

**of December 18, 2009, the Registrant had 87,219,480 shares of common stock outstanding.**

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The accompanying consolidated unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three month period ended October 31, 2009 are not necessarily indicative of the results that can be expected for the year ending July 31, 2010.

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "Doral Energy" and the "Company" mean Doral Energy Corp. and its subsidiaries unless otherwise indicated. All dollar amounts in this Quarterly Report are in U.S. dollars unless otherwise stated.

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**Doral Energy Corp.**  
**Consolidated Balance Sheets**  
**October 31, 2009 and July 31, 2009**  
(Unaudited)

	October 31 2009	July 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ -	\$ 436,806
Accounts receivable, net of allowance for doubtful accounts of \$-	216,805	232,934
Restricted cash note proceeds restricted as to use	181,082	170,377
Current derivative asset	233,755	468,607
Prepaid insurance and other	33,951	1,600
Total current assets	665,593	1,310,324
<b>Oil and gas properties Proved, using full cost method of accounting, net of accumulated depreciation, depletion and amortization of \$516,259 and \$419,068, respectively</b>		
	19,759,534	19,897,062
Deferred federal income tax	85,213	85,213
Office equipment, net of depreciation	232,775	247,111
Security deposit	228,268	210,087
Total assets	\$ 20,971,383	\$ 21,749,797
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 674,723	\$ 333,698
Accounts payable related party	66,674	81,183
Accrued interest payable	75,861	55,537
Current portion of long-term debt	6,901,819	6,636,372
Current portion of notes payable related party	200,000	150,000
Convertible note payable, net of discount of \$- and \$118,523, respectively	300,000	181,477
Current deferred income tax	94,144	94,144
Other current liabilities	20,360	6,103
Total current liabilities	8,333,581	7,538,514
Notes payable	121,253	480,784
Notes payable to related party, net of discount of \$207,818 and \$250,000, respectively	92,182	100,000
Noncurrent derivative liability	121,711	54,728
Asset retirement obligation	801,138	903,654
Total liabilities	9,469,865	9,077,680
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$0.001 par value, 2,000,000,000 shares authorized, 87,062,470 and 86,937,470 shares issued and outstanding, respectively	87,062	86,937
Additional paid-in capital	15,237,339	15,119,274
Retained deficit	(3,822,883)	(2,534,094)

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Total stockholders equity	11,501,518	12,672,117
Total liabilities and stockholders equity	\$ 20,971,383	\$ 21,749,797

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

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**Doral Energy Corp.**  
**Consolidated Statements of Operations**  
**For the three months ended October 31, 2009 and 2008**  
(Unaudited)

	2009	2008 (Restated)
Revenue - oil and gas sales	\$ 467,197	\$ 652,256
Expenses:		
Operating costs	664,578	279,422
Production taxes	64,488	60,330
Depreciation, depletion, and amortization	113,112	73,528
Accretion expense	7,821	19,416
General and administrative	498,122	287,019
Total expense	1,348,121	719,715
Loss from operations	(880,924)	(67,459)
Other income (expense):		
Interest expense	(255,935)	(153,394)
Price risk management activities	(151,827)	1,482,284
Income (loss) before income taxes	(1,288,686)	1,261,431
Income tax expense	103	438,638
Net income(loss)	\$ (1,288,789)	\$ 822,793
Net income (loss) per share:		
Basic and diluted	\$ (0.01)	\$ 0.01
Weighted average shares outstanding:		
Basic and diluted	86,941,546	85,862,000

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

**Doral Energy Corp.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended October 31, 2009 and 2008**  
(Unaudited)

	2009	2008 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,288,789)	\$ 822,793
Adjustments to reconcile net income (loss) to cash used by operating activities:		
Depreciation, depletion, and amortization	113,112	73,528
Accretion	7,821	19,416
Amortization of debt discount and deferred financing costs	160,705	50,289
Unrealized loss (gain) on derivative instrument, net	301,835	(1,438,060)
Share based compensation	76,940	-
Changes in operating assets and liabilities:		
Accounts receivable	16,129	(201,382)
Prepaid expenses and other current assets	(32,351)	1,221
Deposits	-	(13,896)
Accounts payable	364,094	(18,492)
Accounts payable related party	(14,509)	30,000
Accrued interest payable	20,324	-
Other current liabilities	14,257	2,293
Deferred income taxes	-	438,638
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(260,432)</b>	<b>(233,652)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in note proceeds restricted as to use	(10,705)	356,421
Purchase of property and equipment	(1,585)	(35,619)
Additions to oil and gas properties	(70,000)	(61,206)
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(82,290)</b>	<b>259,596</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable, gross	31,441	200,000
Deferred financing costs incurred	-	(119,623)
Repayments of notes payable	(125,525)	-
Proceeds from sale of common stock	-	5,025
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(94,084)</b>	<b>85,402</b>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(436,806)</b>	<b>111,346</b>
Cash and cash equivalents, beginning of period	436,806	54,500
Cash and cash equivalents, end of period	\$ -	\$ 165,846
Supplemental disclosures of cash flow information:		
Interest paid	\$ 56,697	\$ 103,105
Income taxes paid	\$ -	\$ -
Non cash investing and financing activities:		
Change in estimate of asset retirement obligation	\$ 110,337	\$ -
Stock issued for exercise of stock options in exchange for accounts payable	\$ 41,250	\$ -

Purchase price adjustment payable	\$	-	\$	436,408
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*The accompanying notes are an integral part of these consolidated financial statements.*

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Doral Energy Corp.  
Notes to Unaudited Consolidated Financial Statements

**NOTE 1 ORGANIZATION AND BUSINESS OPERATIONS**

We were incorporated under the laws of Nevada, USA, on October 25, 2005 as Language Enterprises Corp. Our principal executive offices are in Midland, Texas. In February 2008, we formed Doral West Corp., a wholly owned subsidiary to participate in future acquisitions. Effective April 28, 2008, Language Enterprise Corp. changed its name to Doral Energy Corp.

**Interim financial statements**

The unaudited financial information furnished herein reflects all adjustments, which in the opinion of management are necessary to fairly state the Company's financial position and the results of its operations for the periods presented. This report on Form 10-Q should be read in conjunction with the Company's financial statements and notes thereto included in the Company's audited financial statements for the fiscal period ended July 31, 2009 as filed on Form 10-K. The Company assumes that the users of the interim financial information herein have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. Accordingly, footnote disclosure, which would substantially duplicate the disclosure contained in the Company's audited financial statements for the fiscal period ended July 31, 2009, has been omitted. The results of operations for the three-month period ended October 31, 2009 are not necessarily indicative of results for the entire year ending July 31, 2010.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ( GAAP ) and the Securities and Exchange Commission Act 1934.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 periods. Actual results could materially differ from those estimates.

Management believes that it is reasonably possible the following material estimates affecting the financial statements could significantly change in the coming year: (1) estimates of proved oil and gas reserves, and (2) forecast forward price curves for natural gas and crude oil. The oil and gas industry in the United States has historically experienced substantial commodity price volatility, and such volatility is expected to continue in the future. Commodity prices affect the level of reserves that are considered commercially recoverable; significantly influence Doral's current and future expected cash flows; and impact the PV10 derivation of proved reserves.

**Principles of consolidation**

The consolidated financial statements include the accounts of Doral Energy Corp. and its 100% owned subsidiary Doral West Corporation.

**Restricted cash note proceeds restricted as to use**

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At October 31, 2009, we had \$181,082 of restricted cash. The restricted cash represents proceeds from the revolving loan payable to Macquarie which are restricted as to use under the terms of the credit agreement. These funds may

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be used to pay lease operating expenses, note interest, certain fees associated with obtaining the note and certain general and administrative expenses.

### **Concentrations of Credit Risk**

All of our receivables are due from oil and natural gas purchasers. We sold approximately 93% of our oil and natural gas production to one customer during the three months ended October 31, 2009. At October 31, 2009, two customers accounted for approximately 88% and 8% of accounts receivable.

### **Revenue and cost recognition**

We use the sales method to account for sales of crude oil and natural gas. Under this method, revenues are recognized based on actual volumes of oil and gas sold to purchasers. The volumes sold may differ from the volumes to which Doral is entitled based on the interest in the properties. These differences create imbalances which are recognized as a liability only when the imbalance exceeds the estimate of remaining reserves. We had no production, revenue or imbalances as of October 31, 2009. Costs associated with production are expensed in the period incurred.

### **NOTE 3 - GOING CONCERN**

As of October 31, 2009, we had negative working capital. This factor raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if Doral is unable to continue as a going concern.

We intend to raise additional working capital either through private placements, public offerings and/or bank financing. We are actively pursuing such alternatives in conjunction with our financial advisor, C.K. Cooper & Company, Inc. We are also identifying merger and/or acquisition candidates of strategic and financial benefit to our plans for growth. As of October 31, 2009, no acquisition or merger agreements have yet been closed. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, Doral will have to raise additional working capital through other channels. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to Doral.

### **NOTE 4 NOTES PAYABLE**

#### **Little Bay Notes Payable**

During October 2008, we borrowed \$200,000 from Little Bay Consulting SA. The loans are unsecured, carry an annual interest rate of 5.0%, and are due October 1, 2010. This note has not been repaid and is currently in default.

#### **Green Shoe Investments**

In May 2009, Doral borrowed \$150,000 and agreed to repay \$300,000 to Greenshoe Investments Ltd. The loan is unsecured, carries an annual interest rate of 0.0%, is due ten days after the maturity of our Macquarie Credit Agreement and is convertible at \$1 per share. The difference in proceeds and the repayment amount resulted in a discount of \$150,000 that was being amortized over the term using the effective interest method. As of October 31, 2009, the discount had been fully amortized. This loan will mature following the expiration of the forbearance agreement discussed below.

#### **Macquarie Credit Agreement**

On July 29, 2008, the Company entered into a Senior First Lien Secured Credit Agreement (the Credit Agreement) with Macquarie Bank Limited (Macquarie). Under the terms of the Credit Agreement, Macquarie has agreed to

provide Doral with: (i) a maximum of \$25,000,000 under a revolving loan (the Revolving Loan ); and (ii) a maximum of \$25,000,000 under a term loan (the Term Loan ). Upon closing of the Credit Agreement, Macquarie advanced \$2,500,000 of the Revolving Loan and \$2,800,000 of the Term Loan. These advances are

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subject to an upfront advance fee of 1.00% of the total amount advanced. The advances were used to fund the acquisition of the Eddy County Properties and for working capital purposes. Future advances are subject to the approval of Macquarie.

The Term Loan and the Revolving Loan are secured by all of the assets of the Company. Interest accrued on the Term Loan and the Revolving Loan is payable monthly beginning on September 20, 2008. The Credit Agreement requires that Doral must pay 100 percent of net operating cash flow to Macquarie monthly beginning on September 20, 2008. This payment will be applied first to accrued interest and fees, second to principal on the Term Loan and last to principal on the Revolving Loan.

On November 11, 2009, we entered into an agreement with Macquarie dated November 9, 2009, pursuant to which Macquarie agreed not to exercise their rights or remedies with respect to our failure to pay the amounts due under the Macquarie Credit Agreement until at least January 29, 2010.

To obtain Macquarie's agreement to forbear from exercising its remedies, we:

- (a) paid Macquarie a fee of \$25,000;
- (b) agreed to an increased interest rate on amounts owed under the Macquarie Credit Agreement to:
  - (i) with respect to the Revolving Loan, 3.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 1.75% over prime in respect of amounts earning interest tied to the prime rate, and
  - (ii) with respect to the Term Loan, 7.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.25% over prime in respect of amounts earning interest tied to the prime rate.

In addition, the terms of the forbearance agreement provide that, if we do not receive a valid offer to purchase some or all of the Hanson Project Properties by November 30, 2009 and we have accounts payable greater than \$125,000 that are past due, we will be required to pay Macquarie an additional fee of \$50,000, and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i) with respect to the Revolving Loan, 4.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 2.25% over prime in respect of amounts earning interest tied to the prime rate; and
- (ii) with respect to the Term Loan, 7.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.75% over prime in respect of amounts earning interest tied to the prime rate.

If we do not receive a valid offer to purchase some or all of the Hanson Project Properties by December 31, 2009 and we have accounts payable greater than \$100,000 that are past due, we will be required to pay Macquarie an additional fee of \$100,000 and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i) with respect to the Revolving Loan, 5.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 3.75% over prime in respect of amounts earning interest tied to the prime rate; and
- (ii) with respect to the Term Loan, 9.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 7.25% over prime in respect of amounts earning interest tied to the prime rate.

#### **Note payable to related party**

In July 2009, we borrowed \$250,000 from W.S. Oil and Gas Limited, a partnership which is controlled by our CEO. The note has a stated interest rate of 0% and matures November 1, 2012. The lender had the option to convert any remaining principal and interest due under this note into shares of our common stock at a conversion price equal to four times the fair market value of our common stock at the time the conversion right is exercised. We are required to make 24 monthly payments of \$16,667 beginning November 1, 2009 and then 12 monthly payments of \$8,333

thereafter. The payments total \$500,000 resulting in an effective interest rate of 49%. The difference in proceeds and

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the repayment amount resulted in a discount of \$250,000 that is being amortized over the term using the effective interest method. As of October 31, 2009, \$42,182 was amortized leaving \$207,818 to be amortized in fiscal 2010 - 2012.

On November 11, 2009, we agreed with W.S. Oil and Gas Limited to amend the terms of the convertible promissory note issued to them. As amended, in the event of a default under the terms of the note, WS Oil and Gas shall have the right to convert any remaining principal and interest due under the note into shares of our common stock at a conversion price equal to the greater of (a) four times the fair market value of our common stock at the time the conversion right is exercised; and (b) \$0.05.

## NOTE 5 COMMITMENTS AND CONTINGENCIES

From time to time we may become involved in litigation in the ordinary course of business. At the present time the Company's management is not aware of any such litigation.

The Company, as an owner or lessee and operator of oil and gas properties, is subject to various federal, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. We maintain insurance coverage, which we believe is customary in the industry, although we are not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of October 31, 2009, which have not been provided for, covered by insurance or otherwise have a material impact on its 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.

## NOTE 6 STOCKHOLDERS EQUITY

Effective September 14, 2009, the Company amended its Articles of Incorporation by a forward split of its issued and authorized capital on a 5-for-1 basis. Accordingly, the Company's outstanding shares were increased on a 5-for-1 basis such that each shareholder now holds five shares for each one share previously held. All share and per-share data (except par value) have been adjusted to reflect the retroactive effect of the reverse stock split for all periods presented.

### Stock options

Stock option activity summary is presented in the table below:

	Number of Shares	Weighted- average Exercise Price	Weighted- average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at July 31, 2009	304,000	\$ 0.50		
Granted	200,000	\$ 0.33		
Exercised	(125,000)	0.33		
Forfeited	-	\$ -		
Expired	-	-		
Outstanding at October 31, 2009	379,000	\$ 0.47	4.79	\$ 4,500

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On October 27, 2009, we issued options to purchase 200,000 shares of common stock to an entity for professional services. The options were vested immediately and had an exercise price of \$0.33 and a term of five years.

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The fair value of the options granted during the three months ended October 31, 2009 was estimated at the date of grant using the Black-Scholes option-pricing model at \$76,940. The following assumptions were used in the model:

Estimated market value of stock on grant date	\$ 0.39
Risk-free interest rate	1.51%
Dividend yield	0.00%
Volatility	216%
Expected life	5.0 years

In October 2009, we issued 125,000 shares of common stock in exchange for the exercise of stock options with an exercise price of \$0.33 per share. We agreed to reduce amounts payable to the holder in exchange for the exercise price of \$41,250 which would have been due upon exercise. We received no cash proceeds upon the exercise of the stock options.

**NOTE 7 RELATED PARTY TRANSACTIONS**

As of October 31, 2009, we had amounts payable to a partnership controlled by our CEO under a convertible note agreement. See Note 4 for a discussion of this agreement.

October 31, 2009, we had accounts payable to the Chairman of the Board and former CEO of the Company in the amount of \$66,674. These amounts represent unpaid salary and expense reimbursements.

**NOTE 8 DERIVATIVE INSTRUMENTS AND PRICE RISK MANAGEMENT ACTIVITIES**

We entered into commodity derivative financial instruments intended to hedge our exposure to market fluctuations of oil and natural gas prices. As of October 31, 2009, we had commodity swaps, puts and calls for the following oil volumes:

	Transaction type	Barrels per quarter	Barrels per day	Price per barrel
<b>2010</b>				
Second quarter	Swap	6,698	73	\$ 94
Third quarter	Swap	6,328	71	\$ 94
Fourth quarter	Swap	4,266	70	\$ 94
Fourth quarter	Put	2,147	69	\$ 60
Fourth quarter	Call	2,147	69	\$ 94
<b>2011</b>				
First quarter	Put	6,280	68	\$ 60
First quarter	Call	6,280	68	\$ 94
Second quarter	Put	5,791	63	\$ 60
Second quarter	Call	5,791	63	\$ 94
Third quarter	Put	5,202	58	\$ 60
Third quarter	Call	5,202	58	\$ 94
Fourth quarter	Put	5,202	57	\$ 60
Fourth quarter	Call	5,202	57	\$ 94
<b>2012</b>				
First quarter	Put	5,202	57	\$ 60
First quarter	Call	5,202	57	\$ 94
Second quarter	Put	3,468	57	\$ 60

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Second quarter	Call	3,468	57	\$ 94
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FASC 815-25 (formerly SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities ) requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of each derivative is recorded each period in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. To make this determination, management formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring effectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific cash flows associated with assets and liabilities on the balance sheet or to specific forecasted transactions.

Based on the above, management has determined the swaps noted above do not qualify for hedge accounting treatment. As of October 31, 2009, the hedge was included on the balance sheet as a current derivative asset in the amount of \$233,755 and a noncurrent derivative liability of \$121,711. For the three months ended October 31, 2009, Doral recognized a loss from the change in fair value of \$301,835 reflected in other income (expense). Realized hedge gains totaled \$150,008 for the three months ended October 31, 2009.

## NOTE 9 FAIR VALUE MEASUREMENTS

Doral's commodity derivatives are measured at fair value in the financial statements. Doral's financial assets and liabilities are measured using input from three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Doral has the ability to access at the measurement date.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs reflect Doral's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. Doral develops these inputs based on the best information available, using internal and external data.

The following table presents Doral's assets and liabilities recognized in the balance sheet and measured at fair value on a recurring basis as of October 31, 2009:

Description	Input Levels for Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Assets:				
Commodity derivatives	\$ -	\$ 233,755	\$ -	\$ 233,755
	\$ -	\$ 233,755	\$ -	\$ 233,755
Liabilities:				
Commodity derivatives	\$ -	\$ 121,711	\$ -	\$ 121,711
	\$ -	\$ 121,711	\$ -	\$ 121,711

The fair value of commodity derivatives is determined using forward price curves derived from market price quotations, externally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent energy brokers and direct communication with market participants.

**NOTE 10 SUBSEQUENT EVENTS**

On November 10, 2009, we issued 54,000 shares of common stock in exchange for the exercise of stock options with an exercise price of \$0.33 per share. We agreed to reduce amounts payable to the holder in exchange for the exercise price of \$17,820 which would have been due upon exercise. We received no cash proceeds upon the exercise of the stock options.

On December 3, 2009, we issued options to purchase 200,000 shares of common stock to an entity for professional services. The options were vested immediately and had an exercise price of \$0.26 and a term of five years.

On December 3, 2009, we issued 103,000 shares of common stock in exchange for the exercise of stock options with an exercise price of \$0.26 per share. We agreed to reduce amounts payable to the holder in exchange for the exercise price of \$26,780 which would have been due upon exercise. We received no cash proceeds upon the exercise of the stock options.

On December 14, 2009, we received cash proceeds of \$200,000 in exchange for a 4% Convertible Note Payable. The note bears interest at 4% per year and matures June 30, 2010. The note is convertible only in whole into Units at \$0.10 per Unit. Each Unit consists of one share of common stock and one warrant to purchase a share of common stock at a price of \$0.20 per share for a term of three years. The note contains ratchet provisions which adjust the exercise price of the Units and the underlying warrants if we issue common stock at a price lower than the conversion prices in the 4% Convertible Note Payable. As a result, we have determined that the underlying Units and Warrants are not indexed to the Company's common stock and should, therefore, be recorded as a derivative on the balance sheet.

**NOTE 11 RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

The financial statements presented herein for the three months ended October 31, 2008 have been restated for an error in the valuation of the MAC NPORRI.

Management determined that the original valuation model for the net profit overriding royalty interest (the MAC NPORRI) granted to Macquarie in connection with the Macquarie Credit Agreement contained errors that resulted in an overstatement of the value of the MAC NPORRI. After discovering this issue, the Company engaged an independent economist to re-evaluate the value of the MAC NPORRI, resulting in a substantially lower value being assigned to the MAC NPORRI at the date of grant than the value originally assigned for accounting purposes. Correcting this overvaluation resulted in our recording an increase of approximately \$5,118,254 in the value of notes payable and oil and gas properties as of July 31, 2008. It also resulted in our recording increased depreciation, depletion and amortization of approximately \$11,000 and decreased interest expense of approximately \$19,000 for the three months ended October 31, 2008. In order to correct the error described above, we have restated our financial statements for the three months ended October 31, 2008.

The effects of the restatement on the statement of operations for the three months ended October 31, 2008 are summarized as follows:

	As Previously Reported	Adjustments	As Restated
Revenue	\$ 652,256	\$ -	\$ 652,256
Depreciation, depletion and amortization	62,682	10,846	73,528
Total operating expenses	708,869	10,846	719,715
Loss from operations	(56,613)	(10,846)	(67,459)

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Interest expense	(172,702)	19,308	(153,394)
Net other income (expense)	1,319,582	19,308	1,328,890
Income before income taxes	1,252,969	8,462	1,261,431
Net income	814,331	8,462	822,793
Earnings per share	\$ 0.01	- \$	0.01

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Quarterly Report constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. These statements reflect the current views of management with respect to future events and are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those described in the forward-looking statements. Such risks and uncertainties include those set forth under the heading "Risk Factors" and elsewhere in this Quarterly Report. We do not intend to update the forward-looking information to reflect actual results or changes in the factors affecting such forward-looking information. We advise you to carefully review the reports and documents, particularly our Annual Reports, Quarterly Reports and Current Reports we file from time to time with the United States Securities and Exchange Commission (the "SEC").

**Recent Corporate Developments**

Forbearance Agreement Macquarie Credit Agreement

On November 11, 2009, we entered into an agreement with Macquarie dated November 9, 2009, pursuant to which Macquarie agreed not to exercise their rights or remedies with respect to our failure to pay the amounts due under the Macquarie Credit Agreement until at least January 29, 2010.

To obtain Macquarie's agreement to forbear from exercising its remedies, we:

- (a) paid Macquarie a fee of \$25,000;
- (b) agreed to an increased interest rate on amounts owed under the Macquarie Credit Agreement to:
  - (i) with respect to the Revolving Loan, 3.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 1.75% over prime in respect of amounts earning interest tied to the prime rate, and
  - (ii) with respect to the Term Loan, 7.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.25% over prime in respect of amounts earning interest tied to the prime rate.

In addition, the terms of the forbearance agreement provide that, if we do not receive a valid offer to purchase some or all of the Hanson Project Properties by November 30, 2009 and we have accounts payable greater than \$125,000 that are past due, we will be required to pay Macquarie an additional fee of \$50,000, and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i) with respect to the Revolving Loan, 4.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 2.25% over prime in respect of amounts earning interest tied to the prime rate; and
- (ii) with respect to the Term Loan, 7.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.75% over prime in respect of amounts earning interest tied to the prime rate.

If we do not receive a valid offer to purchase some or all of the Hanson Project Properties by December 31, 2009 and we have accounts payable greater than \$100,000 that are past due, we will be required to pay Macquarie an additional fee of \$100,000 and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i)

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with respect to the Revolving Loan, 5.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 3.75% over prime in respect of amounts earning interest tied to the prime rate; and

- (ii) with respect to the Term Loan, 9.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 7.25% over prime in respect of amounts earning interest tied to the prime rate.

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Amendment to W.S. Oil and Gas Limited Convertible Note

On November 11, 2009, we agreed with W.S. Oil and Gas Limited to amend the terms of the convertible promissory note issued to them. As amended, in the event of a default under the terms of the note, WS Oil and Gas shall have the right to convert any remaining principal and interest due under the note into shares of our common stock at a conversion price equal to the greater of (a) four times the fair market value of our common stock at the time the conversion right is exercised; and (b) \$0.05.

\$0.10 Convertible Note Issuance

On December 16, 2009, we issued convertible notes (the "Convertible Notes") in the principal amount of \$200,000. The Convertible Notes are due on June 30, 2010 (the "Maturity Date") and bear interest at a rate of 4% per annum. Subject to exercise of the conversion rights, after the Maturity Date, unpaid interest and principal on the Convertible Notes will earn interest at a rate of 18% per annum. The Convertible Notes may be converted into units consisting of one share of our common stock and one share purchase warrant (a "Note Warrant") at a conversion price of \$0.10 per unit. Each Note Warrant will entitle the holder to purchase one additional share of our common stock at a price of \$0.20 per share for a period of three (3) years from the date of issuance. Both the Convertible Notes and the Note Warrants contain "full ratchet" anti-dilution clauses providing that the conversion price and exercise price of the Convertible Notes and Note Warrants, respectively, will be adjusted downwards if we issue shares of common stock or convertible instruments at a price less than the conversion price or exercise price, respectively.

The subscriber for the Convertible Notes represented that he is an accredited investor as defined in Regulation D promulgated under the Securities Act of 1933.

**RESULTS OF OPERATIONS***Three Months Summary*

	Three Months Ended October 31,		Percentage
	2009	2008	Increase / (Decrease)
Revenues	\$ 467,197	\$ 652,256	(28.4)%
Expenses	(1,348,121)	(719,715)	87.3%
Interest Expense	(255,935)	(153,394)	66.8%
Price Risk Management Activities	(151,827)	1,482,284	110.2%
Income tax expense	(103)	(438,638)	(100.0)%
Net Income (Loss)	\$ (1,288,789)	\$ 822,793	(256.6)%

**Revenues**

During the period ended October 31, 2009, we recognized revenues from the sale of crude oil and natural gas of \$467,197. Revenues recognized from the Eddy County Properties were lower than those recognized for the same period ended October 31, 2008. We believe that the primary reason that revenues were lower for the period ended October 31, 2009 is that the average price of crude oil was significantly lower during the period ended October 31, 2009 as compared to the comparable period ended October 31, 2008. This decrease was partially offset by an increase in the volume of oil produced. Revenues from the sale of oil and gas are recognized based on the actual volume of oil and gas sold to purchasers. Although we have begun to incrementally increase production from the Hanson Project Properties by making improvements to existing well facilities, our revenues are also subject to fluctuations in the market price of crude oil and natural gas. Although we have entered into hedging positions that provide us with partial protection against price decreases, prolonged downturns in the price of crude oil and natural gas will have an adverse effect on our revenues. See Risk Factors.



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Under the terms of the Macquarie Credit Agreement, we are required, on a monthly basis, to pay to Macquarie 100% of our net operating cash flows from all sources (including, but not limited to the Hanson Project Properties) less an allocated amount for our general and administrative expenses, until all amounts advanced under the Macquarie Credit

Agreement have been repaid. The amount allocated for our general and administrative expenses was equal to \$125,000 per month up to March 31, 2009, and since that date has been equal to 10% of our net operating cash flows for the month. The amounts paid to Macquarie are applied to interest and principal payable under the Macquarie Credit Agreement.

### **Expenses**

Our expenses for the three months ended October 31, 2009 and 2008 consisted of the following:

	Three Months Ended October 31,		Percentage Increase / (Decrease)
	2009	2008	
Operating Costs	\$ 664,578	\$ 279,422	137.8%
Production Taxes	64,488	60,330	6.9%
Depreciation, Depletion, and Amortization	113,112	73,528	53.8%
Accretion Expense	7,821	19,416	(59.7)%
General Administrative	498,122	287,019	73.6%
Total Operating Expenses	\$ 1,348,121	\$ 719,715	87.3%

Our expenses for the period ended October 31, 2009 increased substantially as compared to the same period ended October 31, 2008. Operating costs are the costs associated with our oil and gas production activities for the period. Production taxes are severance and ad valorem taxes payable in respect of the oil and gas production from our properties.

Our expenses for the period ended October 31, 2008 were significantly lower as our operational activities have increased significantly since that period. Expenses for the period ended October 31, 2009 are expected to be more indicative of our future expenses. However, expenses in future periods may be significantly greater depending upon the extent of any developmental activities that we engage in on our properties.

### **Price Risk Management Activities**

We previously entered into a costless collar hedging position, which provides us with partial protection against variations in the price of crude oil. The net effect of the costless collar was to set a floor of \$100 on the price to be received for each barrel of production covered and a ceiling of \$131 for each barrel of production covered. The number of barrels of our production covered by the costless collar for production months through July 2011 was as follows:

Aug 2008 - Dec 2008: 1,900 barrels per month  
 Jan 2009 - Dec 2009: 1,700 barrels per month  
 Jan 2010 - Dec 2010: 1,600 barrels per month  
 Jan 2011 - Jul 2011: 1,400 barrels per month

During December 2008, we re-structured our hedge position to guarantee more near-term income by closing out our old position and using the value realized to enter into a combination of a swap and a costless collar, with more volume hedged in the near term. The swap, with a fixed price of \$94, covers the period from January 2009 through June 2010. The swap pays us the difference between \$94 and the OIL-WTI-NYMEX price per barrel

Included in price risk management activities for the period ended October 31, 2009 are realized hedge settlements of \$150,008. These settlements represent the difference between the hedge prices and the actual prices received for the volumes hedged for the months of August through October 2009.

During the three months ended October 31, 2009, we recognized a loss of \$301,835 which represented the change in the fair value of the hedge in future months. As of October 31, 2009, the hedge was included on the balance sheet as a

current derivative asset in the amount of \$233,755 and a noncurrent derivative liability of \$121,711.

**LIQUIDITY AND CAPITAL RESOURCES**Working Capital

	At October 31, 2009	At July 31, 2009	Percentage Increase / (Decrease)
Current Assets	\$ 665,593	\$ 1,310,324	(49.2)%
Current Liabilities	(8,333,581)	(7,538,514)	10.5%
Working Capital (Deficit)	\$ (7,667,988)	\$ (6,228,190)	23.1%

Cash Flows

	Three Month Ended October 31, 2009	Three Month Ended October 31, 2008
Cash Flows Used in Operating Activities	\$ (260,432)	\$ (233,652)
Cash Flows (Used in) Provided by Investing Activities	(82,290)	259,596
Cash Flows (Used in) Provided by Financing Activities	(94,084)	85,402
Net Increase (Decrease) in Cash During Period	\$ (436,806)	\$ 111,346

As at October 31, 2009, we had a working capital deficit of \$7,667,988.

Although the Hanson Project Properties generate cash flows, under the terms of our Macquarie Credit Agreement with Macquarie, until we have repaid all amounts advanced by Macquarie, we are required to pay Macquarie 100% of our net operating cash flows from all sources, less an allocated amount for our general administrative expenses. As such, until such time as we have repaid all amounts advanced to us by Macquarie, we expect that our primary sources of financing will be additional advances from Macquarie under the Macquarie Credit Agreement, other forms of debt financing, and proceeds from the sale of our common stock. We are currently seeking to refinance our existing debt, including the amounts owed under the Macquarie Credit Agreement. However, there is no assurance that we will be able to refinance our existing debt or that we will be able to obtain additional financing in the future. If we sell additional shares of our common stock, existing stockholders will experience a dilution of their proportionate interests in our Company.

**Macquarie Credit Agreement**

Under the terms of the Macquarie Credit Agreement, Macquarie agreed to provide us with: (i) a maximum of \$25,000,000 under a revolving loan (the Revolving Loan ); and (ii) a maximum of \$25,000,000 under a term loan (the Term Loan ). Advances under the Macquarie Credit Agreement were used to fund our acquisition of, and improvements on, the Hanson Project Properties and for working capital purposes. Future advances are subject to prior approval by Macquarie, and we are required to submit to Macquarie an estimate of expenses for work to be performed on our properties.

We did not meet our minimum quarterly operating cash flow and minimum quarterly production volume targets for the period ended October 31, 2008, and we did not meet our minimum quarterly operating cash flow targets for the periods ending January 31, 2009 and April 30, 2009. Under the terms of the Macquarie Credit Agreement, Macquarie has the right to declare us in default of our obligations and to declare the amounts due under the Macquarie Credit Agreement to be immediately payable. Macquarie has not yet exercised these rights and has not provided us with any indications that it intends to do so at this time. However, there is no assurance that Macquarie will not exercise its right to declare us in default in the future.

Due to our management's decision to temporarily postpone our proposed Infill Development Plan for the Hanson Project Properties in response to the precipitous decline in the price of oil from mid-2008, the due date for the amounts owed by us under the Macquarie Credit Agreement was moved up from July 30, 2011 to July 30, 2009. Macquarie has agreed to forbear from exercising its remedies under the Macquarie Credit Agreement until at least January 29, 2010. To obtain Macquarie's agreement to forbear from exercising its remedies, we:

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- (a) paid Macquarie a fee of \$25,000;
- (b) agreed to an increased interest rate on amounts owed under the Macquarie Credit Agreement to:

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- (i) with respect to the Revolving Loan, 3.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 1.75% over prime in respect of amounts earning interest tied to the prime rate, and
- (ii) with respect to the Term Loan, 7.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.25% over prime in respect of amounts earning interest tied to the prime rate.

In addition, the terms of the forbearance agreement provide that, if we do not receive a valid offer to purchase some or all of the Hanson Project Properties by November 30, 2009 and we have accounts payable greater than \$125,000 that are past due, we will be required to pay Macquarie an additional fee of \$50,000, and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i) with respect to the Revolving Loan, 4.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 2.25% over prime in respect of amounts earning interest tied to the prime rate; and
- (ii) with respect to the Term Loan, 7.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 5.75% over prime in respect of amounts earning interest tied to the prime rate.

If we do not receive a valid offer to purchase some or all of the Hanson Project Properties by December 31, 2009 and we have accounts payable greater than \$100,000 that are past due, we will be required to pay Macquarie an additional fee of \$100,000 and interest rates under the Macquarie Credit Agreement will increase as follows:

- (i) with respect to the Revolving Loan, 5.5% over LIBOR in respect of amounts earning interest tied to LIBOR, and 3.75% over prime in respect of amounts earning interest tied to the prime rate; and
- (ii) with respect to the Term Loan, 9.0% over LIBOR in respect of amounts earning interest tied to LIBOR, and 7.25% over prime in respect of amounts earning interest tied to the prime rate.

As of October 31, 2009, we owed Macquarie \$5,774,195. We are currently seeking to refinance the amounts owed by us under the Macquarie Credit Agreement, however there is no assurance that we will be able to do so.

### **Other Debt Financings**

On August 24, 2009, we issued a convertible promissory note (the "Note") in the principal amount of \$250,000 to W.S. Oil and Gas Limited, a limited partnership controlled by Everett Willard Gray, II, our Vice Chairman and Chief Executive Officer and a holder of more than five percent of our common stock, in consideration for a loan from W.S. Oil and Gas in the principal amount of the Note. Under the terms of the Note, we shall repay to W.S. Oil and Gas a total of \$500,000, payable in installments as follows:

- (i) 24 monthly installments of \$16,666.67 beginning November 1, 2009; and
- (ii) 12 monthly installments of \$8,333.33 beginning November 1, 2011.

In the event that we default under the terms of the Note, W.S. Oil and Gas shall have the right to convert any remaining principal and interest due under the Note into shares of our common stock at a conversion price equal to the greater of four times the fair market value of our common stock at the time the conversion right is exercised, and \$0.05. A default under the Note includes a default by us under any instrument for borrowed money in excess of \$50,000, provided that any default existing as of the date the Note was issued is not considered an event of default under the Note unless such default persists for a period of 6 months after the date the Note was issued.

On December 16, 2009, we issued convertible notes (the "Convertible Notes") in the principal amount of \$200,000. The Convertible Notes are due on June 30, 2010 (the "Maturity Date") and bear interest at a rate of 4% per annum. Subject to exercise of the conversion rights, after the Maturity Date, unpaid interest and principal on the Convertible Notes will earn interest at a rate of 18% per annum. The Convertible Notes may be converted into units consisting of one share of our common stock and one share purchase warrant (a "Note Warrant") at a conversion price of \$0.10 per

unit. Each Note Warrant will entitle the holder to purchase one additional share of our common stock at a price of \$0.20 per share for a period of three (3) years from the date of issuance. Both the Convertible Notes and the Note Warrants contain "full ratchet" anti-dilution clauses providing that the conversion price and exercise price of the Convertible Notes and Note

Warrants, respectively, will be adjusted downwards if we issue shares of common stock or convertible instruments at a price less than the conversion price or exercise price, respectively.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

#### **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States has required our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Our significant accounting policies are disclosed in the notes to the interim financial statements for the period ended October 31, 2009 included in this Quarterly Report on Form 10-Q.

The consolidated financial statements presented with this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information. These financial statements do not include all information and footnote disclosures required for an annual set of financial statements prepared under United States generally accepted accounting principles. In the opinion of our management, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at October 31, 2009, and for all periods presented in the attached financial statements, have been included. Interim results for the period ended October 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year as a whole.

Our significant accounting policies are disclosed at Note 2 to the unaudited financial statements included in this Quarterly Report.

#### **Derivatives**

Derivative financial instruments, utilized to manage or reduce commodity price risk related to our production, are accounted for under the provisions of FASC 815-25 (formerly SFAS No. 133, Accounting for Derivative Instruments and for Hedging Activities ), and related interpretations and amendments. Under this pronouncement, derivatives are carried on the balance sheet at fair value. Effective August 2008, if the derivative is not designated as a hedge, changes in the fair value are recognized in other income (expense).

FASC 210-20-45-1 (formerly FASB Staff Position 39-1) permits the netting of fair values of derivative assets and liabilities for financial reporting purposes, if such assets and liabilities are with the same counterparty and subject to a master netting arrangement. We have elected to employ net presentation of derivative assets and liabilities when the required conditions are met. Current accounting pronouncements also requires that when derivative assets and liabilities are presented net, the fair value of the right to reclaim collateral assets (receivable) or the obligation to return cash collateral (payable) is also offset against the net fair value of the corresponding derivative.

We routinely exercise our contractual right to net realized gains against realized losses when settling with our swap and option counterparties. At October 31, 2009, derivative assets include the net market value of derivative assets and liabilities due to the right of offset in the settlement of these contracts.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Not Applicable.





**ITEM 4T. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act were reported within the time periods specified in the SEC's rules and forms. We are working to correct the problems with our disclosure controls and procedures to ensure that those controls and procedures will be effective going forward.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the period ended October 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1A. RISK FACTORS**

The following are some of the important factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in our forward-looking statements. We may encounter risks in addition to those described below. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also impair or adversely affect our business, financial condition or results of operation.

**We have an operating deficit and have incurred losses since inception.**

To date, our operations have not been profitable and we may never be able to achieve profitability.

**We have not met all of our obligations under the Macquarie Credit Agreement and Macquarie could exercise its security rights on our properties. We will require additional financing to repay the amounts owed under the Macquarie Credit Agreement.**

We did not meet our minimum quarterly operating cash flow and minimum quarterly production volume targets for the period ended October 31, 2008, and we did not meet our minimum quarterly operating cash flow targets for the periods ending January 31, 2009 and April 30, 2009, as set under the Macquarie Credit Agreement. As a result, Macquarie has the right to terminate its commitments under the Macquarie Credit Agreement and to declare the amounts owed to be immediately due and payable. If they exercise this right, Macquarie will also have the right to seize any of our properties over which they have a security interest, including the Eddy County Properties. The amounts owed by us under the Macquarie Credit Agreement are currently due and payable, and we do not currently have sufficient financial resources to repay the amounts owed. We have entered into a forbearance agreement, pursuant to which Macquarie has agreed not exercise their rights or remedies with respect to our failure to pay until at least January 29, 2010 (the Forbearance Period ). There is no assurance that we will be able to pay the amounts due to Macquarie by the end of the Forbearance Period and there is no assurance that Macquarie will not exercise their rights and remedies in the future.

**Our future performance depends upon our ability to obtain capital to find or acquire additional oil and natural gas reserves that are economically recoverable.**

Unless we successfully replace the reserves that we produce, our reserves will decline, resulting eventually in a decrease in oil and natural gas production and lower revenues and cash flows from operations. The business of exploring for, developing or acquiring reserves is capital intensive. Our ability to make the necessary capital investment to maintain or expand our oil and natural gas reserves is limited by our relatively small size. Further, we may commence drilling operations on our Hanson Project Properties and any other properties that we acquire in an effort to increase production, which would require more capital than we have available from cash flow from operations or our existing debt facilities. In such case, we would be required to seek additional sources of financing or limit our participation in the additional drilling. In addition, our drilling activities are subject to numerous risks, including the risk that no commercially productive oil or gas reserves will be encountered.

**The successful implementation of our business plan is subject to risks inherent in the oil and gas business, which if not adequately managed could result in additional losses.**

Our oil and gas operations will be subject to the economic risks typically associated with exploitation and development activities, including the necessity of making significant expenditures to locate and acquire properties and to drill development wells. In addition, the availability of drilling rigs and the cost and timing of drilling, completing and, if warranted, operating wells is often uncertain. In conducting exploitation and development activities, the presence of unanticipated formation pressure or irregularities in formations, miscalculations or accidents may cause our exploitation, development and, if warranted, production activities to be unsuccessful. This could result in a total loss of our investment in a particular well. If exploitation and development efforts are unsuccessful in establishing proved reserves

and development activities cease, the amounts accumulated as unproved costs will be charged against earnings as impairments.

In addition, the availability of a ready market for our oil and gas production depends on a number of factors, including the demand for and supply of oil and gas and the proximity of reserves to pipelines and other facilities. Our ability to market such production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in most cases owned and operated by third parties. A failure to obtain such services on acceptable terms could materially harm our proposed oil and gas business. We may be required to shut in wells for lack of a market or because of inadequacy or unavailability of pipelines or gathering system capacity. If that occurs, we would be unable to realize revenue from those wells until arrangements are made to deliver such production to market.

**Our future performance is dependent upon our ability to identify, acquire and develop oil and gas properties, the failure of which could result in under use of capital and losses.**

The future performance of our oil and gas business will depend upon an ability to identify, acquire and develop oil and gas reserves that are economically recoverable. Success will depend upon the ability to acquire working and net revenue interests in properties upon which oil and gas reserves are ultimately discovered in commercial quantities, and the ability to develop prospects that contain proven oil and gas reserves to the point of production. Without successful acquisition, exploitation, and development activities, we will not be able to develop oil and gas reserves or generate revenues. There are no assurances oil and gas reserves will be identified or acquired on acceptable terms, or that oil and gas deposits will be discovered in sufficient quantities to enable us to recover our exploitation and development costs or sustain our business.

The successful acquisition and development of oil and gas properties requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities, and other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain. In addition, no assurances can be given that our exploitation and development activities will result in the discovery of any reserves. Operations may be curtailed, delayed or canceled as a result of lack of adequate capital and other factors, such as lack of availability of rigs and other equipment, title problems, weather, compliance with governmental regulations or price controls, mechanical difficulties, or unusual or unexpected formation pressures, and or work interruptions. In addition, the costs of exploitation and development may materially exceed our initial estimates.

**The oil and gas exploration and production industry historically is a cyclical industry and market fluctuations in the prices of oil and gas could adversely affect our business.**

Prices for oil and gas tend to fluctuate significantly in response to factors beyond our control. These factors include, but are not limited to:

- (a) weather conditions in the United States and elsewhere;
- (b) economic conditions, including demand for petroleum-based products, in the United States and elsewhere;
- (c) actions by OPEC, the Organization of Petroleum Exporting Countries;
- (d) political instability in the Middle East and other major oil and gas producing regions;
- (e) governmental regulations, both domestic and foreign;
- (f) domestic and foreign tax policy;
- (g) the pace adopted by foreign governments for the exploration, development, and production of their national reserves;
- (h) the price of foreign imports of oil and gas;
- (i) the cost of exploring for, producing and delivering oil and gas; the discovery rate of new oil and gas reserves;
- (j) the rate of decline of existing and new oil and gas reserves;
- (k) available pipeline and other oil and gas transportation capacity;

- (l) the ability of oil and gas companies to raise capital;
- (m) the overall supply and demand for oil and gas; and
- (n) the availability of alternate fuel sources.

Changes in commodity prices may significantly affect our capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment. Changes in commodity prices may

also significantly affect our ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the development and exploitation of projects. Commodity prices are expected to continue to fluctuate significantly in the future.

**Hedging transactions may limit potential gains on increases to oil and gas prices.**

We have entered into hedging transactions for a portion of our expected production to reduce the risk of fluctuations in oil and gas prices. Although these hedging transactions provide us with some protection in the event of a decrease in oil and gas prices, they may also limit our potential gains in the event that oil and gas prices increase. If we choose not to engage in hedging arrangements in the future, we may be more adversely affected by changes in oil and natural gas prices than our competitors, who may or may not engage in hedging arrangements.

**We may encounter difficulty in obtaining equipment and services.**

Higher oil and natural gas prices and increased oil and natural gas drilling activity generally stimulate increased demand and result in increased prices and unavailability for drilling rigs, crews, associated supplies, equipment and services. While we have recently been successful in acquiring or contracting for services, we could experience difficulty obtaining drilling rigs, crews, associated supplies, equipment and services in the future. These shortages could also result in increased costs or delays in timing of anticipated development or cause interests in oil and natural gas leases to lapse. We cannot be certain that we will be able to implement our drilling plans or at costs that will be as estimated or acceptable to us.

**Our ability to produce oil and gas from our oil and gas assets may be adversely affected by a number of factors outside of our control.**

The business of exploring for and producing oil and gas involves a substantial risk of investment loss. Drilling oil and gas wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formation pressures, fires, blowouts, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic if excessive water or other deleterious substances are encountered that impair or prevent the production of oil or gas from the well. In addition, production from any well may be unmarketable if it is contaminated with water or other deleterious substances. There can be no assurance that oil and gas will be produced from the properties in which we have interests. In addition, the marketability of oil and gas that may be acquired or discovered may be influenced by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas, gathering systems, pipelines and processing equipment, market fluctuations in oil and natural gas prices, taxes, royalties, land lease tenure, allowable production volumes, and environmental protection regulations.

**If we are unable to maintain our working interests in leases, our business will be adversely affected.**

Our oil and gas assets are held under oil and gas leases. A failure to meet the specific requirements of each lease may cause that lease to terminate or expire. There are no assurances the obligations required to maintain those leases will be met and that we will be able to meet the rental obligations under federal, state and private oil and gas leases. If we are unable to make rental payments and satisfy any other conditions on a timely basis, we may lose our rights in the properties that we may acquire.

**Title deficiencies could render our leases worthless.**

The existence of a material title deficiency can render a lease worthless and can result in a large expense to our business. In acquiring oil and gas leases or undivided interests in oil and gas leases we may forgo the expense of retaining lawyers to examine the title to the oil or gas interest to be placed under lease or already placed under lease. Instead, we may rely upon the judgment of oil and gas landmen who perform the field work in examining records in the appropriate governmental office before attempting to place under lease specific oil or gas interest. This is customary practice in the oil and gas industry. As a result, we may be unaware of deficiencies in the marketability of the title to the lease. Such deficiencies could render the lease worthless.



**If we fail to maintain adequate operating insurance, our business could be materially and adversely affected.**

Our oil and gas operations are subject to risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes and other environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. We could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on our financial condition and results of operations. Any prospective drilling contractor or operator which we hire will be required to maintain insurance of various types to cover its operations with policy limits and retention liability customary in the industry. We maintain well control, re-drill, environmental cleanup, and liability insurance on all of our field production and future drilling operations. However, the occurrence of a significant adverse event on such prospects that would happen to be not fully covered by insurance could result in the loss of all or part of our investment in a particular prospect which could have a material adverse effect on our financial condition and results of operations.

**Complying with environmental and other government regulations could be costly and could negatively impact prospective production.**

The oil and gas business is governed by numerous laws and regulations at various levels of government. These laws and regulations govern the operation and maintenance of our facilities, the discharge of materials into the environment and other environmental protection issues. Such laws and regulations may, among other potential consequences, require that we acquire permits before commencing drilling and restrict the substances that can be released into the environment with drilling and production activities. Under these laws and regulations, we could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. Prior to commencement of drilling operations, we may secure limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, we do not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost. Accordingly, we could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could occur, resulting in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations.

**The oil and gas industry is highly competitive, and we may not have sufficient resources to compete effectively.**

The oil and gas industry is highly competitive. We will be competing with oil and natural gas companies and other individual producers and operators, many of which have longer operating histories and substantially greater financial and other resources than it does, as well as companies in other industries supplying energy, fuel and other needs to consumers. Larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than we can and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to absorb the burden of any changes in laws and regulation in the jurisdictions in which we do business and handle longer periods of reduced prices for oil and gas more easily than we can. Competitors may be able to pay more for oil and gas leases and properties and may be able to define, evaluate, bid for and purchase a greater number of leases and properties than we can. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than we can. Our ability to acquire oil and gas properties will depend upon its ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

**The loss of our key persons, or our failure to attract and retain additional personnel could adversely affect our business.**

Our success depends largely upon the efforts, abilities, and decision-making of Paul C. Kirkitelos, Chairman of our Board, Chief Financial Officer, Treasurer, and Secretary; Everett Willard Gray II, Chief Executive Officer and Vice-Chairman; H. Patrick Seale, President and Chief Operating Officer; and C. Martin Bloodworth, Vice President of Operations. The loss of these individuals would have an adverse effect on our business prospects. We do not currently maintain "key-man" life insurance and there is no contract in place assuring the services of Dr. Kirkitelos, Mr. Gray, Mr. Seale, or Mr. Bloodworth for any length of time. In the event that we should lose our officers and we are unable to find

suitable replacements, we may not be able to develop our business, in which case investors might lose all of their investment.

**Our management currently owns a large portion of our outstanding stock and may act to influence certain types of corporate actions, to the detriment of other stockholders.**

Our management currently owns approximately 35.7% of our outstanding stock, with Dr. Paul C. Kirkiteles owning approximately 27.3%, and Mr. Everett Willard Gray, II owning approximately 6.7% . Accordingly, they may exercise significant influence over all matters requiring stockholder approval, including the election of directors and the determination of significant corporate actions. This concentration could also have the effect of delaying or preventing a change in control that could otherwise be beneficial to our stockholders.

**If we issue additional shares of common stock in the future this may result in dilution to our existing stockholders.**

Our articles of incorporation authorize the issuance of 2,000,000,000 shares of common stock. Our board of directors has the authority to issue additional shares of common stock up to the authorized capital stated in the articles of incorporation. Our board of directors may choose to issue some or all of such shares to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. It will also cause a reduction in the proportionate ownership and voting power of all other stockholders.

**We have never paid dividends and do not intend to pay any in the foreseeable future, which may delay or prevent recovery of your investment.**

We have never paid any cash dividends and currently do not intend to pay any dividends in the foreseeable future. If we do not pay dividends, this may delay or prevent recovery of your investment. To the extent that we require additional funding currently not provided for in our financing plan, it is possible that our funding sources might prohibit the payment of dividends.

**The trading price of our common stock may be volatile, with the result that an investor may not be able to sell any shares acquired at a price equal to or greater than the price paid by the investor.**

Our common stock is quoted on the OTC Bulletin Board under the symbol "DRLY. Companies quoted on the OTC Bulletin Board have traditionally experienced extreme price and volume fluctuations. In addition, our stock price may be adversely affected by factors that are unrelated or disproportionate to our operating performance. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. As a result of this potential price and volume volatility, an investor may have difficulty selling any of our common stock that they acquire that a price equal or greater than the price paid by the investor.

**Because our stock is a penny stock, stockholders will be more limited in their ability to sell their stock.**

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or quotation system.

Because our securities constitute "penny stocks" within the meaning of the rules, the rules apply to us and to our securities. The rules may further affect the ability of owners of shares to sell our securities in any market that might develop for them. As long as the trading price of our common stock is less than \$5.00 per share, the common stock

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will be subject to Rule 15g-9 under the Securities Exchange Act of 1934 (the Exchange Act ). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that:

1. contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
2. contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of securities laws;

3. contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;
4. contains a toll-free telephone number for inquiries on disciplinary actions;
5. defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and
6. contains such other information and is in such form, including language, type, size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On December 16, 2009, we issued convertible notes (the "Convertible Notes") in the principal amount of \$200,000. The Convertible Notes are due on June 30, 2010 (the "Maturity Date") and bear interest at a rate of 4% per annum. Subject to exercise of the conversion rights, after the Maturity Date, unpaid interest and principal on the Convertible Notes will earn interest at a rate of 18% per annum. The Convertible Notes may be converted into units consisting of one share of our common stock and one share purchase warrant (a "Note Warrant") at a conversion price of \$0.10 per unit. Each Note Warrant will entitle the holder to purchase one additional share of our common stock at a price of \$0.20 per share for a period of three (3) years from the date of issuance. Both the Convertible Notes and the Note Warrants contain "full ratchet" anti-dilution clauses providing that the conversion price and exercise price of the Convertible Notes and Note Warrants, respectively, will be adjusted downwards if we issue shares of common stock or convertible instruments at a price less than the conversion price or exercise price, respectively.

The subscriber for the Convertible Notes represented that he is an accredited investor as defined in Regulation D promulgated under the Securities Act of 1933.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

## **ITEM 5. OTHER INFORMATION**

None.

## **ITEM 6. EXHIBITS**

Exhibit

Number Description of Exhibits

2.1 Agreement and Plan of Merger dated April 21, 2008 between Language Enterprises Corp. (as surviving entity) and Doral Energy Corp. (as merging entity) and changing the name of the surviving entity to Doral Energy Corp.<sup>(6)</sup>

3.1 Articles of Incorporation.<sup>(1)</sup>

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Exhibit

<u>Number</u>	<u>Description of Exhibits</u>
3.2	Certificate of Change Pursuant to NRS 78.209 increasing the authorized capital of common stock to 2,500,000,000 shares, par value \$0.001 per share (25-for-1 Stock Split). <sup>(3)</sup>
3.3	Articles of Merger between Language Enterprises Corp. (as surviving entity) and Doral Energy Corp. (as merging entity). <sup>(6)</sup>
3.4	Certificate of Change Pursuant to NRS 78.209 decreasing the authorized capital of common stock to 400,000,000 shares, par value \$0.001 per share (1-for-6.25 Reverse Split). <sup>(18)</sup>
3.5	Certificate of Change Pursuant to NRS 78.209 increasing the authorized capital of common stock to 2,000,000,000 shares, par value \$0.001 per share (5-for-1 Stock Split). <sup>(29)</sup>
3.6	Bylaws. <sup>(1)</sup>
10.1	Loan Agreement dated as of March 7, 2008 with Little Bay Consulting SA. <sup>(4)</sup>
10.2	Letter Agreement dated April 10, 2008 with G2 Petroleum, LLC. <sup>(5)</sup>
10.3	Purchase and Sale Agreement dated April 25, 2008 with J. Warren Hanson, doing business as Hanson Energy, and his wife Kathie Hanson. <sup>(7)</sup>
10.4	Loan Agreement between the Company (as borrower) and Green Shoe Investments Ltd. (as lender) dated May 9, 2008 for the amount of \$100,000. <sup>(8)</sup>
10.5	Loan Agreement between the Company (as borrower) and Green Shoe Investments Ltd. (as lender) dated May 23, 2008 for the amount of \$150,000. <sup>(9)</sup>
10.6	Title Work Agreement dated May 12, 2008 with Arena Resources, Inc. <sup>(10)</sup>
10.7	Amendment Agreement to Share Purchase Agreement dated July 17, 2008 between J. Warren Hanson, doing business as Hanson Energy, his wife Kathie Hanson, and Doral Energy Corp. (formerly Language Enterprises Corp.) <sup>(11)</sup>
10.8	Loan Agreement dated July 18, 2008 between Doral Energy Corp. and Little Bay Consulting SA. <sup>(11)</sup>
10.9	Loan Agreement dated July 18, 2008 between Doral Energy Corp. and Green Shoe Investments Ltd. <sup>(11)</sup>
10.10	Credit Agreement dated July 29, 2008 between Doral Energy Corp. and Macquarie Bank Limited. <sup>(12)</sup>
10.11	Security Agreement dated July 29, 2008 between Doral Energy Corp. and Macquarie Bank Limited. <sup>(12)</sup>
10.12	Subordination Agreement dated July 29, 2008 between Doral Energy Corp., Green Shoe Investments Ltd. and Macquarie Bank Limited. <sup>(12)</sup>
10.13	Subordination Agreement dated July 29, 2008 between Doral Energy Corp., Little Bay Consulting SA and Macquarie Bank Limited. <sup>(12)</sup>

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- 10.14 Net Profits Overriding Royalty Interest Conveyance dated July 29, 2008 between Doral Energy Corp. and Macquarie Investments, LLC.<sup>(12)</sup>
- 10.15 Conversion Agreement dated July 29, 2008 between Doral Energy Corp. and Macquarie Investments, LLC.<sup>(12)</sup>
- 10.16 Limited Forbearance Agreement dated December 10, 2008 between Macquarie Bank Limited and Doral Energy Corp.<sup>(15)</sup>
- 10.17 Loan Agreement dated October 3, 2008 between Doral Energy Corp. and Little Bay Consulting SA.<sup>(13)</sup>
- 10.18 First Amendment to Credit Agreement between Doral Energy Corp. and Macquarie Bank Limited dated November 19, 2008.<sup>(16)</sup>
- 10.19 Second Amendment to Credit Agreement between Doral Energy Corp. and Macquarie Bank Limited dated January 9, 2009.<sup>(16)</sup>
- 10.20 Letter Agreement dated January 15, 2009 between Doral Energy Corp. and Miltex Oil Company.<sup>(17)</sup>
- 10.21 Engagement Agreement dated January 26, 2009 between Doral Energy Corp. and C.K. Cooper & Company, Inc.<sup>(19)</sup>
- 10.22 Debt Advisory Agreement dated January 30, 2009 between Doral Energy Corp. and C.K. Cooper & Company, Inc.<sup>(19)</sup>
- 10.23 Loan Agreement dated February 24, 2009 between Doral Energy Corp. (as borrower) and Green Shoe Investments Ltd. (as lender) in the amount of \$100,000 USD.<sup>(20)</sup>
- 10.24 Amendment Agreement dated February 13, 2009 to Engagement Agreement between Doral Energy Corp. and C.K. Cooper & Company, Inc.<sup>(20)</sup>
- 10.25 Amendment Agreement dated March 31, 2009, 2009 to Letter Agreement between Doral Energy Corp. and Miltex Oil Company.<sup>(21)</sup>



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Exhibit

<u>Number</u>	<u>Description of Exhibits</u>
10.26	Amendment Agreement dated April 21, 2009, 2009 to Letter Agreement between Doral Energy Corp. and Miltex Oil Company. <sup>(22)</sup>
10.27	2009 Stock Incentive Plan. <sup>(23)</sup>
10.28	Loan Agreement dated April 29, 2009 between Doral Energy Corp. and Green Shoe Investments Ltd. <sup>(24)</sup>
10.29	Sale and Purchase Agreement dated May 5, 2009 between Doral Energy Corp. and Flaming S, Inc. <sup>(24)</sup>
10.30	Sale and Purchase Agreement dated May 15, 2009 between Doral Energy Corp. and Slape Oil Company, Inc. <sup>(24)</sup>
10.31	Convertible Note Agreement dated May 28, 2009 between Doral Energy Corp. and Green Shoe Investments Ltd. <sup>(25)</sup>
10.32	Assignment Agreement dated July 30, 2009. <sup>(26)</sup>
10.33	Consent to Assignment Agreement dated for July 29, 2009. <sup>(26)</sup>
10.34	Macquarie Forbearance Agreement dated July 30, 2009. <sup>(26)</sup>
10.35	Convertible Promissory Note dated August 24, 2009 in the principal amount of \$250,000 issued to W.S. Oil and Gas Limited. <sup>(27)</sup>
10.36	Macquarie Forbearance Agreement dated August 28, 2009. <sup>(28)</sup>
10.37	Macquarie Forbearance Agreement dated November 9, 2009. <sup>(30)</sup>
10.38	Amendment Agreement to Convertible Promissory Note between W.S. Oil and Gas Limited and Doral Energy Corp. <sup>(30)</sup>
<u>10.39</u>	<u>Form of 4% Convertible Note Subscription Agreement.</u>
14.1	Code of Ethics. <sup>(2)</sup>
21.1	List of Subsidiaries. <sup>(30)</sup>
<u>31.1</u>	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

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- (1) Filed as an exhibit to our Registration Statement on Form SB-2 filed on September 11, 2006.
- (2) Filed as an exhibit to our Annual Report on Form 10-KSB for the year ended July 31, 2007 filed on October 30, 2007.
- (3) Filed as an exhibit to our Current Report on Form 8-K filed on January 9, 2008.
- (4) Filed as an exhibit to our Current Report on Form 8-K filed on March 12, 2008.
- (5) Filed as an exhibit to our Current Report on Form 8-K filed on April 16, 2008.
- (6) Filed as an exhibit to our Current Report on Form 8-K filed on April 28, 2008.
- (7) Filed as an exhibit to our Current Report on Form 8-K filed on May 1, 2008.
- (8) Filed as an exhibit to our Current Report on Form 8-K filed on May 13, 2008.
- (9) Filed as an exhibit to our Current Report on Form 8-K filed on May 21, 2008.
- (10) Filed as an exhibit to our Current Report on Form 8-K filed on May 27, 2008.
- (11) Filed as an exhibit to our Current Report on Form 8-K filed on July 23, 2008.
- (12) Filed as an exhibit to our Current Report on Form 8-K filed on August 4, 2008.
- (13) Filed as an exhibit to our Current Report on Form 8-K filed on October 22, 2008.
- (14) Filed as an exhibit to our Annual Report on Form 10-K filed on October 29, 2008.
- (15) Filed as an exhibit to our Current Report on Form 8-K filed on December 11, 2008.
- (16) Filed as an exhibit to our Current Report on Form 8-K filed on January 14, 2009.
- (17) Filed as an exhibit to our Current Report on Form 8-K filed on January 22, 2009.
- (18) Filed as an exhibit to our Current Report on Form 8-K filed on January 29, 2009.
- (19) Filed as an exhibit to our Current Report on Form 8-K filed on February 9, 2009.
- (20) Filed as an exhibit to our Current Report on Form 8-K filed on February 25, 2009.
- (21) Filed as an exhibit to our Current Report on Form 8-K filed on April 6, 2009.
- (22) Filed as an exhibit to our Current Report on Form 8-K filed on April 27, 2009.
- (23) Filed as an exhibit to our Current Report on Form 8-K filed on May 5, 2009.
- (24) Filed as an exhibit to our Current Report on Form 8-K filed on June 2, 2009.
- (25) Filed as an exhibit to our Quarterly Report on Form 10-Q filed on June 15, 2009.

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- (26) Filed as an exhibit to our Current Report on Form 8-K filed on August 5, 2009.
- (27) Filed as an exhibit to our Current Report on Form 8-K filed on August 28, 2009.
- (28) Filed as an exhibit to our Current Report on Form 8-K filed on September 2, 2009.
- (29) Filed as an exhibit to our Current Report on Form 8-K filed on September 14, 2009.
- (30) Filed as an exhibit to our Annual Report on Form 10-K filed on November 13, 2009.

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**DORAL ENERGY CORP.**

Date: December 18, 2009

By: */s/ Everett Willard Gray, II*  
**EVERETT WILLARD GRAY, II**  
Chief Executive Officer  
(Principal Executive Officer)

Date: December 18, 2009

By: */s/ Paul C. Kirkitepos*  
**PAUL C. KIRKITELOS**  
Chief Financial Officer, Treasurer, Secretary and  
Chairman of the Board  
(Principal Accounting Officer)

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