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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2019**

OR

[ ] 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 000-55872

FOOTHILLS EXPLORATION, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-3439423**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10940 Wilshire Blvd., 23rd Floor Los Angeles, California	**90024**
(Address of principal executive offices)	(Zip Code)

(424) 901-6655
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, par value $0.0001 per share	Otcmarkets.com

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [X]

Indicate by checkmark whether the registrant has (1) 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 [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 [X] No [ ]

Indicate by checkmark 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	[X]	Smaller reporting company	[X]
Emerging Growth Company	[X]		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [X]

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FTXP	Otcmarkets.com

As of February 26, 2020, there were 100,693,521 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 477	$ 1,139
Restricted cash	120,000	120,000
Accounts receivable - trade	-	10,090
Accounts receivable – oil and gas	2,610	-
Prepaid expenses	56,905	6,086
Total current assets	179,992	137,315
Oil and gas properties, full cost accounting		
Properties not subject to amortization	106,299	106,299
Properties subject to amortization, net	12,639,920	12,036,804
Support facilities and equipment, net	294,246	284,157
Net oil and gas properties	13,040,465	12,427,260
Property and equipment, net	739	6,337
Other assets:		
Right of use assets	123,120	-
Surety and performance bonds	145,000	145,000
Total assets	$ 13,489,316	$ 12,715,912
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,937,076	$ 4,320,261
Accounts payable – related party	1,164,606	794,529
Accrued interest	771,871	375,232
Accrued interest - related party	1,336,174	760,188
Notes payable	1,805,434	1,595,697
Notes payable - related party	7,250,000	7,250,000
Convertible note payable, net	1,456,730	181,637
Derivative liabilities	3,724,740	661,320
Leasing liabilities	145,226	-
Other liabilities	413,782	282,676
Total Current Liabilities	23,005,639	16,221,540
Long-Term Liabilities:		
Asset retirement obligation	593,270	340,117
Convertible note payable, net	-	32,898
Total Liabilities	23,598,909	16,594,555
Commitment and Contingencies	-	-
Stockholders' Deficit:		
Preferred stock, $0.0001 par value; 25,000,000 shares authorized; no shares outstanding	-	-
Common stock, $0.0001 par value; 1,975,000,000 shares authorized; 36,851,334 and 22,075,738 shares issued and outstanding, respectively	3,686	2,208
Stock payable	2,600	-
Additional paid in capital	17,520,862	11,173,120
Accumulated deficit	(27,636,741)	(15,053,971)
Total stockholders' deficit	(10,109,593)	(3,878,643)
Total Liabilities and Stockholders' Deficit	$ 13,489,316	$ 12,715,912

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

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	$ 160,304	$ 583,019	$ 1,641,039	$ 1,870,927
Operating expenses				
Lease operating expense	328,470	462,660	1,080,903	1,300,620
Selling, general and administrative expense	937,954	664,957	2,752,024	2,015,042
Depreciation, depletion, amortization and accretion expense	59,446	96,745	630,342	321,056
Total operating expenses	1,325,870	1,224,362	4,463,269	3,636,718
Loss from operations	(1,165,566)	(641,343)	(2,822,230)	(1,765,791)
Other income (expenses):				
Interest expense	(1,779,984)	(254,486)	(10,827,209)	(1,169,327)
Other income	-	2,500	18,905	25,407
Change in derivative	3,301,296	114,474	4,379,887	(195,760)
Gain on extinguishment of debt	417,666	54,951	1,663,852	(8,734)
Total other income (expenses)	1,938,978	(82,561)	(4,764,565)	(1,348,414)
Net Income (Loss)	$ 773,412	$ (723,904)	$ (7,586,795)	$ (3,114,205)
Deemed dividend related to warrant repricing	$ -	$ -	$ (4,995,975)	$ -
Net Income (Loss) attributable to common stockholders	$ 773,412	$ (723,904)	$ (12,582,770)	$ (3,114,205)
Net loss per share – basic	0.03	(0.04)	(0.52)	(0.20)
Net loss per share –diluted	0.00	(0.04)	(0.52)	(0.20)
Weighted average common shares – basic	26,290,578	16,522,827	24,218,718	15,593,318
Weighted average common shares –diluted	517,702,534	16,522,827	24,218,718	15,593,318

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

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)
For the three and nine months ended September 30, 2019 and 2018

	Preferred stock		Common stock		Additional Paid in Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2019	**-**	**$ -**	**24,585,738**	**$ 2,459**	**$ 17,234,078**	**$ 18,733**	**$ (28,410,153)**	**$ (11,154,883)**
Options and warrants issued for services	-	-	-	-	187,216	-	-	187,216
RSU	-	-	228,332	23	40,894	(16,133)	-	24,784
Conversion of notes payable	-	-	2,505,933	251	59,627	-	-	59,878
Warrant exercises	-	-	9,531,331	953	(953)	-	-	-
Net income	-	-	-	-	-	-	773,412	773,412
Balance as of September 30, 2019	**-**	**$ -**	**36,851,334**	**$ 3,686**	**$ 17,520,862**	**$ 2,600**	**$ (27,636,741)**	**$ (10,109,593)**

	Preferred stock		Common stock		Additional Paid in Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018	**-**	**$ -**	**22,075,738**	**$ 2,208**	**$ 11,173,120**	**$ -**	**$ (15,053,971)**	**$ (3,878,643)**
Common issued for services	-	-	1,175,000	117	179,730			179,847
Options and warrants issued for services	-	-	-	-	564,593	-	-	564,593
RSU	-	-	228,332	23	40,894	2,600		43,517
Conversion of notes payable			2,505,933	251	59,627			59,878
Fair value of warrants issued with note payable	-	-			508,010			508,010
Deemed dividend on warrant repricing	-	-			4,995,975		(4,995,975)	-
Shares returned	-	-	(650,000)	(65)	65			-
Warrant exercises	-	-	11,516,331	1,152	(1,152)			-
Net Loss	-	-	-	-	-	-	(7,586,795)	(7,586,795)
Balance as of September 30, 2019	**-**	**$ -**	**36,851,334**	**$ 3,686**	**$ 17,520,862**	**$ 2,600**	**$ (27,636,741)**	**$ (10,109,593)**

	Preferred stock		Common stock		Additional Paid in Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2018	**-**	**$ -**	**15,050,627**	**$ 1,505**	**$ 9,358,556**	**$ 973,712**	**$ (10,858,766)**	**$ (524,993)**
Shares issued for inducement of note payable	-	-	1,259,400	126	268,377	(146,223)	-	122,280
Common issued for services (CEO, Dir)	-	-	3,836,111	384	774,353	(774,737)	-	-
Options issued for services	-	-	-	-	244,576	-	-	244,576
Fair value of warrants issued with note payable	-	-	-	-	9,035	-	-	9,035
Net income	-	-	-	-	-	-	(723,904)	(723,904)
Balance as of September 30, 2018	**-**	**$ -**	**20,146,138**	**$ 2,015**	**$ 10,654,897**	**$ 52,752**	**$ (11,582,670)**	**$ (873,006)**

	Preferred stock		Common stock		Additional Paid in Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2017	**-**	**$ -**	**14,900,627**	**$ 1,490**	**$ 8,847,394**	**$ 93,900**	**$ (8,468,465)**	**$ 474,319**
Shares issued for inducement of note payable	-	-	1,409,400	141	298,362	(41,148)		257,355
Common issued for services (CEO, Dir)	-	-	3,836,111	384	774,353	-		774,737
Options issued for services	-	-	-	-	725,753	-	-	725,753
Fair value of warrants issued with note payable	-	-			9,035			9,035
Net income	-	-	-	-	-	-	(3,114,205)	(3,114,205)
Balance as of September 30, 2018	**-**	**$ -**	**20,146,138**	**$ 2,015**	**$ 10,654,897**	**$ 52,752**	**$ (11,582,670)**	**$ (873,006)**

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

FOOTHILLS EXPLORATION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities		
Net loss	$ (7,586,795)	$ (3,114,205)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion, amortization and accretion	630,342	321,056
Amortization of debt discount	1,794,484	416,695
Gain on extinguishment of debt	(1,663,852)	-
Warrant and conversion feature exceeded notes	7,698,521	-
Change in derivative value	(4,379,887)	195,760
Gain on settlement of debt and contingent liabilities	-	8,734
Common stock and warrants issued for inducement of the note extension	-	161,575
Common stock and stock payable issued for services and fair value of options	787,957	725,753
ASC 842 rental expense	22,106	(14,487)
Changes in operating assets and liabilities:		
Accounts receivable	10,090	(142)
Surety and performance bonds	-	150,000
Prepaid expenses	(50,819)	(31,354)
Accounts payable and accrued liabilities	833,892	(2,701)
Accounts payable and accrued liabilities - related party	946,063	1,090,591
Other liabilities	131,106	(23,290)
Net cash used in operating activities	(826,792)	(116,015)
Cash Flows from Investing Activities		
Payments for acquisition of oil and gas property	(802,014)	-
Net cash used investing activities	(802,014)	-
Cash Flows from Financing Activities		
Proceeds from notes payable	176,001	52,000
Proceeds from convertible note payable	1,855,500	44,000
Repayment to convertible note payable	(403,357)	(100,000)
Net cash provided by (used in) financing activities	1,628,144	(4,000)
Net decrease in cash, cash equivalents and restricted cash	(662)	(120,015)
Cash, Cash Equivalents and Restricted Cash, beginning of period	121,139	240,555
Cash, Cash Equivalents and Restricted Cash, end of period	$ 120,477	$ 120,540
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	$ 1,139	$ 555
Restricted cash at beginning of period	120,000	240,000
Cash and cash equivalents and restricted cash at beginning of period	$ 121,139	$ 240,555
Cash and cash equivalents at end of period	$ 477	$ 540
Restricted cash at end of period	120,000	120,000
Cash and cash equivalents and restricted cash at end of period	$ 120,477	$ 120,540
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Supplemental disclosures of cash flow information:		
Asset Retirement Obligation	$ 222,194	$ 23,709
Debt discount	$ -	$ 60,500
Unpaid liabilities in acquisition of oil and gas property	$ -	$ 1,761,584
Principal and interest of note payable converted into shares	$ 21,553	$ 0
Right of use assets	$ 187,811	$ 0
Lease liabilities	$ 187,811	$ 0
Notes payable issued against settlement of convertible note	$ -	$ 50,000
Other liabilities settled against notes payable	$ -	$ 32,793

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

Note 1 – Organization

Business

Foothills Exploration, Inc., ("Company", "Foothills Exploration", or "Foothills") was incorporated in the state of Delaware on May 13, 2010, under the name "Key Link Assets Corp." for the purpose of acquiring a portfolio of heavily discounted real estate properties in the Chicago metropolitan area. The Company changed its focus and planned to acquire small and medium sized grocery stores in non-urban locales that are not directly served by large national supermarket chains.

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation ("FPI"), acquired over 14.1 million pre-split (56.4 million post-split) shares of the Company's common stock constituting approximately 96% of our then issued and outstanding shares ("FPI Acquired Shares"). As of May 16, 2016, we effected a 4:1 forward split of our shares of common stock.

On May 27, 2016, the Company entered into a Share Exchange Agreement with shareholders of FPI.

Prior to the Share Exchange, the Company had minimal assets and recognized no revenues from operations and was accordingly classified as a shell company. In light of closing the Share Exchange transaction with the shareholders of FPI, the Company became actively engaged in oil and gas operations and is no longer a shell company.

The consolidated balance sheets include the accounts of the Company, and its wholly-owned direct and indirect subsidiaries, Foothills Exploration, Inc. ("FTXP"), Foothills Petroleum, Inc. ("FPI"), Foothills Exploration, LLC ("FEL"), Foothills Petroleum Operating, Inc. ("FPOI"), Foothills Exploration Operating, Inc. ("FEOI"), Tiger Energy Partners International, LLC ("TEPI"), Tiger Energy Operating, LLC ("TEO"), and Tiger Energy Mineral Leasing, LLC ("TEML").

The Company's oil and gas operations are conducted by its wholly owned indirect subsidiaries. FEL is a qualified oil and gas operator in the states of Wyoming and Colorado, and TEO is a qualified oil and gas operator in the state of Utah.

The Company's operating entities have historically employed, and will continue in the future to employ, on an as-needed basis, the services of drilling contractors, other drilling related vendors, field service companies and professional petroleum engineers, geologists, and landmen as required in connection with future drilling and production operations.

On May 23, 2019, Foothills Exploration, Inc., through its indirect wholly owned subsidiary, Foothills Exploration, LLC (the "Company"), entered into a letter agreement for the purchase and sale of oil and gas assets (the "Agreement") with an unrelated third party (the "Seller"), concerning the acquisition of a total of 87 wells and associated acreage located in Montana (the "Assets").

The Assets consist of 29 natural gas wells, 10 producing and 19 shut-in, plus associated acreage, additional miscellaneous leases, associated pipelines, gathering systems, compression and processing facilities, and related yards and equipment, located in Sweet Grass and Stillwater counties, Montana – comprising of the Rapelje, Lake Basin and Six Shooter Fields. The Assets also include oil properties consisting of 58 oil and injection wells with associated acreage located in Musselshell and Rosebud Counties, Montana – 12 proved developed producing wells, 25 proved developed non-producing wells, and 21 injection wells – comprising of the Sumatra and Big Wall / Little Wall fields.

Closing of this transaction is subject to the approval of transfer from the Montana Board of Oil and Gas Conservation. Furthermore, no assurances can be made that the Closing will occur based on financing and other market conditions. For further details on this pending acquisition, please refer to the Company's Current Report on Form 8-K filed with the SEC on May 30, 2019.

On June 17, 2019, Foothills Exploration, Inc. (the "Company") received from the Secretary of State of the State of Delaware confirmation of the effective filing of the Company's Certificate of Amendment to its Certificate of Incorporation (the "Charter Amendment"), increasing the number of shares of Common Stock the Company is authorized to issue from One Hundred Million (100,000,000) to Four Hundred Seventy-Five Million (475,000,000) (the "Increase in Authorized Shares").

On June 26, 2019, Foothills Exploration, Inc., through its indirect wholly owned subsidiary, Foothills Exploration, LLC (the "Company"), entered into a letter agreement (the "Agreement") with an unrelated third party seller (the "Seller"), with respect to a proposed transaction (the "Transaction") to acquire a total of 12 shut-in wells and approximately 5,769 acres located in Montana (the "Assets"). The Assets consist of four natural gas wells, associated acreage, additional miscellaneous leases, associated pipelines, gathering systems, compression and processing facilities, and related yards and equipment, located in Stillwater and Golden Valley counties, Montana.

The transaction documents contain additional terms and provisions, representations and warranties, including further provisions covering effective time of transfer, venue, and governing law. Closing of this transaction is subject to the approval of transfer from the Montana Board of Oil and Gas Conservation. No assurances can be given that the Company will complete the acquisition. For further details on this pending acquisition, please refer to the Company's Current Report on Form 8-K filed with the SEC on July 1, 2019.

On October 1, 2019, Foothills Exploration, Inc. (the "Company") received from the Secretary of State of the State of Delaware confirmation of the effective filing of the Company's Certificate of Amendment to its Certificate of Incorporation (the "Charter Amendment"), increasing the number of shares of Common Stock the Company is authorized to issue from Four Hundred Seventy-Five Million (475,000,000) to Two Billion (2,000,000,000) (the "Increase in Authorized Shares").

Going Concern

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred recurring losses from inception through September 30, 2019, has a working capital deficit at September 30, 2019, of $22,825,647, and has limited sources of revenue. These conditions have raised substantial doubt as to the Company's ability to continue as a going concern for one year from the issuance of the financial statements. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

To address these matters, the Company is actively meeting with investors for possible equity investments, including business combinations; investigating other possible sources to refinance our existing debt; and in continuing discussions with various individuals and groups that could be willing to provide capital to fund operations and growth of the Company.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The financial statements include the accounts of Foothills Exploration, Inc., and all of its direct and indirect wholly-owned subsidiaries including Foothill Petroleum, Inc., Foothills Petroleum Operating, Inc., Foothills Exploration Operating, Inc., Foothills Exploration LLC, Tiger Energy Partners International, LLC, Tiger Energy Operating, LLC and Tiger Energy Mineral Leasing, LLC. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation and Functional Currency

Pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q, the unaudited condensed consolidated financial statements, footnote disclosures and other information normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The condensed consolidated financial statements contained in this report are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the consolidated financial statements. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of operations for any interim period are not necessarily indicative of results for the full year. The condensed consolidated balance sheet at September 30, 2019 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

These condensed consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America and are expressed in United States dollars (USD).

Use of Estimates

The preparation of financial statements in conformity with GAAP 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates. Significant estimates include those related to assumptions used in impairment testing of long-term assets, accruals for potential liabilities and valuing equity instruments issued for services. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to amounts in prior year to conform to the current year presentation. All reclassifications have been applied consistently to the periods presented and had no effects on previously reported results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash in the current assets section of our consolidated balance sheet. At September 30, 2019 and December 31, 2018, the Company had restricted cash of $120,000 and $120,000, respectively. This amount is being held in escrow for the benefit of the State of Utah for certain properties located in Utah, covered under a certain Modification to Stipulated Order between the Utah Division of Oil, Gas and Mining and TEPI dated August 1, 2014 (Case No. SI/TA-102). These funds held in escrow, will be released to the Company once the Company finishes its reclamation of the various wells in question.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are stated at the historical carrying amount net of an allowance for uncollectible accounts. The carrying amount of the Company's accounts receivable approximates fair value because of the short-term nature of the instruments. The Company routinely assesses the collectability of all material trade and other receivables.

Trade accounts receivable comprise receivables from joint interest owners which are recorded when the Company incurs expenses on behalf of the non-operator interest owners of the properties the Company operates.

The Company's oil and gas revenues receivable comprise receivables from purchasers of the Company's production of oil and gas and other hydrocarbons and from operators of properties in which the Company has a non-operated interest, as well as from joint interest owners of properties the Company operates. During the nine months ended September 30, 2019, the Company accrued $2,610 of net revenue receivable related to GRB Assets. See Note 4 – Property and Equipment. EOG Resources, Inc. ("EOG"), is the operator of two wells in which the Company has a 21.62% working interest. The Company has been informed that EOG will apply to unpaid invoices of the Company's share of costs to drill two wells until EOG has recovered those costs. During the nine months ended September 30, 2019, those costs were $302,055, of which $230,603 were capitalized. See Note 4 – Property and Equipment.

The Company's reported balance of accounts receivable, net of allowance for doubtful accounts, represents management's estimate of the amount that ultimately will be realized in cash or used in the future to offset an operator's joint interest billings.

The Company reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical payment trends, the age of the receivables and knowledge of the individual customers or joint interest owners. When the analysis indicates, management increases or decreases the allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances might be required.

Oil and Gas Properties

The Company follows the full cost method of accounting for its investments in oil and gas properties. Under the full cost method, all costs associated with the exploration of properties are capitalized into appropriate cost centers within the full cost pool. Internal costs that are capitalized are limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken and do not include any costs related to production, general corporate overhead, or similar activities. Cost centers are established on a country-by-country basis.

Capitalized costs within the cost centers are amortized on the unit-of-production basis using proved oil and gas reserves. The cost of investments in unevaluated properties and major development projects are excluded from capitalized costs to be amortized until it is determined whether or not proved reserves can be assigned to the properties. Until such a determination is made, the properties are assessed annually to ascertain whether impairment has occurred. The costs of drilling exploratory dry holes are included in the amortization base immediately upon determination that the well is dry.

For each cost center, capitalized costs are subject to an annual ceiling test, in which the costs shall not exceed the cost center ceiling. The cost center ceiling is equal to: (i) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus (ii) the cost of properties not being amortized; plus (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized; and less (iv) income tax effects related to differences between the book and tax basis of the properties. If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess is charged to expense and separately disclosed during the period in which the excess occurs.

Support Facilities and Equipment

Our support facilities and equipment are generally located in proximity to certain of our principal fields. Depreciation of these support facilities is calculated on a units-of-production basis.

Maintenance and repair costs that do not extend the useful lives of property and equipment are charged to expense as incurred.

Proved Reserves

Estimates of the Company's proved reserves included in this report are prepared in accordance with US GAAP and guidelines from the United States Securities and Exchange Commission ("SEC"). The Company's engineering estimates of proved oil and natural gas reserves directly impact financial accounting estimates, including depreciation, depletion, and amortization expense and impairment. Proved oil and natural gas reserves are the estimated quantities of oil and natural gas reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under period-end economic and operating conditions. The process of estimating quantities of proved reserves is very complex, requiring significant subjective decisions in the evaluation of all geological, engineering and economic data for each reservoir. The accuracy of a reserves estimate is a function of: (i) the quality and quantity of available data; (ii) the interpretation of that data; (iii) the accuracy of various mandated economic assumptions, and (iv) the judgment of the persons preparing the estimate. The data for a given reservoir may change substantially over time as a result of numerous factors, including additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Changes in oil and natural gas prices, operating costs, and expected performance from a given reservoir also will result in revisions to the amount of the Company's estimated proved reserves. The Company engages independent reserve engineers to estimate its proved reserves.

Fixed Assets

The Company capitalizes expenditures related to property and equipment not directly associated with our production of oil and gas, subject to a minimum rule, that have a useful life greater than one year for: (1) assets purchased; (2) existing assets that are replaced, improved or the useful lives have been extended; or (3) all land, regardless of cost, acquisitions of new assets, additions, replacements and improvements (other than land) costing less than the minimum rule in addition to maintenance and repair costs, including any planned major maintenance activities, are expensed as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Office equipment – 3 years
Vehicle(s) – 5 years
Land – not depreciated

Asset Retirement Obligations

The Company follows the provisions of the Accounting Standards Codification ASC 410 - Asset Retirement and Environmental Obligations. The fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. The Company's asset retirement obligations relate to the abandonment of oil and gas producing facilities and facilities that support the production of oil and gas. The amounts recognized are based upon numerous estimates and assumptions, including future retirement costs, future inflation rates and the credit-adjusted risk-free interest rate. After recording these amounts, the ARO will be accreted to its future estimated value using the same assumed cost of funds, and the capitalized costs are depreciated on a unit-of-production basis. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statements of operations.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

- Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815. The carrying amounts of the Company's financial assets and liabilities, including cash, prepaid expenses, accounts payable, accrued expenses, and other current liabilities, approximate their fair values because of the short maturity of these instruments. The fair value of notes payable and convertible notes approximates their fair values since the current interest rates and terms on these obligations are the same as prevailing market rates.

Certain of the Company's debt and equity instruments include embedded derivatives that require bifurcation from the host contract under the provisions of ASC 815-40, Derivatives and Hedging. The estimated fair value of the derivative warrant instruments was calculated using a Black Scholes valuation model.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2019 and December 31, 2018:

	Carrying Value	Fair Value Measurement at September 30, 2019		
		Level 1	Level 2	Level 3
Derivative assets, debt and equity instruments	$ —	$ —	$ —	$ —
Derivative liabilities, debt and equity instruments	3,724,740	—	—	3,724,740

	Carrying Value	Fair Value Measurement at December 31, 2018		
		Level 1	Level 2	Level 3
Derivative assets, debt and equity instruments	$ —	$ —	$ —	$ —
Derivative liabilities, debt and equity instruments	661,320	—	—	661,320

The Company did not identify any other assets and liabilities that are required to be presented on the consolidated balance sheet at fair value.

Revenue Recognition

The Company recognizes revenue in accordance with the requirements of ASC 606, which directs that it should recognize revenue when a customer obtains control of promised goods or services for an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. All of our revenue is attributable to sales of oil, gas, and other hydrocarbons which are sold daily, with sales aggregated on a monthly basis. In the case of revenue received for a non-operated working interest, we are paid by the operator, which is a joint interest partner and not the purchaser of the product. In the case of revenue received for an operated working interest, we are paid by the marketer to whom we sell the commodities directly pursuant to contractual arrangements.

Debt Issuance Costs, Debt Discount and Detachable Debt-Related Warrants

Costs incurred to issue debt are deferred and recorded as a reduction to the debt balance in our consolidated balance sheets. We amortize debt issuance costs over the expected term of the related debt using the effective interest method. Debt discounts relate to the relative fair value of warrants issued in conjunction with the debt and are also recorded as a reduction to the debt balance and accreted over the expected term of the debt to interest expense using the effective interest method.

Net Earnings (Loss) Per Common Share

The Company computes earnings per share under ASC 260-10, "Earnings Per Share." The Company's earnings (loss) per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution of securities, if any, that could share in the earnings (loss) of the Company and are calculated by dividing net income by the diluted weighted average number of common shares. The diluted weighted average number of common shares is computed using the treasury stock method for common stock that may be issued for outstanding stock options, warrants, and convertible debt.

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
	2019	**2018**	**2019**	**2018**
Numerator:				
Net income (loss) available to stockholders	773,412	(723,904)	(7,586,795)	(3,114,205)
Basic net income allocable to participating securities (1)	-	-	-	-
Income (loss) available to Foothills Exploration, Inc.'s stockholders	773,412	(723,904)	(7,586,795)	(3,114,205)
Denominator:				
Weighted average number of common shares outstanding-Basic	26,290,578	16,522,827	24,218,718	15,593,318
Effect of dilutive securities:				
Options and warrants (2)	205,533,888	-	205,533,888	-
Stock payable (3)	50,000	539,600	50,000	539,600
Convertible notes (4)	285,828,068	5,090,909	285,828,068	5,090,909
Weighted average number of common shares outstanding-Diluted	517,702,534	22,153,336	515,630,674	21,223,827
Net income (loss) per share:				
Basic	0.03	(0.04)	(0.52)	(0.20)
Diluted	0.00	(0.03)	(0.01)	(0.15)

(1) Restricted share awards that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in computing earnings using the two-class method. Participating securities, however, do not participate in undistributed net losses.

(2) For the three months ended September 30, 2019 and 2018, "out of the money" stock options representing 2,050,000 and 2,050,000 shares and warrants representing 2,566,015 and 2,783,515 shares were antidilutive and, therefore, excluded from the diluted share calculation. For the nine months ended September 30, 2019 and 2018, "out of the money" stock options representing 2,050,000 and 2,050,000 shares and warrants representing 2,566,015 and 2,783,515 shares were antidilutive and, therefore, excluded from the diluted share calculation.

(3) For the three months ended September 30, 2019 and 2018, stock payable representing, 50,000 and 539,600 shares were anti-dilutive. For the nine months ended September 30, 2019 and 2018, stock payable representing 50,000 and 539,600 shares were anti-dilutive.

(4) For the three months ended September 30, 2019 and 2018, convertible notes representing 0 shares was anti-dilutive. For the nine months ended September 30, 2019 and 2018, convertible notes representing 220,000 and 0 shares were anti-dilutive.

Income Taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock-Based Compensation

All share-based payments, including grants of stock to employees, directors and consultants, are recognized in the consolidated financial statements based upon their estimated fair values.

The Company accounts for stock, stock options, and stock warrants issued for services and compensation by employees under the fair value method. For non-employees, the fair market value of the Company's stock is measured on the date of stock issuance or the date an option/warrant is granted as appropriate under ASC 718 "Compensation – Stock Compensation". The Company determined the fair market value of the warrants/options issued under the Black-Scholes Pricing Model. Under the provisions ASC 718, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows ASC Topic 718. As such, the value of the applicable stock-based compensation is periodically re-measured and income or expense is recognized during their vesting terms. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is primarily recognized over the term of the consulting agreement. In accordance with FASB guidance, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASC Update No. 2016-18 (Topic 230) Statement of Cash Flows – Restricted Cash (a consensus of the FASB Emerging Issues Task Force). The amendments in this update require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Current GAAP does not include specific guidance on the cash flow classification and presentation of changes in restricted cash. The updated guidance is effective for interim and annual periods beginning after December 15, 2017 and is required to be applied using a retrospective transition method to each period presented. The Company implemented this guidance effective January 1, 2018. Implementing this guidance did not have a material impact on the Company's statement of cash flows.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01"). The standard clarifies the definition of a business by adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Under ASU 2017-01, to be considered a business, the assets in the transaction need to include an input and a substantive process that together significantly contribute to the ability to create outputs. Prior to the adoption of the new guidance, an acquisition or disposition would be considered a business if there were inputs, as well as processes that when applied to those inputs had the ability to create outputs. Early adoption is permitted for certain transactions. Adoption of ASU 2017-01 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation and may require the services of valuation experts. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not carry any Goodwill on its Consolidated Balance Sheets and does not anticipate the adoption of ASU 2017-04 will have a material impact on its consolidated financial statements.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, *Accounting for Certain Financial Instruments with Down Round Features* ("ASU 2017-11"). When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. ASU 2017-11 is effective for annual or interim periods within those fiscal years beginning after December 15, 2018 and should be applied on a retrospective basis. Early adoption is permitted for all entities, including adoption in an interim period. The Company adopted ASU 2017-11 on its consolidated financial statements.

In June 2018, the FASB issued “ASU 2018-07 - Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting”. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. Adoption of ASU 2018-07 did not have a material impact on the Company’s consolidated financial statements.

Effective January 1, 2019 the Company adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update No. 2016-02, “Leases (Topic 842)” which superseded previous lease guidance ASC 840, Leases. Topic 842 is a new lease model that requires a company to recognize right-of-use (“ROU”) assets and lease liabilities on the balance sheet. The adoption of Topic 842 did not have a material impact on the Company’s consolidated income statement or consolidated cash flow statement.

The Company adopted the package of practical expedients and transition provisions available for expired or existing contracts, which allowed the Company carryforward its historical assessments of 1) whether contracts are or contain leases, 2) lease classification and 3) initial direct costs. Additionally, for real estate leases, the Company adopted the practical expedient that allows lessees to treat the lease and non-lease components of leases as a single lease component. The Company also elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases. Further, the Company elected the short-term lease exception policy, permitting it exclude the recognition requirements for leases with terms of 12 months or less. See Note 11 for additional information about leases.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s present or future consolidated financial statements.

Note 4 – Property and Equipment

Oil and Gas Properties

The Company’s oil and gas properties at September 30, 2019 and December 31, 2018 are located in the United States of America.

The carrying values of the Company’s oil and gas properties, net of depletion, depreciation, amortization, and impairment at September 30, 2019 and December 31, 2018 are set forth below in the following table:

	September 30, 2019	December 31, 2018
Unproved leasehold (1)	$ 106,299	$ 106,299
Proved leasehold and Properties subject to depletion, net of depletion	12,639,920	12,036,804
Exploratory wells – construction-in-progress (1)	-	-
Total	$ 12,746,219	$ 12,143,103

(1) Not subject to depletion;

Year Incurred	Acquisition Costs	Exploration and Development Costs	Disposition of Assets	Depreciation, Depletion, Amortization, and Impairment	Total
2016 and prior	$ 10,252,568	$ 1,181,421	$ —	$ —	$ 11,433,989
2017	—	3,223,931	—	(1,525,784)	1,698,147
2018	—	1,897,502		(2,886,535)	(989,033)
2019	657,304	537,052		(591,240)	603,116
Total	$ 10,909,872	$ 6,839,906	$ —	$ (5,003,559)	$ 12,746,219

- In 2017, the Company acquired a 21.62% non-operated working interest with a 17.1% net revenue interest in two exploratory horizontal gas wells in the Uinta Basin from an undisclosed party, and the Company incurred $1,479,282 in well costs. During the year ended December 31, 2018, the company incurred an additional $1,868,370 of well costs. At December 31, 2018, the Company's share total costs for drilling and completing the two wells was $3,347,776. Although these wells produced economic quantities of natural gas liquids and residue gas through December 31, 2017, well completion activities were completed during the year ended December 31, 2018, so costs were reclassed from construction-in-progress to proved properties subject to depletion through December 31, 2018. As of December 31, 2018, we recorded impairment expense of $1,521,776 for the amount exceeding the ceiling test limitation. During the nine months ended September 30, 2019, the company capitalized additional costs of $230,603.

- In 2017, the Company drilled a test well on the Labokay prospect to the total measured depth of 8,795 feet, where hydrocarbons shows were not in commercial quantities to warrant completion. This well was plugged and abandoned. Since the well was not commercially viable the Company's working interest in the underlying mineral lease terminated and we no longer have a right to acquire title to said property. During the year ended December 31, 2017, we incurred costs of $1,209,675 in the drilling of this well and $1,352,982 was charged to impairment expense. Civil lawsuits were filed against FPOI arising from unpaid accounts in connection with drilling of this well – see Note 11 – Commitments and Contingencies for additional information on the lawsuits.

- In 2017, the Company worked over two Duck Creek wells obtaining production from the Green River formation. We incurred $79,989 in capitalized workover costs associated with these wells. The wells require additional workover and were shut-in in July 2017. The Company recorded asset retirement costs of $291,659 related to Duck Creek wells. During the year ended December 31, 2018, we incurred $8,821 in capitalized workover costs associated with these wells. As of December 31, 2018, due to the Duck Creek wells subsequently becoming subject to a Sherriff's sale stemming from a legal matter with our indirect subsidiary, the Duck Creek wells should be impaired to the extent of total intangible costs, which were capitalized for these properties during 2017 and 2018. Accordingly, the impairment expense for the period ending December 31, 2018 is $88,810. We did not incur any cost during the nine months ended September 30, 2019.

- In 2017, the Company incurred costs of $22,691 for bonding, legal, title, engineering, geological and surveying in our Ladysmith project in Fremont County, Wyoming.

- In 2017, the Company incurred costs of $3,750 related to Springs Project. The Company allowed the BLM leases for the Springs project to expire without paying additional delay rental payments. The primary terms on these leases were due to expire in Q4 2018 and in the view of management it was not in the best interest of the Company to continue exploratory efforts on this speculative play. Management concluded that Company resources would be better redirected to continue seeking lower-risk acquisitions of producing oil and gas properties rather than take additional wildcat drilling risk on this prospect. The Company currently no longer owns the mineral rights for this project. As the result, the Company recognized impairment of oil and gas property in amount of $154,787, during the year ended December 31, 2017. During the year ended December 31, 2018, the Company has decided to allow Ladysmith leases to expire without making further delay rental payments to the BLM, as the result we recorded impairment expense of $78,469.

- In 2017, the Company incurred costs of $100,191 for exploration and development efforts associated with the proved oil and gas assets in Utah, which were acquired on December 30, 2016, from Total Belief Limited, a wholly owned subsidiary of New Times Energy Corporation Limited. These assets include certain oil and gas wells throughout the Uinta Basin in Utah on acreage with over 30 proved undeveloped drilling locations, additional non- operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. In connection with the TBL acquisition, Foothills entered into a promissory note in the amount of $6,000,000. This note bears no interest during its term. The Company recorded ($342,804) of imputed interest as debt discount. Starting from July 1, 2018 the note bears 10% annual interest. During the year ended December 31, 2018, we incurred cost of $20,000 exploration and development efforts associated with these properties. During the nine months ended September 30, 2019, we incurred costs of $24,722 exploration and development efforts associated with these properties.

- In 2017, the Company incurred costs of $379,498 for exploration and development efforts associated with numerous unproved oil and gas properties in the Company's geographic areas of interest, including farmout properties (Paw Paw and Ironwood) and numerous others that were being evaluated and considered for a prospective acquisition and/or farmout by the Company. During the year ended December 31, 2018, we incurred cost of $312 exploration and development efforts associated with these properties. As of December 31, 2018, the Company determined it is unlikely that it will be able to obtain enough production from this test well at the present time to warrant continued development. As the result we recorded $778,034 impairment expense of Pawpaw during the year ended December 31, 2018.

- On March 6, 2019, the Company, through its indirect wholly-owned subsidiary, Foothills Exploration, LLC, closed on the acquisition of 22 natural gas wells and approximately 18,214 gross acres (14,584 core), 78% held by production, located in the Greater Green River Basin in Wyoming (the "GRB Assets"). Some of the underlying leases come with certain depth restrictions and roughly 80% of the acreage remains undeveloped. The GRB assets were purchased for $671,481, in an all-cash transaction, which was financed through Company borrowings. The Company's optimization program targeting the first several wells has already generated an 11% increase in production rates and as such the Company is continuing to optimize additional wells to further increase production. $657,304 were recorded in oil and gas and property and $14,177 were allocated to Support Facilities and Equipment. We recorded $222,194 as asset retirement cost related to these wells. During the nine months ended September 30, 2019, we incurred costs of $34,532 exploration and development efforts associated with these properties.

- In 2017, we recorded depreciation, depletion and amortization cost related to oil and gas properties of $18,017. During the year ended December 31, 2018, we recorded depreciation, depletion, amortization costs related to oil and gas properties of $411,821. During the nine months ended September 30, 2019 and 2018, we recorded depreciation, depletion, amortization costs related to oil and gas properties of $591,239 and $305,383, respectively.

Support Facilities and Equipment

The Company's support facilities and equipment serve its oil and gas production activities. The following table summarizes these properties and equipment, together with their estimated useful lives:

	September 30, 2019	December 31, 2018
Tank	$ 30,000	$ 30,000
Vehicles	69,446	69,446
Uinta Basin facilities	184,887	186,428
Sweetwater facilities	14,177	—
Accumulated depreciation	(4,264)	(1,717)
Construction in progress (1)	-	-
Total support facilities and equipment, net	$ 294,246	$ 284,157

(1)Facilities constructed in conjunction with drilling for our two exploratory horizontal wells in Uintah County, Utah, not subject to depreciation. During the months ended September 30, 2019, construction-in-progress was reclassified to Uinta Basin facilities and became eligible for depreciation upon the completion of the construction.

The Company recognized depreciation expense of $310 and $147 during the three months ended September 30, 2019 and 2018, respectively. The Company recognized depreciation expense of $2,547 and $531 during the nine months ended September 30, 2019 and 2018, respectively.

Office Furniture, Equipment, and Other

As of September 30, 2019 and December 31, 2018, office furniture, equipment, and other consisted of the following:

	September 30, 2019	December 31, 2018
Computer equipment and fixtures	$ 22,453	$ 22,453
Accumulated depreciation	(21,714)	(16,116)
Office furniture, equipment, and other, net	$ 739	$ 6,337

During the three months ended September 30, 2019 and 2018, we recorded depreciation expense of $1,886 and $1,886, respectively.During the nine months ended September 30, 2019 and 2018, we recorded depreciation expense of $5,598 and $5,598, respectively.

Note 5 – Asset Retirement Obligation

The following table provides a reconciliation of the changes in the estimated present value of asset retirement obligations for the nine months ended September 30, 2019 and December 31, 2018.

	For the period ended	
	September 30, 2019	December 31, 2018
Beginning asset retirement obligations	$ 340,117	$ 303,327
Liabilities established	222,194	23,709
Accretion expense	30,959	13,081
Ending asset retirement obligations	$ 593,270	$ 340,117

Accretion expense for the three months ended September 30, 2019 and 2018 was $10,333 and $3,507, respectively.
Accretion expense for the nine months ended September 30, 2019 and 2018 was $30,959 and $9,574, respectively.

Note 6 – Notes Payable

A summary of the outstanding amounts of our notes payable as of September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019	December 31, 2018
13.5% unsecured note payable due September 8, 2017 (1)	$ 1,050,000	$ 1,050,000
0% unsecured note payable due January 2, 2018 (2)	250,000	250,000
12% unsecured note payable June 30, 2019 (3)	120,629	120,629
0% unsecured note payable due August 6, 2018 (4)	38,000	38,000
9% unsecured note payable due December 15, 2018(5)	100,000	100,000
8% unsecured note payable due October 22, 2018(6)	50,000	50,000
15% unsecured note payable due February 5, 2020(7)	209,525	—
Less: unamortized discount	(12,720)	(12,932)
Total debt	$ 1,805,434	$ 1,595,697
Less: current maturities	1,805,434	1,595,697
Long-term debt, net of current maturities	$ -	$ -

At September 30, 2019, the principal amounts due under our debt agreements were all classified as current on our Consolidated Balance Sheets.

(1) Effective August 9, 2017, Foothills borrowed $1,050,000 from Profit Well Limited, a Hong Kong limited liability company. The Company executed a Bridge Note with an annual percentage interest rate of 13.5% and a maturity date of September 8, 2017. Proceeds of this Bridge Note were primarily used to repay Full Wealth for the debenture dated June 1, 2017. On November 3, 2017, Profit Well Limited agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture. Profit Well Limited also reaffirmed its belief that the Company will either extend or repay the obligation to the satisfaction of Profit Well. As partial consideration for the deferment, the Company agreed to issue Profit Well Limited 100,000 shares of its restricted common stock, valued at $48,000. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). On February 28, 2018, Profit Well and the Company agreed to extend the maturity date of the debenture to June 30, 2018, and as consideration for the extension, the Company agreed to compensate Profit Well with 200,000 shares of restricted common stock valued at $46,700. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). In addition, the parties agreed that if payment of said principal and interest due and payable is made late, then a penalty payment of $100,000 shall become due and payable to Profit Well by the Company. On June 30, 2018, we recorded $100,000 penalty as additional interest payable. The penalty payment was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). On July 29, 2018, Profit Well Limited agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture, and as consideration for the extension, the Company agreed to compensate Profit Well with 100,000 shares of restricted common stock valued at $12,000. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50").

(2) On September 29, 2017, the Company issued to an unaffiliated investor a promissory note and three tranches of warrants for an aggregate consideration of $250,000. The Note recites that it accrues no interest if paid when due and is due and payable on January 2, 2018. If principal is not paid on or before maturity, interest will accrue at the rate of 15% per year until paid. On November 6, 2017, the Company agreed to compensate the investor with 75,000 shares of the Company's restricted common stock in connection with a more favorable term of a note entered into with FirstFire Global Opportunities Fund, LLC ("FirstFire"). On December 30, 2017, the Company and the investor agreed to extend the maturity date of this Note to January 23, 2018, in return for a payment at maturity of the principal, accrued interest as provided in the Note, plus 30,000 shares of the Company's restricted common stock. Because the fair value of the shares was greater than 10% of the present value of the remaining cash flows under the Note, the issuance of the shares in connection with a more favorable term of a note entered with FirstFire was treated as a debt extinguishment and reissuance of a new debt instrument pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50").

Since January 23, 2018, the Company and the investor have been in ongoing discussions to extend the term of this Note. On March 28, 2018, the investor acknowledged that the Company is not in default regarding this Note and reaffirmed its belief that the Company will either extend the Note's due date or repay its obligation on terms that are mutually satisfactory. The warrants have the following terms:

- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of $0.665 per share expiring on September 29, 2019;
- 375,000 warrants to purchase 375,000 shares of common stock of the Company at a strike price of $1.25 per share expiring on September 29, 2020; and
- 185,000 warrants to purchase 185,000 shares of common stock of the Company at a strike price of $2.00 per share expiring on September 29, 2020.

The aggregate relative fair value of three tranches of warrants was determined to be $105,000 on September 29, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2-3 years. $2,536 imputed interest was recorded as debt discount. $2,536 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.26 year. The aggregate value of the warrants and imputed interest of $107,536 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. At September 30, 2019, $250,000 of principal was outstanding under the Note.

Each tranche of warrants is subject to down round adjustment provisions if the Company during the term of that tranche issues additional securities for consideration per share, after giving effect to fees, commission and expenses, that is less, or which on conversion or exercise of the underlying security is less, than $0.665 per share (as adjusted for any change resulting from forward or reverse splits, stock dividends and similar events).

To satisfy most favored nation provisions in previously entered securities purchase agreements that are triggered by the transaction described above, the Company issued 136,015 shares of common stock and warrants to purchase 136,015 shares of common stock, in the aggregate, to certain investors who purchased units from the Company, at a $1.00 per unit, with each unit consisting of one share and one warrant. See the Company's Current Report on the Form 8-K filed with the SEC on June 5, 2017. Of this amount, 100,752 shares and warrants to purchase 100,752 shares of common stock will be issued to Wilshire Energy Partners LLC, an entity controlled by Kevin J. Sylla, our Executive Chairman and Chief Executive Officer of FPI. The exercise price of these investor warrants was adjusted to $0.665 per share. We measured the value of the effect of the down round feature as the difference between the fair value of the financial instrument at an original exercise price of $1.50 and an adjusted exercise price of $0.665 and, as a result, $59,801 was recorded as down round feature as interest expense under ASC 260-10-30-1. Foothills determined the amount of $59,801 using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 94%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 3 years.

(3) A promissory note was issued on November 1, 2017, for services rendered, bearing an interest rate of 12% per annum and with a maturity date of June 30, 2018. On August 22, 2018, the Note Holder agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture. As partial consideration for the deferment, the Company agreed to issue the Note Holder 60,000 shares of its restricted common stock. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50").

(4) On July 19, 2018, the Company borrowed $38,000 from an unaffiliated investor with an original discount of $3,207. The Note recites that it accrues no interest if paid when due and is due and payable on August 6, 2018. If principal is not paid on or before maturity, August 6, 2018. interest will accrue at the rate of 10% per year until paid. In connection with the issuance of this note, the Company issued 300,000 shares for late SEC filing, valued at $36,000. $74 imputed interest was recorded as debt discount. $74 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 0.05 year. The relative aggregate value of the shares and imputed interest was determined to be $32,793 using the allocation of proceeds, $32,793 was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. Pursuant to this Note, the investor shall be assigned an undivided two percent (2%) overriding royalty of all oil, gas, and other minerals and hydrocarbons produced, saved, and sold from each well now or hereinafter located on certain leases and wells owned by the Company. On August 23, 2018, the lender agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture, and as consideration for the extension, the Company agreed to compensate the lender with 15,000 shares of restricted common stock valued at $1,950. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). At September 30, 2019, $38,000 of principal was outstanding under the Note.

(5) On September 14, 2018, the Company borrowed $100,000 from an unaffiliated investor, bearing an interest rate of 9% per annum and with a maturity date of December 15, 2018. In connection with the issuance of this note, the Company issued 250,000 shares of its common stock, valued at $22,500, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note. At September 30, 2019, $100,000 of principal was outstanding under the Note.

(6) On October 22, 2018, the Company issued a term sheet to an unaffiliated investor for a promissory note in the principal amount of $50,000 with a Volumetric Production Payment ("VPP") equal to 1,250 barrels of oil equivalent ("BOE"). The Note has a maturity date of October 22, 2019, with the Principal and accrued unpaid interest due in full at Maturity. VPP will be made after deduction of 20% royalties due to mineral owners, paid within the term on the Note and at the discretion of the Company as to amount and volume; *provided, however,* that the VPP for any month shall not be less than 5% of the month's total crude oil sales. Payment may be made "in-kind" at the election of the Investor. If election is made by Investor to be paid "in-kind," then Investor shall bear responsibility for paying mineral owner royalties due on said "in-kind" payments. All VPP's to be made from the production of the Company's operating subsidiaries, Foothills Exploration Operating, Inc. and Tiger Energy Operating, LLC, from the well bores of the Company's Duck Creek wells, subject to the terms of the Leases covering such wells. Such VPP will continue until paid in full, regardless of payment in full of the Note and shall be secured by the assets. In the event that the West Texas Intermediate (WTI) crude oil market price closes below USD $40.00 per barrel for 10 consecutive trading days, the Investor shall be allocated a revised VPP equal to 2 times the remaining VPP barrels left over at that time.

Pursuant to this Note, the investor shall be assigned an un undivided one-half percent (0.5%) overriding royalty interest ("ORRI") in all oil, gas and other minerals produced, saved, and marketed from each well now or hereinafter located on wells owned by the Company, subject to the terms of the Leases covering such wells. Upon any default in payment of principal hereunder, the Company shall pay interest on the principal balance of this Note then outstanding and on the accrued but unpaid interest from the date of such default until such default is cured and the Note paid in full at the rate of Fifteen Percent (15%). The Company agreed to issue the investor 200,000 shares of the Company's restricted common stock as additional consideration for entering into the Note with the Company, valued at $16,000, which was considered as debt discount upon issuance and will be amortized as interest over the term of the Note or in full upon the conversion of the Note.

Pursuant to this Note, Investor has the right to participate in any future offering by the Company for a period of twelve (12) months for an amount equal to the principal amount detailed in the Term Sheet. So long as the Note is outstanding, if the Company enters into a subsequent financing with another individual or entity (a third party) on terms that are more favorable to that third party, the agreements between the Company and the investor shall be amended to include such better terms. During the nine months ended September 30, 2019, the Company amortized $11,968 of such discount to interest expense. At September 30, 2019, unamortized debt discount was $964 and $50,000 of principal was outstanding under the Note.

(7) On February 5, 2019, the Company borrowed $209,525 from an unaffiliated investor with an original discount of $33,524. The Note has a maturity date of February 5, 2020 and bears 10% interest. The Company failed to pay $71,000 principal payment, which was due on March 15, 2019. As the result, we incurred $100,000 penalty and interest were increased to 15%. During the nine months ended September 30, 2019, the Company amortized $21,768 of such discount to interest expense. As of September 30, 2019, unamortized debt discount was $11,756 and $209,525 of principal was outstanding under the Note.

During the three months ended September 30, 2019 and 2018, respectively, we incurred $81,809 and $132,767 of interest expense, including amortization of discount of $12,483 and $43,194 and shares issued for extension of $0 and $21,676, respectively. During the nine months ended September 30, 2019 and 2018, respectively, we incurred $408,976 and $359,202 of interest expense, including amortization of discount of $33,736 and $45,458 and shares issued for extension of $0 and $68,376 and penalty of $100,000 and $100,000, respectively.

Note 7 – Notes Payable - Related Party

	September 30, 2019	December 31, 2018
13.5% unsecured note payable due June 30, 2018 (1)	$ 1,250,000	$ 1,250,000
10% unsecured note payable due December 31, 2018 (2)	6,000,000	6,000,000
Less: unamortized discount of imputed interest of 4% (2)	-	-
Total debt	7,250,000	7,250,000
Less: current maturities	7,250,000	7,250,000
Long-term debt, net of current maturities	$ -	$ -

(1) Effective January 5, 2017, Foothills borrowed $1,250,000 from Berwin Trading Limited that, due to its 20% beneficial ownership in the Company, is a related party. This note called for interest at 9% per annum; but because it was not paid when due interest was to be accrued at a default rate of 11% from the due date of the note. The Company used net proceeds of this loan to satisfy certain obligations under a Purchase and Sale Agreement with Total Belief Limited, dated December 30, 2016, for general working capital and to support certain target drilling activities.

On May 4, 2017, the Company and Berwin agreed to extend the maturity date of the debenture to June 20, 2017, in return for an annual interest rate increase from 9% to 13.5% per annum for the life of the debenture. On November 3, 2017, Berwin agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture. As partial consideration for the deferment, the Company issued Berwin 100,000 shares of its restricted common stock, valued at $48,000. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). On February 28, 2018, Berwin and the Company agreed to extend the maturity date of the debenture to June 30, 2018, and as consideration for the extension, the Company agreed to compensate Berwin with 250,000 shares of restricted common stock valued at $58,375. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). In addition, the parties agreed that if payment of said principal and interest due and payable is made late, then a penalty payment of $125,000 shall become due and payable to Berwin by the Company. On June 30, 2018, we recorded $125,000 penalty as additional interest payable. The penalty payment was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). The Company and Berwin are in ongoing discussions to extend the term of this Note and the Company believes it will either extend, rework or repay the obligation to the satisfaction of Berwin. On July 29, 2018, Berwin agreed to defer repayment of this note to a later date and acknowledged that the Company is not in default regarding this Debenture, and as consideration for the extension, the Company agreed to compensate Berwin with 100,000 shares of restricted common stock valued at $12,000. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50").

(2) On December 30, 2016, in connection with the TBL acquisition, Foothills entered into a promissory note in the amount of $6,000,000. This note bears no interest during its term. The Company calculated and recorded $342,804 of imputed interest as debt discount. Starting from July 1, 2018, the note bears 10% annual interest.

During the three months ended September 30, 2019 and 2018, respectively, we incurred $192,188 and $54,534 of interest expense, including shares issued for extension of $0 and $12,000, and penalty of $0 and $125,000, respectively. During the nine months ended September 30, 2019 and 2018, respectively, we incurred $575,985 and $435,859 of interest expense, including amortization of discount of $0 and $114,268 and shares issued for extension of $0 and $70,375, and penalty of $0 and $125,000, respectively.

Note 8 – Convertible Note Payable

	September 30, 2019	December 31, 2018
10% convertible note payable due May 10, 2018 (1)	$ 50,000	$ 50,000
13.5% convertible note payable due February 11, 2020 (2)	44,000	44,000
12% convertible note payable due May 1, 2019 (3)	30,000	380,000
12% convertible note payable due December 6, 2019 (4)	-	45,000
10% convertible note payable due September 19, 2019 (5)	35,247	58,300
10% convertible note payable due September 1, 2019 (6)	605,882	-
12% convertible note payable due September 6, 2019 (7)	380,000	-
10% convertible note payable due December 19, 2019 (8)	52,250	-
12% convertible note payable due March 20, 2020 (9)	40,018	-
12% convertible note payable due May 15, 2020 (10)	131,250	-
10% convertible note payable due May 29, 2020 (11)	57,000	-
12% convertible note payable due May 31, 2020 (12)	86,625	-
10% convertible note payable due May 31, 2020 (13)	60,000	-
8% convertible note payable due June 4, 2020 (14)	46,200	-
12% convertible note payable due June 19, 2020 (15)	113,000	-
12% convertible note payable due July 11, 2020 (16)	236,250	
12% convertible note payable due July 17, 2020 (17)	78,000	
10% convertible note payable due July 23, 2020 (18)	110,000	
12% convertible note payable due September 19, 2020 (19)	115,000	
Less: unamortized debt discount on convertible notes	(813,992)	(363,265)
Total debt	1,456,730	214,535
Less: current maturities	1,456,730	181,637
Long-term debt, net of current maturities	$ -	$ 32,898

(1) On May 10, 2017, we entered into a convertible note agreement with an unrelated party, pursuant to which we borrowed $50,000 at an annual percentage rate of 10% with a term of 12 months, which is due on May 10, 2018. This note may, at the option of the lender, be converted at any time prior to May 10, 2018, into fully-paid, restricted and non-assessable shares of common stock of the Company at a price equal to 100% of the selling price of such common stock in a private placement to institutional and/or accredited investors initiated by the Company during the term of this convertible note until May 10, 2018. On November 7, 2017, the Company issued 50,000 warrants to purchase 50,000 shares of common stock of the Company at a strike price of $1.00 per share expiring on May 7, 2019. If the Company fails to pay the principal and accrued unpaid interest due and payable to Lender on or before the due date of the convertible note, then the Lender shall be provided the right to convert at either $0.665 per share or upon the same terms offered in FirstFire Global Opportunities Fund, LLC Note's conversion options. The relative fair value of warrant was determined to be $3,381 on November 7, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 77%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 years. The issuance of the warrants in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). On September 17, 2018, the note holder agreed to defer repayment of this note to December 15, 2018, the Company agreed to compensate the note holder with 50,000 shares of restricted common stock valued at $4,500. On April 4, 2019, note holder confirmed that the Company is not in default with respect to this note. The issuance of the shares in exchange for the maturity extension was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). As of September 30, 2019, the note is past due, but not in default.

(2) On August 11, 2018, the Company borrowed $44,000 from an unaffiliated investor, bearing an interest rate of 12.5% per annum and with a maturity date of February 11, 2020. As part of this transaction the Company also issued (i) warrants having a 24-month term, to purchase 100,000 shares of the Company's common stock at an exercise price of $0.665 per share and (ii) 44,000 shares of the Company's restricted common stock. The Note agreements give the lender the right to convert the loan amounts due into common stock at a fixed conversion price of $0.20. The aggregate relative fair value of the warrant was determined to be $9,035 on August 11, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 221%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2 year. Fair value of 44,000 shares of common stock was determined to be $5,280 using market price. The aggregate value of the warrant and 44,000 shares of common stock of $14,315 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. During the nine months ended September 30, 2019, the Company amortized the $7,607 of such discount to interest expense. At September 30, 2019, unamortized debt discount was $3,494 and $44,000 of principal was outstanding under the Note.

(3) On November 1, 2018, the Company entered into a loan transaction with an unaffiliated investor ("Holder"), which funded and closed on November 5, 2018. The Company issued the lender a convertible promissory note ("Note") dated November 1, 2018, in the principal amount of $380,000 with an original issue discount of 10% and received proceeds of $342,000, before giving effect to certain transactional costs including legal fees on November 5, 2018. As part of this transaction the Company also issued (i) 650,000 shares of the Company's restricted common stock and two tranches of warrants : (ii) tranche 1 are warrants having a 5-year term to purchase 687,500 shares of the Company's restricted common stock at an exercise price of $0.20 per share with cashless exercise option and (ii) tranche 2 are warrants having a 5-year term to purchase 2,062,500 shares of the Company's restricted common stock at an exercise price of $0.20 per share with cashless exercise option. Tranche 2 warrants may be redeemed by the Company for $20,000 ("Call Payment") beginning on the date of issuance, November 1, 2018, and ending on the date which is 180 calendar days following the issuance date (the "Call"). If Company exercises the Call, then the Company shall make the Call Payment to the Holder within five business days of the date that the Company exercises the Call. If the Call Payment is not made within the required time frame, then the Company will lose its right to exercise the Call for the tranche 2 warrants.

The Note accrues interest at 12% per year, and is due and payable on May 1, 2019 ("Maturity Date"). The Company may prepay the Note without prepayment penalty if prepaid during the first 180 days following issuance date. No prepayment is permitted after the initial 180 days from issuance. The Note agreements give the lender the right to convert the loan amounts due into common stock at a conversion price equal to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading day period ending on the latest complete trading day prior to the date of this Note and (ii) 50% multiplied by the twenty (20) trading day period ending on the latest complete trading day prior to the conversion date.

The aggregate relative fair value of the warrant was determined to be $89,908 on November 1, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 226%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5.0 year. Fair value of 650,000 shares of common stock was determined to be $53,300 using allocation of proceeds. The Company accounted for the conversion feature, which was recorded as a derivative valued at $558,923, of which $364,131 was expensed immediately to interest expense. $194,792 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 226%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.50 year. The aggregate value of the original debt discount, warrant, conversion feature and 650,000 shares of common stock of $380,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. During the nine months ended September 30, 2019, we paid $350,000. As of September 30, 2019, $30,000 in principal was outstanding under this Note. As of September 30, 2019, the note is past due, but not in default.

(4) On December 6, 2018, Foothills Exploration, Inc. (the "Company"), entered into a convertible loan transaction with an unaffiliated investor ("Holder") in the principal amount of $136,500 (the "Note"). The Note is divided into three tranches, the first tranche of which, in the face amount of $45,500, funded and closed on December 7, 2018, before giving effect to certain transactional costs including legal fees yielding a net of $41,500. The Note carries an original issue discount of $12,000 (the "OID") prorated to each tranche, to cover the Holder's accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the negotiation, purchase and sale of the Note, which is included in the principal balance of this Note.

For each tranche funded under the Note, the Company agreed to issue warrants having a 5-year term to purchase up to 227,500 shares of the Company's restricted common stock at an exercise price of $0.20 per share with a cashless exercise option. The warrants are subject to adjustment in certain events such as forward or reverse stock splits or if subsequent financings are at terms that are more favorable to persons in subsequent issuances of securities.

The Note agreements give the Holder, after the 180th calendar day after the issue date, the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note due into fully paid and non-assessable shares of Common Stock at 50% multiplied by the lowest trading Price for the Common Stock during the twenty (20) Trading Day period prior to the Conversion Date.

Each tranche of the Note funded accrues interest at 12% per year. The maturity date for each tranche funded shall be twelve (12) months from the effective date of each payment (each a "Maturity Date"), and is the date upon which the principal sum of each respective tranche, as well as any accrued and unpaid interest and other fees relating to that respective tranche, shall be due and payable. This Company may prepay any amount outstanding under each tranche of this Note, during the initial 60 calendar day period after the issuance of the respective tranche of this Note, by making a payment to the Holder of an amount in cash equal to 125% multiplied the amount that the Company is prepaying Notwithstanding anything to the contrary contained in this Note, the Company may prepay any amount outstanding under each tranche of this Note, during the 61st through 120 calendar day period after the issuance of the respective tranche of this Note, by making a payment to the Holder of an amount in cash equal to 135% multiplied the amount that the Company is prepaying. Notwithstanding anything to the contrary contained in this Note, the Company may prepay any amount outstanding under each tranche of this Note, during the 121st through 180 calendar day period after the issuance of the respective tranche of this Note, by making a payment to the Holder of an amount in cash equal to 145% multiplied the amount that the Company is prepaying.

The Company may not prepay any amount outstanding under each tranche of this Note after the 180th calendar day after the issuance of the respective tranche of this Note. Any amount of principal or interest due pursuant to this Note, which is not paid by the Maturity Date, shall bear interest at the rate of the lesser of (i) fifteen percent (15%) per annum or (ii) the maximum amount permitted by law from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that each tranche of the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. Net proceeds obtained in this transaction will be used for general corporate and working capital purposes. No assurance can be given that any other tranche of the Note will be funded or that any amount due there under will be prepaid. No broker-dealer or placement agent was retained or involved in this transaction.

The aggregate relative fair value of the warrant was determined to be $7,880 on December 6, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 225%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5.0 year. The Company accounted for the conversion feature, which was recorded as a derivative valued at $74,970, of which $42,850 was expensed immediately to interest expense. $74,970 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 225%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.00 year. The aggregate value of the original debt discount, warrant and conversion feature of $45,500 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. On June 5, 2019, we paid an additional $5,000 for an extension and in exchange the Holder agreed not to convert the Note into common stock until July 6, 2019. The $5,000 paid in exchange for not converting was treated as a modification of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). During nine months ended September 30, 2019, we paid off the remaining balance of $45,500 and additional $34,500 for accrued interest and fees.

(5) On December 19, 2018, Foothills Exploration, Inc. (the "Company"), entered into a convertible loan transaction with an unaffiliated investor ("Holder") in the principal amount of $58,300 (the "Note"), which funded and closed on December 21, 2018, before giving effect to certain transactional costs including legal fees yielding a net of $53,000. The Note carries an original issue discount of $5,300 (the "OID"), to cover the Holder's accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the negotiation, purchase and sale of the Note, which is included in the principal balance of this Note.

The Note agreements give the Holder, after the 180th calendar day after the issue date, the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note due into fully paid and non-assessable shares of Common Stock at the Conversion Price, which is equal the lesser of (i) 60% multiplied by the lowest trading price during the previous twenty-five (25) trading days before the issue date of this Note or (ii) 60% multiplied by the lowest trading price for the common stock during the twenty-five (25) trading day period ending on the latest complete trading day prior to the conversion date.

The Note accrues interest at 10% per year. The maturity date for the Note is September 19, 2019 ("Maturity Date"), and is the date upon which the principal sum, as well as any accrued and unpaid interest, shall be due and payable. The Company may prepay any amount outstanding under this Note, during the initial 60 calendar day period after the issuance of this Note, by making a payment to the Holder of an amount in cash equal to 125% multiplied by the amount that the Company is prepaying. Notwithstanding anything to the contrary contained in this Note, the Company may prepay any amount outstanding under each tranche of this Note, during the 61st through 120th calendar day period after the issuance of the respective tranche of this Note, by making a payment to the Holder of an amount in cash equal to 135% multiplied the amount that the Company is prepaying. Notwithstanding anything to the contrary contained in this Note, the Company may prepay any amount outstanding under each tranche of this Note, during the 121st through 180th calendar day period after the issuance of the respective tranche of this Note, by making a payment to the Holder of an amount in cash equal to 140% multiplied the amount that the Company is prepaying. As of September 30, 2019, the note is past due, but not in default.

The Company may not prepay any amount outstanding under each tranche of this Note after the 180th calendar day after the issuance of the respective tranche of this Note. Any amount of principal or interest due pursuant to this Note, which is not paid by the Maturity Date, shall bear interest at the rate of the lesser of (i) eighteen percent (18%) per annum or (ii) the maximum amount permitted by law from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that each tranche of the Note is fully paid and shall be computed on the basis of a 360-day year and the actual number of days elapsed. Net proceeds obtained in this transaction will be used for general corporate and working capital purposes. No broker-dealer or placement agent was retained or involved in this transaction.

The Company accounted for the conversion feature, which was recorded as a derivative valued at $102,942, of which $52,942 was expensed immediately to interest expense. $102,942 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 228%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.75 year. The fair value of the conversion feature of $50,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. On June 24, 2019, we increased the principal balance by 10% in the amount of $5,830 and in exchange the noteholder agreed not to convert the Note into common stock until July 21, 2019. The $5,830 in exchange for not converting was treated as an extinguishment of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). On July 19, 2019, we increased the principal balance by 10% in the amount of $6,787 and in exchange the noteholder agreed not to convert the Note into common stock until August 19, 2019. The $6,787 in exchange for not converting was treated as an extinguishment of existing debt pursuant to the guidance of ASC 470-50 "Debt – Modifications and Extinguishments" ("ASC 470-50"). During the nine months ended September 30, 2019, debt holder converted $21,553 of principal and $1,000 of fee into 2,505,933 shares of common stock. During nine months ended September 30, 2019, the company paid $25,000, of which $17,875 toward outstanding principal balance and $7,143 applied to prepayment penalty. As of September 30, 2019, $35,247 was outstanding under this Note.

(6) On March 4, 2019, the Company closed on a loan transaction with FirstFire Global Opportunities Fund, LLC, ("FirstFire") pursuant to which the Company issued FirstFire a senior secured convertible promissory note ("FirstFire Note") in the principal amount of $705,882, and received proceeds of $592,500, with original discount of $113,382. As part of this transaction the Company issued (i) warrants having an 18-month term, to purchase 1,125,000 shares of the Company's common stock at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of Common Stock (upon conversion, exercise or otherwise) (including but not limited to under the FirstFire Note), at an effective price per share less than the then Exercise Price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) $0.50 or (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the exercise price upon issuance.

The FirstFire Note accrues interest of 10% per annum, and matures on September 1, 2019, which is the date upon which the principal sum, the original issue discount, as well as any accrued and unpaid interest and other fees, shall be due and payable. The Company agreed to make payments of $20,000 per month pursuant to a cash management agreement as described in the note agreements. The FirstFire Note is collateralized by the GRB Assets, which principally are being acquired by the Company with the net proceeds of this Note.

FirstFire has the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note due into fully paid and non-assessable shares of common stock at the conversion price which equal the lesser of (i) $0.50 or (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date.

The aggregate relative fair value of the warrant was determined to be $3,553,635 on March 4, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 year. The fair value of the warrant of $273,735 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the FirstFire Note or in full upon the conversion of the FirstFire Note. The conversion feature was recorded as a derivative valued at $4,135,070, of which $3,816,305 was expensed immediately to interest expense. $4,135,070 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.50 year. The fair value of the conversion feature of $318,765 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the FirstFire Note or in full upon the conversion of the FirstFire Note. During the nine months ended September 30, 2019, we paid $100,000 towards the principal of the FirstFire Note. As of September 30, 2019, $605,882 was outstanding under the FirstFire Note. As of September 30, 2019, the note is past due, but not in default.

(7) On March 6, 2019, the Company closed on a loan transaction with Labrys Fund, L.P., a Delaware limited partnership, ("Labrys"), pursuant to which, the Company issued a convertible promissory note dated March 6, 2019, in the principal amount of $380,000, with an original issue discount of 10% and received proceeds of $338,000, with original discount of $42,000 including legal fees (the "Labrys Note"). The Company utilized proceeds in part to pay (i) $110,000 to Labrys as partial repayment of a convertible promissory note issued on November 1, 2018 and (ii) $40,000 to the Company's auditor. As part of this transaction the Company also issued Labrys warrants having a five-year term to purchase 608,000 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price is subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Labrys Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the issuance date or (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date.

The Labrys Note accrues interest at 12% per year and is due and payable on September 6, 2019. The Company may prepay the Labrys Note without prepayment penalty if prepaid during the first 180 days following issuance date. No prepayment is permitted after the initial 180 days from issuance. The warrants are subject to adjustment in certain events such as forward or reverse stock splits or if subsequent financings are at terms that are more favorable to persons in subsequent issuances of securities.

Labrys has the right to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the Labrys Note due into fully paid and non-assessable shares of common stock at the conversion price which equal the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the issuance date. (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date. As of September 30, 2019, the note is past due, but not in default.

The aggregate relative fair value of the warrant was determined to be $2,306,364 on March 6, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years. The fair value of the warrant of $158,860 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. The conversion feature was recorded as a derivative valued at $2,599,866, of which $179,140 was expensed immediately to interest expense. $2,599,866 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.50 year. The fair value of the conversion feature of $179,140 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Labrys Note or in full upon the conversion of the Labrys Note.

(8) On March 19, 2019, the Company entered into a securities purchase agreement (the "JSC SPA") with Jefferson Street Capital, LLC, an unaffiliated investor ("JSC"), pursuant to which the Company issued and sold to JSC a convertible promissory note (the "JSC Note") in the principal amount of $52,250 (the "JSC Principal"). The foregoing transaction closed on March 28, 2019 and the Company received $40,000, with original discount of $12,250. As part of this transaction the Company also issued JSC warrants having an 18-month term to purchase 83,078 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the JSC Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 60% multiplied by the lowest trading price during the previous twenty-five (25) trading days before the issue date of the JSC Note or (ii) 60% multiplied by the market price.

The JSC Note accrues interest at 10% per year and carries an original issue discount of $4,750. The maturity date for the JSC Note is December 19, 2019, at which time the JSC principal, and any accrued but unpaid interest, is due and payable. JSC may convert after the 180th calendar day after the issue date of the JSC Note, all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the JSC Note due into shares of common stock of the Company at the conversion price that is equal to the lesser of (i) 60% multiplied by the lowest trading price during the previous twenty-five (25) trading days before the issue date of the JSC Note or (ii) 60% multiplied by the market price.

The aggregate relative fair value of the warrant was determined to be $296,143 on March 19, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 year. The fair value of the warrant of $18,160 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. The conversion feature was recorded as a derivative valued at $356,844, of which $335,004 was expensed immediately to interest expense. $356,844 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.75 year. The fair value of the conversion feature of $21,840 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the JSC Note or in full upon the conversion of the JSC Note.

(9) On March 20, 2019, the Company, entered into Amendment #1 to the Securities Purchase Agreement dated December 6, 2018, with Crown Bridge Partners, LLC, an unaffiliated investor ("Holder") pursuant to which the Company closed on March 28, 2019 a second tranche under the Note, dated December 6, 2017, with a face value of $40,018 (the "Second Tranche" of the "Note"). The Company received $35,000 with original discount of $5,018 including legal fees. The Note carries an original issue discount of $12,000 (the "OID") to face value prorated to each tranche, to cover the Holder's transaction related costs incurred in connection with the negotiation, purchase and sale of the note. Each tranche of the note funded accrues interest at a rate of 12% per year. The principal amount of each respective tranche, as well as any accrued and unpaid interest and other fees relating to that respective tranche, is due and payable twelve (12) months from the date on which each respective tranche is delivered to the Company. The Company may not prepay any amount outstanding under each tranche of this Note after the 180th calendar day after the issuance of the respective tranche received pursuant to the Note. As part of this transaction the Company also issued warrants having a 5 year term to purchase 80,036 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common ctock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to 50% multiplied by the lowest trading price during the previous twenty 20 trading days prior to notice of conversion.

The Holder may convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the Note due into shares of common stock of the Company at the conversion price that is equal to 50% multiplied by the lowest trading price during the previous twenty 20 trading days prior to notice of conversion.

The aggregate relative fair value of the warrant was determined to be $106,534 on March 20, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years. The fair value of the warrant of $18,480 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. The conversion feature was recorded as a derivative valued at $95,370, of which $78,850 was expensed immediately to interest expense. $16,520 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $21,840 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(10) On May 15, 2019, the Company closed on a loan transaction with Odyssey Capital Funding, LLC ("Odyssey"), pursuant to which the Company issued Odyssey a convertible redeemable promissory note ("Odyssey Note") in the principal amount of $131,250, and received proceeds of $125,000, before giving effect to certain transactional costs. The Odyssey Note accrues interest of 12% per annum, and matures on May 15, 2020.

Odyssey is entitled, at its option, at any time after the 180th daily anniversary of the Odyssey Note, to convert all or any amount of the principal face amount of the Odyssey Note then outstanding into shares of the Company's common stock at a price for each share of common stock equal to 55% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received by the Company.

The conversion feature was recorded as a derivative valued at $230,389, of which $105,389 was expensed immediately to interest expense. $230,389 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 254%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $125,000 and original debt discount of $6,250 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Odyssey Note or in full upon the conversion of the Odyssey Note.

(11) On May 29, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $57,000, and received proceeds of $55,000 with an original issue discount of $2,000 (the "Note"). The Note accrues interest of 10% per annum, and matures on May 29, 2020.

The conversion feature was recorded as a derivative valued at $88,261, of which $33,261 was expensed immediately to interest expense. $88,261 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $55,000 and original debt discount of $2,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

The exercise price of this Note was adjusted to 75% of the conversion price of the GW Note dated May 31, 2019. We measured the value of the effect of the down round feature as the difference between the fair value of the financial instrument at an original exercise price and an adjusted exercise price and, as a result, $45,638 was recorded as down round feature as interest expense under ASC 260-10-30-1. Foothills determined the amount of $45,638 using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 3 years.

(12) On May 31, 2019, the Company closed on a convertible loan transaction with GW Holdings Group, LLC ("GW") in the principal amount of $86,625 with an original issue discount of $11,625, before giving effect to certain transactional costs including legal fees yielding a net of $75,000 (the "Note"). The maturity date for this Note is May 31, 2020 ("Maturity Date").

GW is entitled, at its option, at any time after the 180th daily anniversary of the Note, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock at a price equal to 50% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received,

As part of this transaction the Company also issued warrants having a five-year term to purchase 160,000 shares of the Company's restricted common stock at an exercise price of $0.50 per share with a cashless exercise feature.

The aggregate relative fair value of the warrants was determined to be $159,495 on May 31, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years. The fair value of the warrant of $38,775 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note. The conversion feature was recorded as a derivative valued at $148,885, of which $112,660 was expensed immediately to interest expense. $148,885 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $36,225 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(13) On May 31, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $60,000, and received proceeds of $50,000 with an original issue discount of $10,000 (the "Note"). This Note accrues interest of 10% per annum, and matures on May 31, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 55% of the lowest trading price of the common stock for the twenty-five (25) prior trading days including the day upon which a notice of conversion is received,

The conversion feature was recorded as a derivative valued at $92,904, of which $42,904 was expensed immediately to interest expense. $92,904 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $50,000 and original debt discount of $10,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(14) On June 4, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $46,200, and received proceeds of $40,000 with an original issue discount of $6,200 (the "Note"). This Note accrues interest of 8% per annum, and matures on June 4, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 60% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $73,627, of which $33,627 was expensed immediately to interest expense. $73,627 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $40,000 and original debt discount of $6,200 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(15) On June 19, 2019, the Company closed on a convertible loan transaction with an unaffiliated lending entity ("Holder") in the principal amount of $113,000, before giving effect to certain transactional costs including legal fees yielding a net of $113,000 (the "Note"). The maturity date for this Note is June 17, 2020.

The Holder is entitled, at its option, at any time after the 180^{th} daily anniversary of the Note, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock at a price for each share of common stock equal to 61% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $274,884, of which $164,884 was expensed immediately to interest expense. $274,884 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 274%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $110,000 and original debt discount of $3,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(16) On July 11, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $236,250, and received proceeds of $225,000 with an original issue discount of $11, 250 (the "Note"). This Note accrues interest of 12% per annum, and matures on July 11, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 55% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $367,966, of which $142,966 was expensed immediately to interest expense. $367,966 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 257%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $225,000 and original debt discount of $11,250 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(17) On July 17, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $78,000, and received proceeds of $75,000 with an original issue discount of $3,000 (the "Note"). This Note accrues interest of 12% per annum, and matures on July 17, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 61% of the lowest trading price of the common stock for the twenty (20) prior trading days excluding the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $154,168, of which $79,168 was expensed immediately to interest expense. $154,168 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 254%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $75,000 and original debt discount of $3,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(18) On July 23, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $110,000, and received proceeds of $95,000 with an original issue discount of $15,000 (the "Note"). This Note accrues interest of 10% per annum, and matures on July 23, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 55% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $242,351, of which $147,351 was expensed immediately to interest expense. $242,351 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 251%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $95,000 and original debt discount of $15,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

(19) On September 19, 2019, the Company closed on a convertible loan transaction with third party in the principal amount of $115,000, and received proceeds of $110,000 with an original issue discount of $5,000 (the "Note"). This Note accrues interest of 12% per annum, and matures on September 19, 2020. This Note is convertible into shares of the Company's common stock at a price equal to 55% of the lowest trading price of the common stock for the twenty (20) prior trading days including the day upon which a notice of conversion is received.

The conversion feature was recorded as a derivative valued at $179,617, of which $69,617 was expensed immediately to interest expense. $179,617 was determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 249%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1 year. The fair value of the conversion feature of $110,000 and original debt discount of $5,000 was considered as debt discount upon issuance and is being amortized to interest expense over the term of the Note or in full upon the conversion of the Note.

During the three months ended September 30, 2019 and 2018, respectively, the Company incurred $721,322 and $67,185 of interest expense, including amortization of discount of $624,700 and $9,386 and shares issued for note extension of $0 and $24,750, respectively. During the nine months ended September 30, 2019 and 2018, respectively, the Company incurred $1,930,868 and $374,266 of interest expense, including amortization of discount of $1,760,748 and $255,043 and shares issued for note extension of $0 and $24,750, respectively. At September 30, 2019, the unamortized discount was $813,992.

The following table reconciles, for the period ended September 30, 2019, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements:

Balance of embedded derivative as of December 31, 2018	$	661,320
Additions related to embedded conversion features of convertible debt issued		9,113,621
Change in fair value of conversion features		(4,379,887)
Reductions in fair value due to principal repayments and conversion		(1,670,314)
Balance of embedded derivatives at September 30, 2019	$	3,724,740

Derivative liabilities were determined using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248 - 276%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.08 – 1.00 year.

Note 9 – Common Stock

During the nine months ended September 30, 2019, the Company issued 1,175,000 shares to various consultants for services rendered, valued at $179,847.

During the nine months ended September 30, 2019, the Company issued 228,332 shares of common stock to various employees, valued at $40,917 and 50,000 shares of restricted common stock were authorized not issued, valued at $2,600(these shares were recorded as common stock payable as of September 30, 2019).

During the nine months ended September 30, 2019, several debt holder cashless exercised 11,516,331 shares of warrant to purchase common stock.

During the nine months ended September 30, 2019, 650,000 shares were returned in connection with partial repayment made to debt holder.

During the nine months ended September 30, 2019, note holder converted $21,533 of principal were converted into 2,505,933 shares of common stocks, recorded $6,934 as gain on conversion.

As of September 30, 2019, the Company had 36,851,334 shares of common stock issued and outstanding.

Warrants

On May 27, 2016, the Company granted to Wilshire Energy Partners, LLC, warrants ("Wilshire Warrants") to purchase (i) 100,000 common shares at a strike price of $1.25 per share, (ii) 200,000 common shares at a strike price of $2.00 per share and (iii) 400,000 common shares at a strike price of $3.00 per share. The Wilshire Warrants commence to be exercisable on the earlier of (i) 12-month anniversary of the closing of a going public transaction or (ii) June 30, 2017 and expire on June 1, 2021.

On May 27, 2016, the Company granted to an unrelated party warrants to purchase (i) 125,000 common shares at a strike price of $1.25 per share, (ii) 100,000 common shares at a strike price of $2.00 per share and (iii) 100,000 common shares at a strike price of $3.00 per share. The warrants commence to be exercisable on the earlier of (i) 12-month anniversary of the closing of a going public transaction or (ii) June 30, 2017 and expire on June 1, 2021.

The fair value of above warrants was determined to be $2,144 on May 27, 2016, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 120%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

On November 7, 2017, the Company issued 50,000 warrants to purchase 50,000 shares of common stock of the Company at a strike price of $1.00 per share expiring on May 7, 2019 in connection with a senior convertible promissory note in the principal amount of $50,000. If the Company fails to pay the principal and accrued unpaid interest due and payable to Lender on or before the due date of the convertible note, then the Lender shall be provided the right to convert at either $0.665 per share or upon the same terms offered in FirstFire Global Opportunities Fund, LLC Note's conversion options. The relative fair value of warrant was determined to be $3,381 on November 7, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 77%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 years.

On November 17, 2017, the Company issued an unaffiliated investor warrants to purchase 267,500 shares of the Company's common stock at an exercise price of $1.00 per share and expires in 18 months, in connection with a senior convertible promissory note in the principal amount of $267,500. The aggregate relative fair value of warrant was determined to be $10,750 on November 17, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 78%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 year. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to March 4, 2019, which is $0.025. (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date. The fair value of the warrant was determined to be $1,381,963 on March 4, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 0.2 year. The same was considered as deemed dividend.

On August 11, 2018, the Company issued an unaffiliated investor warrants to purchase 100,000 shares of common stock at a strike price of $0.665 per share expiring in 24 months, in connection with a convertible promissory note in the principal amount of $44,000. The aggregate relative fair value of the warrant was determined to be $9,035 on August 11, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 221%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 2 year.

On November 1, 2018, the Company issued an unaffiliated investor two tranches of warrants in connection with a convertible promissory note in the principal amount of $380,000. (i) tranche 1 are warrants having a 5-year term to purchase 687,500 shares of the Company's restricted common stock at an exercise price of $0.20 per share with cashless exercise option and (ii) tranche 2 are warrants having a 5-year term to purchase 2,062,500 shares of the Company's restricted common stock at an exercise price of $0.20 per share with cashless exercise option. Tranche 2 warrants may be redeemed by the Company for $20,000 ("Call Payment") beginning on the date of issuance, November 1, 2018, and ending on the date which is 180 calendar days following the issuance date (the "Call"). The aggregate relative fair value of the warrant was determined to be $89,908 on November 1, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 226%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5.0 year. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to March 4, 2019, which is $0.025. (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date. The fair value of the warrant was determined to be $3,421,241 on March 4, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 4.7 year. The same was considered as deemed dividend.

On December 6, 2018 the Company issued an unaffiliated investor warrants to purchase 227,500 shares of common stock at a strike price of $0.20 per share expiring in 5 years, in connection with a convertible promissory note in the principal amount of $45,500. The relative fair value of the warrant was determined to be $7,880 on December 6, 2018, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 225%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5.0 year. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to March 4, 2019, which is $0.025. (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date. The fair value of the warrant was determined to be $299,594 on March 4, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 4.8 year. The same was considered as deemed dividend.

On March 4, 2019, the Company issued warrants having an 18-month term, to purchase 1,125,000 shares of the Company's common stock at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) $0.5 or (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the exercise price upon issuance. The fair value of the warrant was determined to be $3,553,635 on March 4, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 year.

On March 6, 2019, the Company issued Labrys warrants having a five-year term to purchase 608,000 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the issuance date. (ii) 50% multiplied by the lowest trading price during the previous twenty (20) trading days prior to the conversion date. The fair value of the warrant was determined to be $2,306,364 on March 6, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 248%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

On March 19, 2019, the Company issued warrants having an 18-month term to purchase 83,078 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to the lesser of (i) 60% multiplied by the lowest trading price during the previous twenty-five (25) trading days before the issue date of this Note or (ii) 60% multiplied by the market price. The fair value of the warrant was determined to be $296,143 on March 19, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 1.5 year.

On March 20, 2019, the Company also issued warrants having a 5 years term to purchase 80,036 shares of the Company's restricted common stock, at an exercise price of $0.50 per share, with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to 50% multiplied by the lowest trading price during the previous twenty 20 trading days prior to notice of conversion. The fair value of the warrant was determined to be $106,534 on March 20, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 266%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

On May 31, 2019, the Company issued warrants having a five-year term to purchase 160,000 shares of the Company's restricted common stock at an exercise price of $0.50 per share with a cashless exercise feature. The exercise price subject to adjustment if the Company at any time while this warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) (including but not limited to under the Note), at an effective price per share less than the then exercise price. The exercise price shall be reduced to equal the effective price, and the number of warrant shares issuable hereunder shall be calculated by the original total number of warrant shares multiplied by the initial exercise price divided by the effective price. As the result, the exercise price of the warrants was reset to 50% multiplied by the lowest trading price during the previous twenty 20 trading days prior to this note or notice of conversion. The fair value of the warrant was determined to be $159,495 on May 31, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 253%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years. The fair value of the warrant of $38,775 was considered as debt discount upon issuance.

On July 3, 2019, the Company issued warrants having a three-year term to purchase 100,000 shares of the Company's restricted common stock at an exercise price of $0.275 per share with a cashless exercise feature. The fair value of the warrant was determined to be $20,280 on July 3, 2019, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 255%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years. The fair value of the warrant of $20,280 was considered as stock compensation to consultant.

The following table summarizes all stock warrant activity for the nine months ended September 30, 2019 and 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2018	5,761,015	1.56	2.65
Granted	2,156,114	0.49	2.37
Exercised	(739,671)	0.28	3.67
Cancelled or expired	(486,124)	0.74	(0.09)
Balance outstanding, September 30, 2019	6,691,334	$ 0.78	2.56
Exercisable, September 30, 2019	6,691,334	$ 0.78	2.56

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2017	2,683,515	1.56	2.65
Granted	100,000	0.67	1.87
Exercised	-	-	-
Cancelled or expired	-	-	-
Balance outstanding, September 30, 2018	2,783,515	$ 1.48	1.90
Exercisable, September 30, 2018	2,783,515	$ 1.48	1.90

Options

On May 19, 2016, the Company granted to each of its then three directors options to purchase (i) 50,000 common shares at a strike price of $2 per share, vesting when the Company achieves and maintains a total average daily production level of 100 barrels of oil equivalent per day ("BOE/D") for at least 30 days, (ii) 50,000 common shares at a strike price of $3 per share, vesting when the Company achieves and maintains a total average daily production level of 200 BOE/D for at least 60 days, and (iii) 50,000 common shares at a strike price of $4 per share, vesting when the Company achieves and maintains a total average daily production level of 500 BOE/D for at least 90 days.

On February 27, 2017, the Company granted to Mr. Christopher Jarvis, currently an officer and director, options to purchase 400,000 common shares at a strike price of $1.99 per share, vesting quarterly over two years commencing with the first quarter following the 90-day probationary period.

The fair value of 400,000 options was determined to be $616,055 on February 27, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 129%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

On February 27, 2017, the Company granted to Mr. Kevin J. Sylla, currently our Executive Chairman of the Board, options to purchase 1,200,000 common shares at a strike price of $1.99 per share, vesting quarterly over the term of three years.

The fair value of 1,200,000 options was determined to be $1,986,902 on February 27, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 129%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 7 years.

During the three months ended September 30, 2019 and 2018, we recorded $166,936 and $244,576 option expense. During the nine months ended September 30, 2019 and 2018, we recorded $544,313 and $725,752 option expense. As of September 30, 2019, the unamortized option expense was $272,178.

The following table summarizes all stock option activity for the nine months ended September 30, 2019 and 2018:

	Number of Option		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2018	2,050,000		2.21	5.26
Granted	-		-	-
Exercised	-		-	-
Cancelled or expired	-		-	-
Balance outstanding, September 30, 2019	2,050,000	$	2.21	4.51
Exercisable, September 30, 2019	1,850,000	$	2.24	4.52

	Number of Option		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2017	2,050,000		2.21	6.26
Granted	-		-	-
Exercised	-		-	-
Cancelled or expired	-		-	-
Balance outstanding, September 30, 2018	2,050,000	$	2.21	5.51
Exercisable, September 30, 2018	1,350,000	$	2.33	5.71

Note 10– Other Related Party Transactions

Wilshire Energy Partners, LLC

Wilshire Energy Partners, LLC, is controlled by Kevin J. Sylla, our Executive Chairman and Chief Executive Officer of FPI, and has been determined to be a Related Party. During the nine months ended September 30, 2019 and 2018, Wilshire advanced the Company $0 and $181,083 for operating purposes and the Company repaid $22,287 and $43,176, respectively.

As of September 30, 2019, and December 31, 2018, total amount due to officers and directors were $1,164,606 and $687,770.

Note 11 – Commitments and Contingencies

During the audit process, a vendor for whom the Company has recorded $50,000 in accounts payable, confirmed an open invoice due to them that was greater than what was reported on the Company's financial statements. The Company believes that this invoice is legally disputable, as follows:

1. The invoice was only prepared and submitted after the request for a confirmation letter. No demand has ever been made to the Company for payment either orally, invoice or letter.

2. The invoice fails to reflect any payments made to the account, although Company records show that certain amounts were paid to this account.

3. The invoice includes a bonus fee for services rendered in connection with a lease transfer. This fee was not earned in that the milestone for the bonus was a lease transfer which remains in litigation and the terms of the oral modification of the written contract between the parties required the successful completion of the transfer as the milestone.

4. The contract between the parties was terminated in May, 2018.

The Company believes that the invoice is completely irregular and does not represent any legitimate debt of the Company to this vendor.

Contractual Obligations

Leases

Effective March 4, 2019, the Company entered into a sublease agreement, expiring November 30, 2020, for approximately 3,236 square feet of office space in Los Angeles, California, at a monthly rental amount of $9,500, and subsequently moved its corporate headquarters to the new location.

The Company records the lease asset and lease liability at the present value of lease payments over the lease term. The leases typically do not provide an implicit rate; therefore, the Company uses its estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. The Company's discount rate for operating leases at September 30, 2019 was 12%. Lease expense is recognized on a straight-line basis over the lease term. Our weighted-average remaining lease term is 1.67 years.

As of September 30, 2019, the maturities of operating leases liabilities are as follows:

		Operating Leases
Remaining 2019	$	47,500
2020		107,350
Total		154,850
Less: amount representing interest		(9,624)
Present value of future minimum lease payments		145,226
Less: current obligations under leases		145,226
Long-term lease obligations	$	-

Rent expense is recognized on a straight-line basis over the life of the lease. Rent expense consists of the following:

		Three months ended September 30, 2019		Nine months ended September 30, 2019
Operating lease costs	$	28,445	$	75,855
Variable rent costs		(-)		(-)
Total rent expense	$	28,445	$	75,855

Other information related to leases is as follows:

		Three months ended September 30, 2019		Nine months ended September 30, 2019
Other information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	-	$	53,750
Weighted-average remaining lease term - operating leases	$	1.09 yr		1.09 yr
Weighted-average discount rate - operating leases		12%		12%

Legal proceedings

The Company has determined that judgments rendered in the second quarter of 2018 in connection with all but four of the following legal proceedings against the Company are Type 1 subsequent events that provide additional evidence with respect to conditions that existed at the date of the balance sheet. Therefore, the financial statements reflect the effects of prejudgment judgments awards to plaintiffs through September 30, 2019, noted below in accordance with Auditing Standard 2801.03.

Utah Wells

Graco Fishing & Rental Tools, Inc. vs. Tiger Energy Operating LLC (Case No. 160800005 8th Judicial District Court, Duchesne County, State of Utah)

Plaintiff in this case sought collection of unpaid debt incurred by TEO for services rendered in connection with its workover of wells in Duchesne County, Utah. On June 1, 2016, a default judgment of $159,965 was obtained against TEO by Plaintiff. Graco filed a writ of execution against the A Rust 2, Dye-Hall 2-21 A1, Wilkins 1-24 A5 and Rust 3-22A-4 wells located in Duchesne County executing on properties not owned by us. A Motion to Set Aside the sheriff's sale of these properties was filed with the court based on the fact that TEO was not the owner of these properties. A hearing for this matter was held on May 1, 2017, in Duchesne County, Utah, at which time a Company representative was present to comply with the court's order to produce documents. Prior to the hearing, TEO made an initial settlement offer, which was eventually rejected by Graco. A writ of execution was issued to seize the property subject of litigation on March 8, 2018.

Graco had scheduled certain foreclosure sales of TEO's interests in various oil and gas wells to take place on May 3, 2018 (the "Sales"). On April 27, 2018, the parties reached a settlement and release agreement whereby TEO agreed to make five (5) payments totaling $163,964.59 to Graco. The first payment due on May 9, 2018, has been made to the judgment holder. The second payment of $32,792.92 was due on July 9, 2018; the third payment of $32,792.92 was due on September 9, 2018; the fourth payment of $32,792.92 was due on November 9, 2018; and fifth and final payment of $32,792.92 was due on January 9, 2019. If any of the above payments are not made when due, Grace will have the right to immediately execute the Sales. Graco will maintain and apply liens and notices of its judgment until the total payment has been paid in full by TEO. TEO shall be provided with a 10-day period within which to cure any default under the settlement agreement, other than making the first payment described above. TEO made its second payment of $32,793 on July 19, 2018, within the 10-day cure period provided in the settlement agreement. TEO made its third payment of $32,793 on September 11, 2018, within the 10-day cure period provided in the settlement agreement. TEO also made its fourth payment of $32,793 on November 15, 2018. On January 25, 2019, the Plaintiff issued a Writ of Execution Notice. A Notice of Sheriff Sale was filed on February 1, 2019.

Regarding the Company's Utah properties, there was a settlement agreement between Graco Fishing & Rental Tools, Inc. ("Graco") and Tiger Energy Operating, LLC ("TEO"), an indirect subsidiary of the Company and the Operator of the Duck Creek wells. Graco obtained a default judgment of $159,965 against TEO, subsequent to which they were also issued Writs of Execution against the certain TEO wells, located in Uintah and Duchesne County, Utah.

Graco had scheduled foreclosure sales of TEO's interests in four wells (A Rust 2, Dye-Hall 2-21-A1, Wilkins 1-24A5, and Rust 3-22A4), which was to take place on May 3, 2018 (the "Sales"). On April 27, 2018, the parties reached a settlement and release agreement whereby TEO agreed to make five (5) payments totaling $163,965 to Graco. If any of the above payments were not made when due, Graco had the right to immediately execute the Sales. Graco also had the right to maintain and apply liens and notices of its judgment until the total payment has been paid in full by TEO. On June 27, 2018, Finley Resources, Inc. ("Finley"), acquired all of Graco's right, title and interest in the settlement agreement.

The first four settlement payments to the judgment holder were made timely but the last and final payment was made late, and the judgment holder (i.e. Finley) rejected TEO's final payment. The Company disputes this because the final date of the 10-day cure period was on a Saturday, which is not considered a business day and therefore, the payment was made on the following business day. On January 25, 2019, Finley issued a Writ of Execution Notice and a Notice of Sheriff Sale was filed on February 1, 2019, for the four wells: A Rust 2, Dye-Hall 2-21-A1, Wilkins 1-24A5, and Rust 3-22A4. While it believes it could prevail should it protest Finley's actions, the Company believes that the production value of the affected properties is limited.

Conquest Well Servicing, LLC vs. Foothills Exploration Operating, Inc. (Case No. 179800421 8th Judicial District Court in and for Uintah County, State of Utah)

Plaintiff filed this action on September 11, 2017, for collection of unpaid services and materials in the amount of $49,689 in connection with a workover of wells in Uintah County, Utah. A Settlement Agreement and Stipulation to Entry of Judgment was agreed to by the parties and filed with the court on October 10, 2017. Judgment in the amount of $54,937.10 including $5,248.10 in pre-judgement interest was filed on December 18, 2017. An order requesting company asset inquiry was issued on February 20, 2018. As of September 30, 2019, we recorded $14,862 of prejudgment interest expense. A hearing on contempt by FEOI for failure to appear and an answer as to assets was set for September 13, 2018. A stipulation was filed with the court to continue the hearing to October 22, 2018. FEOI inadvertently failed to appear at this hearing, resulting in a contempt of court citation being issued. Currently, FEOI is seeking to reschedule this hearing and intends to purge any contempt by compliance with the court's order.

BIA Administrative Appeal – Tiger Energy Partners International, LLC

Notice of Appeal:	Dated May 8, 2013
Appellant:	Tiger Energy Partners International, LLC
Appellee:	Superintendent Uintah and Ouray Agency
Decision	April 12, 2013
Concerning:	Notice of Expiration of Oil and Gas Leases

This Administrative appeal concerns the ownership and validity of Northern Ute (the "Tribe") Tribal leases acquired by Tiger Energy Partners International, LLC (TEPI) in a transaction with Mountain Oil and Gas and its affiliated companies. Pursuant to the Global Settlement Agreement (GSA) negotiated between the Tribe and TEPI, the Company proposes to resolve any issues regarding the ownership of the subject leases and other lands thus acquired. The status of the appeal by TEPI remained unchanged at September 30, 2019, awaiting decision by the Regional Director of the BIA on the merits of the appeal. The decision of the Regional Director is stayed by the parties having entered into the GSA. The Tribe and Tiger remain in discussion regarding approval of the Global Settlement Agreement by the Regional Director. There has been no change in the status of this matter as of the date of this current report.

Labokay Well – Parish of Calcasieu, State of Louisiana

R.W. Delaney Construction Company vs. Foothills Petroleum Operating, Inc. (Cause No. 2017-CV-0330 – County Court of Adams County, Mississippi)

This case was filed on September 18, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $72,495 in connection with drilling the Labokay test well in Calcasieu Parish, Louisiana.

A judgment was entered on January 22, 2018, in the County Court of Adams County, Mississippi in the principal amount of $72,495, plus pre-judgement interest in the amount of $12,763, plus attorney's fees in the amount of $18,124, plus costs in the amount of $196, for a total amount of $103,578, plus post-judgment interest at the rate of 8% per annum. On May 9, 2018, District Court for the City and County of Denver, Colorado, granted plaintiff with an order granting their petition to domesticate this foreign judgment with the Denver District Court, which now has the same effect and is subject to the same procedures, defenses, and proceedings for reopening, vacating, or staying as a judgment from the Denver District Court, and may be enforced or satisfied in like manner. No further action has been filed in this matter as of the date of this current report.

Performance Drilling Company, LLC vs. Foothills Petroleum Operating, Inc. (Case No. 2017-3916 DIV G 14th Judicial District Court in Parish of Calcasieu, State of Louisiana)

This case was filed on September 25, 2017, for payment of services performed by plaintiff in the amount of $205,251 for unpaid accounts in connection with its drilling of the Labokay test well. On January 16, 2018, a default judgment was entered against FPOI, in the amount of $205,251.24; together with accrued interest of $29,861 from March 18, 2017, through December 31, 2017; plus, additional interest from January 1, 2018, at the rate of one and one-half percent (1.5%) per month until paid (a per diem rate of $103.69); plus, an additional sum for reasonable attorney's fees of $2,500, and all costs of the court proceedings. FPOI was cited to appear through its authorized representative, B.P. Allaire, in Open Court, on 27th of July at 9:00 a.m. to be examined as a Judgment Debtor. FPOI was ordered to produce at the above time and place all the books, papers and other documents so requested in the petition. FPOI inadvertently failed to appear at this hearing and is currently seeking to reschedule this hearing. No further action has been taken as of the date of this current report.

Monster Rentals, LLC dba Deepwell Equipment Rentals vs. Foothills Petroleum Operating, Inc. (Case No. 2017-11013 DIV E – 15th Judicial District Court in Parish of Acadia, State of Louisiana)

This case was filed on October 24, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $53,943.53 in connection with the Labokay test well in Calcasieu Parish, Louisiana. On December 5, 2017, a default judgement was entered against FPOI in favor of Plaintiff in the amount of $53,943.53, plus attorneys' fees of $3,483 and court costs and expenses in the amount of $476.84, plus judicial interest from the date of the judicial demand, until paid, and for all costs of these proceedings. No further action has been filed in this matter as of the date of this current report.

Canal Petroleum Products, Inc. vs. Foothills Petroleum Operating, Inc. (Case No. 2017-6574; DIV. C – 15th Judicial District Court, Lafayette Parish, Louisiana)

This case was filed on November 14, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $35,981 for unpaid accounts in connection with its drilling of the Labokay test well.

On January 25, 2018, a default judgment was entered against FPOI in the amount of $35,981 inclusive of interest as of September 6, 2017; plus, finance charges to accrue after September 6, 2017, of one and one-half percent per month (18% per annum) until paid on the unpaid principal amount of $32,956; plus, legal fees of $8,239 together with related court costs. No further action filed in this matter as of the date of this current report.

Smith International, Inc. vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004617; DIV. E – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $30,244 in connection with its drilling of the Labokay test well.

On March 23, 2018, the court issued a preliminary judgement in favor of plaintiff in the amount of $30,244, plus interest in the contractual amount of 18% per annum from the date the payment was originally due until the judgment date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorneys' fees. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action filed in this matter as of the date of this current report.

M-I, L.L.C. d/b/a MI-SWACO vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004616; DIV. G – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $51,275 in connection with the Labokay test well.

On March 23, 2018, the court issued a preliminary judgment in favor of plaintiff in the amount of $51,275, plus interest in the contractual amount of 1.5% per month from the date the payment was originally due until the judgement date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorney's fees expended in the prosecution and collection of debt. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action has been filed in this matter as of the date of this current report.

Schlumberger Technology Corporation vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004618; DIV. E – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $28,904 for unpaid accounts in connection with its drilling of the Labokay test well in Calcasieu Parish, Louisiana.

On March 23, 2018, the court issued a preliminary judgment in favor of plaintiff in the amount of $28,904, plus interest in the contractual amount of 1.5% per month from the date the payment was originally due until the judgment date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorney's fees expended in the prosecution and collection of debt. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action has been filed in this matter as of the date of this current report.

Zealous Energy Services, LLC vs. Foothills Petroleum Operating, Inc. (Docket No. 086708 Div. C 16th Judicial District Court, Parish of St. Martin, Louisiana)

On September 28, 2018, the Court after reviewing the record of these proceedings, found the law and evidence supported Plaintiff's demands and, without holding a hearing, ruled as follows: the Court ordered, adjudged and decreed that a money judgement be rendered in favor of Zealous Energy Services, LLC and against Foothills Petroleum Operating, Inc. in the full and true amount of $53,026.58, plus interest at the judicial interest rate of 5% per annum from January 24, 2018, the date of judicial demand, until finally paid, plus attorney's fees of $1,260.00 and all costs. On March 1, 2019, a Motion to Examine Judgment Debtor was filed with the court.

633 17th Street Operating Company LLC v. Foothills Exploration, Inc. (Case No. 2019CV30189, District Court, City and County of Denver, Colorado)

This case was filed on January 16, 2019, seeking unpaid leasehold obligations in the amount of $75,107 from the Defendant. On June 25, 2019 a judgement was granted to Plaintiff in the amount of $139,793.42. A Writ of Garnishment was filed against Foothills debtor, Bank of America on July 16, 2019.

As of September 30, 2019, and December 31, 2018, the balance of other liabilities was $413,782 and $282,676, respectively.

Note 13 – Subsequent Events

Extension of Debt – 12.5% promissory note due on April 17, 2020

On January 17, 2020, an indirect subsidiary of the Company closed on a short-term bridge note transaction with an unrelated third party, Beijing Gas Blue Sky Holdings Limited ("BGBS") in the principal amount of $220,000, with an original issue discount of $20,000, providing net proceeds of $200,000 in cash to the Company (the "STB Note"). The STB Note accrues interest at the rate of 12.5% per annum and matures on April 17, 2020, upon which date the principal sum, the original issue discount, as well as any accrued and unpaid interest and other fees, shall be due and payable. The Company may prepay the STB Note prior to maturity without penalty. The summary of the transaction described in this paragraph is qualified in its entirety by reference to the Bridge Note dated January 17, 2020, which is filed as Exhibit 10.22 to this report.

Entry into a Material Definitive Agreement and Extension of Debt

Deed of Novation and Assignment dated January 18, 2020 by and between Berwin Trading Limited ("Berwin"), Profit Well Limited ("Profit Well"), Foothills Exploration, Inc. ("Foothills") and Beijing Gas Blue Sky Holdings Limited ("BGBS").

On January 18, 2020, Foothills entered into a Deed of Novation and Assignment between existing noteholders, Berwin and Profit Well, whereby these noteholders respectively assigned sums due to each, pursuant to their respective debenture and bridge note to BGBS and Foothills simultaneously issued a new 13.5% promissory note to BGBS for an aggregate combined amount of $5,476,505 (the "January BGBS Note").

The January BGBS Note includes principal, interest, default interest and penalties due under: (a) Berwin's debenture dated December 30, 2016, in the principal amount of $1,250,000; (b) Profit Well's bridge note dated August 9, 2017, in the principal amount of $1,050,000; and (c) two bridge loans funded by BGBS to an indirect subsidiary of Foothills in the amounts of $90,000 on November 4, 2019, and $50,000 on December 11, 2019. The maturity date of the January BGBS Note is December 31, 2023. Foothills has agreed to make a principal payment in the amount of $500,000 on December 31, 2020 and another principal payment of $500,000 on December 31, 2021. Foothills further agreed to commence quarterly interest payments in the approximate amount of $184,832, beginning as of January 30, 2022. Foothills pledged its interests in the Ute Tribal North properties located in the Uinta Basin, Utah, as security to collateralize January BGBS Note. This transaction summary is qualified in its entirety by reference to the Deed of Novation and Assignment and Pledge of Collateral, both dated January 18, 2020, which are filed as Exhibits 10.23 and 10.24, to this report.

Entry into a Material Definitive Agreement

Amendment #1 to Senior Secured Convertible Promissory Note and Net Profits Interest Agreement dated March 4, 2019 (the "FirstFire Amendment")

The amendment, made effective January 21, 2020, between the Company and FirstFire Global Opportunities Fund, LLC (the "Holder"), and provides the Company with an extension of time to pay. The parties have acknowledged that the total outstanding balance owed under the Note as of the effective date is $800,000. The net profits interest agreement was amended so that it now expires on March 1, 2026. The Company made a payment of $25,000 at the time of signing this amendment with the remaining balance of $775,000 due on or before February 28, 2020. This transaction summary is qualified in its entirety by reference to the FirstFire Amendment, which is filed as Exhibit 10.25, to this report.

Contingent Liabilities – Legal Proceedings

GMT Exploration Company, LLC vs. Foothills Exploration, Inc. and Foothills Exploration, LLC, Case No.19-556-L, District Court Third Judicial District, Sweetwater County, Wyoming.

This civil suit, filed November 8, 2019, concerns Foothill's alleged breach of an acquisition agreement to purchase certain oil and gas properties located in Sweetwater County, Wyoming, seeks specific performance of the purchase agreement (primarily our posting the required bonds) and alleges certain damages that are as yet undefined. The Company filed its answer to the complaint with the court on December 18, 2019. On December 26, 2019, Plaintiff GMT Exploration filed with the court a Motion for Immediate Appointment of a Receiver Pending Litigation. On January 14, 2020, the parties agreed to a stipulated receivership for the properties and to appoint GMT Exploration as the receiver pending litigation. The parties are currently in settlement discussions and the Company currently believes that a settlement with the plaintiff to resolve this dispute can occur during Q1 2020. The Company must post the required surety bonds in order to finalize the transfer of operations from the seller, which it anticipates doing before the end of February 2020.

Common Stock Issuance

- Subsequent to September 30, 2019, several of the Company's variable-rate convertible noteholders, by cashless exercise of warrants issued pursuant to note agreements, acquired a total of 26,956,851 shares common stock.

- Subsequent to September 30, 2019, several of the Company's variable-rate convertible noteholders converted sums due under their respective note agreements as a result of which we issued a total of 36,885,336 shares of common stock for these conversions. The Company retired $44,403 in notes, which were used as consideration for the conversions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains forward-looking statements. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q, including without limitation, statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial position, estimated working capital, business strategy, the plans and objectives of our management for future operations and those statements preceded by, followed by or that otherwise include the words "believe," "expects," "anticipates," "intends," "estimates," "projects," "target," "goal," "plans," "objective," "should" or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that the assumptions upon which the forward-looking statements are based will prove to be correct. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements, including, but not limited to, our inability to obtain adequate financing, insufficient cash flows and resulting illiquidity, our inability to expand our business, government regulations, lack of diversification, volatility in the price of oil and/or natural gas, increased competition, results of arbitration and litigation, stock volatility and illiquidity, our failure to implement our business plans or strategies and general economic conditions. A description of some of the risks and uncertainties that could cause our actual results to differ materially from those described by the forward-looking statements in this Quarterly Report on Form 10-Q appears in the section captioned "Risk Factors" in our 2018 Annual Report on Form 10-K. These Risk Factors represent only some, not all of the risks and uncertainties that could cause our actual results to differ.

Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Going Concern

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred recurring losses from inception through September 30, 2019, has a working capital deficit at September 30, 2019, of $22,825,647, and has limited sources of revenue. These factors raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements included elsewhere herein do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Our financial statements reflect that our current liabilities exceed our current assets and it is possible that the historical value of the assets that we record on our books may not be attained on a sale or other disposition for cash. We require substantial additional operating capital to maintain current operations and to implement even a portion of our identified acquisitions and workovers. Additional capital, if available at all, will likely be on onerous terms that are also dilutive to our shareholders. No assurance can be given that we will obtain any additional capital. As a consequence, an investment in our shares or other securities is extremely speculative and may result in a complete loss of your investment.

To address these matters, the Company is actively meeting with investors for possible equity investments, including business combinations; investigating other possible sources to refinance our existing debt; and in continuing discussions with various individuals and groups that could be willing to provide capital to fund operations and growth of the Company.

Results of Operations

Three months ended September 30, 2019 compared to three months ended September 30, 2018

Revenue

The following table summarizes our revenues from commodity sales during the three months ended September 30, 2019 and 2018.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Difference	Percentage Change
Revenues				
Oil	$ 4,704	$ 16,931	$ (12,227)	-72%
Natural gas	2,546	126	2,420	1921%
Natural gas liquids	1,067	112,419	(111,352)	-99%
Residue Gas	151,987	453,543	(301,556)	-66%
Total	$ 160,304	$ 583,019	$ (422,715)	-73%
Sales volumes				
Oil (Bbls)	98	233	(135)	-58%
Natural gas (MCF)	2,628	73	2,555	3500%
Natural gas liquids (Bbls)	1,695	3,708	(2,013)	-54%
Residue Gas (MCF)	79,442	179,835	(100,393)	-56%
Total BOE	15,471	33,914	(18,880)	-56%
Total BOE/D	170	373	(52)	-14%
Average prices				
Oil (per Bbl)	$ 48.00	$ 72.52	$ (24.52)	-34%
Natural gas (per MCF)	0.97	1.73	(0.76)	-44%
Natural gas liquids (per BOE)	0.63	30.32	(29.69)	-98%
Residue gas (per MCF)	1.91	2.52	(0.61)	-24%
Total per BOE	$ 10.36	$ 17.19	$ 0.00	0%

Operating Expenses

Operating expenses for the three months ended September 30, 2019 and 2018, are set forth in the table below.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Difference	Percentage Change
Costs and Expenses				
Lease operating expense (1)	$ 325,750	$ 453,299	$ (127,549)	-28%
Production and ad valorem taxes (2)	2,720	9,361	(6,641)	-71%
Depletion, depreciation, amortization, accretion, and impairment expense (3)	59,446	96,745	(37,299)	-39%
General and administrative expense (4)	937,954	664,957	272,997	41%
Total operating expenses	$ 1,325,870	$ 1,224,362	$ 101,508	8%

1) GRB Assets producing in the three months ended September 30, 2019, which were acquired in Q1 2019.
2) GRB Assets producing in the three months ended September 30, 2019, which were acquired in Q1 2019.
3) Oil and gas production declined during the three months ended September 30, 2019.
4) Due to increase of cost associated with funding activities during the three months ended September 30, 2019.

Operating expenses expressed in BOE for the three months ended September 30, 2019 and 2018 are set forth in the table below:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Difference	Percentage Change
Costs and Expenses				
Lease operating expense	$ 21.06	$ 13.37	$ 7.69	57%
Production and ad valorem taxes	0.18	0.28	(0.10)	-37%
Depletion, depreciation, amortization, accretion, and impairment expense	3.84	2.85	0.99	35%
General and administrative expense	60.63	19.61	41.02	209%
Total operating expenses	$ 85.70	$ 36.10	$ 49.59	137%

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

Revenue

The following table summarizes our revenues from commodity sales during the nine months ended September 30, 2019 and 2018.

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Difference	Percentage Change
Revenues				
Oil	$ 12,332	$ 35,928	$ (23,596)	-66%
Natural gas	584,731	252	584,479	231936%
Natural gas liquids	46,982	294,660	(247,678)	-84%
Residue Gas	996,994	1,540,087	(543,093)	-35%
Total	$ 1,641,039	$ 1,870,927	$ (229,888)	-12%
Sales volumes				
Oil (Bbls)	250	572	(322)	-56%
Natural gas (MCF)	242,359	199	242,160	121688%
Natural gas liquids (Bbls)	6,428	12,419	(5,991)	-48%
Residue Gas (MCF)	323,085	630,620	(307,535)	-49%
Total BOE	100,919	118,128	(17,209)	-15%
Total BOE/D	370	433	(63)	-15%
Average prices				
Oil (per Bbl)	$ 49.33	$ 62.76	$ (13.43)	-21%
Natural gas (per MCF)	2.41	1.27	1.14	90%
Natural gas liquids (per BOE)	7.31	23.73	(16.42)	-69%
Residue gas (per MCF)	3.09	2.44	0.65	26%
Total per BOE	$ 16.26	$ 15.84	$ 0.00	0%

Operating Expenses

Operating expenses for the nine months ended September 30, 2019 and 2018, are set forth in the table below.

	Nine Months Ended September 30,						
	2019		2018		Difference		Percentage Change
Costs and Expenses							
Lease operating expense (1)	$	987,850	$	1,287,353	$	(299,503)	-23%
Production and ad valorem taxes (2)		93,053		13,267		79,786	601%
Depletion, depreciation, amortization, accretion, and impairment expense (3)		630,342		321,056		309,286	96%
General and administrative expense (4)		2,752,024		2,015,042		736,982	37%
Total operating expenses	$	4,463,269	$	3,636,718	$	826,551	23%

1) GRB Assets producing in the nine months ended September 30, 2019, which were acquired in Q1 2019.
2) GRB Assets producing in the nine months ended September 30, 2019, which were acquired in Q1 2019.
3) GRB Assets producing in the nine months ended September 30, 2019, which were acquired in Q1 2019.
4) Due to increase of cost associated with funding activities during the nine months ended September 30, 2019.

Operating expenses expressed in BOE for the nine months ended September 30, 2019 and 2018 are set forth in the table below:

	Nine Months Ended September 30,						
	2019		2018		Difference		Percentage Change
Costs and Expenses							
Lease operating expense	$	9.79	$	10.90	$	(1.11)	-10%
Production and ad valorem taxes		0.92		0.11		0.81	738%
Depletion, depreciation, amortization, accretion, and impairment expense		6.25		2.72		3.53	130%
General and administrative expense		27.27		17.06		10.21	60%
Total operating expenses	$	44.23	$	30.79	$	13.44	44%

Interest Expense and Gain on Change in Derivative Value

Interest expense and Gain or (Loss) on Change in Derivative Value for the nine months ended September 30, 2019 and 2018, was $(6,447,322) and $(1,365,087), respectively. The increase in interest expense and derivative value is primarily attributed to additional compensation related to notes payable extensions during the nine months ended September 30, 2019.

Other Income

Other income for the nine months ended September 30, 2019 and 2018, was $18,905 and $25,407, respectively. The increase in other income is primarily attributed to a credit provided by the lessor of our Denver office for an unused allowance for tenant improvements which was contractually allowed to offset monthly rental payments for the nine months ended September 30, 2019.

Gain or loss on extinguishment of debt

Gain (loss) on extinguishment of debt for the nine months ended September 30, 2019 and 2018, was $1,663,852 and $(8,734), respectively. The increase in change on extinguishment of debt is primarily attributed to common stock shares exchanged for the reduction of officers and directors' accrued unpaid wages issued below market price.

Net Loss Attributable to Common Stockholders

As a result of the foregoing, our net loss attributable to common stockholders for the nine months ended September 30, 2019, was $12,582,770 ($0.52) per basic and diluted common share. Our net loss for the nine months ended September 30, 2018, was $3,114,205 ($0.20) per basic and diluted common share.

Liquidity and Capital Resources

Overview

As of September 30, 2019, the Company had a working capital deficit of $22,825,647. As of December 31, 2018, the Company had a working capital deficit of $16,084,225. The increase of $6,741,422, in the working capital deficit was attributable as follows:

Decrease in current assets of which $662 was decreased cash	$	(42,677)
Increase in accounts payable and accrued liabilities		1,013,454
Increase in accounts payable and accrued liabilities – related party (1)		946,063
Increase in current portion of notes payable and convertible notes payable		1,484,830
Increase in current portion of notes payable and convertible notes payable – related party		-
Increase in derivative liabilities		3,063,420
Increase in leasing liabilities		145,226
Decrease in contingent liabilities primarily associated with legal proceedings		131,106
Sum of changes in working capital	$	6,741,422

(1) Accrued payable to management for unpaid compensation of $1,164,606.

Cash, Cash equivalents, restricted cash and Accounts Receivable

As of September 30, 2019, the Company had cash of $477, compared to $1,139 at December 31, 2018.

As of September 30, 2019, the Company has restricted cash of $120,000, compared to $120,000 at December 31, 2018.

As of September 30, 2019, the Company had accounts receivable – trade & oil and gas of $2,610, compared to $10,090 at December 31, 2018. This decrease in accounts receivable is due primarily to 22 gas wells we acquired in Q1 2019.

Liabilities

As of September 30, 2019, the outstanding balance of principal on notes and convertible notes payable net of debt discount was $10,512,164 a net increase of $1,484,830 from the outstanding balance of $9,060,232 as of December 31, 2018. This net increase was due to additional notes we entered into during nine months ended September 30, 2019.

Accounts payable and accrued expenses increased by $1,959,517 to $8,209,727 at September 30, 2019, from $6,250,210 at December 31, 2018. Included in accounts payable and accrued expenses are $1,164,606 and $794,529 as of the September 30, 2019 and December 31, 2018, respectively, primarily associated with accrued payable to management for unpaid compensation. These unpaid liabilities are aged from 1 days to 635 days, and the Company lacks the liquidity to pay them until it obtains additional capital.

Management knows that its existing cash on hand is insufficient to fund its current operations. The Company is currently in discussions with multiple parties interested in providing additional capital investment to fund the Company's current operations, development plans for current assets, and acquisitions of producing properties presently under consideration. The Company also continues to search for producing and/or additional productive properties and seeks to strategically lease additional acreage positions adjoining leases currently owned by the Company. There can be no assurance that the Company's efforts will be successful in any of these endeavors, or that those efforts will translate in a beneficial manner to the Company. The accompanying statements do not include any adjustments relating to the recoverability and classification of assets and/or liabilities that might be necessary, should the Company be unable to continue as a going concern.

Operating Activities

During the nine months ended September 30, 2019 and 2018, the Company used $826,792 and $116,015 of cash in operating activities, respectively. Non-cash adjustments included $787,957 and $725,753 related to stock compensation expense, $22,106 and $(14,487) in ASC 842 rent expense, $7,829,153 and $416,695 related to amortization of debt discount, warrant and conversion feature that exceeded notes, depreciation, depletion, amortization and accretion, common stock and warrants issued for inducement of the note extension and change in derivative liabilities and extinguishment of debt of ($4,379,887) and $195,760, and net changes in operating assets and liabilities of $1,870,331 and $1,183,104, respectively.

Investing Activities

During the nine months ended September 30, 2019 and 2018, respectively, $802,014 and $0 net cash was used in investing activities, an increase of $802,014. This increase is primarily due to 22 gas wells acquired in Q1 19.

Financing Activities

During the nine months ended September 30, 2019 and 2018, $1,628,144 and ($4,000) net cash used and provided by financing activities, an increase of $1,632,144. This change is primarily due to notes payable entered into during nine months ended September 30, 2019.

Off-Balance Sheet Arrangements

We do not have any 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, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

Our discussion and analysis of our financial condition, results of operations, liquidity and capital resources are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts included in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our most significant judgments and estimates used in preparation of our financial statements. On an ongoing basis, management reviews and refines those estimates. Management's judgments are based on information including, but not limited to, historical experience, industry trends, conventional practices, expert opinions, terms of existing agreements and information from outside sources. Judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from these estimates.

Oil and Gas Properties, Full Cost Method.

The Company follows the full cost method of accounting for its investments in oil and gas properties. Under the full cost method, all costs associated with the exploration of properties are capitalized into appropriate cost centers within the full cost pool. Internal costs that are capitalized are limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken and do not include any costs related to production, general corporate overhead, or similar activities. Cost centers are established on a country-by-country basis, and all of the Company's capitalized costs associated with oil and gas properties are located within a single cost center, which is the United States.

Capitalized costs within the cost centers are amortized on the unit-of-production basis using proved oil and gas reserves. The cost of investments in unevaluated properties and major development projects are excluded from capitalized costs to be amortized until it is determined whether or not proved reserves can be assigned to the properties. Until such a determination is made, the properties are assessed annually to ascertain whether impairment has occurred. The costs of drilling exploratory dry holes are included in the amortization base immediately upon determination that the well is dry.

For each cost center, capitalized costs are subject to an annual ceiling test, in which the costs shall not exceed the cost center ceiling. The cost center ceiling is equal to: (i) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus (ii) the cost of properties not being amortized; plus (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized; and less (iv) income tax effects related to differences between the book and tax basis of the properties. If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess is charged to expense and separately disclosed during the period in which the excess occurs.

Revenue Recognition. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" ("ASC Topic 606"). This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the updated guidance effective January 1, 2018 using the full retrospective method. The new standard did not have a material impact on its financial position and results of operations, as it did not change the manner or timing of recognizing revenue. Under ASC Topic 606, in order to recognize revenue, the Company is required to identify an approved contract with commitments to perform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. The adoption of ASC Topic 606 did not have an impact on the Company's operations or cash flows.

Stock-Based Compensation. Pursuant to the provisions of FASB ASC 718, Compensation – Stock Compensation, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances. We estimate volatility by considering historical stock volatility. We have opted to use the simplified method for estimating expected term, which is equal to the midpoint between the vesting period and the contractual term.

Off-Balance Sheet Arrangements

We do not have any 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, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not required under Regulation S-K for smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company is required to maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Act. Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, B.P. Allaire, who is both the Chief Executive Officer and Interim Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were not effective to ensure that the information relating to our company, required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of material weaknesses in our internal control over financial reporting. Notwithstanding the existence of the material weaknesses discussed below, our management, including our CEO/CFO, has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in this Quarterly Report on Form 10-Q in conformity with GAAP.

This quarterly report does not include an attestation report from the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the Jumpstart Our Business Startups Act (the "JOBS Act"). Under the JOBS Act the Company is not required to comply with Section 404(b) because it is an "emerging growth company."

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of these controls. Based on this assessment, the Company's management has concluded that as of September 30, 2019, the Company's internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles as a result of material weaknesses.

The Company has identified the following factors that have led management to determine that material weaknesses exist in the Company's internal control over financial reporting as of September 30, 2019:

1. The Company does not have written documentation of its internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act. Management evaluated the impact of the Company's failure to have written documentation of its internal controls and procedures on its assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. The Company does not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of the Company's failure to have segregation of duties on the Company's assessment of its disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

These factors represent material weaknesses in the Company's internal controls over financial reporting. Although the Company believes the possibility of errors in its financial statements is remote and expects to continue to use a third party accountant to address shortfalls in staffing and to assist the Company with accounting and financial reporting responsibilities in an effort to mitigate the lack of segregation of duties, until such time as the Company hires a full time principal financial officer and expands its staff with qualified personnel, the Company expects to continue to report material weaknesses in our internal control over financial reporting.

Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls.

The design of any system of control is based upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

In addition to the other legal proceedings described elsewhere in this report, we are from time to time involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, could materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events.

At September 30, 2019, our indirect subsidiaries were parties to the following contested matters:

Legal proceedings

The Company has determined that judgments rendered in the second quarter of 2018 in connection with all but four of the following legal proceedings against the Company are Type 1 subsequent events that provide additional evidence with respect to conditions that existed at the date of the balance sheet. Therefore, the financial statements reflect the effects of prejudgment judgments awards to plaintiffs through September 30, 2019, noted below in accordance with Auditing Standard 2801.03.

Utah Wells

Graco Fishing & Rental Tools, Inc. vs. Tiger Energy Operating LLC (Case No. 160800005 8th Judicial District Court, Duchesne County, State of Utah)

Plaintiff in this case sought collection of unpaid debt incurred by TEO for services rendered in connection with its workover of wells in Duchesne County, Utah. On June 1, 2016, a default judgment of $159,965 was obtained against TEO by Plaintiff. Graco filed a writ of execution against the A Rust 2, Dye-Hall 2-21 A1, Wilkins 1-24 A5 and Rust 3-22A-4 wells located in Duchesne County executing on properties not owned by us. A Motion to Set Aside the sheriff’s sale of these properties was filed with the court based on the fact that TEO was not the owner of these properties. A hearing for this matter was held on May 1, 2017, in Duchesne County, Utah, at which time a Company representative was present to comply with the court’s order to produce documents. Prior to the hearing, TEO made an initial settlement offer, which was eventually rejected by Graco. A writ of execution was issued to seize the property subject of litigation on March 8, 2018.

Graco had scheduled certain foreclosure sales of TEO’s interests in various oil and gas wells to take place on May 3, 2018 (the “Sales”). On April 27, 2018, the parties reached a settlement and release agreement whereby TEO agreed to make five (5) payments totaling $163,964.59 to Graco. The first payment due on May 9, 2018, has already been made to the judgment holder. The second payment of $32,792.92 is due on July 9, 2018; the third payment of $32,792.92 is due on September 9, 2018; the fourth payment of $32,792.92 is due on November 9, 2018; and fifth and final payment of $32,792.92 is due on January 9, 2019. If any of the above payments are not made when due, Grace will have the right to immediately execute the Sales. Graco will maintain and apply liens and notices of its judgment until the total payment has been paid in full by TEO. TEO shall be provided with a 10-day period within which to cure any default under the settlement agreement, other than making the first payment described above. TEO made its second payment of $32,793 on July 19, 2018, within the 10-day cure period provided in the settlement agreement. TEO made its third payment of $32,793 on September 11, 2018, within the 10-day cure period provided in the settlement agreement. TEO also made its fourth payment of $32,793 on November 15, 2018. On January 25, 2019, the Plaintiff issued a Writ of Execution Notice. A Notice of Sheriff Sale was filed on February 1, 2019.

Regarding the Company’s Utah properties, there was a settlement agreement between Graco Fishing & Rental Tools, Inc. (“Graco”) and Tiger Energy Operating, LLC (“TEO”), an indirect subsidiary of the Company and the Operator of the Duck Creek wells. Graco obtained a default judgment of $159,965 against TEO, subsequent to which they were also issued Writs of Execution against the certain TEO wells, located in Uintah and Duchesne County, Utah.

Graco had scheduled foreclosure sales of TEO’s interests in four wells (A Rust 2, Dye-Hall 2-21-A1, Wilkins 1-24A5, and Rust 3-22A4), which was to take place on May 3, 2018 (the “Sales”). On April 27, 2018, the parties reached a settlement and release agreement whereby TEO agreed to make five (5) payments totaling $163,965 to Graco. If any of the above payments were not made when due, Graco had the right to immediately execute the Sales. Graco also had the right to maintain and apply liens and notices of its judgment until the total payment has been paid in full by TEO. On June 27, 2018, Finley Resources, Inc. (“Finley”), acquired all of Graco’s right, title and interest in the settlement agreement.

The first four settlement payments to the judgment holder were made timely but the last and final payment was made late, and the judgment holder (i.e. Finley) rejected TEO's final payment. The Company disputes this because the final date of the 10-day cure period was on a Saturday, which is not considered a business day and therefore, the payment was made on the following business day. On January 25, 2019, Finley issued a Writ of Execution Notice and a Notice of Sheriff Sale was filed on February 1, 2019, for the four wells: A Rust 2, Dye-Hall 2-21-A1, Wilkins 1-24A5, and Rust 3-22A4. While it believes it could prevail should it protest Finley's actions, the Company believes that the production value of the affected properties is limited.

Conquest Well Servicing, LLC vs. Foothills Exploration Operating, Inc. (Case No. 179800421 8th Judicial District Court in and for Uintah County, State of Utah)

Plaintiff filed this action on September 11, 2017, for collection of unpaid services and materials in the amount of $49,689 in connection with a workover of wells in Uintah County, Utah. A Settlement Agreement and Stipulation to Entry of Judgment was agreed to by the parties and filed with the court on October 10, 2017. Judgment in the amount of $54,937.10 including $5,248.10 in pre-judgement interest was filed on December 18, 2017. An order requesting company asset inquiry was issued on February 20, 2018. As of September 30, 2019, we recorded $14,862 of prejudgment interest expense. A hearing on contempt by FEOI for failure to appear and an answer as to assets was set for September 13, 2018. A stipulation was filed with the court to continue the hearing to October 22, 2018. FEOI inadvertently failed to appear at this hearing, resulting in a contempt of court citation being issued. Currently, FEOI is seeking to reschedule this hearing and intends to purge any contempt by compliance with the court's order.

BIA Administrative Appeal – Tiger Energy Partners International, LLC

Notice of Appeal:	Dated May 8, 2013
Appellant:	Tiger Energy Partners International, LLC
Appellee:	Superintendent Uintah and Ouray Agency
Decision	April 12, 2013
Concerning:	Notice of Expiration of Oil and Gas Leases

This Administrative appeal concerns the ownership and validity of Northern Ute (the "Tribe") Tribal leases acquired by Tiger Energy Partners International, LLC (TEPI) in a transaction with Mountain Oil and Gas and its affiliated companies. Pursuant to the Global Settlement Agreement (GSA) negotiated between the Tribe and TEPI, the Company proposes to resolve any issues regarding the ownership of the subject leases and other lands thus acquired. The status of the appeal by TEPI remained unchanged at September 30, 2019, awaiting decision by the Regional Director of the BIA on the merits of the appeal. The decision of the Regional Director is stayed by the parties having entered into the GSA. The Tribe and Tiger remain in discussion regarding approval of the Global Settlement Agreement by the Regional Director. There has been no change in the status of this matter as of the date of this current report.

Labokay Well – Parish of Calcasieu, State of Louisiana

R.W. Delaney Construction Company vs. Foothills Petroleum Operating, Inc. (Cause No. 2017-CV-0330 – County Court of Adams County, Mississippi)

This case was filed on September 18, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $72,495 in connection with drilling the Labokay test well in Calcasieu Parish, Louisiana.

A judgment was entered on January 22, 2018, in the County Court of Adams County, Mississippi in the principal amount of $72,495, plus pre-judgement interest in the amount of $12,763, plus attorney's fees in the amount of $18,124, plus costs in the amount of $196, for a total amount of $103,578, plus post-judgment interest at the rate of 8% per annum. On May 9, 2018, District Court for the City and County of Denver, Colorado, granted plaintiff with an order granting their petition to domesticate this foreign judgment with the Denver District Court, which now has the same effect and is subject to the same procedures, defenses, and proceedings for reopening, vacating, or staying as a judgment from the Denver District Court, and may be enforced or satisfied in like manner. No further action has been filed in this matter as of the date of this current report.

Performance Drilling Company, LLC vs. Foothills Petroleum Operating, Inc. (Case No. 2017-3916 DIV G 14th Judicial District Court in Parish of Calcasieu, State of Louisiana)

This case was filed on September 25, 2017, for payment of services performed by plaintiff in the amount of $205,251 for unpaid accounts in connection with its drilling of the Labokay test well. On January 16, 2018, a default judgment was entered against FPOI, in the amount of $205,251.24; together with accrued interest of $29,861 from March 18, 2017, through December 31, 2017; plus, additional interest from January 1, 2018, at the rate of one and one-half percent (1.5%) per month until paid (a per diem rate of $103.69); plus, an additional sum for reasonable attorney's fees of $2,500, and all costs of the court proceedings. FPOI was cited to appear through its authorized representative, B.P. Allaire, in Open Court, on 27th of July at 9:00 a.m. to be examined as a Judgment Debtor. FPOI was ordered to produce at the above time and place all the books, papers and other documents so requested in the petition. FPOI inadvertently failed to appear at this hearing and is currently seeking to reschedule this hearing. No further action has been taken as of the date of this current report.

Monster Rentals, LLC dba Deepwell Equipment Rentals vs. Foothills Petroleum Operating, Inc. (Case No. 2017-11013 DIV E – 15th Judicial District Court in Parish of Acadia, State of Louisiana)

This case was filed on October 24, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $53,943.53 in connection with the Labokay test well in Calcasieu Parish, Louisiana. On December 5, 2017, a default judgement was entered against FPOI in favor of Plaintiff in the amount of $53,943.53, plus attorneys' fees of $3,483 and court costs and expenses in the amount of $476.84, plus judicial interest from the date of the judicial demand, until paid, and for all costs of these proceedings. No further action has been filed in this matter as of the date of this current report.

Canal Petroleum Products, Inc. vs. Foothills Petroleum Operating, Inc. (Case No. 2017-6574; DIV. C – 15th Judicial District Court, Lafayette Parish, Louisiana)

This case was filed on November 14, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $35,981 for unpaid accounts in connection with its drilling of the Labokay test well.

On January 25, 2018, a default judgment was entered against FPOI in the amount of $35,981 inclusive of interest as of September 6, 2017; plus, finance charges to accrue after September 6, 2017, of one and one-half percent per month (18% per annum) until paid on the unpaid principal amount of $32,956; plus, legal fees of $8,239 together with related court costs. No further action filed in this matter as of the date of this current report.

Smith International, Inc. vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004617; DIV. E – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $30,244 in connection with its drilling of the Labokay test well.

On March 23, 2018, the court issued a preliminary judgement in favor of plaintiff in the amount of $30,244, plus interest in the contractual amount of 18% per annum from the date the payment was originally due until the judgment date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorneys' fees. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action filed in this matter as of the date of this current report.

M-I, L.L.C. d/b/a MI-SWACO vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004616; DIV. G – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $51,275 in connection with the Labokay test well.

On March 23, 2018, the court issued a preliminary judgment in favor of plaintiff in the amount of $51,275, plus interest in the contractual amount of 1.5% per month from the date the payment was originally due until the judgement date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorney's fees expended in the prosecution and collection of debt. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action has been filed in this matter as of the date of this current report.

Schlumberger Technology Corporation vs. Foothills Petroleum Operating, Inc. (Case No. 2017-004618; DIV. E – 14th Judicial District Court, Calcasieu Parish, Louisiana)

This case was filed on November 7, 2017 and concerns the collection of amounts incurred by FPOI for services performed by plaintiff in the amount of $28,904 for unpaid accounts in connection with its drilling of the Labokay test well in Calcasieu Parish, Louisiana.

On March 23, 2018, the court issued a preliminary judgment in favor of plaintiff in the amount of $28,904, plus interest in the contractual amount of 1.5% per month from the date the payment was originally due until the judgment date, plus legal interest from the judgment date until amounts are paid, plus reasonable attorney's fees expended in the prosecution and collection of debt. On April 3, 2018, a final judgment was entered in favor of plaintiff. No further action has been filed in this matter as of the date of this current report.

Zealous Energy Services, LLC vs. Foothills Petroleum Operating, Inc. (Docket No. 086708 Div. C 16th Judicial District Court, Parish of St. Martin, Louisiana)

On September 28, 2018, the Court after reviewing the record of these proceedings, found the law and evidence supported Plaintiff's demands and, without holding a hearing, ruled as follows: the Court ordered, adjudged and decreed that a money judgement be rendered in favor of Zealous Energy Services, LLC and against Foothills Petroleum Operating, Inc. in the full and true amount of $53,026.58, plus interest at the judicial interest rate of 5% per annum from January 24, 2018, the date of judicial demand, until finally paid, plus attorney's fees of $1,260.00 and all cost. On March 1, 2019, a Motion to Examine Judgment Debtor was filed with the court.

633 17th Street Operating Company LLC v. Foothills Exploration, Inc. (Case No. 2019CV30189, District Court, City and County of Denver, Colorado)

This case was filed on January 16, 2019, seeking unpaid leasehold obligations in the amount of $75,107 from the Defendant. On June 25, 2019 a judgement was granted to Plaintiff in the amount of $139,793.42. A Writ of Garnishment was filed against Foothills debtor, Bank of America on July 16, 2019.

We currently are not a party to any other material legal proceedings. However, legal claims are inherently uncertain, and we cannot assure you that we will not be adversely affected in the future by legal proceedings.

Item 1A. Risk Factors

Risks Related to Our Financial Condition

We will be required to raise additional funds to finance our operations and remain a going concern; we may not be able to do so when necessary, and/or the terms of any financings may not be advantageous to us.

Our operations to date have consumed substantial amounts of cash and we have sustained negative cash flows from our operations for the last several years. We will require future additional capital infusions including public or private financing, strategic partnerships, joint ventures or other arrangements with organizations that have capabilities that are complementary to our business. However, there can be no assurances that we will complete any financings, strategic alliances, joint ventures or collaborative development agreements, and the terms of such arrangements may not be advantageous to us. Any additional equity financing will be dilutive to our current stockholders and debt financing, if available, may involve restrictive covenants. If we raise funds through joint ventures or strategic partnerships arrangements, we may be required to relinquish, on terms that are not favorable to us, rights to some of our oil and gas properties that we would otherwise seek to produce or develop. Our failure to raise capital when needed could materially harm our business, financial condition and results of operations.

Our issuance of common stock upon exercise of warrants or options or conversion of convertible notes may depress the price of our common stock.

As of February 26, 2020, we have 100,693,521 shares of common stock issued and outstanding. We have outstanding stock options, warrants and convertible notes, as we have disclosed in previous filings. The issuance of shares of common stock upon exercise of outstanding options, warrants or conversion of convertible notes could result in substantial dilution to our stockholders, which may have a negative effect on the price of our common stock.

The price of our common stock may be affected by a limited trading volume, may fluctuate significantly and may not reflect the actual value of our business.

There may be a limited public market for our common stock on the OTCQB market, and there can be no assurance that an active trading market will continue. An absence of an active trading market could adversely affect our stockholders' ability to sell our common stock in short time periods, or at all. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors, such as our sale of securities in connection with capital raising activities, could cause the price of our common stock to fluctuate substantially. Thus, the price at which shares of our common stock may trade from time to time may not reflect the actual value of our business or the actual value of our common stock.

From time to time, we may hire companies to assist us in pursuing investor relations strategies to generate increased volumes of investment in our common stock. Such activities may result, among other things, in causing the price of our common stock to increase on a short-term basis.

Furthermore, the stock market generally and the market for stocks of companies with lower market capitalizations and micro-cap exploration and production companies, like us, have from time to time experienced, and likely will again experience significant price and volume fluctuations that are unrelated to the operating performance of a particular company.

Our prior and future equity financing may dilute current stockholders.

If we raise funds through one or more additional equity financings in the future, it will have a further dilutive effect on existing holders of our shares by reducing their percentage ownership. The shares may be sold at a time when the market price is low because we are in need of the funds. This will dilute existing holders more than if our stock price was higher. In addition, equity financings normally involve shares sold at a discount to the current market price. Most of our outstanding warrants have price protection provisions, which decrease the exercise price of the warrant and increase the number of shares which may be purchased upon exercise of the warrants, if we sell additional equity at an effective price per common share less than the current exercise price of the warrant. Therefore, equity financings at a low price per share will result in even more dilution to existing shareholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended September 30, 2019, the Company issued 228,332 shares of common stock to various employees, valued at $24,784.

During the three months ended September 30, 2019, the Company issued 9,531,331 shares of common stock for cashless warrant exercises.

During the three months ended September 30, 2019, note holder converted $21,533 of principal were converted into 2,505,933 shares of common stock.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
2.1	Share Exchange Agreement between Registrant and Foothills Petroleum, Inc., dated May 27, 2016 (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on June 10, 2016)
3.1	Certificate of Incorporation of the registrant as amended (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 9, 2016)
3.2	Bylaws of the Company (incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on August 27, 2013)
10.1	Form of Executive Employment Agreement between registrant and Ritchie Lanclos dated August 15, 2016 (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on August 19, 2016)
10.2	Form of Executive Employment Agreement between registrant and Eleazar Ovalle dated August 15, 2016 (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on August 19, 2016)

10.3	Services Agreement between registrant and Wilshire Energy Partners dated August 15, 2016 (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on August 19, 2016)
10.4	Securities Purchase Agreement between Registrant and Alternus Capital Holdings Ltd. dated December 23, 2015**
10.5	Securities Purchase Agreement between Registrant and Alternus Capital Holdings Ltd. dated April 5, 2016**
10.6	Securities Purchase Agreement between Registrant and Berwin Trading Limited dated June 30, 2016 (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on July 7, 2016)
10.7	Form of Convertible Promissory Note**
10.8	Form of Wilshire Warrant**
10.9	Business Development Services Agreement with Wilshire Energy Partners LLC and Aegis International LLC**
10.10	Executive Director Agreement between Foothills Petroleum, Inc. and Alex M. Hemb dated March 24, 2016**
10.11	Executive Director Agreement between Foothills Petroleum, Inc. and Christopher Jarvis dated March 24, 2016**
10.12	Form of Stock Purchase Agreement, dated as of May 2, 2016, between Shawn Clark, Christopher J. Dunkel, Glenn Petersen, Dena M. Womack, Tysen J. Kamin and Foothills Petroleum, Inc. (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on May 6, 2016)
10.13	Participation Agreement between registrant and Magna Operating, LLC (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on December 16, 2016)
10.14	Purchase and Sale Agreement between Total Belief Limited and Foothills Exploration Operating, Inc.***
10.15	Form of Promissory Note issued to Total Belief Limited by registrant***
10.16	Form of Note Transfer and Assumption Agreement***
10.17	Purchase and Sale Agreement between Green Stone Capital Partners Limited and Foothills Exploration Operating, Inc.***
10.18	Debenture - Berwin Trading Limited (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on January 11, 2017)
10.19	Debenture - Full Wealth Investment Hong Kong Limited (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on January 11, 2017)
10.20	Offer Letter between registrant and Christopher Jarvis (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 6, 2017)
10.21	Offer Letter between registrant and Kevin J. Sylla (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 6, 2017)
10.22	Bridge Note dated January 17, 2020
10.23	Deed of Novation and Assignment dated January 18, 2020
10.24	Pledge of Collateral for Novation and Assignment dated January 18, 2020
10.25	Amendment #1 to Senior Secured Convertible Promissory Note and Net Profits Interest Agreement dated March 4, 2019
21.1	Subsidiaries and indirect subsidiaries of Registrant****
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 Certifications under Sarbanes-Oxley Act of 2002

* Filed herewith.
** Incorporated by reference to the registrant's 8-K filed with the Securities and Exchange Commission on June 10, 2016
*** Incorporated by reference to the registrant's 8-K filed with the Securities and Exchange Commission on January 6, 2017
**** Incorporated by reference to the registrant's 10-K filed with the Securities and Exchange Commission on April 14, 2017

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	FOOTHILLS EXPLORATION, INC.	
February 28, 2020	By:	*/s/ B. P. Allaire*
	Name:	B. P. Allaire
	Title:	Chief Executive Officer and Interim Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)

BRIDGE NOTE

Principal Amount: USD $220,000.00 **Issue Date:** January 17, 2020
Actual Amount of Purchase Price: USD $200,000.00

THIS BRIDGE NOTE (this "Note") is made as of January 17, 2020 (the "Issue Date"), by **FOOTHILLS PRODUCTION I, LLC**, a Wyoming limited liability company (hereinafter the "**Company**" or "**Borrower**"), for the benefit of **BEIJING GAS BLUE SKY HOLDINGS LIMITED**, a limited liability company incorporated in Bermuda, whose registered address is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its successors and assigns ("**Lender**"), in the principal amount of Two Hundred Twenty Thousand and No/100ths United States Dollars (USD $220,000.00), due and payable on April 17, 2020 (the "**Maturity Date**").

FOR VALUE RECEIVED, Borrower hereby promises to pay Lender the principal sum of USD $220,000.00 (the "Principal Amount"), which amount is the USD $200,000.00 actual amount of the purchase price (the "Consideration") hereof plus an original issue discount in the amount of USD $20,000.00 (the "OID") together with accrued unpaid interest on or before the Maturity Date.

1. Funding Amount. Lender shall disperse funds pursuant to this Note according to the specific instructions as described in Exhibit A, attached hereto and incorporated herein.

2. Payments. Payments shall be made at such place as Lender may direct in lawful money of the United States of America. The full amount of this Note shall be paid by Borrower to Lender on or before the Maturity Date.

3. Merger/Joiner. All amounts due pursuant to this Note may be subsequently merged or joined into a larger senior secured promissory note or corporate debenture with the Borrower's parent company at the Lender's option.

4. Interest. The Note shall bear interest at the rate of twelve- and one-half percent (12.5%) per annum, payable quarterly.

5. Prepayment. Borrower reserves the right to prepay all or any portion of this Note at any time and from time to time without premium or penalty of any kind. Any partial prepayment shall be applied first to interest accrued through the date of payment and then to principal.

6. Defaults and Remedies.

(a) Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" hereunder: (i) the Borrower shall fail to pay any of the Principal Amount and the Interest or other sums due under this Note within ten (10) business days of when any such payment shall be due and payable; (ii) the Borrower makes an assignment of substantially all of its assets for the benefit of creditors; (iii) any order or decree is rendered by a court which appoints or requires the appointment of a receiver, liquidator or trustee for the Borrower, and the order or decree is not vacated within seventy five days from the date of entry thereof; (iv) any order or decree is rendered by a court adjudicating the Borrower insolvent, and the order or decree is not vacated within seventy five days from the date of entry thereof; (v) the Borrower files a petition in bankruptcy under the provisions of any Debtor Relief Law; (vi) the Borrower admits, in writing, its inability to pay its debts as they become due (provided, however, that receipt by the Borrower of an audit letter from its accountants questioning the viability of the Borrower as a going concern shall not, in and of itself, be construed as an admission by the Borrower of its inability to pay its debts as they become due); (vii) a proceeding or petition in bankruptcy is filed against the Borrower and such proceeding or petition is not dismissed within ninety days from the date it is filed; (viii) the Borrower files a petition or answer seeking reorganization or arrangement under any Debtor Relief Law or similar law of any other foreign country; or (ix) the Borrower shall fail to perform, comply with or abide by any of the stipulations, agreements, conditions and/or covenants contained in this Note on the part of the Borrower to be performed complied with or abided by, and such failure is not cured within forty five days after written notice of such failure is delivered by Lender to the Borrower. "Debtor Relief Law" means the Bankruptcy Code of the United States (Title 11), and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

(b) Default Rate. Upon any default in payment of principal hereunder, Borrower shall pay interest on the principal balance of this Note then outstanding and on the accrued but unpaid interest from the date of such default until such default shall be cured and this Note paid in full at the rate of eighteen percent (18%), compounded annually ("Default Rate").

(c) Remedies. Upon the occurrence of one or more Events of Default, the Lender, at its option after forty five (45) days following written notice, demand or presentment for payment to the Company, may declare the then Principal Amount of this Note, together with all other sums due under this Note, immediately due and payable, together with all accrued and unpaid the Interest thereon and thereafter all such sums shall bear interest at the Default Rate, together with all reasonable attorneys' fees, paralegals' fees and costs and expenses incurred by the Lender in collecting or enforcing payment thereof (whether such reasonable fees, costs or expenses are incurred in negotiations, all trial and appellate levels, administrative proceedings, bankruptcy proceedings or otherwise), and all other sums due by the Borrower hereunder, all without any relief whatsoever from any valuation or appraisement laws and payment thereof may be enforced and recovered in whole or in part at any time by one or more of the remedies provided to the Lender at law, in equity, or under this Note.

7. Waiver by Borrower. Borrower, for itself and for any guarantors, sureties, endorsers and/or other person or persons now or hereafter liable hereon, if any, hereby waives demand of payment, presentment for payment, protest, notice of nonpayment or dishonor and any and all other notices and demands whatsoever, and any and all delays or lack of diligence in the collection hereof, and expressly consents and agrees to any and all extensions or postponements of the time of payment hereof from time to time at or after maturity and any other indulgence and waives all notice thereof.

8. No Waiver by Lender. No delay or failure by Lender in exercising any right, power, privilege or remedy hereunder shall affect such right, power, privilege or remedy or be deemed to be a waiver of the same or any part thereof; nor shall any single or partial exercise thereof or any failure to exercise the same in any instance preclude any further or future exercise thereof, or the exercise of any other right, power, privilege or remedy, and the rights and privileges provided for hereunder are cumulative and not exclusive.

9. Assignment. Lender may sell, assign, pledge or otherwise transfer all or any portion of its interest in this Note at any time or from time to time without prior notice to or consent of and without releasing any party liable or becoming liable hereon.

10. Miscellaneous.

(a) This Note shall be governed by and construed in accordance with the laws of the State of California. The terms of this Note are severable, and if any provision, or the application of any provision, shall be declared invalid or unenforceable, the remaining provisions and all other applications of such provisions shall remain in full force and effect, and shall not be impaired in any way and, if possible, any invalid terms involving interest or penalties shall be revised to the extent necessary to make them valid and enforceable.

(b) This Note may not be amended (except as otherwise provided herein) or modified except by a written agreement signed by Borrower and Lender.

(c) This Note and every covenant and agreement herein contained shall be jointly and severally binding upon each party or entity executing this Note as or on behalf of Borrower and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Whenever used herein, the terms “Borrower” and “Lender” shall also mean, to the extent applicable, the successors and assigns of Borrower and Lender, and the term “including” shall mean “including, without limitation.”

(d) Borrower shall pay on demand all costs and expenses (including attorneys’ fees) incurred by Lender in connection with the enforcement of this Note if the Note is not paid in full on or before the maturity Date, whether or not suit is filed by Lender.

IN WITNESS WHEREOF, the undersigned has duly caused this Note to be executed and delivered as of the date first written above.

BORROWER:

FOOTHILLS PRODUCTION I, LLC
a Wyoming limited liability company

By: ____________________

Name: B.P. Allaire

Title: Manager

LENDER

Lender hereby agrees and subscribes to the terms of this Bridge Note for funding.

BEIJING GAS BLUE SKY HOLDINGS LIMITED
a Bermuda limited liability company

By: ____________________

Name: ____________________

Title: ____________________

Exhibit 10.23

<u>DATED January 18, 2020</u>

BERWIN TRADING LIMITED

and

PROFIT WELL LIMITED

and

FOOTHILLS EXPLORATION, INC.

and

BEIJING GAS BLUE SKY HOLDINGS LIMITED

Deed of Novation and Assignment

TABLE OF CONTENTS

THIS DEED is made on the 18TH day of JANUARY, 2020

BETWEEN:

(1) BERWIN TRADING LIMITED, a company incorporated in the British Virgin Islands whose registered address is at British Virgin Islands (**"Assigner Berwin"**);

(2) PROFIT WELL LIMITED, a limited liability company incorporated under the laws of Hong Kong ("**Assigner Profit Well**")

(3) FOOTHILLS EXPLORATION, INC., a Delaware corporation whose address is 10940 Wilshire Blvd., 23rd Floor, Los Angeles, CA 90024 (the **"Assignee"**); and

(4) BEIJING GAS BLUE SKY HOLDINGS LIMITED, a limited liability company incorporated in Bermuda whose registered address is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (**"BGBS"**).

WHEREAS:

(A) BGBS subscribed and the Assigners issued various Bonds with total principal, interest and penalties currently due in the amount of USD $5,476,505;

(B) The Assignee is a company whose common stock is listed on a U.S. Exchange;

(C) The Assigner Berwin is holding 3,457,519 shares of Assignee's common stock under the name of Berwin Trading Limited and Assigner Profit Well is holding 1,503,759 shares of Assignee's common stock under the name of Ouyang Lan Fang.

(D) The parties to this Deed have agreed to the novation of the Bonds at the outstanding amounts due as at 18th January 2020 pursuant to Clause 2.1 of this Deed so that:

(i) all rights, title and interest of the Assigners in each of the Bonds will be transferred to the Assignee;

(ii) the Assignee will assume the liabilities and perform the obligations of the Assigners under the Bonds;

(iii) the Assigners will be released and discharged from those liabilities and obligations.

NOW THIS DEED WITNESSETH as follows:

1. <u>Definitions and Interpretation</u>

1.1 Definitions

In this Deed, unless the context requires otherwise, capitalised terms used shall have the same meanings as defined in the respective Debenture, Bridge Note and/or Bond documents and the following words and expressions shall have the following meanings:

A series of debentures, bridge notes, and/or bonds in different tranches and amounts issued by Tiger Energy Partners International, LLC and Foothills Exploration, Inc. and/or its direct and indirect subsidiaries to BGBS, Berwin Trading Limited and Profit Well Limited.

BGBS also provided a series of notes from 2018

"Bond" means a bond, promissory note, bridge note and/or debenture previously issued by Assignee and/or one of Assignee's direct and/or indirect subsidiaries.

"Dispute" has the meaning set out in Clause 5.2.1;

"HKIAC" means the Hong Kong International Arbitration Centre;

"**HKIAC Rules**" means the HKIAC Administered Arbitration Rules

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"HK$" means Hong Kong dollar, the lawful currency of Hong Kong;

"**Transaction Document**" means a bond, promissory note, bridge note, and/or debenture document issued by Assignee and/or one of Assignee's direct and/or indirect subsidiaries for previous transactions referenced herein.

"US$" means United States dollar, the lawful currency of United States of America;

1.2 Modification, etc. of Legislation

Any references, express or implied, to statutes or statutory provisions shall be construed as references to those statutes or provisions as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date of this Deed) and shall include any statutes or provisions of which they are re-enactments (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation under the relevant statute or statutory provision. References to Sections of consolidating legislation shall, wherever necessary or appropriate in the context, be construed as including references to the Sections of the previous legislation from which the consolidating legislation has been prepared.

1.3 Clauses, Schedules, etc.

References in this Deed to Clauses, Recitals and Schedules are to clauses in, and recitals and schedules to, this Deed (unless the context otherwise requires). The Recitals and Schedules to this Deed shall be deemed to form part of this Deed.

1.4 Headings

Headings are inserted for convenience only and shall not affect the construction of this Deed.

1.5 **Persons**

References to **"persons"** shall include bodies corporate, unincorporated associations and partnerships (whether or not having separate legal personality).

1.6 **Gender**

The masculine gender shall include the feminine and neuter and the singular number shall include the plural and*vice versa*.

1.7 **Time**

Any reference to a time of a day is to Hong Kong time.

1.8 **Construction of Certain References**

1.8.1 In construing this Deed:

(a) the rule known as the *ejusdem generis* rule shall not apply and, accordingly, general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and

(b) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.8.2 This Deed may not be construed adversely to a Party only because that Party was responsible for preparing it.

2. Bonds

2.1 **Outstanding amounts of Bonds**

The outstanding principal amounts of each of the Bonds as at 13th January 2020 are stipulated below:

Principal, Interest and Penalties Due:

Berwin Trading Limited Bonds & Profit Well Limited Bridge Note	$	5,336,505
11/4/2019 – Bridge Loan to Foothills Production I, LLC:	$	90,000
12/11/2019 – Bridge Loan to Foothills Production I, LLC	$	50,000
GRAND TOTAL:	**$**	**5,476,505**

2.2 **Novation**

With effect immediately after Completion, the Assigners shall novate to the Assignee all obligations and liabilities of each respective Assigner under or in relation to each of the Bonds. The new Maturity Date pursuant to this novation for the combined total balance of USD $5,476,505 described in Section 2.1 above shall be hereby extended to December 31, 2023. The Interest Rate for the new Note described above shall be 13.5%. Assignee shall make a principal payment in the amount of $500,000 on December 31, 2020, and another principal payment of $500,000 on December 31, 2021. Assignee shall also make quarterly interest payments in the approximate amount of $184,832, with the first such interest payment due on January 30, 2022.

2.3 **Assumption of Liabilities and Obligations**

With effect immediately after Completion, the Assignee shall assume all obligations and liabilities of the Assignee under and in relation to the Bonds. The Assignee hereby undertakes to perform and discharge each of the amounts payable under each of the Bonds.

2.4 **Release of Assigners**

BGBS hereby consents to the Novation set forth in Clauses 2.1, 2.2 and 2.3 above and absolutely and unconditionally releases and discharges the Assigners from all obligations, liabilities, claims and demands whatsoever, howsoever arising under or in relation to the Bonds immediately after Completion.

2.5 **Assignment**

With effect immediately after Completion, the Assigners as legal and beneficial owners hereby assign to the Assignee absolutely and the Assignee agrees to take an assignment of all the Assigners' right, title and interest in each of the Bonds together with the full benefit and advantage attaching thereto.

2.6 **Notice**

BGBS hereby takes notice of and consents to the assignment set forth in Clause 2.5 above.

2.7 **Acknowledgement**

Following the transactions contemplated under Clauses 2.1 to 2.6 above becoming effective, the Assignee will be bound by the terms of the Bonds in all respects as if the Assignee had been named as a party to the Bonds and had issued the Bonds in place of the Assigner.

3. Costs

3.1 Costs and Expenses

Save as expressly provided in this Deed or any other Transaction Document, each Party shall pay its own costs (including Taxes) in connection with the negotiation, preparation, execution and implementation of this Deed and the other Transaction Documents and any other matters in connection therewith.

4. General

4.1 Successors and Assigns

This Deed shall be binding upon and inure for the benefit of the successors, assigns and legal personal representatives of the Parties.

4.2 Whole Agreement

This Deed (together with the other Transaction Documents) constitutes the whole agreement between the Parties relating to the subject matter of this Deed and shall supersede any previous agreements or arrangements between them relating to the subject matter hereof.

4.3 Invalidity

If any provision or part of a provision of this Deed shall be, or be found by any authority or court of competent jurisdiction to be, invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Deed, all of which shall remain in full force and effect.

4.4 Further Assurance

At any time after the date of this Deed, each Party shall, and shall use all reasonable endeavours to procure (to the extent it is legally or contractually entitled to do so) that any necessary third party shall, execute such documents and do such acts and things as the other Parties may reasonable require for the purpose of giving to such Parties the full benefit and provisions of this Deed.

4.5 Counterparts

This Deed may be executed in one or more counterparts, and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart and each such counterpart shall constitute an original of this Deed but all the counterparts shall together constitute one and the same instrument.

4.6 Third Party Rights

4.6.1 Unless expressly provided to the contrary in this Deed, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623) of the Laws of Hong Kong to enforce or to enjoy the benefit of any term of this Deed.

4.6.2 Notwithstanding any term of this Deed, the consent of any person who is not a Party is not required to rescind or vary this Deed at any time.

5. <u>Governing Law and Arbitration</u>

5.1 Governing Law

This Deed is governed by, and shall be construed in accordance with, the laws of Hong Kong.

5.2 Arbitration

5.2.1 Any dispute, controversy or claim arising out of or relating to this Deed or any other Transaction Document, or the breach, termination or invalidity thereof, (each, a **"Dispute"**) shall be referred to and finally resolved by arbitration in accordance with the provisions of this Clause 5.2.

5.2.2 Where a Dispute is referred to arbitration by any Party, the arbitration shall take place in Hong Kong and be administered by the HKIAC in accordance with the HKIAC Rules in force when the Notice of Arbitration is submitted in accordance with the HKIAC Rules. There shall be one arbitrator who shall be appointed by the HKIAC. The language to be used in the arbitral proceedings shall be English and the applicable law of the arbitration shall be Hong Kong law.

5.2.3 The foregoing shall not preclude any Party from seeking interim relief or orders for interim preservation in any Court of competent jurisdiction. Any such application to Court shall not demonstrate an intention to act inconsistently in any way with the agreement to settle Disputes by arbitration set out in this Clause 5.2.

5.3 Board of Advisors

Pursuant to this agreement, Assignee shall appoint Mr. Ming Kit Cheng to the Board of Advisors of Foothills Exploration, Inc.

[Signature Page Follows]

IN WITNESS WHEREOF this DEED has been executed and delivered as a DEED by the Parties on the date first above written.

SEALED with the **COMMON SEAL** of	)
BERWIN TRADING LIMITED	)
and **SIGNED** by	)
	)
for and on its behalf	)
in the presence of:	)

SEALED with the **COMMON SEAL** of	)
PROFIT WELL LIMITED	)
and **SIGNED** by	)
	)
for and on its behalf	)
in the presence of:	)

SEALED with the **COMMON SEAL** of	)
FOOTHILLS EXPLORATION, INC.	)
and **SIGNED** by B.P. Allaire, CEO	)
	)
for and on its behalf	)
in the presence of:	)

SEALED with the **COMMON SEAL** of	)
BEIJING GAS BLUE SKY HOLDINGS	)
LIMITED	)
and **SIGNED** by	)
	)
for and on its behalf	)
in the presence of:	)

Exhibit 10.24

PLEDGE OF COLLATERAL

Reference is made to a certain Deed of Novation and Assignment dated January 18, 2020, by and between Berwin Trading Limited ("Berwin"), Profit Well Limited ("Profit Well"), Foothills Exploration, Inc. ("Foothills") and Beijing Gas Blue Sky Holdings Limited ("BGBS") (the "Novation").

Pursuant to the Novation, a new promissory note between BGBS and Foothills for the combined amount of $5,476,505, shall be hereby secured and collateralized by Foothills' Ute Tribal North properties, as described in the attached Exhibit A.

[Signature Pages Follow]

IN WITNESS WHEREOF this DEED has been executed and delivered as a DEED by the Parties on the date first above written.

SEALED with the **COMMON SEAL** of	**)**
BERWIN TRADING LIMITED	**)**
and **SIGNED** by	**)**
	)
for and on its behalf	**)**
in the presence of:	**)**
SEALED with the **COMMON SEAL** of	**)**
PROFIT WELL LIMITED	**)**
and **SIGNED** by	**)**
	)
for and on its behalf	**)**
in the presence of:	**)**
SEALED with the **COMMON SEAL** of	**)**
FOOTHILLS EXPLORATION, INC.	**)**
and **SIGNED** by B.P. Allaire, CEO	**)**
for and on its behalf	**)**
in the presence of:	**)**
SEALED with the **COMMON SEAL** of	**)**
BEIJING GAS BLUE SKY HOLDINGS	**)**
LIMITED	**)**
and **SIGNED** by	**)**
	)
for and on its behalf	**)**
in the presence of:	**)**

EXHIBIT A

SPECIFIED LANDS

Township 1 North, Range 1 West, USB&M

Sec. 32	**Ute Tribal 1-32 Z1 4301330324** ***Tribal Lease: 14-20-H62-1934*** *(*40.00 acres) NW/4NW/4 Duchesne County, Utah
Sec. 32	***Tribal Lease: 14-20-H62-2457*** (10.00 acres) NE/4NE/4SW/4 Duchesne County, Utah

Township 1 North, Range 2 West, USB&M

Sec. 26	**Ute Tribal 1-26B 4301330168** ***Tribal Lease: 14-20-H62-4952*** (640.00 acres) All Duchesne County, Utah
Sec. 27	**L.E. Font 3-27 43013331052** ***Tribal Lease: 14-20-H62-4733*** (640.00 acres) All Duchesne County, Utah
Sec. 28	**Badger Ute H.E. Mann 2-28Z2 43013331053** ***Tribal BIA Lease: 14-20-H62-1709*** (640.00 acres) All Duchesne County, Utah

Township 1 South, Range 4 West, USB&M

Sec. 22	**A Rust 2 4301330290, Rust 3-22A4 4301331266** ***Tribal Lease: 14-20-H62-1764*** (40.00 acres) NW/4NE/4 Duchesne County, Utah

Township 5 South, Range 4 West, USB&M

Sec. 13	**Ute Tribe 1-13 4301320075, Ute Tribe 13-15X 4301330844** ***Tribal Lease: 14-20-H62-4894*** (480.00 acres) NE/4,SE/4,E/2NW,W/2SW/4 Duchesne County, Utah
Sec. 24	**Ute Tribal 24-12 4301330830** ***Tribal Lease: 14-20-H62-4716*** (160.00 acres) NW/4 Duchesne County, Utah

Township 2 South, Range 6 West, USB&M

Sec. 12	**Ute 1-12B6 4301330268** ***Tribal Lease: 14-20-H62-4951*** (320.00 acres) E/2 Duchesne County, Utah

Township 4 South, Range 6 West, USB&M

Sec. 14	**Ute Tribal 1-14D-6 4301330480** ***Tribal Lease: 14-20-H62-4893*** (588.52 acres) Lot 1 (30.45 acres), Lot 4 (26.15 acres), Lot 5 (39.00 acres), Lot 6 (37.90 acres), Lot 7 (32.19 acres), Lot 8 (22.83 acres) NE/4, S/2SW/4, SE/4 Duchesne County, Utah

Township 1 South, Range 1 East, USB&M

Sec. 16	**Ute Tribal 1-16A1E 4304730231** ***Tribal Lease: 14-20-H62-4888*** (480.00 acres) E/2, E/2W/2 Uintah County, Utah
Sec. 21	***Tribal Lease: 14-20-H62-4888*** *(120.00 acres)* N/2NE/4, NE/4NW/4 Uintah County, Utah
Sec. 23	**CJ Hackford 1-23 4304730279** ***Tribal Lease: 14-20-H62-2718*** (480.00 acres) E/2NE/4, E/2W/2NE/4, SW/4NW/4, S/2 Uintah County, Utah
Sec. 26	**Fausett 1-26A1E 4304730821** ***Tribal Lease: 14-20-H62-4889*** (160.00 acres) W/2W/2 Uintah County, Utah

<u>Township 2 South, Range 1 East, USB&M</u>

Sec. 2	**Ute Tribal 1-2B1E 4304730931** ***Tribal Lease: 14-20-H62-4710*** *(20.00 acres)* SW/4SE/4NW/4, W/2NE/4SE/4NW/4, W/2NW/4NE/4SW/4 Uintah County, Utah
Sec. 2	***Tribal Lease: 14-20-H62-4711*** (405.30 acres) Lots 2, 5, 9, 10, SE/4SW/4NW/4, W/2SW/NW/4, E/2NE/4SE/4NW/4, SE/4SE/4NW/4, W/2SE/4, W/2SW/4, SE/4SW/4, S/2NE/4SW/4, NE/4NE/4SW/4, S/2NW/4NE/4SW/4 Uintah County, Utah
Sec. 14	**Ute Tribal 1-14B1E 4304730774** ***Tribal Lease: 14-20-H62-5022*** (270.00 acres) NENE, E/2NWNE, E/2W/2NWNE, W/2NENENW, W/2NENW, N/2N/2NWNW, SWSWNW, W/2SENW, W/2SESENW, NENESW, E/2W/2NESW, SENWSW, W/2NWSW, SW/4SW/4, E/2W/2SESW W/2W/2/E/2SESW, N/2N/2SENESW, W/2W/2E/2SW, W/2E/2W/2E/2SESW Uintah County, Utah

ADDITIONAL LANDS

Township 1 North, Range 2 West, USB&M

Sec. 34	**Ute Tribal 1-34B 4301310494** ***Tribal Lease: 14-20-H62-1704*** (40.00 acres) Wellbore Only Duchesne County, Utah
Sec. 35	**Ute Tribal 2-35B 4301330106** ***Tribal Lease: 14-20-H62-1614*** (640.00 acres) All Duchesne County, Utah

Township 4 South, Range 4 West, USB&M

Sec. 9	**Coyote Ute Tribal 10-9 4301330861** ***Tribal Lease: I109-IND-5351*** (320.00 acres) S/2 Duchesne County, Utah

Township 5 South, Range 4 West, USB&M

Sec. 2	**Ute Tribal 16-2 4301330756** ***Tribal Lease: 14-20-H62-3404*** (560.00 acres) NW,NE,SW,E/2SE Duchesne County, Utah
Sec. 25	**Ute Tribal 25-2, 25-5, 25-6** ***Tribal Lease: 14-20-H62-3440*** (320.00 acres) NW/4,W/2NE/4,W2SE/4 Duchesne County, Utah

AMENDMENT #1 TO THE SENIOR SECURED CONVERTIBLE PROMISSORY NOTE AND NET PROFITS INTEREST AGREEMENT DATED MARCH 4, 2019

THIS AMENDMENT #1 TO THE SENIOR SECURED CONVERTIBLE PROMISSORY NOTE AND NET PROFITS INTEREST AGREEMENT DATED MARCH 4, 2019 (the "Amendment") is made effective as of January 21, 2020 (the "Effective Date"), by and between Foothills Exploration, Inc., a Delaware corporation (the "Company"), and FirstFire Global Opportunities Fund, LLC, a Delaware limited liability company (the "Holder") (collectively the "Parties").

BACKGROUND

A. The Company and Holder are the parties to that certain senior secured convertible promissory note originally issued by the Company to the Holder on March 4, 2019, in the original principal amount of $705,882.35 (the "Note"), pursuant to that certain securities purchase agreement of even date (the "SPA"); and

B. The Parties entered into a net profits interest agreement dated March 4, 2019 (the "Profits Agreement") in connection with the issuance of the Note.

NOW THEREFORE, in consideration of the execution and delivery of the Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. The Company and Holder hereby acknowledge that the total outstanding balance owed under the Note as of the Effective Date is $800,000.00.

2. The Company and Holder hereby acknowledge that the Conversion Price (as defined in the Note) under the original terms of the Note is currently equal to the lower of (i) the Fixed Conversion Price (as defined in the Note) or (ii) the Alternate Conversion Price (as defined in the Note), subject to further adjustment as provided in the Note.

3. The Company shall wire $25,000.00 (the "First Cash Payment") to the Holder on or before January 21, 2020 (the "First Deadline"). The Company shall wire $775,000.00 (the "Second Cash Payment") to the Holder on or before February 28, 2020 (the "Second Deadline").

4. The reference to "September 1, 2022" in Section 1 of the Profits Agreement shall be replaced with "March 1, 2026".

5. So long as the Company complies with the terms of this Amendment, the Holder shall not enforce an event of default under Section 3.1 of the Note due to the Company's failure to pay the Note by the Maturity Date (as defined in the Note).

6. This Amendment shall be deemed part of, but shall take precedence over and supersede any provisions to the contrary contained in the Note. Except as specifically modified hereby, all of the provisions of the Note, which are not in conflict with the terms of this Amendment, shall remain in full force and effect.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

Foothills Exploration, Inc.	**FirstFire Global Opportunities Fund, LLC**
	By: FirstFire Capital Management, LLC, its manager
By: ______________________	By: ______________________
Name: B. P. Allaire	Name: Eli Fireman
Title: Chief Executive Officer	

Exhibit 31.1

CERTIFICATIONS

I, B. P. Allaire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foothills Exploration, Inc.

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 28, 2020

/s/ B. P. Allaire
B. P. Allaire
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, B. P. Allaire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foothills Exploration, Inc.

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 28, 2020

/s/ B. P. Allaire

B. P. Allaire
Interim Chief Financial Officer
Principal Financial and Accounting Officer

Exhibit 32.1

Certifications of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, B. P. Allaire, Chief Executive Officer (Principal Executive Officer and Principal Financial and Accounting Officer) of Foothills Exploration, Inc., (the "Company") hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q (the "Report") of the Company for the quarter ended September 30, 2019, fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for periods indicated.

February 28, 2020	By:	*/s/ B. P. Allaire*
	Name:	B. P. Allaire
	Title:	Chief Executive Officer and Interim Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)