Citadel Exploration, Inc.
Form 10-Q/A
August 29, 2012

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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended June 30, 2012

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

Commission file number 000-54639
[Missing Graphic Reference]
CITADEL EXPLORATION, INC.
(Exact name of registrant as specified in its charter)

Nevada	27-1550482
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Bryant Circle, Unit D
Ojai, California 93023
(Address of principal executive offices)

(530) 871-1484
(Registrant's telephone number, including area code)

Copies of Communications to:
Stoecklein Law Group
401 West A Street
Suite 1150
San Diego, CA 92101
(619) 704-1310
Fax (619) 704-0556

Indicate by check mark whether the issuer (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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The number of shares of Common Stock, $0.001 par value, outstanding on July 20, 2012 was 20,362,500 shares.

1

*EXPLANATORY NOTE –The Registrant is amending this Form 10-Q strictly to supplement the XBRL exhibit requirement. No other disclosure was changed.

CITADEL EXPLORATION, INC.
QUARTERLY PERIOD ENDED JUNE 30, 2012

Index to Report on Form 10-Q/A

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CITADEL EXPLORATION, INC.
(FORMERLY SUBPRIME ADVANTAGE, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash	$ 12,857	$ 1,245
Other receivable	2,047	-
Prepaid expenses	16,518	16,664
Prepaid stock compensation	20,000	60,000
Total current assets	51,422	77,909
Oil and gas properties	146,169	205,360
Website, net	878	1,108
Total assets	$ 198,469	$ 284,377
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Overdraft in trust account	$ -	$ 286
Accounts payable	39,815	107,709
Accounts payable - related party	50,953	-
Accrued interest payable	4,649	1,907
Accrued interest payable - related party	4,230	2,504
Notes payable	68,679	55,498
Notes payable - related party	55,690	131,450
Total current liabilities	224,016	299,354
Total liabilities	224,016	299,354
Stockholders' equity (deficit):		
Common stock, $0.001 par value, 100,000,000 shares authorized, 20,362,500 and 20,320,000 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	20,363	20,320

Additional paid-in capital	195,895	160,958
Stock payable	-	34,000
Deficit accumulated during development stage	(241,805)	(230,255)
Total stockholders' equity (deficit)	(25,547)	(14,977)
Total liabilities and stockholders' equity (deficit)	$198,469	$284,377

See Accompanying Notes to Consolidated Financial Statements.

CITADEL EXPLORATION, INC.
(FORMERLY SUBPRIME ADVANTAGE, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011	(Inception) November 6, 2006 to June 30, 2012
Revenue	$-	$-	$-	$-	$-
Operating expenses:					
General and administrative	38,715	6,324	56,431	7,717	120,889
General and administrative - related party	31,465	-	62,930	-	62,930
Amortization	114	38	229	38	496
Professional fees	49,421	111,597	95,734	111,597	249,042
Professional fees - related party	30,000	-	60,000	-	60,000
Gain on sale of interest in oil & gas properties	-	-	(267,856)	-	(267,856)
Gain on settlement of accounts payable	-		(661)		(661)
Total operating expenses	149,715	117,959	6,807	119,352	224,840
Other expenses:					
Interest expense	(1,653)	-	(3,017)	-	(6,906)
Interest expense - related party	(580)	(351)	(1,726)	(351)	(4,230)
Total other expenses	(2,233)	(351)	(4,743)	(351)	(11,136)
Net loss before provision for income taxes	(151,948)	(118,310)	(11,550)	(119,703)	(235,976)
Provision for income taxes	-	-	-	-	(5,829)
Net loss	$(151,948)	$(118,310)	$(11,550)	$(119,703)	$(241,805)
Weighted average number of common shares outstanding - basic	20,320,000	20,214,237	20,320,000	16,025,635	
Net loss per share - basic	$(0.01)	$(0.01)	$(0.00)	$(0.01)	

See Accompanying Notes to Consolidated Financial Statements.

4

CITADEL EXPLORATION, INC.
(FORMERLY SUBPRIME ADVANTAGE, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	For the six months ended June 30, 2012	For the six months ended June 30, 2011	(Inception) November 6, 2006 to June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(11,550)	$(119,703)	$(241,805)
Adjustments to reconcile net loss			
to net cash used in operating activities:			
Amortization	229	38	496
Amortization of prepaid stock compensation	40,000	-	60,000
Gain on sale of interest in oil & gas properties	(267,856)	-	(267,856)
Gain on settlement of accounts payable	(661)		(661)
Changes in operating assets and liabilities:			
Increase in other receivable	(2,047)	-	(2,047)
(Increase) decrease in prepaid expenses	15,109	-	(1,555)
Increase (decrease) in accounts payable	(67,233)	28,627	11,011
Increase in accounts payable - related party	50,953	-	50,953
Increase in accrued interest payable	2,742	-	4,649
Increase in accrued interest payable - related party	1,726	351	4,230
Net cash used in operating activities	(238,588)	(90,687)	(382,585)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase oil and gas properties	(35,221)	(66,780)	(240,581)
Proceeds from sale of interest in oil & gas properties	350,000	-	350,000
Website	-	(1,375)	(1,375)
Net cash used in investing activities	314,779	(68,155)	108,044
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in overdraft from trust account	(286)	-	-
Member contributions	-	-	104,543
Member distribution	-	-	10,000
Proceeds from sale of common stock, net of offering costs	-	77,761	50,000
Proceeds from notes payable	13,381	-	68,879
Repayments for notes payable	(1,714)	-	(1,714)
Proceeds from notes payable - related party	26,040	81,200	157,690
Repayments for notes payable - related party	(102,000)	-	(102,000)
Net cash provided by financing activities	(64,579)	158,961	287,398

NET CHANGE IN CASH	11,612	119	12,857
CASH AT BEGINNING OF YEAR	1,245	-	-
CASH AT END OF YEAR	$12,857	$119	$12,857
SUPPLEMENTAL INFORMATION:			
Interest paid	$-	$-	$-
Income taxes paid	$-	$-	$-
NON CASH TRANSACTIONS:			
Liabilities assumed with the acquisition of Citadel Exploration, LLC	$-	$-	$29,265
Shares issued for prepaid stock compensation	$-	$-	$80,000
Financing of prepaid insurance	$14,963	$-	$14,963

See Accompanying Notes to Consolidated Financial Statements.

Citadel Exploration, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The condensed interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2011 and notes thereto included in the Company's 10-K annual report and all amendments. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim period are not indicative of annual results.

Principles of Consolidation
For the three and six months ended June 30, 2012 and 2011, the consolidated financial statements include the accounts of Citadel Exploration, Inc. and Citadel Exploration, LLC. All significant intercompany balances and transactions have been eliminated. Citadel Exploration, Inc. and Citadel Exploration, LLC will be collectively referred herein to as the "Company".

Nature of operations
Currently, the Company is focused on the acquisition and development of oil and gas resources in California. The Company has not yet found oil and gas resources in commercially exploitable quantities and is engaged in exploring land in an effort to discover them. The Company has been in the exploration stage since its formation and has not realized significant revenues from its planned principal operations.

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

Citadel Exploration, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements

Stock-based compensation
The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expense related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Earnings per share
The Company follows ASC Topic 260 to account for the earnings per share. Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

Oil and gas properties
The Company uses the full cost method of accounting for its oil and natural gas properties. Under this method, all acquisition, exploration, development and estimated abandonment costs incurred for the purpose of acquiring and finding oil and natural gas are capitalized within cost centers. At June 30, 2012 and December 31, 2011, the Company had one cost center – California. Unevaluated property costs are excluded from the amortization base until determination of the existence of proved reserves on the respective property or until the requirement for impairment. Unevaluated properties are reviewed at the end of each quarter to determine whether portions of the costs should be reclassified to the full cost pool and thereby subject to amortization. Sales of oil and natural gas properties are accounted for as adjustments to the net full cost pool with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves.

Capitalized costs of oil and natural gas properties evaluated as having, or not having, proved reserves are amortized in the aggregate by country using the unit-of-production method based upon estimated proved oil and natural gas reserves. For amortization purposes, relative volumes of oil and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. Amortizable costs include estimates of future development costs of proved undeveloped reserves. The costs of properties not yet evaluated are not amortized until evaluation of the property. Such evaluations for a well and associated lease rights are made when it is determined whether or not the well has proved oil and natural gas reserves. Other unevaluated properties are evaluated for impairment as of the end of each calendar quarter based upon various factors at the time, including drilling plans, drilling activity, management's estimated fair values of lease rights by project, and remaining lives of leases.

Citadel Exploration, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements

Capitalized costs of oil and natural gas properties (net of related deferred income taxes) may not exceed a ceiling amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and natural gas reserves plus the cost of unevaluated properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling amount, the excess is charged to earnings as an impairment expense, net of its related reduction of the deferred income tax provision. The present value of estimated future net cash flows is computed by applying the twelve-month historical averages of prices of oil and natural gas to estimated future production of proved oil and natural gas reserves as of period-end, less estimated future expenditures (at period-end rates) to be incurred in developing and producing the proved reserves and assuming continuation of economic conditions existing at period-end. The present value of future net cash flows of proved reserves excludes future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet.

Revenue recognition
The Company recognizes oil and natural gas revenues from our interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. Gas-balancing arrangements are accounted for using the sales method.

Recent pronouncements
The Company has evaluated the recent accounting pronouncements through August 2012 and believes that none of them will have a material effect on the company's financial statements.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. As noted above, the Company is in the development stage and, accordingly, has not yet generated revenues from operations. Since its inception, the Company has been engaged substantially in financing activities and developing its business plan and incurring start up costs and expenses. As a result, the Company incurred accumulated net losses from Inception (November 6, 2006) through the period ended June 30, 2012 of ($241,805). In addition, the Company's development activities since inception have been financially sustained through debt and equity financing.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Citadel Exploration, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements

NOTE 3 – PREPAID EXPENSES

As of December 31, 2011, the Company had prepaid insurance totaling $16,664. The prepaid insurance will be expensed on a straight line basis over the term of the insurance policy for one year. During the three months ended March 31, 2012, the Company recorded $16,664 of insurance expenses because the Company allowed the policy to lapse.

As of June 30, 2012, the Company had prepaid insurance totaling $16,518. The prepaid insurance will be expensed on a straight line basis over the term of the insurance policy for one year. During the three months ended June 30, 2012, the Company recorded $2,945 of insurance expenses.

NOTE 4 – OIL AND GAS PROPERTIES

The costs capitalized in oil and gas properties as of June 30, 2012 and December 31, 2011 are as follows:

	2012	2011
Oil and gas property lease	$57,831	$61,984
Exploration	88,338	143,376
	$146,169	$205,360

On January 31, 2009, the Company entered into an oil, gas and mineral lease with an unrelated third party. The Company has the right to develop and operate the leased premises for an initial term of three years and the lease will continue as long as the Company continues actual drilling operations and continued development. The initial minimum lease payment of $20,661 was made upon execution of the lease and the two remaining minimum lease payments of $20,661 were due on January 31, 2010 and 2011. Additionally, the Company is obligated to pay royalties to the unrelated third party. On oil and gas from all wells on the leased premises, the royalty is a total of 20% of the market value. The royalty payments are due on or before the last day of each month for the preceding month's activity. If the royalty payment is not made timely, the Company will owe a 10% per annum interest on the royalties due.

On February 1, 2012, the Company renegotiated its oil, gas and mineral lease with an unrelated third party for an additional minimum term of two years. The minimum lease payment is $20,640 per year. The terms of the renegotiated lease are substantially the same as the original lease disclosed above.

On February 22, 2012, the Company sold 40% of its interest in the property disclosed above in exchange for $350,000. The Company recorded a gain on the sale of the partial interest totaling $267,856.

During the six months ended June 30, 2012, the Company has requested payment from Sojitz for a total of $2,047 of exploration costs for Sojitz's portion of the costs which is recorded as other receivable as of June 30, 2012.

Citadel Exploration, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements

NOTE 5 – NOTES PAYABLE

Notes payable consists of the following at:

	June 30, 2012	December 31, 2011
Note payable to an individual, line of credit to borrow up to $100,000, unsecured, 10% interest, due upon demand	$55,298	$55,498
Note payable to an entity for the financing of insurance premiums, unsecured, 15% interest, due February 2013	13,381	-
	$68,679	$55,498

Interest expense for the three months ended June 30, 2012 and 2011 was $1,927 and $0, respectively. Interest expense for the six months ended June 30, 2012 and 2011 was $3,017 and $0, respectively.

NOTE 6 – NOTES PAYABLE – RELATED PARTY

Notes payable consists of the following at:

	June 30, 2012	December 31, 2011
Note payable to an entity owned and controlled by an officer, director and shareholder, line of credit to borrow up to $100,000, unsecured, 4% interest, due upon demand	$32,240	$87,000
Note payable to an entity owned and controlled by an officer, director and shareholder, line of credit to borrow up to $50,000, unsecured, 4% interest, due upon demand	12,950	28,450
Note payable to an entity owned and controlled by an officer, director and shareholder, line of credit to borrow up to $50,000, unsecured, 4% interest, due upon demand		