

ENTHEOS TECHNOLOGIES INC
Form 10-Q/A
August 07, 2009

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

FORM 10-Q/A

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 2009

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

For the transition period from _____ to _____

Commission File Number: 000-30156

ENTHEOS TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Nevada

98-0170247

(State or other jurisdiction of incorporation)

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

**888 3rd Street SW, Suite 1000, Calgary, Alberta,
Canada**

T2P 5C5

(Zip Code)

(Address of principal executive offices)

403-444-6418

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 No Not Applicable

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 63,075,122 shares of Common Stock, par value \$0.00001, were outstanding on May 13, 2009.

EXPLANATORY NOTE

This Form 10-Q/A (the Amendment) is being filed by Entheos Technologies, Inc. (the Company) and amends the Company s unaudited financial statements for the quarter ended March 31, 2009. This Form 10-Q/A replaces in its entirety the Form 10-Q that was filed with the Securities and Exchange Commission (the SEC) on May 15, 2009 (the Original Filing) and reflects certain adjustments made in connection with the Company s adoption of EITF Issue No. 07-5, "*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*" (EITF 07-5). Specifically, on August 4, 2009, we determined that EITF 07-5 should have been adopted effective January 1, 2009 with regards to our Series A and Series B warrants. As a result, our financial statements included in the Form 10-Q for the quarter ended March 31, 2009 did not reflect a reclassification of 6,450,000 Series A and 6,450,000 Series B Warrants from equity to a noncurrent warrant liability, resulting in a cumulative effect of the change in accounting principle adjustment that reduced our accumulated deficit as of January 1, 2009 by \$1,624,513. Additionally, for the three months ended March 31, 2009, we did not record the change in fair value of the warrant liability of \$234,517 and, as a result, changed the results of operations for the quarter ended March 31, 2009 by \$234,517.

This Form 10-Q/A has revised Item 1 Financial Statements , Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations , Item 4T Controls and Procedures , and Item 5 Other Information.

In connection with the filing of this Form 10-Q/A and pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, the Company is including with this Form 10-Q/A certain currently dated certifications.

Pursuant to the requirements of Form 8-K Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review, the Company was required to file a Form 8-K. However, the Company was able to satisfy the Form 8-K filing requirements by filing this Form 10-Q/A within the required reporting period.

No other changes have been made to the Form 10-Q. This Form 10-Q/A speaks as of the original filing date of the Form 10-Q and has not been updated to reflect events occurring subsequent to the original filing date.

TABLE OF CONTENTS

ENTHEOS TECHNOLOGIES, INC.

FORM 10-Q/A

For the Quarterly Period Ended March 31, 2009

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements	
	<u>Consolidated Balance Sheets as of March 31, 2009 (unaudited) and December 31, 2008</u>	<u>3</u>
	<u>Consolidated Statements of Operations (unaudited)</u>	<u>4</u>
	<u>Consolidated Statements of Stockholders' Equity (unaudited)</u>	<u>5</u>
	<u>Consolidated Statements of Cash Flows (unaudited)</u>	<u>6</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and</u>	
	<u>Results of Operations</u>	<u>14</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>16</u>
<u>Item 4T.</u>	<u>Controls and Procedures</u>	<u>16</u>

PART II OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>18</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>18</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>18</u>
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	<u>18</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>18</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>18</u>
	<u>Signatures</u>	<u>19</u>

PART I FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements (Unaudited)**

ENTHEOS TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2009 and December 31, 2008

(Expressed in U. S. Dollars)	(Unaudited) March 31, 2009 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,664,863	\$ 2,734,591
Accounts receivable	-	4,252
Prepaid expenses	-	720
Total current assets	2,664,863	2,739,563
Oil and gas properties, using full cost method (Note 4)		
Proven properties	379,276	368,282
Unproven properties	73,746	73,746
Accumulated depreciation, depletion and amortization and impairment	(140,284)	(93,444)
Oil and gas properties, net	312,738	348,584
Total assets	\$ 2,977,601	\$ 3,088,147
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 65,576	\$ 50,854
Accounts payable - related parties	-	12,077
Total current liabilities	65,576	62,931
Warrant liabilities (Note 5)	3,043,358	-
Total liabilities	3,108,934	62,931
STOCKHOLDERS' EQUITY (DEFICIT) (Note 5)		
Preferred stock:\$0.0001 par value: Authorized: 10,000,000 shares		
Issued and outstanding: nil	-	-
Common stock: \$0.00001 par value; Authorized: 200,000,000 shares		
Issued and outstanding: 63,075,122 shares (2008: 63,075,122)	631	631
Additional paid-in capital	5,467,397	7,107,622
Accumulated deficit	(5,599,361)	(4,083,037)
Total stockholders' equity (deficit)	(131,333)	3,025,216

Total liabilities and stockholders' equity (deficit)	\$	2,977,601	\$	3,088,147
---	----	-----------	----	-----------

(The accompanying notes are an integral part of these consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****For the three months ended March 31, 2009 and 2008**

(Unaudited)

(Expressed in U. S. Dollars)	March 31, 2009	March 31, 2008
Revenue		
Oil and gas sales	\$ 14,784	\$ -
Expenses		
Oil and gas production and operating costs	14,703	-
General and administrative expenses	79,569	14,806
Impairment of oil and gas properties	46,840	-
Total operating expenses	141,112	14,806
Operating Loss	(126,328)	(14,806)
Other income / (expense)		
Interest income	-	262
Change in fair value of warrant liability	234,517	-
	234,517	262
Net income (loss) attributable to common stockholders	\$ 108,189	\$ (14,544)
Income (loss) per common share - basic and diluted	\$ 0.00	\$ (0.00)
Weighted average number of shares - basic and diluted	63,075,122	56,625,122

(The accompanying notes are an integral part of these consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 2009 and year ended December 31, 2008
(Unaudited)

(Expressed in U. S. Dollars)	<u>Common Stock</u>		Additional paid-in capital	Accumulated earnings (deficit)	Total Stockholder's Equity
	Shares	Amount			
Balance, December 31, 2007	56,625,122	\$ 566	\$ 3,838,516	\$ (3,817,888)	\$ 21,194
Units issued for cash and legal services at \$0.50 per share in July 2008	6,450,000	65	3,224,935	-	3,225,000
Stock based compensation expense	-	-	19,360	-	19,360
Settlement of related party payables	-	-	24,811	-	24,811
Net loss, year ended December 31, 2008	-	-	-	(265,149)	(265,149)
Balance, December 31, 2008	63,075,122	631	7,107,622	(4,083,037)	3,025,216
Cumulative effect of change in accounting principle			(1,653,362)	(1,624,513)	(3,277,875)
Stock based compensation expense	-	-	13,137	-	13,137
Net income, three months ended March 31, 2009	-	-	-	108,189	108,189
Balance, March 31, 2009	63,075,122	\$ 631	\$ 5,467,397	\$ (5,599,361)	\$ (131,333)

(The accompanying notes are an integral part of these consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****For the three months ended March 31, 2009 and 2008**

(Unaudited)

(Expressed in U. S. Dollars)	March 31, 2009	March 31, 2008
Cash flows from operating activities		
Net income (loss)	\$ 108,189	\$ (14,544)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Impairment of oil and gas properties	46,840	-
Stock-based compensation	13,137	-
Change in fair value of warrant liability	(234,517)	
Change in non-cash working capital item:		
Decrease in accounts receivable	4,252	-
Decrease in prepaid assets	720	-
Increase in accounts payable & accrued liabilities including related party	2,645	693
Net cash flows from operating activities	(58,734)	(13,851)
Cash flows from investing activities		
Acquisition of oil and gas properties	(10,994)	-
Net cash flows from investing activities	(10,994)	-
Decrease in cash and cash equivalents	(69,728)	(13,851)
Cash and cash equivalents, beginning of period	2,734,591	46,306
Cash and cash equivalents, end of period	\$ 2,664,863	\$ 32,455
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ -	\$ -
Income tax paid in cash	\$ -	\$ -

(The accompanying notes are an integral part of these consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

(Expressed in U.S. Dollars)

(Unaudited)

Note 1. Organization and Nature of Operations

Entheos Technologies, Inc. (the Company) is a small independent diversified energy company engaged in the acquisition and development of crude oil and natural gas interests in the United States. The Company pursues oil and gas prospects in partnership with oil and gas companies with exploration, development and production expertise. The Company currently has a non-operating, minority working interest in five wells. The Company's prospect areas consist of land in La Salle County, Lee County, Fayette County and Frio County, Texas. Currently four of the five wells in which we have a minority working interest are producing. We currently do not operate any of the wells in which we have an interest.

Incorporated under the laws of the State of Nevada, the Company has an authorized capital of 200,000,000 shares of \$0.00001 par value common stock, of which 63,075,122 shares are outstanding and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

From 2002 until September 2008, through its wholly-owned subsidiary Email Solutions, Inc., the Company served as an Application Service Provider (ASP) providing outsourced email and search engine optimization services. Due to the limited success of the ASP business, management decided that it was in the best interest to abandon the Application Service Provider business and focus on identifying undervalued oil and gas opportunities for acquisition, development and exploration. The assets and liabilities, the results of operations and cash flows related to the ASP business were not classified as discontinued operations as the amounts were not significant.

The Company has recently incurred net operating losses and operating cash flow deficits. It may continue to incur losses from operations and operating cash flow deficits in the future. However, management believes the Company's cash and cash equivalent balances, anticipated cash flows from operations and other external sources of credit will be sufficient to meet its cash requirements through March 2010. The future of the Company after March 2010 will depend in large part on its ability to successfully generate cash flows from operations and raise capital from external sources to fund operations.

Note 2. Accounting Policies

Presentation of Interim Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (which are of a normal recurring nature) considered necessary for a fair presentation of the financial statements have been included. Operating results for the quarter ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009 or any other interim period. For further information, refer to the consolidated financial statements and notes thereto included in our 2008 Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission.

Principles of Consolidation

The consolidated financial statements include the accounts of Entheos Technologies, Inc. (a Nevada corporation) and its wholly-owned subsidiary, Email Solutions, Inc. (a Nevada corporation). There are no assets and liabilities in the wholly owned subsidiary. The Company accounts for its undivided interest in oil and gas properties using the proportionate consolidation method, whereby its share of assets, liabilities, revenues and expenses are included in its consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Management's judgments and estimates in these areas are based on information available from both internal and external sources, including engineers, geologists, consultants and historical experience in similar matters. The more significant reporting areas impacted by management's judgments and estimates are accruals related to oil and gas sales and expenses; estimates of future oil and gas reserves; estimates used in the impairment of oil and gas properties; and the estimated future timing and cost of asset retirement obligations.

Actual results could differ from the estimates as additional information becomes known. The carrying values of oil and gas properties are particularly susceptible to change in the near term. Changes in the future estimated oil and gas reserves or the estimated future cash flows attributable to the reserves that are utilized for impairment analysis could have a significant impact on the future results of operations.

Full Cost Method of Accounting for Oil and Gas Properties

The Company has elected to utilize the full cost method of accounting for its oil and gas activities. In accordance with the full cost method of accounting, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs and related asset retirement costs, are capitalized.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves once proved reserves are determined to exist. The Company has not yet obtained reserve reports because of its recent acquisition of its oil and gas properties and because these properties recently began producing. Management is assessing geographic and production data to determine the need for reserves studies. At March 31, 2009, there were no capitalized costs subject to amortization.

Oil and gas properties without estimated proved reserves are not amortized until proved reserves associated with the properties can be determined or until impairment occurs. The cost of these properties is assessed quarterly, on a property-by-property basis, to determine whether the properties are recorded at the lower of cost or fair market value. In determining whether such costs should be impaired, the Company evaluates historical experience, current drilling results, lease expiration dates, current oil and gas industry conditions, international economic conditions, capital availability, and available geological and geophysical information. As a result of this analysis and lack of proved reserves, the Company recorded an impairment loss of \$46,840 for the three month period ended March 31, 2009. The impairment is similar to amortization and therefore is not added to the costs of properties being amortized.

Sales of oil and gas properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in income. The Company has not sold any properties as of March

31, 2009.

Full Cost Ceiling Test

At the end of each quarterly reporting period, the unamortized costs of oil and gas properties are subject to a ceiling test which basically limits capitalized costs to the sum of the estimated future net revenues from proved reserves, discounted at 10% per annum to present value, based on current economic and operating conditions, adjusted for related income tax effects.

Oil and Gas Revenues

The Company recognizes oil and gas revenues when oil and gas production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable. Delivery occurs and title is transferred when production has been delivered to a purchaser's pipeline or truck. As a result of the numerous requirements necessary to gather information from purchasers or various measurement locations, calculate volumes produced, perform field and wellhead allocations and distribute and disburse funds to various working interest partners and royalty owners, the collection of revenues from oil and gas production may take up to 45 days following the month of production. Therefore, the Company may make accruals for revenues and accounts receivable based on estimates of its share of production. Since the settlement process may take 30 to 60 days following the month of actual production, its financial results may include estimates of production and revenues for the related time period. The Company will record any differences between the actual amounts ultimately received and the original estimates in the period they become finalized.

Asset Retirement Obligation

The Company has adopted the provisions of SFAS 143, *Accounting for Asset Retirement Obligations*. SFAS 143 amended SFAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, and, among other matters, addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, with the associated asset retirement cost capitalized as part of the related asset and allocated to expense over the asset's useful life.

In March 2005, the FASB issued FASB Interpretation No. 47 (FIN No. 47), *Accounting for Conditional Asset Retirement Obligations*. FIN No. 47 clarifies that a conditional asset retirement obligation, as used in SFAS 143, refers to a legal obligation to perform an asset retirement activity in which the timing or method of the settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated.

The Company does not have material asset retirement obligations as of March 31, 2009.

Fair Value

The carrying amount reported on the balance sheet for assets and liabilities approximates those assets' or liabilities' fair values (representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants). In particular, cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. We place our cash with high credit quality financial institutions.

Recent and Adopted Accounting Pronouncements

In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 157-1 (FSP FAS 157-1), which excludes SFAS No. 13, *Accounting for Leases* and certain other accounting pronouncements that address fair value measurements under SFAS 13, from the scope of SFAS 157. In February 2008, the FASB issued FSP No. 157-2 (FSP FAS 157-2), which provides a one-year delayed application of SFAS 157 *Fair Value Measurements* for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Therefore the Company was required to adopt SFAS 157 as amended by FSP FAS 157-1 and FSP FAS 157-2 on January 1, 2009, the beginning of the Company's fiscal year, as related to nonfinancial assets and liabilities, which did not have an impact on the Company's consolidated financial statements.

On April 9, 2009, the FASB issued several Staff Positions, as listed below, relating to fair value accounting, impairment of securities, and disclosures. All of these FSPs are effective for interim and annual periods ending after June 15, 2009; entities may early adopt the FSPs for the interim and annual periods ending after March 15, 2009. The Company did not early adopt any of these FSPs and expect that adoption will not have a material impact on the Company's consolidated financial statements.

- FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly* ;
- FSP FAS 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ; and
- FSP FAS 107-1, *Interim Disclosures about Fair Value of Financial Statements* .

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of Accounting Research Bulletin No 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, changes in a parent's ownership of a noncontrolling interest, calculation and disclosure of the consolidated net income attributable to the parent and the noncontrolling interest, changes in a parent's ownership interest while the parent retains its controlling financial interest and fair value measurement of any retained noncontrolling equity investment. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company adopted SFAS 160 on January 1, 2009, the beginning of the Company's fiscal year 2009, which had no impact on the consolidated financial statements.

In December 2007, the FASB ratified a consensus opinion reached by the EITF on EITF Issue 07-1, *Accounting for Collaborative Arrangements* (EITF 07-1). The guidance in EITF 07-1 defines collaborative arrangements and establishes presentation and disclosure requirements for transactions within a collaborative arrangement (both with third parties and between participants in the arrangement). The consensus in EITF 07-1 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The consensus requires retrospective application to all collaborative arrangements existing as of the effective date, unless retrospective application is impracticable. The impracticability

evaluation and exception should be performed on an arrangement-by-arrangement basis. The Company adopted EITF 07-1 effective January 1, 2009, which had no effect on the Company's financial statements.

In June 2008, the FASB issued Staff Position EITF 03-06-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-06-1). FSP EITF 03-06-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method in SFAS No. 128, *Earnings Per Share* and is effective for fiscal years beginning after December 15, 2008. The Company's implementation of FSP EITF 03-06-1 had no impact on the Company's consolidated financial statements.

Note 3. Loss (Loss) Per Share (EPS)

Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to common stockholders by the weighted average number of common and potential common shares outstanding during the period, which includes the additional dilution related to conversion of stock options and common stock purchase warrants as computed under the treasury stock method.

For the three months ended March 31, 2008, there were no potential common shares outstanding during that period. For the three month period ended March 31, 2009, potential gross common shares (arising from stock options and common stock purchase warrants) of 13.2 million were anti-dilutive and not included in computing diluted EPS.

	For the three months ended March 31,	
	2009	2008
Numerator - net income (loss) attributable to common stockholders	\$ 108,189	\$ (14,544)
Denominator - weighted average number of common shares outstanding	63,075,122	56,625,122
Basic and diluted loss per common share	\$ 0.00	\$ (0.00)

Note 4. Oil and Gas Properties

As of the period ending March 31, 2009, the Company owned non-operating, working interests in five wells as follows:

	Acquisition Date	Interest Working	Net Revenue	Month Production Started	Formation
<i>Proven Properties:</i>					
Cooke #6	9/1/2008	21.75%	16.3125%	Dec-07	Escondido
Onnie Ray #1	9/12/2008	20.00%	15.00%	Oct-08	Austin Chalk
Stahl #1	9/12/2008	20.00%	15.00%	Oct-08	Austin Chalk
Pearce #1	10/31/2008	20.00%	15.00%	Dec-08	Austin Chalk
<i>Unproven Properties:</i>					
Haile #1	9/12/2008	20.00%	15.00%	-	Austin Chalk

Net capitalized costs associated with these oil and gas properties is summarized as follows:

	Acquisition Costs	Exploration Costs	Development Costs	Total
Cooke #6	\$ 181,535	\$ -	\$ -	181,535
Onnie Ray #1	14,800	7,000	52,851	74,651
Haile #1	16,071	57,675	-	73,746
Stahl #1	15,215	7,000	35,141	57,356
Pearce #1	6,978	11,200	47,556	65,734
	\$ 234,599	\$ 82,875	\$ 135,548	\$ 453,022
Impairment of oil properties				(140,284)
Oil and gas properties, net			\$	312,738

The Company amortizes all capitalized costs of oil and gas properties on the unit-of-production method using proved reserves. The Company has not yet obtained reserve studies with estimated proved reserve quantities because of its recent acquisition of these properties and also because these properties recently began producing. Management is assessing geographic and production data to determine the need for reserves studies. Therefore at March 31, 2009, there were no capitalized costs subject to amortization.

Properties which are not being amortized are assessed quarterly, on a property-by-property basis, to determine whether they are recorded at the lower of cost or fair market value. As a result of this analysis and lack of proved reserves, the Company recorded an impairment loss of \$46,840 for the three months ended March 31, 2009 and \$93,444 for the year ended December 31, 2008. The impairment is similar to amortization and therefore is not added to the cost of properties being amortized.

Note 5. Stockholders Equity

On July 28, 2008, the Company completed a self-directed private placement of 6,450,000 units at a price of \$0.50 per unit or \$3,225,000 in the aggregate. Each unit consists of one share of the Company's common stock, one Series A stock purchase warrant (Series A warrant) to purchase a share of common stock at \$0.60 per share for a period of 18 months from the date of issuance and one Series B stock purchase warrant (Series B warrant) to purchase a share of common stock at \$0.75 per share for a period of 24 months from the date of issuance. The relative fair value of the common stock was estimated to be \$1,571,638 and the relative fair value of the warrants was estimated to be \$1,653,362 as determined based on the relative fair value allocation of the proceeds received. The warrants were valued on the transaction date using the Black-Scholes option pricing model. In connection with the private placement, the Company issued an aggregate of 50,000 units in payment of legal fees in the amount of \$25,000. These units were otherwise issued on the same terms and conditions as the units sold in the private placement.

Pursuant to the Subscription Agreement and the Registration Rights Agreement relating to the private placement, we and the investor parties made other covenants and representations and warranties regarding matters that are customarily included in financings of this nature. In the event that during the period when the warrants are outstanding, 18 months for Series A warrants and 24 months for Series B warrants, if we issue common stock or common stock equivalents at a price per share which is less than the warrant exercise price, \$0.60 per share for Series A Warrants and \$0.75 per share for Series B Warrants, then the exercise price for the warrants shall be reduced to equal the share price of the new issuance and the number of warrant shares issuable shall be increased such that the aggregate exercise price payable shall be equal to the aggregate exercise price prior to such adjustment according to the Securities Purchase Agreement (the Dilutive Issuance).

Warrants

Each of the Company's warrants outstanding entitles the holder to purchase one share of the Company's common stock for each warrant share held. No warrants were exercised during the three months ended March 31, 2009 and the year ended December 31, 2008. A summary of our outstanding warrants as of March 31, 2009 and the assumptions used to determine fair value as of the date of the respective transactions, is as follows:

Edgar Filing: ENTHEOS TECHNOLOGIES INC - Form 10-Q/A

	Series A Warrants	Series B Warrants
Warrants outstanding and exercisable at March 31, 2009	6,450,000	6,450,000
Exercise price	\$0.60	\$0.75
Fair value on date of grant	\$2,495,800	\$2,593,247
Black-Scholes option pricing model assumptions:		
Risk-free interest rate	2.435%	2.590%
Expected term	1.5 years	2 years
Expected volatility	96.15%	100.76%
Dividend per share	\$0	\$0
Expiration date	January 28, 2010	July 28, 2010

The potential of a Dilutive Issuance to the warrants' exercise price and number of underlying shares of common stock may result in a settlement amount that does not equal the difference between the fair value of a fixed number of the Company's common stock and a fixed exercise price. Accordingly, the warrants fall under the scope of EITF 07-5, which is effective January 1, 2009, the beginning of our fiscal year 2009. Pursuant to EITF 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (EITF 07-5), the warrants are not considered indexed to the Company's own stock and, therefore, do not meet the scope exception in paragraph 11(a) of SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) and thus need to be accounted for as a derivative. As of March 31, 2009, we have not sold any shares of common stock or common stock equivalents that would result in an adjustment to the exercise price or number of shares of common stock underlying the warrants outstanding.

A total of 12,900,000 shares of the Company's common stock have been reserved for issuance upon exercise of warrants shares outstanding as of March 31, 2009.

Restatement of March 31, 2009 financial statements

On August 4, 2009, subsequent to the original filing of the Company's Form 10-Q for the quarter ended March 31, 2009, we determined that EITF 07-5 should have been adopted effective January 1, 2009 for the Series A and Series B Warrants. The adoption of EITF 07-5 resulted in a material misstatement of our financial statements for the quarter ended March 31, 2009. As a result, we are filing this amended Form 10-Q/A to restate the financial statements for the quarter ended March 31, 2009. The restated financial statements reflect a reclassification of 6,450,000 Series A and 6,450,000 Series B Warrants from equity to a noncurrent warrant liability and a cumulative effect of the change in accounting principle adjustment that reduced our accumulated deficit as of January 1, 2009 by \$1,624,513. Additionally, for the three months ended March 31, 2009, we did not record the change in fair value of the warrant liability of \$234,517 and, as a result, changed the results of operations for the quarter ended March 31, 2009 by \$234,517.

We account for the warrant liability in accordance with SFAS 157. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for

considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). At March 31, 2009, we valued the warrant liability using a Black-Scholes model (Level 3 inputs) containing the following assumptions:

	Series A	Series B
	Warrants	Warrants
Black-Scholes option pricing model assumptions as of March 31, 2009		
Risk-free interest rate	0.500%	0.690%
Expected term	0.75	1.25
Expected volatility	162.47%	133.08%
Dividend per share	\$0	\$0
Expiration date	January 28, 2010	July 28, 2010

The following table is a roll forward of the fair value of the warrant liability related to the common stock warrants using the Black-Scholes assumptions as of March 31, 2009 (Level 3 inputs):

	Series A		Series B		Total
	Warrants		Warrants		
Beginning balance as of January 1, 2009	\$ 1,652,779	\$	1,625,096	\$	3,277,875
Change in fair value	(120,806)		(113,711)		(234,517)
Ending balance as of March 31, 2009	\$ 1,531,973	\$	1,511,385	\$	3,043,358

Note 6. Stock Options

The Company has an active stock option plan that provides shares available for option grants to employees, directors and others. A total of 120,000,000 shares of the Company's common stock have been reserved for award under the stock option plan, of which 119,800,000 were available for future issuance as of March 31, 2009. Options granted under the Company's option plan generally vest over five years or as otherwise determined by the Board of Directors, have exercise prices equal to the fair market value of the common stock on the date of grant, and expire no later than ten years after the date of grant.

During the three month period ended March 31, 2009, stock option compensation expense of \$13,137 was recognized as general and administrative expenses. As of March 31, 2009, the Company had \$82,045 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 4.45 years.

The Company does repurchase shares to fulfill the requirements of options that are exercised. Further, we issue new shares when options are exercised.

Note 7. Related Party Transactions

Executive Management: For the period ended March 31, 2009, the Company incurred \$7,500 in fees paid to Derek Cooper the President, Chief Executive Officer and Chief Financial Officer of the Company. In addition, the Company recorded \$4,148 as stock compensation expense relating to stock options granted during 2008 (refer to Note 6).

Director Fees: For the three months ended March 31, 2009, the Company incurred \$6,435 in board fees for non-employee directors of the Company. In addition, the Company recorded \$8,989 as stock compensation expense

relating to stock options granted during 2008 (refer to Note 6). There are currently no management or consulting agreements in effect.

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

Forward-Looking Statements

Except for the historical information presented in this document, the matters discussed in this Form 10-Q/A for the three months ended March 31, 2009, and specifically in the items entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes," "plans," "intend," "scheduled," "potential," "continue," "estimates," "hopes," "goal," "objective," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. The reader is cautioned that no statements contained in this Form 10-Q/A should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those identified within this Form 10-Q/A. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-Q/A and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

Overview

The Company is a small independent oil and gas production company with a focus on participation in producing and the re-development/ recompletion of oil and gas wells. In September 2008, the Company acquired a 21.75% working interest (16.3125% net revenue interest) in the Cooke #6 well located at the Cooke Ranch field in La Salle County, Texas which has been producing oil and gas from the Escondido formation since 2007. In September 2008, the company acquired a 20.00% working interest (15.00% net revenue interest) in Onnie Ray #1 Well in Lee County, Texas and the Stahl #1 Well in Fayette County, Texas which were subsequently re-entered and are producing gas from the Austin Chalk formation and a 20.00% working interest (15.00% net revenue interest) in the Haile #1 Well in Frio County, Texas which is currently scheduled for re-entry operations.

Incorporated under the laws of the State of Nevada, the Company has an authorized capital of 200,000,000 shares of \$0.00001 par value common stock, of which 63,075,122 shares are outstanding and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

From 2002 until September 2008, through our wholly-owned subsidiary Email Solutions, Inc., the Company served as an Application Service Provider (ASP) providing outsourced email and search engine optimization services. Due to the limited success of our ASP business, management decided that it was in the best interest of our stockholders to abandon the Application Service Provider business and focus on identifying undervalued oil and gas opportunities for acquisition, development and exploration. The assets and liabilities, the results of operations and cash flows related to the ASP business were not classified as discontinued operations as the amounts were not significant.

Glossary of Certain Oil & Gas Terms

The following is a description of the meanings of some of the natural gas and oil industry terms used in this filing:

Bbl means a barrel or barrels of oil.

BOE means barrels of oil equivalent.

Btu means British thermal unit, which means the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Mcf means thousand cubic feet of natural gas.

MMBtu means one million Btus.

Workover means operations on a producing well to restore or increase production.

Variables and Trends

We have very limited history with respect to our acquisition and development of oil and gas properties. In the event we are able to obtain the necessary financing to move forward with our business plan, we expect our expenses to increase significantly as we grow our business. Accordingly, the comparison of the financial data for the periods presented may not be a meaningful indicator of our future performance and must be considered in light of these circumstances.

Results of Operations

Due to our recent entry into the oil and gas industry, we do not have comparable results for the quarters ended March 31, 2009 and 2008. To provide a more meaningful review of our operations, we have compared the quarters ended March 31, 2009 and December 31, 2008. The following table summarizes our oil and gas sales activity since entering the industry:

<i>Quarter Ended</i>	Sales		Average Sales Price	
	Oil (bbl)	Natural Gas (mcf)	Oil (bbl)	Natural Gas (mcf)
3/31/2009	302.7	780.2	\$ 36.60	\$ 4.75
12/31/2008	72.6	701.4	\$ 55.43	\$ 7.41
9/30/2008	41.3	45.2	\$ 101.13	\$ 8.20
6/30/2008	-	-	-	-

Revenue

For the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008 oil production increased 317% from 72.6 to 302.7 barrels and gas production increased 11.2% from 701.4 mcf to 780.2 mcf due to all of our producing wells being online for a full three month period. This represents an increase in the average BOE produced from 2.1 to 4.8. The increased production volume was offset by a 34% decrease in oil prices to \$36.60 per barrel from \$55.43 per barrel and a 35.9% decrease in natural gas prices to \$4.75 from \$7.41 for the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008.

Oil and Gas Production and Operating Costs

Oil and gas production and operating costs for the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008 were \$14,703 and \$9,080, respectively, representing an increase of \$5,623 or 62%. The increase is due to all of our wells being online for a full three months and large workover costs for the Pearce well for a chemical treatment to the oil and related excess salt water disposal. While these types of workover costs are typically non-recurring, we have determined to expense these when incurred since they do not extend the life of the wells.

General and Administrative Expenses

General and administrative expenses were \$79,569 and \$14,806 for the three month period ended March 31, 2009 and 2008, respectively, for an increase of \$64,763. The change is comprised of a \$14,923 increase in legal expenses due to increases services related to SEC filings; \$28,912 increase in accounting expenses due to outsourcing accounting services after closing corporate headquarters in August 2008; \$13,137 increase in stock compensation expense due to issuing stock options in 2008; \$12,435 increase in director and management fees due to the change in compensation for the management team; and a \$4,644 decrease in facilities expenses due to closing the corporate offices.

Oil & Gas Property Impairment Expense

We recognized an impairment on oil and gas properties of \$46,840 for the three month period ended March 31, 2009. The impairment is a result of management's quarterly review of lower of cost or fair market value assessment and lack of proved reserves.

Change in fair value of warrant liability

On January 1, 2009, we adopted EITF 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*. We determined that our Series A and Series B Warrants contained a Dilutive Issuance provision. As a result, we reclassified a total of 12,900,000 warrants from equity to a noncurrent warrant liability and recorded a cumulative effect of change in accounting principle adjustment that reduced our accumulated deficit as of January 1, 2009 by \$1,624,513.

We account for the warrant liability in accordance with SFAS 157. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). At March 31, 2009, we valued the warrant liability using a Black-Scholes model (Level 3 inputs). The \$234,517 decrease in fair value of the warrant liability for the three-months ended March 31, 2009 was recorded in Other Income/(Expense) as non-operating income.

Liquidity and Capital Resources

We had cash and cash equivalents of \$2,664,863 and \$2,734,591 as of March 31, 2009 and December 31, 2008, respectively. The Company has financed its operations from cash on hand during the three month period ending March 31, 2009.

The accompanying financial statements have been prepared assuming we will continue as a going concern. We incurred cumulative losses of \$5,599,361 through March 31, 2009. Additionally, we have expended a significant amount of cash acquiring working interests in oil and gas properties and operating as a public entity. We expect to continue to incur losses from business operations and we believe our cash and cash equivalents balances, anticipated cash flows from operations, and other external sources of credit will be sufficient to meet our cash requirements through March 2010. Our prospects after March 2010 will depend in large part on our ability to successfully raise capital from external sources to pay for planned expenditures and to fund operations.

Due to the "start up" nature of the Company's businesses, the Company expects to incur losses as it expands. The Company expects to raise additional funds through private or public equity investment in order to expand the range and scope of its business operations. The Company will seek access to private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all.

At this time, we have no agreements or understandings with any third party regarding any financings.

Related Party Transactions

Executive Management: For the period ended March 31, 2009, the Company incurred \$7,500 in fees paid to Derek Cooper the President, Chief Executive Officer and Chief Financial Officer of the Company. In addition, the Company

recorded \$4,148 as stock compensation expense relating to stock options granted during 2008.

Director Fees: For the three months ended March 31, 2009, the Company incurred \$6,435 in board fees for non-employee directors of the Company. In addition, the Company recorded \$8,989 as stock compensation expense relating to stock options granted during 2008. There are no management or consulting agreements in effect.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements in this Form 10-Q/A.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is confined to our cash equivalents and short-term investments. We invest in high-quality financial instruments; primarily money market funds, federal agency notes, and US Treasury obligations, with the effective duration of the portfolio within one year which we believe are subject to limited credit risk. We currently do not hedge interest rate exposure. Due to the short-term nature of our investments, we do not believe that we have any material exposure to interest rate risk arising from our investments.

Item 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), as of the end of the period covered by this quarterly report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2009 that the Company's disclosure controls and procedures were not effective such that the information required to be disclosed in the Company's United States Securities and Exchange Commission (the SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to filing its Form 10-Q for the quarter ended March 31, 2009, the Company determined that its Class A and B Warrants contained a Dilutive Issuance provision, resulting in a material adjustment that was required to appropriately account for its warrant liability. As a result, the Company has concluded that there is a material weakness regarding the identification, evaluation, and adoption of applicable accounting guidance in a timely manner. The Company is currently evaluating how to effectively remediate this material weakness. In this regard, the Company continues to review its disclosure controls and procedures, including its internal control over financial reporting, and intends to make changes aimed at enhancing their effectiveness.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review: This Form 10-Q/A is being filed to restate the financial statements previously filed on Form 10-Q for the quarter ended March 31, 2009. Refer to Explanatory Note preceding the consolidated financial statements in this Form 10-Q/A.

Item 6. Exhibits

31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)

32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

18

SIGNATURES

Pursuant to the requirements of Sections 13 or 15 (d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of August, 2009.

Entheos Technologies, Inc.

(Registrant)

<u>Date</u>	<u>Signature</u>	<u>Title</u>
August 7, 2009	<u>/s/ Derek Cooper</u> Derek Cooper	President, CEO, CFO and Director