

Hydrocarbon Exchange Corporation

Financial Statements

For the Years Ended June 30, 2010 and 2009

Hydrocarbon Exchange Corporation

Financial Statements

For the Years Ended June 30, 2010 and 2009

Hydrocarbon Exchange Corporation

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Independent Auditors' Report

Board of Directors and Shareholder
Hydrocarbon Exchange Corporation
Dallas, Texas

We have audited the accompanying balance sheets of Hydrocarbon Exchange Corporation (the "Company") as of June 30, 2010 and 2009, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hydrocarbon Exchange Corporation as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Dallas, Texas
October 20, 2010

Financial Statements

Hydrocarbon Exchange Corporation

Balance Sheets

<i>June 30,</i>	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 1,516,542	\$ 2,910,290
Restricted cash	2,500,000	2,500,000
Natural gas futures contract account	5,387,095	2,616,343
Accounts receivable:		
Gas sales	25,832,006	15,802,459
Other	22,862	182
Imbalance inventories	161,138	525,163
Deferred income taxes	-	976
Note receivable	3,054,521	-
Prepaid expenses and other current assets	379,202	609,526
Total current assets	38,853,366	24,964,939
Property and equipment		
Office and computer equipment	364,241	364,241
Leasehold improvements	25,543	25,543
Accumulated depreciation and amortization	(341,887)	(265,694)
Net property and equipment	47,897	124,090
Deferred income taxes	8,746	12,541
Other assets	11,930	4,430
Total assets	\$ 38,921,939	\$ 25,106,000

Hydrocarbon Exchange Corporation

Balance Sheets

<i>June 30,</i>	2010	2009
Liabilities and Stockholders' Equity		
Current liabilities		
Trade accounts payable and accrued expenses	\$ 20,142,794	\$ 10,900,579
Trade accounts payable - related parties	4,475,634	3,949,326
Deferred income taxes	693,695	-
Income taxes and other tax payables	405,490	206,737
Total current liabilities	25,717,613	15,056,642
Deferred rent expense	-	18,418
Total liabilities	25,717,613	15,075,060
Commitments and contingencies		
Stockholders' equity		
Capital stock - no par value authorized 10,000 shares; issued and outstanding 6,000 shares	1,976,000	1,976,000
Stock subscription receivable	(1,000)	(1,000)
Retained earnings	11,229,326	8,055,940
Total stockholders' equity	13,204,326	10,030,940
Total Liabilities and Stockholders' Equity	\$ 38,921,939	\$ 25,106,000

See accompanying notes to financial statements.

Hydrocarbon Exchange Corporation

Statements of Operations

<i>For the Years ended June 30,</i>	2010	2009
Revenues		
Gas sales	\$325,277,326	\$ 455,116,236
Marketing fees	618,354	757,192
Total revenues	325,895,680	455,873,428
Cost of gas sales	318,581,815	452,065,157
Gross profit	7,313,865	3,808,271
General and administrative expenses	1,746,125	1,622,791
Depreciation and amortization	76,193	77,221
Total expenses	1,822,318	1,700,012
Income from operations	5,491,547	2,108,259
Other income (expenses)		
Interest income	10,102	47,013
Interest expense and bank charges	(578,364)	(495,230)
Total other income (expense)	(568,262)	(448,217)
Income before provision for income tax	4,923,285	1,660,042
Provision for income tax		
Current	1,051,433	473,385
Deferred	698,466	226,377
Total provision for income tax	1,749,899	699,762
Net income	\$ 3,173,386	\$ 960,280

See accompanying notes to financial statements.

Hydrocarbon Exchange Corporation

Statements of Stockholders' Equity

	Number of Shares Issued	Capital Stock	Stock Subscription Receivable	Retained Earnings	Total
Balance at June 30, 2008	6,000	\$ 1,976,000	\$ (1,000)	\$ 7,095,660	\$ 9,070,660
Net income	-	-	-	960,280	960,280
Balance at June 30, 2009	6,000	1,976,000	(1,000)	8,055,940	10,030,940
Net income	-	-	-	3,173,386	3,173,386
Balance at June 30, 2010	6,000	\$ 1,976,000	\$ (1,000)	\$ 11,229,326	\$13,204,326

See accompanying notes to financial statements.

Hydrocarbon Exchange Corporation

Statements of Cash Flows

<i>For the Years ended June 30,</i>	2010	2009
Cash flows from operating activities		
Net income	\$ 3,173,386	\$ 960,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76,193	77,221
Unrealized gain or loss on natural gas futures contract	(1,810,740)	37,671
Deferred income tax	698,466	226,377
Changes in operating assets and liabilities:		
Natural gas futures contract account	(960,012)	(455,002)
Accounts receivable	(10,052,227)	65,625,109
Imbalance inventories	364,025	1,361,208
Prepaid expenses and other assets	222,824	(320,163)
Trade accounts payable and accrued expenses	9,223,797	(49,635,311)
Trade accounts payable - related parties	526,308	(16,619,647)
Income taxes and other tax payables	198,753	-
Net cash provided by operating activities	1,660,773	1,257,743
Cash flows from investing activities		
Issuance of note receivable	(3,054,521)	-
Purchases of property and equipment	-	(3,908)
Cash used in investing activities	(3,054,521)	(3,908)
Net (decrease) increase in cash and cash equivalents	(1,393,748)	1,253,835
Cash and cash equivalents, at beginning of year	2,910,290	1,656,455
Cash and cash equivalents, at end of year	\$ 1,516,542	\$ 2,910,290

See accompanying notes to financial statements.

Hydrocarbon Exchange Corporation

Notes to Financial Statements

1. Business Organization and Business Activities

Hydrocarbon Exchange Corporation (the "Company") was formed on July 1, 2004. The Company, which is located in Dallas, Texas, markets natural gas.

The Company focuses on the purchase of natural gas supplies from independent producers and the resale of gas to industrial end-users, electric power generators, and large market aggregators located in Texas and Oklahoma. The Company anchors its operations on marketing gas produced in North Texas.

The Company has been formed as a Texas C corporation, and is owned by three stockholders. Each of the three stockholders owns a 33.3% share in the Company. Dividends to stockholders will be made at the Company's discretion when declared. No dividends were declared during the years ended June 30, 2010 and 2009.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2010 and 2009, and revenues and expenses during the reporting period. Actual results could differ from estimates. Estimates included in the financial statements include the net realizable value of accounts receivable and inventory valuation. It is possible that these estimates may change based on actual results and other factors.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Company reports cash flows resulting from futures contracts as an operating activity as the transactions relate to cash payments that hedge a purchase or sale of inventory.

The Company is required to maintain a minimum cash balance of \$2,500,000 to remain in compliance with its credit facility agreement which is further discussed in Note 8.

Derivative Financial Instrument and Commodity Price Risk Management

The Company enters into certain derivative contracts in accordance with its risk management strategy that do not meet the criteria for hedge accounting. Although these derivatives do not qualify as hedges, they have the economic impact of mitigating commodity price exposures. These derivative financial instruments are accounted for on a full mark to market basis through current earnings. The Company continues to carry these derivatives at their fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings.

Hydrocarbon Exchange Corporation

Notes to Financial Statements

Accounts Receivable

Accounts receivable from gas sales consist of uncollateralized accrued revenues due under normal trade terms, generally requiring payment within 30 days of invoice date. No interest is charged on past-due balances. Payments made on all accounts receivable are applied to the earliest unpaid items. The Company uses the direct write-off method for recognizing bad debts, which approximates the allowance method. Accounts are written off when there is certainty as to their being uncollectible. No allowance was necessary at June 30, 2010 and 2009.

Imbalance Inventories

Differences between the volumes of gas purchased and nominated to customers and volumes actually delivered by the pipelines (imbalances) are included in the financial statements as inventory. The Company maintains an imbalance inventory valued at applicable spot market prices at various hubs located in Texas. All short imbalance positions are accrued.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to operations as incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Property and equipment are depreciated or amortized using straight-line method over the following estimated useful lives:

Office and computer equipment	1-5 years
Software	3-5 years
Furniture and fixtures	3-7 years

Leasehold improvements are amortized on a straight-line method over the shorter of the lease term or estimated useful life of the asset.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of such assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. In managements opinion, no impairment of assets exists at June 30, 2010 and 2009.

Income Taxes

The Company utilizes the asset and liability approach to accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. The effect on deferred tax assets and

Hydrocarbon Exchange Corporation

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liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized on a more likely than not basis. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. In accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 740-10-25 (formerly FIN 48, "*Accounting for Uncertainty in Income Taxes*"), the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company recognized both interest and penalties related to uncertain tax positions as part of the income tax provision.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, natural gas futures contract account, accounts payable and accrued expenses. The carrying amounts of financial instruments are representative of their fair values due to their short maturities.

Revenue Recognition

Natural gas sales consist of sales to natural gas purchasers. All contracts in which the Company takes legal possession of gas are presented separately as gross sales and cost of gas sold. The Company accounts for its trading activities in accordance with US GAAP, regarding the presentation of trading activities in the statements of operations. This rule prescribes that all trading contracts, whether or not physically settled, be recorded net upon settlement, rather than gross as a sale and cost of sale. Management has determined all gas purchases and sales to be non-trading and are, therefore, presented on a gross basis.

The Company recognized revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

For marketing contracts in which the Company acts as agent to market gas on behalf of others, revenue is reflected as marketing fees and recognized as revenue during the period the service is rendered.

Shipping and Handling Costs

Shipping and handling costs are reported under the cost of gas sales on the statement of operations.

Recently Adopted Accounting Pronouncements

Effective July 1, 2009, the Company adopted FASB ASC 740-10-25 (formerly FIN 48, "*Accounting for Uncertainty in Income Taxes*"). It clarifies the accounting for uncertainty in income tax recognized in a company's financial statements and requires companies to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It

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also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest and penalties. Previously recorded income tax benefits that no longer meet this standard are required to be charged to earnings in the period that such determination is made. Adoption of this standard did not materially impact the financial condition or results of operations of the Company.

In June 2009, the FASB issued guidance on the accounting standards codification and the hierarchy of generally accepted accounting principles now codified under ASC Topic 105-10. The accounting standards codification is intended to be the source of authoritative US GAAP and reporting standards as issued by the FASB. Its primary purpose is to improve clarity and use of existing standards by grouping authoritative literature under common topics. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The accounting standards codification does not change or alter existing US GAAP, and there is no impact on the Company's balance sheets, statements of operations, or cash flows.

In December 2007, the FASB issued FASB ASC Topic 805, *Business Combinations* which establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FASB ASC Topic 805 is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of an entity's fiscal year that begins on or after December 15, 2008. FASB ASC Topic 805 requires acquisition transaction costs to be expensed as incurred rather than capitalized as a direct cost of the acquisition. Depending on the size, nature and complexity of future acquisition transactions, such transaction costs could be material to the Company's results of operations under FASB ASC Topic 805.

Effective July 1, 2009, the Company adopted a FASB standard regarding disclosures about derivative instruments and hedging activities. The standard requires entities that utilize derivative instruments to provide qualitative disclosures about their objective and strategies for using such instruments. The standard also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provision of existing guidance relating to accounting for derivatives and hedging activities have been applied and the impact that hedges have on entity's operating results, financial position or cash flows.

Recently Issued Accounting Pronouncements

In June 2009, the FASB issued a standard, which amended existing standards on consolidation of variable interest entities. This statement amends the guidance to require a company to perform an analysis of its existing investments to determine whether its variable interest or interest give the company a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of significant impact on a variable interest entity and the obligation to absorb losses or receive benefits from the variable interest entity that could potentially impact on a variable interest entity and the obligation to absorb losses or receive benefits from the variable interest entity that could potentially be significant to the variable interest entity. This statement is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. The Company currently is assessing

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the impact of the adoption on the Company's financial position, result of operations and cash flows.

Reclassifications

Certain reclassifications have been made to conform the prior period data to the current year presentation.

3. Note Receivable

On June 17, 2010, the Company issued a \$3,054,521 note to an unaffiliated company and the note has an annual interest rate of 10% and principal and interest are due on September 15, 2010. The note is secured by a deed of trust, assignment of production and security agreement covering interest in a certain number of producing wells located in Texas. Subsequent to June 30, 2010, the note was amended and the note will now mature on November 15, 2010.

4. Natural Gas Futures Contract Account

The Company had deposits with its registered commodity broker of \$5,387,095 at June 30, 2010 and \$2,616,343 at June 30, 2009, that was pledged to secure outstanding natural gas futures contracts. The account includes a cash balance of \$3,576,355 at June 30, 2010 and \$2,654,014 at June 30, 2009, less unrealized losses or plus unrealized gains at fair value on natural gas contracts of \$1,810,740 at June 30, 2010 and \$37,671 at June 30, 2009 yet to be settled. Included in the gas purchases during the years ended June 30, 2010 and 2009, is mark-to-market valuation of \$229,540 and \$34,800, respectively, incurred on natural gas futures contracts that were used to hedge natural gas to be bought and sold during the future periods.

The Company adopted ASC 820 in the Broad Transaction - Fair Value Measurement and Disclosures which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The criterion that is set forth in this standard is applicable to the fair value measurement where it is permitted or required under other accounting pronouncements. ASC 820 defines fair value as the exit price, which is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. ASC 820 establishes a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of observable market data, other than that included in Level 1, that is either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions of the Company, not a market participant, if there is little available market data and the Company's own assumptions are considered by management to be the best available information.

In the case of multiple inputs being used in fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported. The Company uses derivatives for the purpose of

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mitigating exposure to market risk in commodity prices. The Company uses exchange-traded futures and options to hedge grain and natural gas commodities

The fair value measurements that are performed on a recurring basis fall within Level 1 of the fair value hierarchy. The amounts are as follows:

June 30,	2010	2009
Commodity derivatives	\$ 5,387,095	\$ 2,616,343

5. Cash Flow Information

Supplemental cash flow information for the years ended June 30 are as follows:

	2010	2009
Cash paid during the period for income taxes	\$ 730,264	\$ 863,700
Cash paid during the period for interest and bank charges	\$ 578,364	\$ 495,230

6. Related Party Transactions

The Company has identified three related parties, Texas Energy Management Corporation ("TEMCO"), Gas Asset management, Inc. ("GAM") and Texas Energy Midstream (TEMidstream), with which it shares directors and staff members. TEMCO, GAM and TEMidstream have appointed the Company to act on their behalf regarding certain Firm Intrastate Transportation Agreements and assigned contracts with various natural gas suppliers to the Company.

The Company has a long-term natural gas supply contract with TEMCO for resale of natural gas, at market price, in the normal course of business. The purchases from TEMCO totaled approximately \$53,363,000 and \$96,460,000 for the years ended June 30, 2010 and 2009, respectively, representing 18% of total purchases in 2010 and 22% of total purchases in 2009. The Company purchased transportation from TEMidstream for approximately \$2,212,000 and \$1,221,000 for the years ended June 30, 2010 and 2009, respectively, representing 17% of total transportation in 2010 and 7% in 2009.

At June 30, 2010 and 2009, the Company had a net payable to TEMCO of approximately \$4,317,000 and \$3,630,000, respectively, and a net payable to TEMidstream of approximately \$158,564 and \$319,000, respectively.

The Company realized marketing fees of approximately \$309,000 and \$424,000 during the years ended June 30, 2010 and 2009, respectively, on resale of gas purchased from TEMCO.

The Company paid commissions of approximately \$1,615,000 and \$899,000 for the years ended June 30, 2010 and 2009, respectively, to two Companies that are wholly owned by the shareholders of Hydrocarbon Exchange Corporation and to TEMCO and GAM.

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Notes to Financial Statements

Operating Leases

Beginning August 1, 2005, the Company entered into a new lease agreement with TEMCO for its office facilities. The rental agreement is for a period of 65 months and provides five months free rent and average monthly rental payments of \$4,430 after the initial five-month period. The Company recognized rent expense under the agreement of \$42,107 for the year ended June 30, 2010 and \$59,408 for the year ended June 30, 2009. Additional office space increased rent by \$950 per month effective March 1, 2008. The following is a schedule of the future minimum lease payments required under the operating lease:

Year Ending June 30,

2011	\$	34,839
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7. Concentrations and Economic Dependency

Deposits at one bank exceeded the \$100,000 federally insured limit at various times throughout the years ended June 30, 2010 and 2009.

At June 30, 2010, the Company had one customer that accounted for approximately 23% of the outstanding accounts receivable balance. Two customers comprised 25% of total gas sales for the year ended June 30, 2010.

At June 30, 2009, the Company had two customers that accounted for approximately 32% of the outstanding accounts receivable balance. Three customers comprised 36% of total gas sales for the year ended June 30, 2009.

Management does not believe that the loss of any one customer would have a material adverse effect on the Company's results of operations or cash flows, as it believes it could readily locate other customer.

The Company had two vendors that comprised 62% of the outstanding gas accounts payable at June 30, 2010. Two vendors comprised 54% of total gas purchases for the year ended June 30, 2010.

The Company had two vendors that comprised 71% of the outstanding gas accounts payable at June 30, 2009. Three vendors comprised 65% of total gas purchases for the year ended June 30, 2009.

Management does not believe that the loss of any one vendor would have a material adverse effect on the Company's results of operations or cash flows, as it believes it could readily locate other vendors.

8. Credit Facility

On May 1, 2009, the Company entered into an uncommitted revolving credit facility agreement (the "Facility") with a bank. The Facility expired on October 31, 2009. On February 26, 2010, the credit facility was extended and amended and the credit facility will now mature on January 11, 2011. The maximum amount the Company can borrow under the Facility depends on certain

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provisions defined in the Facility, and was set at \$50,000,000 and \$63,500,000 at June 30, 2010 and 2009, respectively. The Company has no outstanding balance on the Facility at June 30, 2010 and 2009, respectively. Amounts outstanding under the Facility bear interest at varying rates based on the amount of time the advance has been outstanding. The interest rate on outstanding letters of credit was 3% at June 30, 2010 and 2009, respectively. The Facility contains certain covenants, the most restrictive of which require the Company to maintain certain net worth, working capital, debt to earnings before interest, taxes, depreciation, amortization ("EBITDA"), EBITDA to interest expense, and current ratios. The Facility is guaranteed by the three shareholders of the Company up to \$1,000,000 per shareholder. The bank holds a security interest in all of the assets of the Company. The Company has outstanding letters of credit of \$12,379,287 and \$10,258,860 at June 30, 2010 and 2009, respectively.

9. Other Commitments and Contingencies

The Company enters into various contracts to both sell and acquire natural gas in the future. The Company's ability to meet its commitment to sell natural gas to its customers in future periods is dependent upon performance by those vendors that have committed to provide natural gas in the same future period.

Additionally, from time to time, the Company are involved in claims and litigation arising in the normal course of business that are not expected to have a material adverse effect on the Company's financial statements, however, the ultimate outcome cannot be presently determined.

10. Retirement Plan

The Company has a 401(k) profit sharing plan (the "Plan") for the benefit of its employees. Eligible employees under the Plan consist of all employees who have attained the age of twenty-one. The Company made no profit sharing contribution for the years ended June 30, 2010 and 2009. In addition, the Company may elect to make matching contributions which will be determined by the Board of Directors annually. There were no employer matching contributions to the Plan for the years ended June 30, 2010 and 2009.

11. Income Tax

Provision for income tax for the years ended June 30, 2010 and 2009 consisted of the following:

	2010	2009
Income tax expense:		
Current:		
Federal	\$ 938,008	\$ 351,208
State	113,425	122,177
Deferred:		
Federal	698,466	226,377
	<u>\$ 1,749,899</u>	<u>\$ 699,762</u>

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Deferred taxes are determined based on temporary differences between the financial statements and income taxes bases of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse.

Deferred income taxes consist of the following at June 30:

	2010	2009
<hr/>		
Current deferred tax asset (liability):		
Unrealized loss or gain on natural gas contract	\$ (693,695)	\$ 976
<hr/>		
Total	\$ (693,695)	\$ 976
<hr/>		
Non-current deferred tax asset:		
Property and equipment, leasehold improvements and intangibles	\$ 8,746	\$ 12,541
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Total	\$ 8,746	\$ 12,541
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The income tax expense differs from the amount computed by applying the statutory federal income tax rate of 34% to income before income taxes primarily as a result of the state income taxes and disallowance of 50% of meals and entertainment expenses for income tax purposes.

12. Subsequent Events

The Company has evaluated subsequent events through October 20, 2010, the date the financial statements were available for issuance.