RECOVERY ENERGY, INC. (RECV)

10-Q
Quarterly report pursuant to sections 13 or 15(d)
Filed on 05/20/2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

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

For the transition period from ______to______.

RECOVERY ENERGY, INC.
(Exact name of registrant as specified in Charter)

NEVADA	333-152571	74-3231613
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employee Identification No.)

1515 Wynkoop Street, Suite 200
Denver, CO 80202
(Address of Principal Executive Offices)

1 (888) 887-4449
(Issuer Telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer 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 ☐

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

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 Rule 12b-2 of the Exchange Act.
Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 17, 2010: 21,473,328 shares of Common Stock.

Recovery Energy, Inc.
(Formerly, Universal Holdings, Inc.)

FORM 10-Q
March 31, 2010
INDEX

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SIGNATURE

Item 1. Financial Information

RECOVERY ENERGY, INC.
f/k/a UNIVERSAL HOLDINGS, INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET

Assets	**March 31, 2010 (unaudited)**	**December 31, 2009 (unaudited)**
Current Assets		
Cash	$ 172,047	$ 108,400
Restricted cash	39,437	20,876
Accounts receivable	426,561	100,000
Deferred financing costs	2,521,648	-
Prepaid assets	45,341	55,249
Total current assets	3,205,034	284,525
Oil and gas properties (full cost method), at cost:		
Proved oil and gas properties	8,449,411	-
Unproved oil and gas properties	1,574,140	-
Less accumulated depreciation, depletion and accretion	(230,271)	-
Net oil and gas properties	9,793,280	-
Other Assets		
Office equipment	971	470
Restricted cash and deposits	110,196	110,031
Assets held for sale	500,000	500,000
Total other assets	611,167	610,501
Total Assets	$ 13,609,481	$ 895,026
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	275,746	106,355
Liabilities from price risk management	133,369	-
Related party payable - production payments	15,054	70,876
Refundable deposits	100,000	100,000
Accrued expenses	134,141	51,523
Short term note	10,321,250	-
Total Current Liabilities	10,979,560	328,754
Noncurrent Liabilities:		
Asset retirement obligation	252,925	-
Total Liabilities	11,232,485	328,753
Common Stock subject to redemption rights, $0.0001 par value; 85,000 shares issued and outstanding	172,516	172,516
Other Shareholders' Equity		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized, none outstanding	-	-
Common Stock, $0.0001 par value: 100,000,000 shares authorized; 13,207,334 and 10,774,000 shares issued and outstanding (excluding 85,000 shares subject to redemption) as of March 31, 2010 and December 31, 2009, respectively	1,321	1,077
Additional Paid in Capital	34,935,254	30,304,060
Deficit accumulated during the development stage	(32,732,095)	(29,911,381)
Total other shareholders' equity	2,204,480	393,756
Total Liabilities, Common Stock subject to redemption rights and Other Shareholders' Equity	$ 13,609,481	$ 895,026

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

RECOVERY ENERGY, INC.
f/k/a UNIVERSAL HOLDINGS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2010 (unaudited)	March 6, 2009 (inception) through March 31, 2010) (unaudited)
Revenue		
Oil sales	$ 622,595	$ 622,595
Operating fees	1,125	1,125
Price risk management activities	(133,369)	(133,369)
Total Revenues	490,351	490,351
Costs and expenses		
Production costs	121,877	121,877
Production taxes	35,488	35,488
General and administrative (includes non-cash compensation expense of $1.9 million) for the three months ending March 31, 2010	2,343,321	3,400,627
Depreciation, depletion and amortization	231,917	231,917
Impairment of equipment	-	2,750,000
Fair value of common stock and warrants issued in attempted property acquisitions (non-cash consideration)	-	8,404,106
Reorganization and merger costs (non-cash consideration)	-	17,700,000
Total costs and expenses	2,732,603	32,644,015
Loss from operations	(2,242,251)	(32,153,663)
Unrealized gain on Lock-up	15,209	15,209
Interest expense (includes non-cash deferred financing cost amortization expense of $466,174)	(593,672)	(593,641)
Net Loss	$ (2,820,714)	$ (32,732,095)
Earnings per common share		
Basic and diluted	$ (0.24)	
Weighted average shares outstanding:		
Basic and diluted	11,711,037	

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

RECOVERY ENERGY, INC.
f/k/a UNIVERSAL HOLDINGS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ending 31-Mar-10 (UNAUDITED)	March 2, 2009 (inception) through March 31, 2010 (UNAUDITED)
Cash flows from operating activities		
Net loss	$ (2,820,714)	$ (32,732,095)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment	-	2,750,000
Fair value of warrants issued	-	3,329,106
Stock based compensation	1,106,437	1,791,215
Non-cash reorganization and merger costs	-	17,700,000
Loss on attempted property acquisitions	-	5,075,000
Changes in the fair value of derivatives	133,369	133,369
Compensation expense recognized for assignment of overrides	826,510	826,510
Amortization of deferred financing costs	466,174	466,174
Depreciation, depletion, and accretion	231,917	231,917
Changes in operating assets and liabilities:		
Accounts receivable	(326,561)	(426,561)
Other current assets	9,908	(45,341)
Accounts payable	208,314	280,783
Restricted cash	(18,561)	(39,437)
Related party production payments	(56,214)	14,662
Accrued expenses	44,089	68,127
Net cash used in operating activities	(195,332)	(576,571)
Cash flows from investing activities		
Additions of producing properties and equipment (net of purchase price adjustment)	(48,421)	(48,421)
Acquisition of properties	(10,313,184)	(10,313,184)
Sale of properties	-	1,500,000
Additions of office equipment	(501)	(750,971)
Acquisition of cash purchased in acquisition	-	140
Investment in operating bonds	(165)	(110,196)
Net cash provided by investing activities	(10,362,271)	(9,722,632)
Cash flows from financing activities		
Proceeds from sale of common stock	300,000	800,000
Proceeds from debt issuance	10,500,000	10,500,000
Common stock reacquired in attempted Church acquisition	-	(750,000)
Common stock issuable	-	100,000
Repayment of debt	(178,750)	(178,750)
Net cash provided by financing activities	10,621,250	10,471,250
Net increase in cash and cash equivalents	63,647	172,047
Cash and cash equivalents, beginning of period	108,400	-
Cash and cash equivalents, end of period	$ 172,047	$ 172,047

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Basis of Presentation and Going Concern

The unaudited financial statements included herein were prepared from the records of the Company in accordance with generally accepted accounting principles in the United States applicable to interim financial statements and reflect all normal recurring adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year. Such financial statements conform to the presentation reflected in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") for the year ended December 31, 2009. The current interim period reported herein should be read in conjunction with the financial statements and summary of significant accounting policies and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. We are currently in the development stage as we have not realized significant revenue since inception. Activities have included raising capital and acquisitions. We have incurred net losses since inception, and as of March 31, 2010, had an accumulated deficit of $32,732,095. These conditions raise substantial doubt as to our ability to continue as a going concern. 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 be different should we be unable to continue as a going concern.

Management recognizes that the Company must generate additional cash resources to enable it to continue operations. We intend to raise additional financing through equity financings or through other means that we deem necessary, with a view to generating operating cash flow from oil and gas producing activities. However, there is no assurance that we will be successful in raising additional capital. Further, even if we raise additional capital, there is no assurance that we will achieve profitability or positive cash flow. If we are unable to raise additional capital and ultimately unable to achieve profitable operations and positive cash flows, we will not be able to meet our obligations and may have to cease operations.

Principles of Consolidation

Principles of Consolidation

The accompanying consolidated financial statements include Recovery Energy Inc. and its wholly−owned subsidiaries Recovery Oil and Gas, LLC, Recovery Energy Services, LLC and Universal Products Marketing, Inc. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an on-going basis and bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. Although actual results may differ from these estimates under different assumptions or conditions, the Company believes that its estimates are reasonable. Our most significant financial estimates are associated with our estimated proved oil and gas reserves.

Oil and Gas Producing Activities

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center ("full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition and exploration activities. Proceeds from property sales are generally credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of the proved reserves related to a single full cost pool.

Depletion of exploration and development costs and depreciation of production equipment is computed using the units-of-production method based upon estimated proved oil and gas reserves. Costs included in the depletion base to be amortized include (a) all proved capitalized costs including capitalized asset retirement costs net of estimated salvage values, less accumulated depletion, (b) estimated future development cost to be incurred in developing proved reserves; and (c) estimated dismantlement and abandonment costs, net of estimated salvage values, that have not been included as capitalized costs because they have not yet been capitalized as asset retirement costs. The costs of unproved properties are withheld from the depletion base until it is determined whether or not proved reserves can be assigned to the properties. The properties are reviewed quarterly for impairment. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations. During the three months ended March 31, 2010, no unproved land costs were impaired.

Estimated reserve quantities and future net cash flows have the most significant impact on the Company because these reserve estimates are used in providing a measure of the Company's overall value. These estimates are also used in the quarterly calculations of depletion, depreciation and impairment of the Company's proved properties.

Estimating accumulations of gas and oil is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions, some of which are mandated by the SEC, such as gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserve estimate is a function of the quality and quantity of available data; the interpretation of that data; the accuracy of various mandated economic assumptions; and the judgment of the persons preparing the estimate.

The optimal method of determining proved reserve estimates is based upon a decline analysis method, which consists of extrapolating future reservoir pressure and production from historical pressure decline and production data. The accuracy of the decline analysis method generally increases with the length of the production history. Most of the Company's wells have been producing for a period of less than six years and for some, less than a year. Because of this short production history, other generally less accurate methods such as volumetric analysis and analogy to the production history of wells of ours and other operators in the same reservoir were used in conjunction with the decline analysis method to determine the Company's estimates of proved reserves including developed producing, developed non-producing and undeveloped. As the Company's wells are produced over time and more data is available, the estimated proved reserves will be re-determined at least on a quarterly basis in accordance with applicable rules established by the SEC and may be adjusted based on that data.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed quarterly to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full cost pool and becomes subject to depletion calculations. Capitalized costs, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves. For this purpose, we convert our petroleum products and reserves to a common unit of measure. For depletion and depreciation purposes, relative volumes of oil and gas production and reserves are converted at the energy equivalent rate of six thousand cubic feet of natural gas to one barrel of crude oil. Under the full cost method of accounting, capitalized oil and gas property costs less accumulated depletion and net of deferred income taxes may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proved oil and gas reserves plus the cost of unproved properties not subject to amortization (without regard to estimates of fair value), or estimated fair value, if lower of unproved properties that are subject to amortization. Should capitalized costs exceed this ceiling, an impairment is recognized.

The present value of estimated future net revenues is computed by applying current prices of oil and gas to estimated future production of proved oil and gas reserves as of period-end, less estimated future expenditures to be incurred in developing and producing the proved reserves assuming the continuation of existing economic conditions.

There were no impairment charges recognized for proved or unproved properties for the three month period ending March 31, 2010.

Deferred Financing Costs

Deferred financing costs include legal, engineering and accounting fees incurred in connection with the Company's Loan Agreement, which are being amortized over the term of the Credit Facility (see Note 8). The Company recorded amortization expense of $466,174 in the three month period ended March 31, 2010.

Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In accordance with FASB new codification of "*Accounting for Impairment or Disposal of Long-Lived Assets*", the Company carries long-lived assets at the lower of the carrying amount or fair value. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flow is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest.

There was no impairment losses recorded during the period ended March 31, 2010.

Revenue Recognition

The Company records the sale of natural gas and oil as they are produced and sold. The Company recognized $622,595 in proceeds from oil sales and $1,125 in proceeds from net well management fees for the period ending March 31, 2010.

Accounting Standards Updates

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures About Fair Value Measurements", which provides amendments to fair value disclosures. ASU 2010-06 requires additional disclosures and clarifications of existing disclosures for recurring and nonrecurring fair value measurements. The revised guidance for transfers into and out of Level 1 and Level 2 categories, as well as increased disclosures around inputs to fair value measurement, was adopted January 1, 2010, with the amendments to Level 3 disclosures effective for beginning after January 1, 2011. ASU 2010-06 concerns disclosure only. Both the current and future adoption does not have a material impact on the Company's financial position or results of operations. Refer to "Note 3 – Financial and Derivative Instruments" for the Company's disclosures on fair value.

NOTE 2 LOSS PER SHARE

Basic earnings (loss) per share is computed based on the weighted average number of common shares outstanding during the period presented. In addition to common shares outstanding, and in accordance with ASC 260 – Earnings Per Share, diluted loss per share is computed using the weighted-average number of common shares outstanding plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares had been issued. Potentially dilutive securities, such as stock grants and stock purchase warrants, are excluded from the calculation when their effect would be anti-dilutive. For the period ending March 31, 2010, 1,584,200 restricted common stock grants, 3,000,000 in contingent stock issuances and 750,000 warrants have been excluded from the diluted share calculations as they were anti-dilutive as a result of net losses incurred. Accordingly, basic shares equal diluted shares for all periods presented.

NOTE 3 FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company's primary market exposure is to adverse fluctuations in the prices of oil. The Company uses derivative instruments, primarily swaps, to manage the price risk associated with equity oil production, and the resulting impact on cash flow, net income, and earnings per share. The Company does not use derivative instruments for speculative purposes.

The Company recognizes its derivative instruments as either assets or liabilities at fair value on its consolidated balance sheet and accounts for the derivative instruments as mark to market derivative instruments. On the cash flow statement, the cash flows from these instruments are classified as operating activities.

Derivative instruments expose the Company to counterparty credit risk. The Company enters into these contracts with third parties that it considers to be credit worthy. In addition, the Company's master netting agreements reduce credit risk by permitting the Company to net settle for transactions with the same counterparty.

As with most derivative instruments, the Company's derivative contracts contain provisions which may allow for another party to require security from the counterparty to ensure performance under the contract. The security may be in the form of, but not limited to, a letter of credit, security interest or a performance bond. The Company was in an overall liability position with its counterparty at March 31, 2010, and the party has not required a form of security guarantee.

Mark to market hedging instruments

Unrealized gains and losses resulting from derivatives not designated as cash flow hedges are recorded at fair value on the balance sheet and changes in fair value are recognized in the price risk management activities line on the consolidated statement of operations currently. Realized gains and losses resulting from the contract settlement of derivatives not designated as cash flow hedges also are recorded in the price risk management activities line on the consolidated statement of income.

During March 2010, the Company entered into two commodity derivative financial instruments intended to economically hedge our exposure to market fluctuations of oil prices. In April 2010, the Company entered into an additional commodity derivative financial instrument intended to economically hedge our exposure to market fluctuations of oil prices.

The Company had the following commodity volumes under derivative contracts as of March 31, 2010:

	Average Barrels per quarter	Average Barrels per Day	Price per barrel
2010			
Second quarter	7,200	80	$ 83.20
Third quarter	6,300	70	$ 83.20
Fourth quarter	5,400	60	$ 83.20
2011			
First quarter	4,500	50	$ 83.20
2010			
Second quarter	7,200	80	$ 81.25
Third quarter	6,300	70	$ 81.25
Fourth quarter	5,400	60	$ 81.25
2011			
First quarter	4,500	50	$ 81.25

During April, the following additional volumes were covered by a commodity contract:

	Average Barrels per quarter	Average Barrels per Day	Price per barrel
2010			
Second quarter	16,000	267	$ 88.00
Third quarter	18,400	204	$ 88.00
Fourth quarter	12,900	143	$ 88.00
2011			
First quarter	9,900	110	$ 88.00
Second quarter	3,300	110	$ 88.00

The table below contains a summary of all the Company's derivative positions reported on the consolidated balance sheet as of March 31, 2010, presented gross of any master netting arrangements:

Derivatives not designated as hedging instruments under ASC 815	Balance Sheet Location	Fair Value
Liabilities		
Commodity derivatives	Liabilities from price risk management • current	$ (133,369)
	Liabilities from price risk management • long term	-
Total		$ (133,369)

The before-tax effect of derivative instruments not designated as hedging instruments on the consolidated statement of operations for the three months ended March 31, 2010 was as follows:

Derivatives not Designated as Hedging Instruments under ASC 815	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative Three months ended March 31, 2010
Commodity contracts	Price risk management activities	$ 133,369

Refer to Note 4 for additional information regarding the valuation of the Company's derivative instruments.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company records certain of its assets and liabilities on the balance sheet at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). A three-level valuation hierarchy has been established to allow readers to understand the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 • Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 • Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3 • Unobservable inputs that reflect the Company's own assumptions.

The following describes the valuation methodologies the Company uses for its fair value measurements.

Cash and cash equivalents
Cash and cash equivalents include all cash balances and any highly liquid investments with an original maturity of 90 days or less. The carrying amount approximates fair value because of the short maturity of these instruments. At March 31, 2010 the Company had $172,047 in cash equivalents.

Derivative instruments
The Company determines its estimate of the fair value of derivative instruments using a market approach based on several factors, including quoted market prices in active markets, quotes from third parties, and the credit rating of its' counterparty. The Company also performs an internal valuation to ensure the reasonableness of third-party quotes.

In consideration of counterparty credit risk, the Company assessed the possibility of whether the counterparty to the derivative would default by failing to make any contractually required payments. Additionally, the Company considers that the counterparty is of substantial credit quality and has the financial resources and willingness to meet its potential repayment obligations associated with the derivative transactions.

At March 31, 2010, the types of derivative instruments utilized by the Company included commodity swaps. The oil derivative markets are highly active. Although the Company's economic hedges are valued using public indices, the instruments themselves are traded with third-party counterparties and are not openly traded on an exchange. As such, the Company has classified these instruments as Level 2.

The following table provides a summary of the fair values of assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments • Commodity forward contracts	$ •	$ •	$ •	$ •
Total assets at fair value	$ •	$ •	$ •	$ •
Liabilities				
Commodity forward contracts	$ •	$ 133,369	$ •	$ 133,369
Total liabilities at fair value	$ •	$ 133,369	$ •	$ 133,369

Concentration of credit risk
Financial instruments which potentially subject the Company to credit risk consist of the Company's accounts receivable and its derivative financial instruments. Substantially all of the Company's receivables are within the oil and gas industry, including those from a third-party marketing company. Collectability is dependent upon the financial wherewithal of each individual company as well as the general economic conditions of the industry. The receivables are not collateralized.

At March 31, 2010 the Company's derivative financial instruments were held with a single counterparty. The Company continually reviews the credit-worthiness of its counterparties. The Company's derivative instruments are part of master netting agreements, which reduces credit risk by permitting the Company to net settle for transactions with the same counterparty.

NOTE 5 ASSET RETIREMENT OBLIGATIONS

The Company uses the income approach to recognize the estimated liability for future costs associated with the abandonment of its oil and gas properties. The Company's asset retirement obligation is measured using primarily Level 3 inputs. The significant unobservable inputs include (1) the cost of abandoning oil and gas wells, which is based on the Company's historical experience for similar work, or estimates from independent third-parties; (2) the economic lives of its properties, which is based on estimates from reserve engineers; (3) the inflation rate; and (4) the credit adjusted risk-free rate.

A reconciliation of the Company's asset retirement obligation liability is below:

December 31, 2009 asset retirement obligation	$	-
Liabilities incurred		251,280
Accretion expense		1,646
March 31, 2010 asset retirement obligation	$	252,926

The accretion expense recorded during the period is recorded in the production costs line item on the consolidated statement of income.

The Company did not have any transfers of assets or liabilities between Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the three months ended March 31, 2010.

NOTE 6 SHARE BASED COMPENSATION

Recovery has not adopted a Stock Incentive Plan for its management team. Each member of the board of directors and the management team was awarded restricted stock grants in their respective appointment or employment agreements.

Recovery accounts for stock based compensation arrangements in accordance with the provisions of ASC 718 Compensation – Stock Compensation. ASC 718 requires measurement and recording to the financial statements of the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award.

On September 21, 2009, we granted 464,200 shares of restricted common stock to our new Chief Executive Officer. 20% of the shares vest on January 1, 2011 with the remaining 371,360 shares vesting quarterly in equal amounts on April 1, July 1, October 1, and January 1, 2011, 2012, 2013 and 2014. The fair value of these shares was $719,510 based on the price of $1.55 which equals the price we obtained for the restricted stock private placements prior to or concurrent with the stock grants.

On November 12, 2009 we granted 1,000,000 shares of restricted common stock, to our new Chairman of the Board. These shares vest on January 1, 2011. The fair value of these shares was $3,500,000 based on the price of $3.50 which equals the price we obtained for the restricted stock private placements prior to or concurrent with the stock grants.

On November 16, 2009 and February 5, 2010 we granted 20,000 shares and 100,000 shares, respectively, of restricted common stock to a board member. 75,000 shares of the stock vest on January 1, 2011 and the remaining 45,000 shares vest in equal amounts quarterly on April 1, July 1, and September 1, 2011. The fair value of these shares was $295,000 based on the price of $3.50 and $2.25, respectively, which equals the price we obtained for private placements prior to or concurrent with the restricted stock grants.

We recognized stock compensation expense of $906,437 for the period ended March 31, 2010.

A summary of stock grant activity for the year ended March 31, 2010 is presented below:

	Shares
Unregistered restricted stock grants outstanding at December 31, 2009	1,484,200
Granted	100,000
Vested	-
Outstanding at March 31, 2010	1,584,200

Total unrecognized compensation cost related to non-vested stock granted was $3,123,295 as of March 31, 2010. The cost at March 31, 2010 is expected to be recognized over a weighted-average remaining service period of 1.15 years.

A summary of warrant activity for the year ended March 31, 2010 is presented below:

	Shares		Weighted-Average Exercise Price
Outstanding at December 31, 2009	750,000	$	3.50
Granted	-	$	-
Exercised, forfeited, or expired	-		-
Outstanding at March 31, 2010	750,000	$	3.50
Exercisable at March 31, 2010	750,000	$	3.50

The aggregate intrinsic value of warrants as of March 31, 2010 was $375,000 based on the Company's March 31, 2010 closing common stock price of $4.00; and the weighted average remaining contract life was 4.42 years.

NOTE 7 LOAN AGREEMENTS

The Company entered into three separate loan agreements with Hexagon Investments, Inc. The first two loans were outstanding as of March 31, 2010 and the third loan closed in April 2010. All three loans bear annual interest of 15%, and mature on December 1, 2010. The loans contain cross collateralization and cross default provisions and are collateral by mortgages against the Company's developed and undeveloped leasehold acreage as well as all related equipment purchased in the three acquisitions detailed in Note 8. The loans require the payment of all net proceeds from the acquired assets. Hexagon Investments has the right to cause the sale of the properties and use the proceeds to repay the loan at any time after October 29, 2010 if the Company has not completed a private equity sale by that date sufficient to repay the loan in full on or before December 1, 2010. The loan agreements contain customary terms such as representations and warranties and indemnification. In consideration for the loans, Hexagon also received 5 million shares of common stock and a royalty interest in two properties.

NOTE 8 ACQUISTIONS

In January, 2010 the Company acquired the Wilke Field from Edward Mike Davis, L.L.C. ("Davis") for $4,500,000. Included in the acquisition were seven producing wells and a 50% working interest in two development prospects located in Nebraska and Colorado. In February, 2010 the Company entered into a credit agreement with Hexagon Investments, LLC to finance 100% of the purchase of the Wilke Field properties. Hexagon Investments received 1,000,000 shares of the Company's common stock in connection with the financing. The Company recorded $2.25 million in deferred financing costs related to the shares issued in conjunction with the loan. The shares were valued at $2.25 per share which reflects the value of private placements completed near the time the loan agreement was executed. The Company will amortize the deferred financing costs through December 1, 2010, the loan's maturity date.

In March, 2010 the Company acquired the Albin Field properties from Davis for $6,000,000 and 550,000 shares of our common stock. We simultaneously entered into a loan agreement with Hexagon Investments to finance 100% of the cash portion of the purchase price. Hexagon Investments received 750,000 shares of the Company's common stock in connection with the financing. The Company recorded $562,500 in deferred financing costs related to the shares issued in conjunction with the loan. The shares were valued at $0.75 per share which reflects the value of private placements completed near the time the loan agreement was executed. Hexagon also received a one-half percent royalty.

In April, 2010 the Company acquired the State Line Field properties from Davis for $15,000,000 and 3,500,000 shares of our common stock. We simultaneously entered into a loan agreement with Hexagon Investments to finance 100% of the cash portion of the purchase price. Hexagon Investments received 3,500,000 shares of the Company's common stock in connection with the financing. Hexagon also received a one percent royalty.

In May 2010, the Company entered into a purchase agreement with Davis to acquire certain overriding interest on existing Company owned acreage and wells, in addition to 60,000 acres of undeveloped leasehold acreage in the DJ Basin. The agreement requires the Company to provide Davis 2,000,000 shares of the Company's stock as a nonrefundable deposit and a payment of $20 million on May 21, 2010.

The Company is currently compiling revenue and expense information related to the acquisitions, however, is unable to provide this information as of the filing date of the Form 10-Q. This information excludes general and administrative expenses and therefore the Company will be unable to provide information to arrive at pro forma net income or net income per share.

For the period ending March 31, 2010, the Company Incurred $86,195 in acquisition related expenses which is included in General and administrative expenses on the Statement of Operations.

Davis and Hexagon currently own 6,500,000 shares and 5,000,000 shares, respectively, of our common stock, representing approximately 30% and 23%, respectively, of our outstanding shares at May 17, 2010.

NOTE 9 STOCKHOLDERS' EQUITY

During the first quarter, Recovery issued 2,443,334 shares. As of March 31, 2010 Recovery has 100,000,000 shares of common stock of which 13,207,334 of common shares were issued and outstanding (not including the 85,000 shares issued and outstanding under a lock-up agreement in conjunction with the reverse merger completed in September, 2009). The Company also has 10,000,000 shares of preferred stock, none of which were issued or outstanding. Such shares, however, may be issued in such series and preferences as determined by the Board of Directors. 85,000 shares of common stock were issued and outstanding under a lock-up agreement that has terms which may result in the Company reacquiring the shares due to circumstances outside of the Company's control and therefore the shares are preferential to common shares. The 85,000 shares covered by the lock-up agreement are treated as temporary equity and reported separately from other shareholders' equity.

As part of the lock-up agreement, the holder of the shares has the right to put the shares back to Recovery based on certain valuations of the shares at specific dates. The holder of the shares may require Recovery to repurchase 42,500 shares on September 21, 2010 at $0.59 per share ($25,000) if the market value of the shares is less than $25,000 (First Lock-Up period). Additionally, the holder of the shares may require Recovery to repurchase 42,500 shares on March 21, 2011 at $0.59 per share ($25,000) if the market value of the shares is less than $25,000 (Second Lock-Up period). To properly account for the option held by the holder of the shares in accordance with ASC 815 and ASR 99-1, Recovery calculated the fair value of the put agreement for each lock-up period utilizing Black-Scholes and recorded a liability equal to the fair value of the put options.

To calculate the fair value of the put option utilizing Black-Scholes, the Company utilized the closing price of stock at March 31, 2010 $5.50, expected volatility of 192%, a strike price of $0.59 ($25,000/42,500 shares = $0.59), an expected term of 6 months (9/21/2010) for one-half (1/2) of the Shares and 14 months for one-half (1/2) of the Shares (3/21/2011), a risk free rate: 0.88%, and a dividend yield: 0%. The Company realized the fair value of the liability associated with put option rights of $10,150 and during the period ended March 31, 2010, recorded a $15,209 gain based on the change in estimated fair value.

NOTE 10 COMMITMENTS and CONTINGENCIES

Environmental and Governmental Regulation – At March 31, 2010 there were no known environmental or regulatory matters which are reasonably expected to result in a material liability to the Company. Many aspects of the oil and gas industry are extensively regulated by federal, state, and local governments in all areas in which the Company has operations. Regulations govern such things as drilling permits, environmental protection and pollution control, spacing of wells, the unitization and pooling of properties, reports concerning operations, royalty rates, and various other matters including taxation. Oil and gas industry legislation and administrative regulations are periodically changed for a variety of political, economic, and other reasons. As of March 31, 2010, the Company has not been fined or cited for any violations of governmental regulations that would have a material adverse effect upon the financial condition of the Company.

Legal Proceedings – The Company may from time to time be involved in various other legal actions arising in the normal course of business. In the opinion of management, the Company's liability, if any, in these pending actions would not have a material adverse effect on the financial positions of the Company. The Company's general and administrative expenses would include amounts incurred to resolve claims made against the Company.

Potential Stock Grants and Royalty Interest under Employment/Appointment Agreements - The employment agreement for our chief executive officer and the appointment agreement for our chairman of the board contain provisions which provide these individuals additional stock grants if the Company achieves certain market capitalization miles stones.

Each of our chief executive officer and our chairman are entitled to:

(1) Upon the Company's attainment of market capitalization of $100,000,000 or more, 100,000 shares of fully-vested Common Stock;
(2) Upon the Company's attainment of market capitalization of at least $200,000,000 or more, the shares specified under subsection (1) to the extent not yet issued, plus 200,000 shares of fully-vested Common Stock;
(3) Upon the Company's attainment of market capitalization of $300,000,000 or more, the shares specified under subsections (1) and (2) to the extent not yet issued, plus 300,000 shares of fully-vested Common Stock;
(4) Upon the Company's attainment of market capitalization of $400,000,000 or more, the shares specified under subsections (1), (2) and (3) to the extent not yet issued, plus 400,000 shares of fully-vested Common Stock; and
(5) Upon the Company's attainment of market capitalization of $500,000,000 or more, the shares specified under subsections (1), (2), (3) and (4) to the extent not yet issued, plus 500,000 shares of fully-vested Common Stock.

No shares have been issued under these agreements, however under ASC 718 Compensation•Stock Compensation, the Company recorded $200,000 of expense during the period ending March 31, 2010.

In addition, under the employment agreement the Chief Executive Officer and our Chairman of the Board are each entitled to a 1% royalty for all acquisitions. In connection with the acquisition during the first quarter, $826,510 was expensed under this agreement.

NOTE 11 RELATED PARTY TRANSACTIONS

Previously, the Company sold to IEXCO, LLC a company controlled by Roger A. Parker, chairman of our Board of Directors, its remaining 50% interest in the Church Field that were purchased under the purchase and sale agreement effective October 1, 2009 for $750,000 cash. Additionally, in an unrelated transaction, IEXCO, LLC purchased a 12.5% interest in the Wilke Field. The Company is the operator of both assets, and IEXCO, LLC is responsible for its portion of the operating costs for each field. Additionally, the Company charges IEXCO, LLC a prorated portion of a $500 per month per well operating fee. At December 31, 2009 the Company owed IEXCO, LLC $70,876 in production payments. During the period ending March 31, 2010, the Company paid all outstanding amounts owed to IEXCO, LLC and advanced IEXCO, LLC's portion of operating expenses, resulting in a receivable from IEXCO, LLC at March 31, 2009 in the amount of $25,339.

The three acquisitions and the purchase agreement (See Note 8 – Acquisitions) the Company completed since the beginning of the year have been with the same seller, Edward Mike Davis, LLC. Davis owns approximately 30% of the issued and outstanding shares as of May 17, 2010. The cash portion of the purchase price for the three acquisitions was financed with loans from Hexagon Investments, Inc which owns approximately 23% of the stock issued and outstanding at May 10, 2010. During the quarter ending March 31, 2010, related to these loan agreements, the Company made principal payments of $178,750, interest payments of $71,250, and has accrued interest totaling $56,411 to Hexagon. As required by the CEO employment and Chairman's appointment agreements, the Company is required to assign a 1% overriding royalty interest in the acquisitions to the CEO and Chairman. The Company has accrued approximately $15 thousand for overriding royalties payable to management as the currently the proceeds are paid to the Company's senior lender as required by the loan agreements.

We sold 133,334 shares of our common stock for total proceeds to the Company in the amount of $300,000 to entities controlled by Mathew Jennings, a shareholder of the Company. As of May 17, 2010, Mr. Jennings and entities control by Mr. Jennings owned approximately 2,358,334 or 11% of the issued and outstanding stock of the Company. In May 2010 the Company closed the previously announced sale of its two medium depth drilling rigs to Resource Energy, Inc., an entity controlled by Mathew Jennings, for $100,000 in cash and a $600,000 note. The note bears interest at an annual rate of prime plus 1%. Interest is payable quarterly, commencing June 30, 2010. Principal payments are due quarterly in eight equal payments commencing on June 30, 2011 and ending on March 31, 2013. The gain in this sale will be recognized as a capital contribution when the proceeds are fully received.

NOTE 12 SUBSEQUENT EVENTS

In April 2010, the Company acquired the State Line Field properties from Davis for $15,000,000 and 3,500,000 shares of our common stock. We simultaneously entered into a loan agreement with Hexagon Investments to finance 100% of the cash portion of the purchase price. Hexagon Investments received 3,500,000 shares of the Company's common stock in connection with the financing. The Company hedge certain volumes of production associated with the acquisition through swap agreements. In May 2010, the Company entered into a purchase agreement with Davis to acquire certain overriding interest on existing Company owned acreage and wells, in addition to 60,000 acres of undeveloped leasehold acreage in the DJ Basin. The agreement requires the Company to provide Davis 2,000,000 shares of the Company's stock as a nonrefundable deposit and a payment of $20 million on May 21, 2010.

Davis and Hexagon currently own 6,500,000 shares and 5,000,000 shares, respectively, of our common stock, representing approximately 30% and approximately 23%, respectively, of our outstanding shares at May 17, 2010.

On April 21, 2010 the Company entered into an agreement with C.K. Cooper & Company Inc. whereby C.K. Cooper has been engaged to provide financial advisory services, to the Company. C.K. Cooper will receive fees of $125,000 and 30,995 shares of our common stock. The Company has also agreed to reimburse C.K. Cooper for its expenses.

On April 27, 2010, we sold 333,333 shares of our common stock for total proceeds to the Company in the amount of $250,000. On May 13, 2010, we sold 66,666 shares of our common stock for total proceeds to the Company in the amount of $50,000.

The Company closed the previously announced sale of its two medium depth drilling rigs to Resource Energy, Inc., an entity controlled by Mathew Jennings, a material shareholder of the Company, for $100,000 in cash and a $600,000 note. As of May 17, 2010, Mr. Jennings and entities control by Mr. Jennings owned approximately 2,358,334 or 11% of the issued and outstanding stock of the Company.

Effective May 1, 2010, Roger A Parker became our Chief Executive Officer and Jeffrey Beunier, formerly our Chief Executive Officer, became our President and Chief Financial Officer.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2009, including the following:

- *Our ability to maintain adequate liquidity in connection with low oil and gas prices;*
- *The changing political environment in which we operate;*
- *Our ability to obtain, or a decline in, oil or gas production;*
- *A decline in oil or gas prices;*
- *Our ability to increase our natural gas and oil reserves;*
- *Incorrect estimates of required capital expenditures;*
- *The amount and timing of capital deployment in new investment opportunities;*
- *The volumes of production from our oil and gas development properties, which may be dependent upon issuance by federal, state, and tribal governments, or agencies thereof, of drilling, environmental and other permits, and the availability of specialized contractors, work force, and equipment;*
- *Our future capital requirements and availability of capital resources to fund capital expenditures;*
- *Our ability to successfully integrate and profitably operate any future acquisitions;*
- *Increases in the cost of drilling, completion and gas collection or other costs of production and operations;*
- *The possibility that we may be required to take impairment charges to reduce the carrying value of some of our long-lived assets when indicators of impairment emerge;*
- *Numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and actual future production rates and associated costs;*
- *Our ability to remedy any deficiencies that may be identified in the review of our internal controls;*
- *The credit worthiness of third-parties which we enter into business agreements with;*
- *General economic conditions, tax rates or policies, interest rates and inflation rates;*
- *Changes in or compliance with laws and regulations, particularly those relating to taxation, safety and protection of the environment;*
- *Weather, climate change and other natural phenomena;*
- *Industry and market changes, including the impact of consolidations and changes in competition;*
- *The effect of accounting policies issued periodically by accounting standard-setting bodies;*
- *The actions of third party co-owners of interests in properties in which we also own an interest;*
- *The cost and effects on our business, including insurance, resulting from terrorist actions or natural disasters and responses to such actions or events;*
- *The volatility of our stock price; and*
- *The outcome of any current or future litigation or similar disputes and the impact on any such outcome or related settlements.*

We also may make material acquisitions or divestitures or enter into financing transactions. None of these events can be predicted with certainty and the possibility of their occurring is not taken into consideration in the forward-looking statements.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward -looking statements, whether as a result of new information, future events, or otherwise.

Overview of Our Business

Industry terms used in this report are defined in the Glossary of Oil and Natural Gas Term located at the end of Item 1 of Part I of our 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we incorporate by reference herein..

Overview

Recovery Energy Inc. is a development stage independent oil and gas company engaged in the acquisition, drilling and production of oil and natural gas properties and prospects within the United States. Our business strategy is designed to create maximum shareholder value by leveraging the knowledge, expertise and experience of our management team along with that of our operating partners.

We target low to medium risk projects that have the potential for multiple producing horizons, and offer repeatable success allowing for meaningful production and reserve growth. Our acquisition and exploration pursuits of oil and natural gas properties are principally located in Colorado, Nebraska, Wyoming, Kansas, Oklahoma, and Texas. At March 31, 2010, we owned approximately 19,500 gross (14,100 net) leasehold acres, of which of which 18,760 gross (16,600 net) acres are classified as undeveloped acreage. In April 2010, we acquired an additional project as described in Note 8 and 12 above, due to this acquisition, we currently own interests in approximately 20,800 gross (15,200 net) leasehold acres, of which approximately 18,760 gross (13,600 net) acres are classified as undeveloped acreage.

As of March 31, 2010, our total production was 8,897 net barrels of oil.

Our executive offices are located at 1515 Wynkoop Street, Suite 200, Denver, Colorado 80202, and our telephone number is (888) 887-4449. Our web site is www.recoveryenergyco.com. Additional information which may be obtained through our web site does not constitute part of this annual report on Form 10-K. A copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Our Oil and Gas Operations

We intend to invest primarily in domestic oil and natural gas interests, including producing properties, prospects, leases, wells, mineral rights, working interests, royalty interests, overriding royalty interests, net profits interests, production payments, farm-ins, drill to earn arrangements, partnerships, easements, rights of way, licenses and permits, in Colorado, Nebraska, Wyoming, Kansas, Oklahoma, and Texas. Subsequent to March 31, 2010 we sold the two drilling rigs (See Note 12 – Subsequent events).

Principal Oil and Gas Interests

As of March 31, 2010 we own seven producing wells in the Nebraska and Colorado portion of the DJ Basin acquired in the Wilke acquisition, as well as interest in 560 net acres of undeveloped leasehold in two development projects. We also acquired four producing wells in the Nebraska and Wyoming portion of the DJ Basin in the Albin acquisition as well as interest in approxiamtely13,050 net acres of undeveloped leases. Subsequent to March 31, 2010, we acquired four producing wells and interest in 1,280 gross acres (986 net acres) in the Wyoming portion of the DJ Basin in the State Line acquisition, each of these acquisitions is described under "Note 8 – Acquisitions".

Our Strategy

It is our belief that the exploration and production industry's most significant value creation occurs through the drilling of successful development wells and the enhancement of oil recovery in mature fields. Our goal is to create significant value while maintaining a low cost structure. To this end, our business strategy includes the following elements:

Participation in development prospects in known producing basins. We pursue prospects in known producing onshore basins where we can capitalize on our development and production expertise. We intend to operate the majority of our properties and evaluate each prospect based on its geological and geophysical merits.

Negotiated acquisitions of properties. We acquire producing properties based on our view of the pricing cycles of oil and natural gas and available exploration and development opportunities of proved, probable and possible reserves.

Leasing of prospective acreage. In the course of our business, we identify drilling opportunities on properties that have not yet been leased. At times, we take the initiative to lease prospective acreage and sell all or any portion of the leased acreage to other companies that want to participate in the drilling and development of the prospect acreage.

Controlling Costs. We maximize our returns on capital by minimizing our expenditures on general and administrative expenses. We also minimize initial capital expenditures on geological and geophysical overhead, seismic data, hardware and software by partnering with cost efficient operators that have already invested capital in such. We also outsource some of our geological, geophysical, reservoir engineering and land functions in order to help reduce capital requirements.

We intend to use commodity price hedging instruments to reduce our exposure to oil and natural gas price fluctuations and to help ensure that we have adequate cash flow to fund our debt service costs and capital programs. From time to time, we will enter into futures contracts, collars and basis swap agreements, as well as fixed price physical delivery contracts; however, it is our preference to utilize hedging strategies that provide downside commodity price protection without unduly limiting our revenue potential in an environment of rising commodity prices. We intend to use hedging primarily to manage price risks and returns on certain acquisitions and drilling programs. Our policy is to consider hedging an appropriate portion of our production at commodity prices we deem attractive. In the future we may also be required by our lenders to hedge a portion of production as part of any financing.

It is our long-term goal to achieve a well diversified and balanced portfolio of oil and natural gas producing properties located in North America.

At March 31, 2010, we had one employee, who served as our Chief Executive Officer. Effective May 1, 2010, Roger A Parker became our Chief Executive Officer and Jeffrey Beunier, formerly our Chief Executive Officer, became our President and Chief Financial Officer. We employ the services of independent consultants and contractors to perform various professional services, including reservoir engineering, land, legal, environmental and tax services. We also pursue alliances with third parties in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. We believe that by limiting our management and employee costs, we are able to better control total costs and retain flexibility in terms of project management.

Marketing and Pricing

We will derive revenue principally from the sale of oil and natural gas. As a result, our revenues are determined, to a large degree, by prevailing prices for crude oil and natural gas. We will sell our oil and natural gas on the open market at prevailing market prices or through forward delivery contracts. The market price for oil and natural gas is dictated by supply and demand, and we cannot accurately predict or control the price we may receive for our oil and natural gas.

Our revenues, cash flows, profitability and future rate of growth will depend substantially upon prevailing prices for oil and natural gas. Prices may also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. Lower prices may also adversely affect the value of our reserves and make it uneconomical for us to commence or continue production levels of natural gas and crude oil. Historically, the prices received for oil and natural gas have fluctuated widely. Among the factors that can cause these fluctuations are:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- acts of war or terrorism;
- political conditions and events, including embargoes, affecting oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;

- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

From time to time, we will enter into hedging arrangements to reduce our exposure to decreases in the prices of oil and natural gas. Hedging arrangements may expose us to risk of significant financial loss in some circumstances including circumstances where:

- our production and/or sales of natural gas are less than expected;
- payments owed under derivative hedging contracts come due prior to receipt of the hedged month's production revenue; or
- the counter party to the hedging contract defaults on its contract obligations.

In addition, hedging arrangements may limit the benefit we would receive from increases in the prices for oil and natural gas. We cannot assure you that any hedging transactions we may enter into will adequately protect us from declines in the prices of oil and natural gas. On the other hand, where we choose not to engage in hedging transactions in the future, we may be more adversely affected by changes in oil and natural gas prices than our competitors who engage in hedging transactions.

Government Regulations

General. Our operations covering the exploration, production and sale of oil and natural gas are subject to various types of federal, state and local laws and regulations. The failure to comply with these laws and regulations can result in substantial penalties. These laws and regulations materially impact our operations and can affect our profitability. However, we do not believe that these laws and regulations affect us in a manner significantly different than our competitors. Matters regulated include permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells and unitization and pooling of properties, restoration of surface areas, plugging and abandonment of wells, requirements for the operation of wells, and taxation of production. At various times, regulatory agencies have imposed price controls and limitations on production. In order to conserve supplies of oil and natural gas, these agencies have restricted the rates of flow of oil and natural gas wells below actual production capacity, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. Federal, state and local laws regulate production, handling, storage, transportation and disposal of oil and natural gas, by-products from oil and natural gas and other substances and materials produced or used in connection with oil and natural gas operations. While we believe we will be able to substantially comply with all applicable laws and regulations, the requirements of such laws and regulations are frequently changed. We cannot predict the ultimate cost of compliance with these requirements or their effect on our actual operations.

Federal Income Tax. Federal income tax laws significantly affect our operations. The principal provisions that affect us are those that permit us, subject to certain limitations, to deduct as incurred, rather than to capitalize and amortize, our domestic "intangible drilling and development costs" and to claim depletion on a portion of our domestic oil and natural gas properties based on 15% of our oil and natural gas gross income from such properties (up to an aggregate of 1,000 barrels per day of domestic crude oil and/or equivalent units of domestic natural gas).

Environmental Matters. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities to the government and third parties and may require us to incur costs to remedy discharges. Natural gas, oil or other pollutants, including salt water brine, may be discharged in many ways, including from a well or drilling equipment at a drill site, leakage from pipelines or other gathering and transportation facilities, leakage from storage tanks and sudden discharges from damage or explosion at natural gas facilities of oil and gas wells. Discharged hydrocarbons may migrate through soil to water supplies or adjoining property, giving rise to additional liabilities.

A variety of federal and state laws and regulations govern the environmental aspects of natural gas and oil production, transportation and processing and may, in addition to other laws, impose liability in the event of discharges, whether or not accidental, failure to notify the proper authorities of a discharge, and other noncompliance with those laws. Compliance with such laws and regulations may increase the cost of oil and gas exploration, development and production, although we do not anticipate that compliance will have a material adverse effect on our capital expenditures or earnings. Failure to comply with the requirements of the applicable laws and regulations could subject us to substantial civil and/or criminal penalties and to the temporary or permanent curtailment or cessation of all or a portion of our operations.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "superfund law," imposes liability, regardless of fault or the legality of the original conduct, on some classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a disposal site or sites where the release occurred and companies that dispose or arrange for disposal of the hazardous substances found at the time. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and severable liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We could be subject to liability under CERCLA because our jointly owned drilling and production activities generate relatively small amounts of liquid and solid waste that may be subject to classification as hazardous substances under CERCLA.

The Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), is the principal federal statute governing the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a "generator" or "transporter" of hazardous waste or an "owner" or "operator" of a hazardous waste treatment, storage or disposal facility. At present, RCRA includes a statutory exemption that allows most oil and natural gas exploration and production waste to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. As a result, we are not required to comply with a substantial portion of RCRA's requirements because our operations generate minimal quantities of hazardous wastes. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Repeal or modification of the exemption by administrative, legislative or judicial process, or modification of similar exemptions in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us to incur increased operating expenses.

The Oil Pollution Act of 1990 ("OPA") and regulations thereunder impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of federal safety, construction or operating regulations. Few defenses exist to the liability imposed by OPA. In addition, to the extent we acquire offshore leases and those operations affect state waters, we may be subject to additional state and local clean-up requirements or incur liability under state and local laws. OPA also imposes ongoing requirements on responsible parties, including proof of financial responsibility to cover at least some costs in a potential spill. We cannot predict whether the financial responsibility requirements under the OPA amendments will adversely restrict our proposed operations or impose substantial additional annual costs to us or otherwise materially adversely affect us. The impact, however, should not be any more adverse to us than it will be to other similarly situated owners or operators.

The Federal Water Pollution Control Act Amendments of 1972 and 1977 ("Clean Water Act") imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the crude oil and natural gas industry into certain coastal and offshore waters. Further, the EPA has adopted regulations requiring certain crude oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of crude oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

Underground injection is the subsurface placement of fluid through a well, such as the reinjection of brine produced and separated from crude oil and natural gas production. The Safe Drinking Water Act of 1974, as amended, establishes a regulatory framework for underground injection, with the main goal being the protection of usable aquifers. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Hazardous-waste injection well operations are strictly controlled, and certain wastes, absent an exemption, cannot be injected into underground injection control wells. Failure to abide by our permits could subject us to civil and/or criminal enforcement. We believe that we are in compliance in all material respects with the requirements of applicable state underground injection control programs and our permits.

The Clean Air Act of 1963 and subsequent extensions and amendments, known collectively as the "Clean Air Act", and state air pollution laws adopted to fulfill its mandate provide a framework for national, state and local efforts to protect air quality. Our operations utilize equipment that emits air pollutants which may be subject to federal and state air pollution control laws. These laws require utilization of air emissions abatement equipment to achieve prescribed emissions limitations and ambient air quality standards, as well as operating permits for existing equipment and construction permits for new and modified equipment. We believe that we are in compliance in all material respects with the requirements of applicable federal and state air pollution control laws.

There are numerous state laws and regulations in the states in which we operate which relate to the environmental aspects of our business. These state laws and regulations generally relate to requirements to remediate spills of deleterious substances associated with oil and gas activities, the conduct of salt water disposal operations, and the methods of plugging and abandonment of oil and gas wells which have been unproductive. Numerous state laws and regulations also relate to air and water quality.

We do not believe that our environmental risks will be materially different from those of comparable companies in the oil and gas industry. We believe our present activities substantially comply, in all material respects, with existing environmental laws and regulations. Nevertheless, we cannot assure you that environmental laws will not result in a curtailment of production or material increase in the cost of production, development or exploration or otherwise adversely affect our financial condition and results of operations. Although we maintain liability insurance coverage for liabilities from pollution, environmental risks generally are not fully insurable.

In addition, because we have acquired and may acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination not discovered during our assessment of the acquired properties.

Federal Leases. For those operations on federal oil and gas leases, such operations must comply with numerous regulatory restrictions, including various non-discrimination statutes, and certain of such operations must be conducted pursuant to certain on-site security regulations and other permits issued by various federal agencies. In addition, on federal lands in the United States, the Minerals Management Service ("MMS") prescribes or severely limits the types of costs that are deductible transportation costs for purposes of royalty valuation of production sold off the lease. In particular, MMS prohibits deduction of costs associated with marketer fees, cash out and other pipeline imbalance penalties, or long-term storage fees. Further, the MMS has been engaged in a process of promulgating new rules and procedures for determining the value of crude oil produced from federal lands for purposes of calculating royalties owed to the government. The natural gas and crude oil industry as a whole has resisted the proposed rules under an assumption that royalty burdens will substantially increase. We cannot predict what, if any, effect any new rule will have on our operations.

Other Laws and Regulations. Various laws and regulations often require permits for drilling wells and also cover spacing of wells, the prevention of waste of natural gas and oil including maintenance of certain gas/oil ratios, rates of production and other matters. The effect of these laws and regulations, as well as other regulations that could be promulgated by the jurisdictions in which we have production, could be to limit the number of wells that could be drilled on our properties and to limit the allowable production from the successful wells completed on our properties, thereby limiting our revenues.

Competition

We compete with numerous other companies in virtually all facets of our business. Our competitors in the exploration, development, acquisition and production business include major integrated oil and gas companies as well as numerous independents, including many that have significantly greater financial resources and in-house technical expertise than we do.

Employees

At March 31, 2010, we had one employee, who served as our Chief Executive Officer. Effective May 1, 2010, Roger A Parker became our Chief Executive Officer and Jeffrey Beunier, formerly our Chief Executive Officer, became our President and Chief Financial Officer. For the foreseeable future, we intend to only add additional personnel as our operational requirements grow, in the interim, we plan to continue to use the services of independent consultants and contractors to perform various professional services, including reservoir engineering, land, legal, environmental and tax services.

Following are summary comments of our performance in several key areas during the quarter ended March 31, 2010

- ***Average Daily Production***
  During the quarter ended March 31, 2010, our total average daily net production was 100 BOPD due to acquisitions of producing assets in the DJ Basin.

  DJ Basin. During the quarter ended March 31, 2010, average daily net production from the Wilke acquisition was 100 BOPD net. As discussed in the Recent Developments and Related Transactions section below, the Company successfully acquired a number of producing properties during the quarter ending March 31, 2010. The Palm and State Line acquisitions have an effective date of April 1, 2010 and therefore no production was realized during the first quarter for either of these properties.

- ***Oil and Gas Sales***
  During the quarter ended March 31, 2010, net oil sales were $622,595. Our average oil price received was $69.98 per barrel.

- ***Cash Flow from Operations***
  During the quarter ended March 31, 2010, we utilized $(195,332) in cash for operations in the quarter ended March 31, 2009.

OVERVIEW OF FINANCIAL CONDITION AND LIQUIDITY

Liquidity and Capital Resources

As of March 31, 2010 we had $172,047 in cash.

While we have commenced operations and produce revenues, our cash position may not be significant enough to support our daily operations. Management intends to raise additional funds by way of a public or private offering. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern. While we believe in the viability of this strategy to generate revenues and in our ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate revenues.

We anticipate that depending on market conditions and our plan of operations, we may incur operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

Information about our financial position is presented in the following table:

		March 31, 2010		December 31, 2009
		(unaudited)		(unaudited)
Financial Position Summary				
Cash and cash equivalents	$	172,047	$	108,340
Working capital	$	(7,774,527)	$	(44,228)
Balance outstanding on credit facility	$	10,321,250	$	-
Common Stock subject to redemption rights and Other Shareholders' Equity	$	2,376,996	$	566,273
Ratios				
Debt to total capital ratio		81%		0%
Total debt to equity ratio		434%		0%

During the quarter ended March 31, 2010, our working capital decreased to $(7,774,527) compared to negative working capital of $(44,228) at December 31, 2009. The lower working capital is primarily the result of an increase in short term debt which was utilized to acquire properties. In addition, our accounts payable and accrued liabilities balance increased $252,010 and our accounts receivable balance increased by $326,561 from December 31, 2009, primarily due to the acquisition of properties and related production activities.

		Quarter ended March 31, 2010
		(unaudited)
Cash provided by (used in):		
Operating activities	$	(195,332)
Investing activities		(10,362,271)
Financing activities		10,621,250
Net change in cash	$	63,647

During the quarter ended March 31, 2010, net cash used by operating activities was ($195,332). During the quarter ended March 31, 2010, the primary sources of cash was funds received from financing activities, including the issuance of debt and stock as described in "Note 7 - Loan Agreements", "Note 8 – Acquisitions", "Note 9 – Stockholders' Equity" and "Note 11 - Related Party Transactions".

During the quarter ended March 31, 2010, net cash used by investing activities was $10,362,271, due to the acquisition of properties as more fully described in Note 8 - Acquisitions.

During the quarter ended March 31, 2010, net cash provided by financing activities of $10,621,250 was due to the placement of restricted shares for $300,000, the issuance of debt for $10,500,000 offset by debt repayments of $178,750.

Off-Balance Sheet Arrangements

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships. Such entities are often referred to as structured finance or special purpose entities ("SPEs") or variable interest entities ("VIEs"). SPEs and VIEs can be established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We were not involved in any unconsolidated SPEs or VIEs at any time during any of the periods presented in this Form 10-Q.

From time to time, we enter into contracts that might be construed as off-balance sheet obligations but are normal in the day-to-day course of business in the oil and gas industry. Those contracts are the derivative instruments discussed in "Contracted Volumes" above. We do not believe we will be affected by these contracts materially differently than other similar companies in the energy industry.

Loan Agreements

In conjunction with the acquisitions, as described in "Note 8 – Acquisitions" and "Note 7 - Loan Agreements", the Company entered into two secured notes and loan agreements during the quarter ending March 31, 2010. Effective January 29, 2010, the Company entered into a $4.5 million loan agreement, with a maturity date of December 1, 2010. Effective March 25, 2010, the Company entered into a $6.0 million loan agreement, with a maturity date of December 1, 2010. Both loan agreements have similar terms and require the Company to repay the notes out of cash flows from production. The loans bear annual interest of 15%, will mature on December 1, 2010 and are secured by a mortgage on the acquired property. The lender shall have the right to cause the sale of the mortgaged property and use the proceeds to repay the loans at any time after October 29, 2010 if the Company has not completed a private equity sale by that date sufficient to repay the loan in full on or before December 1, 2010. The loan agreements contained customary terms such as representations and warranties and indemnification.

As of March 31, 2010, the outstanding balance on our loan agreements was $10.3 million. For the quarter ended March 31, 2010, we incurred cash interest expense of $127,662 on the loan agreements and made $178,750 in principal payments. We did not capitalize any interest costs for the quarter ended March 31, 2010.

We are subject to certain financial and non-financial covenants with respect to the above loan agreement. As of March 31, 2010, we were in compliance with all covenants under the facility. If any of the covenants are violated, and the Company is unable to negotiate a waiver or amendment thereof, the lender would have the right to declare an event of default, terminate the remaining commitment and accelerate all principal and interest outstanding.

Capital Requirements

Our estimated capital budget for 2010 is approximately $400 thousand for drilling two wells within the Omega and Comanche project areas. The 2010 budget does not include the impact of any potential future exploration projects, or ongoing exploration or development activities, or potential acquisitions. We expect to fund our 2010 capital expenditures with cash provided by operating activities and we intend to raise additional funds through private placements or registered offerings of equity or debt.

RESULTS OF OPERATIONS

Quarter ended March 31, 2010

Revenues

For the period ending March 31, 2010, we had $622,595 in oil sale revenues.

	Quarter Ended March 31, 2010	
	Volume	Average Price
Product:		
Oil (Bbls)	8,897	$ 69.98

Prior to the quarter ended March 31, 2010, the Company did not own any producing assets. During the quarter, as discussed in Note 8 - Acquisitions, the Company acquired its first producing assets. The Wilke acquisition was effective January 1, 2010 and produced an average of 100 barrels of oil per day (net). The Albin acquisition was effective April1, 2010 and therefore did not contribute any production or revenue during the quarter ending March 31, 2010.

Miscellaneous Income and Operating fees

The Company earned net operating fees of $1,125 during the quarter ending March 31, 2010. The Company realized a mark-to-market gain of $15,209 on the Tyron Put agreement as described in Note 9 - Stockholders' Equity.

Price Risk Management activities

We recorded a net loss on our derivative contracts that do not qualify for cash flow hedge accounting of ($133,369) for the quarter ended March 31, 2010. This amount represents an unrealized non-cash loss which represents a change in the fair value of our mark-to-market derivative instruments at March 31, 2010 as detailed in Note 3 Financial and Derivative Instruments and Note 4 – Fair Value of Financial Instruments.

Oil and gas production expenses, depreciation, depletion and amortization

	Quarter Ended March 31, 2010
	(unaudited, in dollars per bbl)
Average price	$ 69.98
Production costs	13.70
Production taxes	3.99
Depletion and amortization	26.07
Total operating costs	43.76
Gross margin	$ 26.22
Gross margin percentage	37.47%

General and administrative expenses

General and administrative expenses were $2,343,321 for the quarter ended March 31, 2010. Our general and administrative expenses for the quarter ended include $286,427 in professional fees and $1,932,947 in non-cash compensation expense. The non-cash compensation expense was comprised of $1,106,437 in stock compensation expense and $826,510 in expense associated with the assignment of overriding royalty interest.

CONTRACTED VOLUMES

Changes in the market price of oil can significantly affect our profitability and cash flow. We have entered into various derivative instruments to mitigate the risk associated with downward fluctuations in oil prices. These derivative instruments consist of swaps. The duration and size of our various derivative instruments varies, and depends on our view of market conditions, available contract prices and our operating strategy.

Our outstanding derivative instruments as of March 31, 2010 are summarized below:

	Average Barrels per quarter	Average Barrels per Day	Price per barrel
2010			
Second quarter	14,400	160	$ 82.225
Third quarter	12,600	140	$ 82.225
Fourth quarter	10,800	120	$ 82.225
2011			
First quarter	9,000	100	$ 82.225

During April, the following additional volumes were covered by a commodity contract:

	Average Barrels per quarter	Average Barrels per Day	Price per barrel
2010			
Second quarter	16,000	267	$ 88.00
Third quarter	18,400	204	$ 88.00
Fourth quarter	12,900	143	$ 88.00
2011			
First quarter	9,900	110	$ 88.00
Second quarter	3,300	110	$ 88.00

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4T. Controls and Procedures

(a) Management of Recovery Energy is responsible for establishing and maintaining adequate internal control over financial reporting under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "1934 Act"), as of March 31, 2010, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out by our Chief Executive Officer (our principal executive/financial officer), who concluded, that because of the material weakness in our internal control over financial reporting (see Item 9A(T). CONTROLS AND PROCEDURES in the Company's Form 10-K filed for the year ended December 31, 2009), our disclosure controls and procedures were not effective as of March 31, 2010. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) During the quarter ended March 31, 2010, there were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

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

INHERENT LIMITATIONS OF INTERNAL CONTROLS

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

– pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
– provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
– provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Currently we are not aware of any litigation pending or threatened by or against the Company.

Item 1A. Risk Factors.

There have been no material changes in our Risk Factors from those reported in Item 1A of Part I of our 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we incorporate by reference herein.

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

All unregistered issuances of equity securities during the period covered by this report have been previously included in Current Reports on form 8-K.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None

Item 6. Exhibits and Reports of Form 8-K.

Exhibits

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Recovery Energy, Inc.

Date: May 20, 2010	By: *<u>/s/ Roger A Parker</u>* Roger A Parker Chief Executive Officer
Date: May 20, 2010	By: *<u>/s/ Jeffrey A Beunier</u>* Jeffrey A Beunier Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey A. Beunier, certify that:

1. I have reviewed this Form 10-Q of Recovery Energy, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

   b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jeffrey A. Beunier
Jeffrey A. Beunier
Chief Financial Officer

May 20, 2010

Exhibit 31.2

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Roger A. Parker, certify that:

1. I have reviewed this Form 10-Q of Recovery Energy, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

   b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: *<u>/s/ Roger A. Parker</u>*
Roger A. Parker
Chief Executive Officer

May 20, 2010

Exhibit 32.1

OFFICER'S CERTIFICATION
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

The undersigned Jeffrey A. Beunier, the Chief Financial Officer of Recovery Energy, Inc., (the "Corporation"), in connection with the Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), does hereby represent, warrant and certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to the best of his knowledge:

1. The Report is in full compliance with reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

Date: May 20, 2010

Recovery Energy, Inc.

/s/ Jeffrey A. Beunier

Jeffrey A. Beunier
Chief Financial Officer

Exhibit 32.2

OFFICER'S CERTIFICATION
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C 1350)

The undersigned Roger A. Parker, the Chief Executive Officer of Recovery Energy, Inc., (the "Corporation"), in connection with the Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), does hereby represent, warrant and certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to the best of his knowledge:

1. The Report is in full compliance with reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

By: /s/Roger A. Parker
Roger A. Parker
Chief Executive Officer

May 20, 2010