

CHINA NORTH EAST PETROLEUM HOLDINGS LTD  
Form 10QSB  
August 14, 2007

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

**FORM 10-QSB**

- QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2007**
- TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 0-49846

**CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED**  
(Exact name of small business issuer as specified in its charter)

Nevada  
(State of other jurisdiction of  
incorporation or organization)

87-0638750  
(IRS Employer identification No.)

20337 Rimview Place, Walnut, California 91789  
(Address of principal executive offices)

(909) 468-2840  
(Issuer's telephone number)

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

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

Number of shares of common stock outstanding as of August 9, 2007: 19,224,080

Transitional Small Business Disclosure Format: Yes  No

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## **SPECIAL NOTE REGARDING FORWARD—LOOKING STATEMENTS**

On one or more occasions, we may make forward-looking statements in this Quarterly Report on Form 10-QSB regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. Words or phrases such as “anticipates,” “may,” “will,” “should,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will likely result,” “will continue” or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. We caution that while we make such statements in good faith and believe such statements are based on reasonable assumptions, including without limitation, management’s examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved. Factors that may cause such differences include but are not limited to:

- Our expectation of continued growth in the demand for our oil;
- Our expectation that we will have adequate liquidity from cash flows from operations;
- A variety of market, operational, geologic, permitting, labor and weather related factors; and
- The other risks and uncertainties which are described below under “RISK FACTORS”, including, but not limited to, the following:
  - Unanticipated conditions may cause profitability to fluctuate.
  - Decreases in purchases of oil by our customer will adversely affect our revenues.

We have attempted to identify, in context, certain of the factors that we believe may cause actual future experience and results to differ materially from our current expectation regarding the relevant matter or subject area. In addition to the items specifically discussed above, our business and results of operations are subject to the uncertainties described under the caption “Risk Factors” which is a part of the disclosure included in Item 2 of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

From time to time, oral or written forward-looking statements are also included in our reports on Forms 10-KSB, 10-QSB and 8-K, Proxy Statements on Schedule 14A, press releases, analyst and investor conference calls, and other communications released to the public. Although we believe that at the time made, the expectations reflected in all of these forward looking statements are and will be reasonable, any or all of the forward-looking statements in this quarterly report on Form 10-QSB, our reports on Forms 10-KSB and 8-K, our Proxy Statements on Schedule 14A and any other public statements that are made by us may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Quarterly Report on Form 10-QSB, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Quarterly Report on Form 10-QSB or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.



We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the SEC on Forms 10-KSB, 10-QSB and 8-K and Proxy Statements on Schedule 14A.

*Unless the context requires otherwise, references to “we,” “us,” “our,” the “Company” and “CNEH” refer specifically to China North East Petroleum Holdings Limited and its subsidiaries.*

**PART I****Item 1 – Financial Statements (Unaudited)****CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARIES****Condensed Consolidated Balance Sheet***At June 30, 2007 (Unaudited)***ASSETS****CURRENT ASSETS**

|   |                  |
|---|------------------|
| Cash and cash equivalents                 | \$ 325,417       |
| Accounts receivable, net                  | 1,835,796        |
| Prepaid expenses and other current assets | 971,063          |
| Due from related parties                  | 355,930          |
| Value added tax recoverable               | 213,102          |
| <b>Total Current Assets</b>               | <b>3,701,308</b> |

**PROPERTY AND EQUIPMENT**

|   |                   |
|---|-------------------|
| Oil and gas properties, net               | 27,250,739        |
| Fixed assets, net                         | 844,667           |
| Oil and gas properties under construction | 9,161,596         |
| <b>Total Property and Equipment</b>       | <b>37,257,002</b> |

|                               |               |
|-------------------------------|---------------|
| <b>INTANGIBLE ASSETS, NET</b> | <b>48,589</b> |
|-------------------------------|---------------|

|                     |                      |
|---------------------|----------------------|
| <b>TOTAL ASSETS</b> | <b>\$ 41,006,899</b> |
|---------------------|----------------------|

**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

|  |                   |
|--|-------------------|
| Accounts payable                       | \$ 21,979,620     |
| Other payables and accrued liabilities | 1,483,411         |
| Notes payable                          | 786,906           |
| Income tax and other tax payable       | 954,861           |
| Due to a related party                 | 13,115            |
| <b>Total Current Liabilities</b>       | <b>25,217,913</b> |

**LONG-TERM LIABILITIES**

|                                    |                |
|------------------------------------|----------------|
| Deferred tax payable               | 678,700        |
| Note payable                       | 262,302        |
| <b>Total Long-term Liabilities</b> | <b>941,002</b> |

|                          |                   |
|--------------------------|-------------------|
| <b>TOTAL LIABILITIES</b> | <b>26,158,915</b> |
|--------------------------|-------------------|

**COMMITMENTS AND CONTINGENCIES**

|                           |                |
|---------------------------|----------------|
| <b>MINORITY INTERESTS</b> | <b>603,471</b> |
|---------------------------|----------------|

**STOCKHOLDERS' EQUITY**

|   |   |
|---|---|
| Common stock, \$0.001 par value, 150,000,000 shares authorized,<br>19,224,080 shares issued and outstanding | - |
|---|---|