

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

333-64122

(Commission file number)

Verdisys, Inc.

(Exact name of small business issuer as specified in its charter)

California

(State or other jurisdiction
of incorporation or organization)

22-3755993

(IRS Employer
Identification No.)

10600 N. De Anza boulevard, Suite 250

Cupertino, California 95014

(Address of principal executive offices)

(408) 517-3305

(Issuer's telephone number)

Reconstruction Data Group, Inc.

11650 Iberia Place, Suite 201

San Diego, California 92128

(858) 618-1085

(Former name, former address and former fiscal year, if changed since last report)

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.

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of each of the issuer's classes of common equity as of June 30, 2003 - 3,651,500 shares of common stock

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

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VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Condensed Balance Sheet

(Unaudited)

June 30, 2003**Assets**

Current assets:

Cash	\$ 12,513
Total current assets	12,513

Furniture, equipment and web site domain, net	12,700
Deposit	1,313
	\$ 26,526

Liabilities and Stockholders' Deficit

Current liabilities:

Accounts payable and accrued liabilities	\$ 7,275
Current maturities on notes payable (Note 2)	60,000
Accrued interest expense (Note 2)	14,302
Unearned membership and advertising income	22,505
Total current liabilities	\$ 104,082

Long-term debt:

Notes payable, less current maturities (Note 2)	5,000
Total liabilities	109,082

Commitments

-

Stockholders' deficit:

Common stock	\$ 323,825
Additional paid-in capital	19,167
Deficit accumulated during development stage	(425,548)
Total shareholders' deficit	\$ (82,556)

\$ 26,526

The accompanying notes are an integral part of these condensed financial statements.

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 VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Condensed Statements of Operations

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Revenue:				
Memberships	\$ 8,546	\$ 2,212	\$ 15,865	\$ 8,090
Advertising income	1,083	1,456	2,252	3,339

Seminar	67,506	-	67,506	-
Consulting services	1,244	17,573	1,934	18,617
Other income	1,225	381	1,225	439
Total revenue	79,604	21,622	88,782	30,485
Expenses:				
Compensation	5,470	22,185	13,000	42,292
Rent	4,202	3,939	8,141	7,878
Professional services and consulting	2,385	1,650	6,543	3,725
Costs of seminar	46,065	-	48,009	-
Other general and administrative	8,087	-	18,914	-
Depreciation and amortization	3,617	3,550	7,234	6,993
Interest	1,800	1,950	4,850	3,800
Total expenses	71,626	33,274	106,691	64,688
Loss before income taxes	7,978	(11,652)	(17,909)	(34,203)
Income tax provision (Note 3)	-	-	-	-
Net income (loss)	\$ 7,978	\$ (11,652)	\$ (17,909)	\$ (34,203)
Basic and diluted loss per share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Basic and diluted weighted average common shares outstanding	3,651,500	3,110,000	3,651,500	3,110,000

The accompanying notes are an integral part of these condensed financial statements.

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VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Condensed Statements of Cash Flows

(Unaudited)

	Six Months Ended	
	June 30, 2003	June 30, 2002
Net cash used in operating activities	\$ (4,407)	\$ (15,936)
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(1,549)
Net cash used in investing activities	-	(1,549)
Cash flows from financing activities:		
Proceeds from the issuance of debt	5,000	10,000
Net cash provided by financing activities	5,000	10,000
Net change in cash	593	(7,485)

Cash, beginning of period	\$ 11,920	\$ 10,092
Cash, end of period	\$ 12,513	\$ 2,607
Supplemental disclosure of cash flow information:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

The accompanying notes are an integral part of these condensed financial statements.

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VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Notes to Condensed Financial Statements

(Unaudited)

Note 1 - Basis of Presentation

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its Form 10-KSB dated December 31, 2002, and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

On April 24, 2003, the Company entered into an Agreement and Plan of Merger (the "Agreement") with Verdisys, Inc., ("Verdisys") a California corporation. Verdisys is a leading provider of patented lateral drilling oil services and satellite solution for Energy Production Enhancement. The parties closed the Agreement on July 18, 2003, subject to processing the appropriate state filings required to complete the transaction (see Note 4).

Note 2 - Notes Payable

Notes payable consisted of the following promissory notes at June 30, 2003:

Note payable to an individual, interest at 12 percent, principal and interest due on November 6, 2003, unsecured	\$ 30,000
Note payable to an individual, interest at 12 percent, principal and interest due on November 6, 2003, unsecured	25,000
Note payable to an individual, interest at 12 percent, principal and interest due on July 29, 2004, unsecured	5,000
Note payable to an individual, payable on demand for one payment of \$6,250, unsecured	5,000
	65,000
Less: current maturities	(60,000)
	\$ 5,000

Interest expense on the notes totaled \$4,850 and \$3,800 for the six months ended June 30, 2003 and 2002. Accrued interest expense on the notes totaled \$14,302 at June 30, 2003.

Note 3 - Income Taxes

The Company records its income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during the six months ended June 30, 2003 and 2002 resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0-income taxes.

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Notes to Condensed Financial Statements

(Unaudited)

Note 4 - Subsequent Event

On July 18, 2003, the Company and Verdisys closed an Agreement and Plan of Merger (the "Agreement"). Under the terms of the Agreement, the Company issued 25,103,223 shares of its restricted common stock to the shareholders of Verdisys in exchange for all 25,103,223 shares of Verdisys' common stock owned by approximately 350 shareholders.

In connection with the closing of the Agreement, the Company changed its name to "Verdisys, Inc." and is changing its OTCBB symbol under which the common stock trades on the Over-The-Counter Bulletin Board. The Company's current directors resigned their positions and executive officers of Verdisys were appointed to fill the vacancies created by the resignation, which resulted in a change of control.

As part of the closing, nearly all the assets and liabilities of the Company were acquired by Scott Baker, the Company's former president, in exchange for his cancellation of 1,485,000 shares of the Company's outstanding common stock.

At closing (1) certain shareholders of the Company agreed to cancel an aggregate of 2,151,500 shares of common stock, representing approximately 58.9 percent of the Company's 3,651,500 common shares currently outstanding, leaving a total of 1,500,000 common shares outstanding, and (2) the Company issued 25,103,223 newly issued, restricted common shares to the shareholders of Verdisys. Following the closing, the Company remained the surviving corporation with 26,603,223 common shares outstanding, of which the former shareholders of Verdisys own approximately 95.6 percent.

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

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

This statement may include projections of future results and "forward looking statements" as that term is defined in Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Management Discussion

Headquartered in Houston, Texas, Verdisys, Inc. provides proprietary oil services and solutions for Energy Production Enhancement in the areas of Satellite Communications and Drilling Technologies. Verdisys provides vertically integrated solutions to help energy companies exploit oil and gas production.

Verdisys, Inc. was incorporated in the State of California as Rocker & Spike Entertainment, Inc. on September 27, 2000. Until December 31, 2000, operations consisted of organizational matters, the sale of no par value common stock, and the search for an operating company with which to perform a merger or acquisition. Effective January 1, 2001, Rocker & Spike Entertainment, Inc. purchased the assets and web domain of Accident Reconstruction Communications Network, a sole proprietorship, from the sole proprietor. Following the acquisition, the company changed its name from Rocker & Spike Entertainment, Inc. to Reconstruction Data Group, Inc. effective March 19, 2001. In July 2003, the Company merged with and adopted the business plan of Verdisys, Inc., a private California corporation providing drilling and Satellite Communication services to the oil and gas industry.

Financial Summary

Results of Operations for the Six-Months Ended June 30, 2002

The majority of the net loss of \$34,203 is comprised of compensation expenses of \$42,292.

Net cash used in operating activities during this period was \$15,936.

Revenues during this period were \$30,485.

Results of Operations for the Six-Months Ended June 30, 2003

The majority of the net loss of \$17,909 for the six-month period ending June 30, 2003 was primarily due to compensation expenses of \$13,000. Total revenues for the period were \$88,782; total expenses for the period were \$106,691.

The company has experienced a small net profit of \$7,978 for the three-month period ended June 30, 2003 due primarily to a successful crash test seminar.

Liquidity and Capital Resources

During the six month period ended June 30, 2003 the Company's cash position increased by \$593. Net cash used in operating activities totaled \$4,407 and \$5,000 was provided through financing activities.

During the six month period ending June 30, 2002 the Company's cash position decreased by \$7,485. Financing activities provided \$10,000, against net cash used in operating activities of \$15,936 and net cash used in investing activities of \$1,549.

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Management Plan of Operations

Drilling Services

In the U.S. and Canada, Verdisys provides oil and gas companies with a proprietary lateral drilling service utilizing specially fabricated mobile drilling rigs. This technology is protected by three issued patents. Verdisys has acquired the exclusive rights to the North American market for this drilling technology that can increase the production of existing oil and gas wells. The Company signed the exclusive license for Lateral Drilling in April, 2003 and commenced operations in June.

The drilling technology can increase existing well production by extending 2" channels up to 300 feet in up to 16 different directions at any given depth from the casing of the well at any given depth. The Verdisys drilling solution provides an economical way to regain production levels of existing, depleted wells. The lateral drilling operation uses a patented ultra-high pressure liquid process which is capable of drilling lateral holes from existing wells up to 300 feet in length in wells up to 5,800 feet deep.

The Company has signed contracts with two small Independent Companies, Edge Capital Group and Energy 2000, Inc., to drill a total of 320 wells. The base price per well is between \$50,000 and \$65,000 plus third party costs for up to 4 laterals per well. Therefore the minimum contract value for these initial contracts is \$19M.

Satellite Services

The Company's "Satellite Private Network (SPN's)" utilize two-way satellite broadband to provide energy companies with Remote Energy Management applications. SPN is intended to provide cost effective real-time Supervisory Control and Data Acquisition from remote well locations.

The Company has an agreement with SPACENET and VIASAT pursuant to which SPACENET and VIASAT has agreed to provide the Company with wireless broadband equipment, technology and services. The company currently has six customers for its SPN service providing connectivity to 80 remote locations. The majority of customers want a lease for both hard and soft costs in the field. The Company has a third party financing solution available to provide combined inventory and broadband financing and leasing for all of its customers. This financing pays Verdisys for all contract work at the time of drilling or installation, including three years of bandwidth services. The financing company then manages billing and invoicing the customer for the remainder of the contract. The company's financing provider can extended a large

customer a \$1 million credit limit. Once the project financing paperwork is signed by the customer, Verdisys can keep using the credit line to build and deploy additional projects.

The company plans to continue marketing and developing its Lateral Drilling and SPN services.

Item 3. Controls and Procedures

Verdisys, Inc. management, including the Principal Executive Officer and Principal Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) and 15d-14(c). This evaluation was conducted within 90 days prior to the filing of this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date the Principal Executive Officer and Principal Financial Officer completed their evaluation.

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Change in Securities and Use of Proceeds

On July 18, 2003, the Company and Verdisys closed an Agreement and Plan of Merger (the "Agreement"). Under the terms of the Agreement, the Company issued 25,103,223 shares of its restricted common stock to the shareholders of Verdisys in exchange for all 25,103,223 shares of Verdisys' common stock owned by approximately 350 shareholders.

As part of the closing of the Agreement, nearly all the assets and liabilities of the Company were acquired by the Company's former president, in exchange for his cancellation of 1,485,000 shares of the Company's outstanding common stock.

At closing (1) certain shareholders of the Company agreed to cancel an aggregate of 2,151,500 shares of common stock, representing approximately 58.9 percent of the Company's 3,651,500 common shares currently outstanding, leaving a total of 1,500,000 common shares outstanding, and (2) the Company issued 25,103,223 newly issued, restricted common shares to the shareholders of Verdisys. Following the closing, the Company remained the surviving corporation with 26,603,223 common shares outstanding, of which the former shareholders of Verdisys own approximately 95.6 percent.

Item 3. Defaults Upon Senior Securities

None

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

Not applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Verdisys, Inc. includes herewith the following exhibits:

- 10.1 Contract for lateral drilling services with Energy 2000, Inc.
- 10.2 Contract for lateral drilling services with Edge Capital Group, Inc.
- 99.1 Certification of President pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

On July 18, 2003, the Company filed a Report on Form 8-K with the Securities and Exchange Commission re: Changes in Control of Registrant, Acquisition or Disposition of Assets as regarding an Agreement and Plan of Merger with Verdisys, Inc., a California corporation. The company incorporates by reference that report and any amendments thereto.

On May 1, 2003, the Company filed a Report on Form 8-K with the Securities and Exchange Commission re: Press Release as regarding an Agreement and Plan of Merger with Reconstruction Data Group, Inc., a California corporation.

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 18, 2003	Verdisys, Inc. By: /s/ Dan Williams, President Dan Williams, President Principal Executive Officer
Date: August 18, 2003	By: /s/ David Mauz, COO David Mauz, Chief Operating Officer
Date: August 18, 2003	By: /s/ Andrew Wilson, CFO Andrew Wilson, Chief Financial Officer Principal Accounting Officer

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

CERTIFICATION

I, Dan Williams, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Verdisys, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 18, 2003

/s/ Dan Williams

Dan Williams

Principal Executive Officer

VERDISYS, INC.

(Formerly, Reconstruction Data Group, Inc.)

CERTIFICATION

I, Andrew Wilson, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of Verdisys, Inc.;
- 2. Based on my knowledge, this quarterly 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 quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 18, 2003

/s/ Andrew Wilson

Andrew Wilson

Principal Accounting Officer

LATERAL DRILLING SERVICE STANDARD AGREEMENT

ENERGY 2000, Inc. and VERDISYS, Inc.

This Lateral Drilling Services Agreement ("Agreement") is dated as of April 30, 2003, by and between Verdisys, Inc., a California corporation ("Verdisys"), and Energy 2000, Inc., a Louisiana corporation ("E2000"). Energy 2000, Inc. ("E2000") seeks to engage Verdisys, Inc. ("Verdisys") to provide lateral drilling services in E2000's Monroe Gas Field in Monroe, Louisiana (the "Monroe Field"). This agreement replaces all preceding agreements between the parties hereto.

1.0 Lateral Drilling

1.1 Location of Services

Verdisys will provide lateral drilling to pay zones within E2000's existing well base in the Monroe Field identified with greater specificity as to location on the attached Term and Pricing Invoice, which may be updated by the constituent corporations from time to time.

1.2 Parameters of Drilling

Laterals will be drilled at a depth of no more than 5800' with a horizontal maximum of 300'.

2.0 Service Fees and Royalty

2.1 Lateral Drilling Service Fees

Verdisys Lateral Drilling Services ("Drilling Services") will be billed at the time of commencement of drilling at the package rate set forth in the attached Term and Pricing Invoice. The Drilling Services are for each individual well site pertaining to this Contract. E2000 shall receive the Drilling Services at the minimum number of wells and at the prices identified on the Term and Pricing Invoice attached hereto. Verdisys will bill E2000 upon completion of each individual well, including any additional laterals requested, with payment due upon completion of the well based upon financing provided by Solarcom, Inc. or other financing entity.

2.2 Royalty

In addition to the fee for Drilling Services, Verdisys shall receive an 80% interest in the net operating income from E2000's Monroe Gas Properties (the "Verdisys Royalty"). The Verdisys Royalty will be calculated as 80% of the net lease after recovery by E2000 and/or its third party financing sources of E2000's costs related to the Drilling Services, including principal, interest, fees and costs for financing such Drilling Services; landowner royalties or other royalties to third parties other than E2000 or Verdisys; and field operating costs.

Service Contract – E2000 and Verdisys, Inc.

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To provide for payment of the Verdisys Royalty, E2000 will secure for Verdisys an 80% listing with Center Point Energy (the "Gatherer") for direct payment of proceeds. On a monthly basis, Verdisys will assign its 80% share of the royalty and E2000 shall assign its 20% share of the royalty to an escrow account (the "Drilling Services Financing Escrow Account") until such time as the escrow account holds funds equal to the principal amount of the Verdisys Drilling Services, and any interest, fees or costs related thereto that are due or will be due to E2000 and/or a third party financing entity or entities. After the Drilling Services Financing Escrow Account has received sufficient funds to pay for the E2000 and/or third party Drilling Services financing, the escrow shall be discontinued as to such well and funds shall be remitted directly from Gatherer to Verdisys and E2000 as provided herein.

Verdisys shall not be directly or indirectly liable or obligated in any way to E2000 or to any third party for any financing or other payment obligations related to the Drilling Services, including principal, interest, fees or other costs related thereto. The obligations of Verdisys are specifically limited to compliance with the terms of this agreement related to the assignment of funds by Verdisys to the Drilling Services Financing Escrow Account for the limited time period described herein.

E2000 will remain operator, but will subcontract to Verdisys the management and operation of the Monroe field. On a monthly basis, Verdisys will be reimbursed for 20% of field operating costs by E2000 for the preceding month's expenses, such costs to include management personnel, office costs, pumping, maintenance, repair, and any other costs reasonably related to field production and management.

3.0 Responsibilities of Parties

3.1 Verdisys Services

Verdisys will provide lateral drilling to a depth of 5800' in the existing well structure with four (4) laterals to a maximum horizontal distance of 300' from the center of the well bore.

3.2 Third Party Services

E2000 hereby agrees that to the extent that third party services are reasonably determined by Verdisys as needed to maximize the results of the Drilling Services or the overall output from the Monroe field, E2000 will be responsible for twenty percent (20%) of all costs related to these services.

The determination as to the appropriate number of laterals to be drilled to obtain maximum return from the well will be made by the on-site consulting geologist (or if not on-site consulting geologist is present at the site, by any third party consulting geologist mutually acceptable to the parties).

3.3 E2000 Support

E2000 agrees to provide sufficient, free and safe access to the Monroe Field and the E2000 facilities located thereon to permit timely performance of the Drilling Services and field management. Verdisys is responsible for preworking of the well to the described condition set forth in the "Verdisys Statement of Work", and will bill such services to E2000 as an operating cost. Verdisys will also provide or subcontract necessary "cleanup" of the well and strata.

Service Contract – E2000 and Verdisys, Inc.

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4.0 Warranties and Limitations

4.1 Terms and Conditions

All warranties related to Verdisys Lateral Drilling Services are contained in the separate "Service Level Agreement" (SLA) document included with this Contract.

4.2 Performance

Verdisys will provide a minimum of four laterals per well to at a depth not to exceed 5800' with laterals horizontal distance not to exceed 300'.

4.3 Indemnification

Verdisys, at its own expense, shall indemnify, release and hold harmless E2000, its subsidiaries, affiliates or assignees, and their directors, officers, employees and agents and defend any action brought against same with respect to any claim, demand, cause of action, debt, loss or liability, including attorneys' fees and court costs, to the extent that it is based upon a claim that the equipment used or Services provided hereunder infringes or violates any patents, copyrights, trade secrets, licenses, or other property rights of any third party. E2000 may, at its own expense, assist in such defense if it so chooses, provided that as long as Verdisys can demonstrate sufficient financial resources, Verdisys shall control such defense and all negotiations relative to the settlement of any such claim and further provided that any settlement intended to bind E2000 shall not be final without E2000' written consent, which shall not be unreasonably withheld. In the event that Verdisys cannot demonstrate sufficient financial resources to provide such defense, the E2000 shall have the right to advance legal expenses and direct such legal defense. E2000 shall promptly provide Verdisys with written notice of any claim which E2000 believes falls within the scope of this paragraph.

Verdisys agrees to indemnify, release, defend and hold harmless E2000 for any liability or expense due to claims for personal injury or property damage (i) arising out of the furnishing or performance of the equipment or the Services provided hereunder or (ii) arising out of the fault or negligence of Verdisys, its employees or agents.

5.0 Miscellaneous

5.1 Confidentiality

Each party agrees that it shall not disclose to any third party any information concerning the customers, trade secrets, methods, processes or procedures or any other confidential business information of the other party which it learns during

the course of its performance of this Contract, without the prior written consent of such other party. This obligation will survive the cancellation or other termination of this Contract.

5.2 Governing Law

This Contract shall be governed by and construed under the laws of the State of Texas.

5.3 Assignment

Either party may assign its rights under this contract with the prior written notice to the other party, except the management responsibilities undertaken by Verdisys herein may only be subcontracted or assigned with the prior consent of E2000. This Contract is binding upon the parties and their successors and assigns.

Service Contract – E2000 and Verdisys, Inc.

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5.4 Authority

Each party has all requisite power and authority to execute, deliver and perform this Agreement. All necessary corporate proceedings of each party have been taken to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly authorized, executed and delivered by each party, constitutes the legal, valid and binding obligation of each party, and is enforceable in accordance with its terms. Except as set forth elsewhere herein, no consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local or other governmental authority or any court or other tribunal is required by either party for the execution, delivery or performance of this Agreement. No consent of any party to any contract, agreement, instrument, lease, arrangement or understanding to which either party is a signer, or to which any of its properties or assets are subject, is required for the execution, delivery or performance of this Agreement

5.5 Further Actions

At any time and from time to time, each party agrees, at its expense, to take such actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Agreement.

5.6 Amendments

This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all existing agreements among them concerning such subject matter. This Agreement may be amended prior to the Effective Time (notwithstanding stockholder adoption and approval) by a written instrument executed by the Constituent Corporations with the approval of their respective Boards of Directors.

5.7 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be mailed by certified mail, return receipt requested, or by Federal Express or similar overnight delivery or courier service or delivered in person against receipt to the party to whom it is to be given at the address of such party set forth in the preamble to this Agreement. Notices hereunder shall be deemed delivered only upon actual delivery against a signed receipt.

E2000: Energy 2000, Inc.
10600 N. De Anza Blvd, Suite 250
Cupertino, CA 95014

Verdisys: Verdisys, Inc.
25025 I-45 North, Suite 525
The Woodlands, TX 77380

5.8 Waiver

Any waiver by any party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Agreement. Any waiver must be in writing and be authorized by a resolution of the Board of Directors of the waiving party.

5.9 Binding Effect

The provisions of this Agreement shall be binding upon and inure to the benefit of the Constituent Corporations and their respective successors and assigns and shall inure to the benefit of each indemnity.

Service Contract – E2000 and Verdisys, Inc.

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5.10 Separability

If any provision of this Agreement is invalid, illegal or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

5.11 Headings

The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

5.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been approved by resolutions duly adopted by the Board of Directors of each party and has been signed by duly authorized officers of each party, all as of the date first above written.

Energy 2000, Inc.

By: ____/S/Tom Black_____

Title: _____CEO_____

Date: __July 6, 2003_____

Verdisys, Inc.

By: ____/s/Dan Williams_____

Title: _____President_____

Date: __July 6,2003_____

Service Contract – E2000 and Verdisys, Inc.

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OPERATIONS AGREEMENT

LATERAL DRILLING SERVICE STANDARD AGREEMENT

EDGE CAPITAL GROUP and VERDISYS, INC.

This Operations Agreement ("Agreement") is dated as of June 16, 2003, by and between Verdisys, Inc., a California corporation ("Verdisys"), and Edge Capital Group, a California corporation ("ECG"). Edge Capital Group ("ECG") seeks to engage Verdisys, Inc. ("Verdisys") to provide operating expertise, and lateral drilling services, to ECG's in the Monroe Gas Field in Monroe, Louisiana (the "Monroe Field"), which ECG is in the process of acquiring.

WHEREAS, ECG is in the process of acquiring the lease for Monroe Field from its current owners for one million five hundred thousand dollars (\$1,500,000.00);

WHEREAS, in conjunction with the acquisition of the lease of the Monroe Field, ECG shall deliver an initial payment of one hundred and fifty thousand dollars (\$150,000.00) to the current seller of the lease and seller shall carry a purchase money loan for the balance of one million three hundred and fifty thousand dollars (\$1,350,000.00) which shall be subordinated to the recording of a first lien in favor of ECG; and such seller has agreed that they will not require a payment of principal or interest from ECG on the second lien for at least six (6) months from the date of initial funding;

WHEREAS, ECG has arranged financing with Solarcom, Inc., in an aggregate amount of nineteen million five hundred thousand dollars (\$19,500,000.00) dollars (equating to \$65,000.00 per well financed) to redevelop the field to include MEPES;

NOW, THEREFORE, in consideration of the rights, obligations and interests included under this Agreement, both parties agree as follows:

1.0 Lateral Drilling

1.1 Project

Verdisys will provide lateral drilling to pay zones within ECG's existing well base in the Monroe Field identified with greater specificity as to location on the attached Addendum "A". The parties to this Agreement shall immediately begin negotiations to complete a Term and Pricing Invoice, which will be made a part of this Agreement as Addendum "B".

1.2 Parameters of Drilling

Laterals will be drilled at a depth of no more than 5800' with a horizontal maximum of 300'.

2.0 Service Fees and Royalty

2.1 Lateral Drilling Service Fees

Service Contract – ECG and Verdisys, Inc.

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Verdisys Lateral Drilling Services ("Drilling Services") will be billed at the time of commencement of drilling at the package rate set forth in the Term and Pricing Invoice (Addendum "B"). The Drilling Services are for each individual well site pertaining to this Contract. ECG shall receive the initial Drilling Services for eight (8) wells. Payment to Verdisys shall occur approximately thirty days later, based upon the financing provided by Solarcom, Inc. Thereafter, additional funding to Verdisys will be supplied for a minimum of wells equal to the lesser of either: (i) eight (8) wells at a time, or (ii) in the event that the projected number of laterals to be drilled per well would cause the cost of 8 wells to exceed an aggregate payment of \$500,000.00, then that maximum number of wells which would be as close to, but not in excess of \$500,000.00. Each consecutive funding is based on the stipulation that the previous eight (8) wells must be "certified" to have achieved the equivalent of approximately twelve thousand (\$12,000.00) per month, in average net operating income, per well, prior to additional funding, based on the then current market prices.

2.2 Down Payment to Secure Monroe Field and Financing

ECG will be responsible to secure the Monroe Field with a down payment of \$150,000.00.

2.3 Royalty

In addition to the fee for Drilling Services, Verdisys shall receive a sixty-six and two thirds percent (66 2/3%) interest in the net operating income from ECG's Monroe Gas Properties (the "Verdisys Royalty"). The Verdisys Royalty will be calculated as sixty-six and two thirds percent (66 2/3%) of the net lease after recovery by ECG and/or its third party financing sources of ECG's costs related to the Drilling Services, including principal, interest, fees and costs for financing such Drilling Services; cost of acquisition of the lease; land owner royalties or other royalties to third parties other than ECG or Verdisys; and field operating costs. Therefore, after completion of the re-development of the field, ECG will secure for Verdisys a sixty-six and two thirds percent (66 2/3%) listing with Shiloh Resources (the "Gatherer") for direct payment of proceeds.

Verdisys shall not be directly or indirectly liable or obligated in any way to ECG or to any third party for any financing or other payment obligations related to the Drilling Services, including principal, interest, fees or other costs related thereto. The obligations of Verdisys are specifically limited to compliance with the terms of this Agreement. However, ECG relies on the expertise of Verdisys for the management and operation of the Monroe field. All expenses for operations during re-development of the field are included inside the per well expected "base price" drilling cost expense (as provided on the attached Term and Pricing Invoice) as otherwise adjusted to reflect the number of laterals necessary to maximize production from each specific well. The ongoing, normal expenses, currently being experienced by the field shall remain the responsibility of ECG during redevelopment.

3.0 Responsibilities of Parties

3.1 Verdisys Services

Verdisys will provide management services operations and provide lateral drilling to a depth of 5800' in the existing well structure with four (4) laterals to a maximum horizontal distance of 300' from the center of the well bore.

3.2 Third Party Services

ECG hereby agrees that to the extent that mutually agreeable third party services are needed to maximize the results of the Drilling Services or the overall output from the Monroe field, ECG will be responsible for thirty-three and one-third percent (33 1/3%) of all costs related to these services. Third Party costs are anticipated to not exceed \$3,000.00 per well and shall be paid directly to Verdisys pursuant to the financing from Solarcom, Inc. In the event that the parties can not agree as to whether certain third party services are necessary to maximize the results of the Drilling Services, the on-site consulting geologist (or

Service Contract – ECG and Verdisys, Inc.

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if no on-site consulting geologist is present at the site, by any third party consulting geologist mutually acceptable to the parties) shall make the final determination as to whether such third party services are necessary to maximize the results of the Drilling Services.

The determination as to the appropriate number of laterals to be drilled to obtain maximum return from the well will be made by the on-site consulting geologist (or if no on-site consulting geologist is present at the site, by any third party consulting geologist mutually acceptable to the parties).

3.3 ECG Support

ECG agrees to provide sufficient, free and safe access to the Monroe Field and the ECG facilities located thereon to permit timely performance of the Drilling Services and field management. Verdisys is responsible for preworking of the well to the described condition set forth in the "Verdisys Statement of Work". Verdisys will also provide or subcontract necessary "cleanup" of the well and strata.

4.0 Warranties and Limitations

4.1 Terms and Conditions

All warranties related to Verdisys Lateral Drilling Services are contained in the separate "Service Level Agreement" (SLA) document included with this Contract as Addendum "C".

4.2 Performance

Verdisys will provide a minimum of four laterals per well to at a depth not to exceed 5800' with laterals horizontal distance not to exceed 300'.

4.3 Indemnification

Verdisys, at its own expense, shall indemnify, release and hold harmless ECG, its subsidiaries, affiliates or assignees, and their directors, officers, employees and agents and defend any action brought against same with respect to any claim, demand, cause of action, debt, loss or liability, including attorneys' fees and court costs, to the extent that it is based upon a claim that the equipment used or Services provided hereunder infringes or violates any patents, copyrights, trade secrets, licenses, or other property rights of any third party. ECG may, at its own expense, assist in such defense if it so chooses, provided that as long as Verdisys can demonstrate sufficient financial resources, Verdisys shall control such defense and all negotiations relative to the settlement of any such claim and further provided that any settlement intended to bind ECG shall not be final without ECG' written consent, which shall not be unreasonably withheld. In the event that Verdisys cannot demonstrate sufficient financial resources to provide such defense, the ECG shall have the right to advance legal expenses and direct such legal defense. ECG shall promptly provide Verdisys with written notice of any claim which ECG believes falls within the scope of this paragraph.

Verdisys agrees to indemnify, release, defend and hold harmless ECG for any liability or expense due to claims for personal injury or property damage (i) arising out of the furnishing or performance of the equipment or the Services provided hereunder or (ii) arising out of the fault or negligence of Verdisys, its employees or agents.

5.0 Miscellaneous

5.1 Confidentiality

Each party agrees that it shall not disclose to any third party any information concerning the customers, trade secrets, methods, processes or procedures or any other confidential business information of the other party which it learns during the course of its performance of this Contract, without the prior written

Service Contract – ECG and Verdisys, Inc.

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consent of such other party. This obligation will survive the cancellation or other termination of this Contract. Each party agrees to reasonably cooperate in regard to the issuance of information to the press.

5.2 Governing Law

This Contract shall be governed by and construed under the laws of the State of California.

5.3 Assignment

Either party may assign its rights under this contract with the prior written notice to the other party, except the management responsibilities undertaken by Verdisys herein may only be subcontracted or assigned with the prior consent of ECG. This Contract is binding upon the parties and their successors and assigns.

5.4 Authority

Each party has all requisite power and authority to execute, deliver and perform this Agreement. All necessary corporate proceedings of each party have been taken to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly authorized, executed and delivered by each party, constitutes the legal, valid and binding obligation of each party, and is enforceable in accordance with its terms. Except as set forth elsewhere herein, no consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local or other governmental authority or any court or other tribunal is required by either party for the execution, delivery or performance of this Agreement. No consent of any party to any contract, agreement, instrument, lease, arrangement or understanding to which either party is a signer, or to which any of its properties or assets are subject, is required for the execution, delivery or performance of this Agreement

5.5 Further Actions

At any time and from time to time, each party agrees, at its expense, to take such actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Agreement.

5.6 Amendments

This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all existing agreements among them concerning such subject matter. This Agreement may be amended prior to the

Effective Time (notwithstanding stockholder adoption and approval) by a written instrument executed by the Constituent Corporations with the approval of their respective Boards of Directors.

5.7 Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be mailed by certified mail, return receipt requested, or by Federal Express or similar overnight delivery or courier service or delivered in person against receipt to the party to whom it is to be given at the address of such party set forth in the preamble to this Agreement. Notices hereunder shall be deemed delivered only upon actual delivery against a signed receipt.

ECG: **Edge Capital Group**
22349 La Palma Ave. Suite D110
Yorba Linda, California 92887

Verdisys: **Verdisys, Inc.**
25025 I-45 North, Suite 525
The Woodlands, TX 77380

5.8 Waiver

Service Contract – ECG and Verdisys, Inc.

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Any waiver by any party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Agreement. Any waiver must be in writing and be authorized by a resolution of the Board of Directors of the waiving party.

5.9 Binding Effect

The provisions of this Agreement shall be binding upon and inure to the benefit of the Constituent Corporations and their respective successors and assigns and shall inure to the benefit of each indemnity.

5.10 Severability

If any provision of this Agreement is invalid, illegal or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

5.11 Headings

The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

5.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been approved by resolutions duly adopted by the Board of Directors of each party and has been signed by duly authorized officers of each party, all as of the date first above written.

Edge Capital Group

By: _____/S/Scott Sossen_____

Title: _____CEO_____

Date: ___ June 15, 2003 _____

Verdisys, Inc.

By: ___/s/Dan Williams_____

Title: ___ President_____

Date: ___ June 15, 2003 _____

Service Contract – ECG and Verdisys, Inc.

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CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Verdisys, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Williams, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1)

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

\s\ Dan Williams

Dan Williams

President

August 18, 2003

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Verdisys, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Wilson, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1)

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

\s\ Andrew Wilson

Andrew Wilson

Principal Accounting Officer

August 18, 2003
