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

# FORM 10-K

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

For the year ended December 31, 2017

Commission File No. 333-171064

# TEXAS SOUTH ENERGY, INC.
(Exact name of the issuer as specified in its charter)

| Nevada | 99-0362471 |
|---|---|
| (State or Other Jurisdiction of incorporation or organization) | (I.R.S. Employer I.D. No.) |

4550 Post Oak Place Dr., Suite 300
Houston, Texas 77027
(Address of Principal Executive Offices)

(713) 820-6300
(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company or an emerging growth company:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold, or the average bid and asked price of such common stock, as of the last business day of the Registrant's most recently completed second quarter: $4,982,907 on June 30, 2017.

Indicate the number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date:

| Class | Outstanding as of March 27, 2018 |
|---|---|
| Common Capital Voting Stock, $0.001 par value per share | 867,440,670 |

Documents incorporated by reference: None

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## PART I

## FORWARD LOOKING STATEMENTS

In this Annual Report, references to "Texas South Energy," the "Company," "we," "us," and "our" refer to "Texas South Energy, Inc., and its wholly owned subsidiary Texas South Operating Company, Inc." the Registrant.

This Annual Report contains certain forward-looking statements and for this purpose any statements contained in this Annual Report that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "projects," "expects," "may," "goal," "estimates," "should," "plans," "targets," "intends," "could," or "anticipates," or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the markets in which the Company may participate, competition within the Company's chosen industry, technological advances and failure by us to successfully develop business relationships. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### ITEM 1. BUSINESS

### The Company

We are engaged in the onshore and offshore oil and gas business.

In March 2014, we entered into a farm out letter agreement with GulfSlope Energy, Inc. ("GulfSlope") relating to certain prospects GulfSlope bid on at the Central Gulf of Mexico Lease Sale 231, located within 2.2 million acres of 3-D seismic licensed and interpreted by GulfSlope. Under the terms of the farm-out letter agreement, as amended, we acquired contractual rights to a 20% working interest in 12 blocks covered in 9 prospects for $10,000,000 paid to date and $304,000 due on or prior to April 1, 2018. We have agreed to pay our proportionate share of the net rental costs related to the prospects. GulfSlope has conducted extensive seismic work on all of the prospects focusing on the high potential subsalt play at depths of 15,000' to 25,000' and will be the operator of record for the initial well on each of the prospects.

In May 2016, we entered into a letter of intent with GulfSlope that set forth terms and conditions of a farm-out arrangement to develop certain shallow-depth oil and gas prospects located on offshore Gulf of Mexico blocks currently leased by GulfSlope. The shallow prospects were located above 5,100 feet vertical depth on the Vermilion Area, South Addition Block 378 ("Canoe Shallow") and Vermilion Area, South Addition Block 375 ("Selectron Shallow", and collectively with Canoe Shallow, "Shallow Prospects"). At that time we owned a 70.7% working interest in the Shallow Prospects with a third party owning a 16.8% working interest for which it paid $400,000 and GulfSlope retaining a 12.5% working interest. Texas South acquired the interest in the two prospects in exchange for (i) cash payments of $400,000, (ii) the payment of annual rental obligations of $63,147, and (iii) the agreement to fund, or cause to be funded, the costs for the drilling of two shallow wells prior to December 31, 2017. The farmout on both prospects from GulfSlope expired by its own terms on December 31, 2017.

On January 8, 2018, the Company entered into a participation agreement dated effective January 1, 2018 (the "Agreement") with Delek GOM Investments, LLC, a subsidiary of Delek Group Ltd. ("Delek"), and GulfSlope (collectively, the "Parties") for the partial farm-out of the Company's interests in its Gulf of Mexico oil and gas leases (the "Farm-out"). The Agreement sets out the terms and conditions of the Parties participation in the drilling of up to a nine well multi-phase exploration program targeting the Company's prospects (the "Prospects") located on the Company's existing leases (the "Leases").

Under the terms of the Agreement, the Parties have committed to initially drill the Company's "Canoe" and "Tau" prospects (the "Initial Phase") with Delek having the option to participate in two additional two-well drilling phases and a final, three-well drilling phase (collectively, the "Phases"). In August 2017, the Company acquired a 20% working interest in Ship Shoal Block 351 and in Ship Shoal Block 336, which are collectively referred to as the Tau Prospect from GulfSlope and in January 2018, the Company acquired a 20% working interest in the Vermilion South Addition Block 378 ("Canoe Prospect") from GulfSlope. In each Phase, Delek will earn a 75% working interest upon paying 90% of the exploratory costs associated with drilling each exploratory well. The Company will thus retain a 5% working interest while paying 2% of the exploratory costs associated with drilling each well. In addition, Delek will pay the Company $405,000 upon the filing of each exploration plan with BOEM and/or BSEE on a Prospect in each Phase. Also, each Party will be responsible for its pro rata share (based on working interest) of delay rentals associated with the Prospects. GulfSlope will be the Operator during exploratory drilling of a Prospect, however, subsequent to a commercial discovery, Delek will have the right to become the Operator. Delek will have the right to terminate this Agreement at the conclusion of any drilling Phase. Delek will also have the option to purchase up to 5% of the Company's common stock upon fulfilling its obligation for each Phase (maximum of 20% in the aggregate) at a price per share equal to a 10% discount to the 30-day weighted average closing price for the Company's common stock preceding the acquisition. This option will expire on January 8, 2020. The foregoing description of the Agreement does not purport to be a complete description of the terms, provisions and conditions of such document, and represents only a summary of certain of the principal terms, provisions and conditions thereof.

The Company will assign a two-tenths of one percent of 8/8ths net profits interest in certain of the Company's oil and gas leases to include Vermilion Area, South Addition 378, Ship Shoal Area, South Addition 336, and Ship Shoal Area, South Addition 351, to Hi-View Investment Partners, LLC ("Hi-View") in consideration for consulting services provided pursuant to a non-exclusive consulting engagement dated October 25, 2017, by and between Hi-View, the Company, and GulfSlope (the "Advisory Agreement"). Hi-View will be entitled to additional assignments on the same terms and conditions as described above related to any of Leases in which Delek elects to participate in the drilling of an exploratory well. In addition, the Company issued an aggregate of twenty million shares of its common stock to Hi-View in consideration for those consulting services provided pursuant to the Advisory Agreement. In the event that Delek has not funded the $405,000 payment referenced above within six months of execution of this Agreement, then the common stock will be returned by Hi-View to the Company.

In January 2017, the Company entered into an asset purchase agreement with Sydson Energy, Inc. ("Sydson Energy") and Sydson Resources, L.P. ("Sydson Resources" and collectively with Sydson Energy, "Sydson"), where Sydson assigned to us certain onshore oil and gas assets and interests and certain tangible assets and additionally, certain employees and a consultant of Sydson have agreed to become employees and a consultant of the Company. Sydson is a private oil and gas company with land operations in Texas and Louisiana that has been in business since 1982. The oil and gas assets include the following:

- In the Bayou Bouillon Field, St. Martin and Iberville Parishes, Louisiana, we acquired a 37.5% working interest in the Sugarberry South Project comprising 420 acres with a net revenue interest of 70%. As of December 31, 2017 the Company only owns a 50% working interest in the Sugarberry #6 wellbore, which is not currently productive, at Bayou Bouillon Field as a result of concerns with the presence of H2S in the gas and with difficulties raising funding for our share of the development commitments.

- In Texas, we acquired a 50% working interest in the undrilled acreage above 4,500' in the West Tuleta Field, Bee County, Texas comprised of approximately 1,800 gross acres and 900 net acres with a net revenue interest of approximately 75%. The primary drilling objectives are the Vicksburg and Hockley sands which are structurally high on this acreage compared to the prior downdip production.

- In the adjacent Ray Field, also in Bee County, Texas, we acquired a 50% working interest in the undrilled, acreage on the Walton, Campbell, and Ray leases comprising approximately 75 gross acres with a net revenue interest of approximately 75%. The primary drilling objectives on this acreage are also the Vicksburg and Hockley sands updip to prior production above 3,700'.

- Southeast of San Antonio, we are acquiring leases with working interest partners covering 2,000 acres or more for horizontal projects above 6,000' in the Austin Chalk and Buda Lime formation. These projects are adjacent to substantial prior production and contain both conventional and unconventional oil targets.

In connection with the asset acquisition, certain officers and employees of Sydson have become officers, a consultant and employees of the Company, including Michael J. Mayell as chief executive officer, James L. Gunderson as manager of land, Robert F. Goldstein as a geological consultant, and Lecia Alexander as controller. Certain other non-executive employees and consultants of Sydson became at-will employees of the Company. Also at that time, John B. Connally III joined our Company board as chairman.

Mr. Mayell has over 45 years of experience in the oil and gas business. He began his career with Shell Oil Company in New Orleans, Louisiana in the drilling and production engineering groups responsible for drilling and producing fields both onshore and offshore South Louisiana. Mr. Mayell founded Sydson in 1982 and this entity has been in operation since that time. In 1985, Mr. Mayell co-founded The Meridian Resource Corporation (NYSE) and served as the president and chief operating officer of Meridian for over 20 years. Mr. Mayell received his Bachelor of Science degree in mechanical engineering from Clarkston University.

Mr. Connally presently serves as chairman of the Texas Lt. Governor's Energy Advisory Board. Mr. Connally has significant oil and gas experience, both as a practicing lawyer and as an executive. Mr. Connally was a founding shareholder of Texas South and GulfSlope, and a founding director of Nuevo Energy, Inc., Endeavor International Corp., and Pure Energy Group (where he also served as chief executive officer) and Pure Gas Partners. Mr. Connally was a law partner with Baker Botts, and received both his Bachelor of Arts and JD degrees from the University of Texas.

**Oil and Gas Industry**

The oil and gas industry is a complex, multi-disciplinary sector that varies greatly across geographies. As a heavily regulated industry, operating conditions are subject to political regimes and changing legislation. Governments can either induce or deter investment in exploration and production, depending on legal requirements, fiscal and royalty structures and regulation. Beyond political considerations, exploration and production for hydrocarbons is an extremely risky business with multiple failure modes. Exploration and production wells require substantial capital investment and are long-term projects, sometimes exceeding twenty to thirty years. Regardless of the effort spent on an exploration or production prospect, success is difficult to attain. Even though modern equipment, including seismic equipment and advanced processing and evaluation software, has helped geologists find producing structures and map reservoirs, they do not guarantee any outcome. Drilling is the only method able to ultimately determine whether a prospect will be productive, and even then, many complications can arise during drilling (e.g., those relating to drilling depths, pressure, porosity, weather conditions, and the porosity and permeability of the formation and rock hardness).

Typically, there is a significant chance that exploratory wells will result in non-producing holes, leaving investors with the cost of leases, overhead, seismic data and a dry well which can total millions of dollars. Even if oil or gas is produced from a particular well, there is always the possibility that unforeseen treatment, at additional cost, may be required to make production commercially viable. Further, production profiles decline over time. In summary, oil and gas exploration and production is an industry with high risks and high entry barriers, but it is also potentially lucrative.

For any given rate of production and volume of hydrocarbons recovered, oil and gas prices determine the commercial feasibility of a project. Certain projects may become feasible with higher prices or, conversely, may falter with lower prices. Volatility in the price of oil, gas and other commodities has increased during the last few years, complicating the assessment of revenue projections. Most governments have enforced strict regulations to uphold high standards of environmental awareness; thus, holding companies to a high degree of responsibility vis-a-vis protecting the environment. Aside from such environmental factors, oil and gas drilling is often conducted near populated areas. For a company to be successful in its drilling endeavors, working relationships with local communities are often crucial to promote business strategies and avoid the repercussions of disputes that might arise over local business operations. At this time (December 31, 2017), the Company does not have any production or proved oil or gas reserves.

**Governmental Regulation**

The operator of any oil and gas operations will be subject to various federal, state, and local governmental regulations. Matters subject to regulation include discharge permits for materials used in drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, pooling of properties, and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation, and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal, state, and local laws and regulations relating primarily to the protection of safety, human health and the environment. State and local laws and regulations may affect the prices at which owners are paid for their leases by requiring more stringent disclosure and certification requirements, adjusting interest rates for late payments, raising legal and administrative costs and imposing more costly default contractual terms. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their ultimate effect, if any, on the lessee to pay royalties.

Environmental laws provide for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association with oil and gas operations. The laws also require that wells and facility sites be operated, maintained, abandoned, and reclaimed to the satisfaction of the applicable regulatory authorities. Compliance with such laws can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil or gas or other pollutants into the air, soil, or water may give rise to liabilities to governments and third parties and may require the operator to incur costs to remedy such discharge. In addition, the operator and other working interest owners could incur fines, penalties or significant liability for damages, clean-up costs, and penalties in the event of discharges into the environment, environmental damage caused by the operator or previous owners of the property, or non-compliance with environmental laws or regulations. In addition to actions brought by governmental agencies, the operator and owners could face actions brought by private parties or citizens groups. There can be no assurance that the forgoing will not increase the cost of production, development, or exploration activities for the operator or otherwise adversely affect the payment of royalties on the property.

**Environmental Regulation**

The operator of our oil and gas interests (we intend to operate many of our onshore prospects) will be subject to numerous federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Applicable U.S. federal environmental laws include, but are not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the Clean Water Act ("CWA") and the Clean Air Act ("CAA"). These laws and regulations govern environmental cleanup standards, require permits for air, water, underground injection, solid and hazardous waste disposal and set environmental compliance criteria. In addition, state and local laws and regulations set forth specific standards for drilling wells, the maintenance of bonding requirements in order to drill or operate wells, the spacing and location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the plugging and abandoning of wells, and the prevention and cleanup of pollutants and other matters. Typically, operators and owners maintain insurance against costs of clean-up operations, but may not be fully insured against all such risks. Additionally, Congress and federal and state agencies frequently revise the environmental laws and regulations, and any changes that result in delay or more stringent and costly permitting, waste handling, disposal and clean-up requirements for the oil and gas industry could have a significant impact on the operator's costs.

The environmental laws and regulations that could have a material impact on the oil and natural gas exploration and production industry, including on the operators of our future oil and gas interests, thereby indirectly impacting our business, including the following:

*Hazardous Substances and Wastes.* CERCLA, also known as the "Superfund law," imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that transported or disposed or arranged for the transport or disposal of the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liabilities 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 corresponding common law claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

*Waste Discharge*. The CWA and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the United States Environmental Protection Agency ("EPA") or an analogous state agency. The CWA and regulations implemented there under also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by an appropriately issued permit. Spill prevention, control and countermeasure requirements of federal laws require appropriate containment beams and similar structures to help prevent the contamination of navigable waters by a petroleum hydrocarbon tank spill, rupture or leak. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties as well as other enforcement mechanisms for noncompliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

*Air Emissions*. The CAA and associated state laws and regulations restrict the emission of air pollutants from many sources, including oil and gas operations. New facilities may be required to obtain permits before construction can begin, and existing facilities may be required to obtain additional permits and incur capital costs in order to remain in compliance. More stringent regulations governing emissions of toxic air pollutants and greenhouse gases ("GHGs") have been developed by the EPA and may increase the costs of compliance for some facilities.

*Oil Pollution Act*. The Oil Pollution Act of 1990, as amended ("OPA") and regulations thereunder impose a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. A "responsible party" includes the owner or operator of an onshore facility, pipeline or vessel, or the lessee or permittee of the area in which an offshore facility is located. OPA assigns liability to each responsible party for oil cleanup 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 a federal safety, construction or operating regulations. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply. Few defenses exist to the liability imposed by OPA. OPA imposes ongoing requirements on a responsible party, including the preparation of oil spill response plans and proof of financial responsibility to cover environmental cleanup and restoration costs that could be incurred in connection with an oil spill.

*National Environmental Policy Act.* Oil and natural gas exploration and production activities on federal lands are subject to the National Environmental Policy Act ("NEPA"). NEPA requires federal agencies, including the Department of Interior, to evaluate major agency actions having the potential to significantly impact the environment. The process involves the preparation of either an environmental assessment or environmental impact statement depending on whether the specific circumstances surrounding the proposed federal action will have a significant impact on the human environment. The NEPA process involves public input through comments which can alter the nature of a proposed project either by limiting the scope of the project or requiring resource-specific mitigation. NEPA decisions can be appealed through the court system by process participants. This process may result in delaying the permitting and development of projects, increase the costs of permitting and developing some facilities and could result in certain instances in the cancellation of existing leases.

*Worker Safety*. The Occupational Safety and Health Act ("OSHA") and comparable state statutes regulate the protection of the health and safety of workers. The OSHA hazard communication standard requires maintenance of information about hazardous materials used or produced in operations and provision of such information to employees. Other OSHA standards regulate specific worker safety aspects. Failure to comply with OSHA requirements can lead to the imposition of penalties.

*Safe Drinking Water Act*. The Safe Drinking Water Act and comparable state statutes restrict the disposal, treatment or release of water produced or used during oil and gas development. Subsurface emplacement of fluids (including disposal wells or enhanced oil recovery) is governed by federal or state regulatory authorities that, in some cases, includes the state oil and gas regulatory authority or the state's environmental authority. These regulations may increase the costs of compliance for some facilities.

*Offshore Drilling.* In 2011, the U.S. Department of Interior issued new rules designed to improve drilling and workplace safety in the U.S. Gulf of Mexico, and various congressional committees began pursuing legislation to regulate drilling activities and increase liability. The Bureau of Ocean Energy Management ("BOEM"), the Bureau of Safety and Environmental Enforcement ("BSEE") and the Office of National Resources Revenue are expected to continue to issue new safety and environmental guidelines or regulations for drilling in the U.S. Gulf of Mexico, and other regulatory agencies could potentially issue new safety and environmental guidelines or regulations in other geographic regions, and may take other steps that could increase the costs of exploration and production, reduce the area of operations and result in permitting delays. We are monitoring legislation and regulatory developments; however, it is difficult to predict the ultimate impact of any new guidelines, regulations or legislation. A prolonged suspension of drilling activity or permitting delays in the U.S. Gulf of Mexico and new regulations and increased liability for companies operating in this sector, whether or not caused by a new incident in the region, could adversely affect the business and planned operations of oil and gas companies.

**Effect of Existing or Probable Governmental Regulations on our Business**

We are subject to the following regulations of the SEC and applicable securities laws, rules and regulations:

***Smaller Reporting Company.*** We are subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and subject to the disclosure requirements of Regulation S-K of the SEC, as a "smaller reporting company." That designation relieves us of some of the informational requirements of Regulation S-K applicable to larger companies.

***Sarbanes/Oxley Act***. Except Section 302 and 404, we are also subject to the Sarbanes/Oxley Act of 2002. The Sarbanes/Oxley Act created a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members' appointment, compensation and oversight of the work of public companies' auditors; management's assessment of our internal controls; prohibits certain insider trading during pension fund blackout periods; requires companies to evaluate internal controls and procedures; and establishes a federal crime of securities fraud, among other provisions. Compliance with the requirements of the Sarbanes/Oxley Act has and will continue to substantially impact our legal and accounting costs.

***Exchange Act Reporting Requirements.*** We are subject to the reporting requirements of Section 14 and 16 of the Exchange Act, are required to file annual reports on SEC Form 10-K and quarterly reports on SEC Form 10-Q with the SEC on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control and acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business) in a current report on SEC Form 8-K.

**Competition**

The Company is competing with other oil companies for oil and gas leases and concessions. The oil and gas industry is highly competitive in all of its phases, with competition for favorable producing royalties, overriding royalties, and good oil and gas leases being particularly intense. The Company believes that the exploration program, promised expenditures, geological and geophysical skill, and familiarity with an area of operations are primary competitive factors in the identification, selection, and acquisition of desirable leases. When attempting to purchase interests in such properties, the Company competes with independent operators and major oil companies, many of which possess and employ superior financial resources that allow them to obtain substantially greater technical and personnel resources than ours. Competitors may be able to evaluate and purchase a greater number of mineral rights or royalty interests than our financial or personnel resources permit. Competitors may also be able to pay more for prospects than we are able or willing to pay. If we are unable to compete successfully in these areas in the future, our future growth may be diminished or restricted.

**Employees**

As of March 27, 2018, the Company has five employees and one consultant.

**Historical Background**

The Company was incorporated under the laws of the State of Nevada on March 15, 2010, as "INKA Productions Corp." The Company became an SEC reporting company in 2012, when a registration statement for its common stock was declared effective under the Exchange Act. At that time, the Company was engaged in the business of producing and performing traditional Peruvian dances in Peru and the United States. In September 2013, we changed our business to an oil and gas company focused primarily on properties in the Gulf Coast Region.

In September 2013, certain shareholders of the Company sold an aggregate of 7,900,000 shares of the Company's common stock at a price of $0.001 per share to certain accredited investors, which resulted in a change of control and change of management. Following the change of control, in November 2013 the Company amended its certificate of incorporation to: (i) increase the Company's authorized shares of common stock from 75,000,000 shares to 950,000,000 shares; (ii) authorize the issuance of 50,000,000 shares of blank check preferred stock; (iii) effect a 3-for-1 forward stock split of the Company's common stock; and (iv) change the name of the Company from "INKA Productions, Corp." to "Texas South Energy, Inc."

In January 2017, we issued Mr. Mayell 100,000,000 shares of common stock in connection with the Sydson transaction, and Mr. Mayell was appointed president, chief executive officer and a director. Mr. Connally was appointed as chairman of the board and entered into an employment agreement whereby we issued him 65,100,000 shares of common stock. Mr. Askew resigned as an executive officer and as a director and entered into a consulting agreement pursuant to which he was issued 27,000,000 shares of common stock.

In January 2017, pursuant to the laws of the State of Texas, the Company formed Texas South Operating Company, Inc. as a wholly owned subsidiary of the Company. Texas South Energy, Inc. and Texas South Operating Company, Inc. (collectively, the "Company") began filing consolidated financial statements effective with the March 31, 2017 filing.

**General**

Our address is 4550 Post Oak Place Dr., Suite 300, Houston, TX 77027 and our telephone number is (713) 820-6300 and our corporate website is Texasouth.com. Our SEC filings are accessible through the Company's website for dates after January 4, 2017 and through the SEC's web site (http:www.sec.gov) prior to that date. This site contains reports, proxy and information statements and other information regarding registrants, including us, that file electronically with the SEC.

**ITEM 1A. RISK FACTORS**

**Risks Related to Our Business and Financial Condition**

***We have no proved reserves as of December 31, 2017, and our planned drilling operations may not yield any oil or gas in commercial quantity or quality.***

We have no proved reserves as of December 31, 2017. While, based on available seismic and geological information, we believe the potential presence of oil or gas exists, to date we have not commenced drilling on our prospects. Some of our current prospects may require additional seismic data, including reprocessing and interpretation. Even when properly used and interpreted, seismic data and visualization techniques are only tools used to assist geoscientists in identifying structures and hydrocarbon indicators and do not enable the interpreter to have certainty as to whether hydrocarbons are, in fact, present in those structures. We do not know if any such prospect will contain oil or gas in sufficient quantities or quality to recover drilling and completion costs or to be economically viable. Even if oil or gas is found on our prospects, development, facility construction and transportation costs may prevent such prospects from being economically viable. Accordingly, there is no assurance we will ever report proved reserves in our SEC filings.

***Areas that we decide to drill may not yield oil and natural gas in commercial quantities or quality, or at all.***

As of March 27, 2018, we currently own 12 blocks in nine offshore prospects in the Gulf of Mexico in conjunction with GulfSlope, in water depths between 300' and 450'. The Company currently owns 20% working interest in seven of the offshore prospects and a 5% working interest in two of the prospects. The prospects in the Gulf of Mexico were identified based on available seismic and geological information that indicates the potential presence of oil and natural gas. Additionally, we plan to acquire onshore oil and gas interests in Texas. However, the areas we decide to drill may not yield oil and natural gas in commercial quantities or quality, or at all. Even when properly used and interpreted, 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. Accordingly, we do not know if any of our prospects will contain oil and natural gas in sufficient quantities or quality to recover drilling and completion costs or to be economically viable. Even if oil and natural gas is found on our prospects in commercial quantities, construction costs of pipelines and other transportation costs may prevent such prospects from being economically viable. If one or more of our prospects do not prove to be successful, our business, financial condition and results of operations may be materially adversely affected and we may be forced to curtail operations.

***Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms, if at all, in the future, which may in turn limit our ability to execute our business strategy.***

As of March 27, 2018, we believe that we have sufficient cash on hand (or expected to be available) to fund near-term operations. We have budgeted required capital expenditures and other operating expenses during calendar 2018 of approximately $6 million. These estimates are projections only and will vary depending upon a number of factors, including timing of and actual drilling operations commenced and maintained, completion and transportation costs, bonding and insurance costs, seismic expenses, other customary and ordinary drilling costs that are difficult to estimate, farm-in and farm-out arrangements, and ability to attract partners that are willing to bear some or all of our portion of the costs of conducting exploration drilling activities on offshore prospects. Additionally, depending upon the execution of our business plan, we may determine to acquire additional leasehold interests and fund the acquisition of additional seismic data and seismic processing. All of these expenditures will be funded through future revenues, best-efforts equity offerings, debt offerings or a combination of all.

Of the $6 million of budgeted expenditures in calendar 2018, approximately $2.5 million are expected to cover salaries, consulting and professional services, and required working capital needs.

The proposed expenditures for the calendar year 2018 are subject to change based on the execution of our business plan, any potential competition for leasehold interests and our ability to obtain additional funding. This represents our current best estimate of our capital needs through December 31, 2018. We currently do not anticipate that any drilling activity will commence on any offshore prospects until early third quarter 2018.

Future equity financings may be dilutive to our stockholders. Alternative forms of future financings may include preferences or rights superior to our common stock. Debt financings may involve a pledge of assets and will rank senior to our common stock. We have historically financed our operations through best efforts private equity and debt financings. We do not have any credit or equity facilities available with financial institutions, stockholders or third party investors, and will continue to rely on best efforts financings. There is no assurance that we can raise the capital necessary to fund our business plan. Failure to raise the required capital to fund operations, on favorable terms or at all, will have a material adverse effect on our operations, and will likely cause us to curtail or cease operations.

***Our 2017 audited financial statements contain a going-concern qualification, raising questions as to our continued existence.***

The Company's financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company does not have sufficient cash, nor does it have operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern. The Company has accumulated a net loss since inception (March 15, 2010) through December 31, 2017, of $12,876,760. Further losses are anticipated as we continue in the development stage of our business. We will be dependent upon the raising of additional capital through placement of our equity and/or debt securities in order to implement our business plan. There can be no assurance that we will be successful in either situation in order to continue as a going concern. Failure to raise the required capital to fund operations (including the exploitation of our contractual rights to working interests in the Gulf of Mexico and our working interests onshore), on favorable terms or at all, will have a material adverse effect on our operations, and will likely cause us to curtail or cease operations.

As a result, in their audit report contained in this Annual Report, our independent auditors expressed substantial doubt about our ability to continue as a going concern. As of the date of this Annual Report, we will require additional funds for calendar year 2018. If we cannot raise these funds, we may be required to cease business operations or alter our business plan. 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 result from this uncertainty.

***We are dependent on Mr. Mayell, our chief executive officer.***

Investors in our common stock must rely upon the ability, expertise, judgment and discretion of Mr. Mayell, our chief executive officer. The loss of Mr. Mayell could be detrimental to our future success. In making a decision to invest in our common stock, you must be willing to rely to a significant extent on our management's discretion and judgment. The loss of Mr. Mayell would have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock. We may not be able to find replacement personnel with comparable skills. If we are unable to attract and retain key personnel, our business may be adversely affected. We do not currently maintain key-man insurance on the life of Mr. Mayell.

***We are a development stage company with limited operating history, and there can be no assurance that we will be successful in executing our business plan. We may never attain profitability.***

We commenced our business activity in September 2013 and we intend to engage in the drilling, development, and production of oil and natural gas from our working interests onshore and offshore. As we are a relatively new business, we are subject to all the risks and uncertainties which are characteristic of a new business enterprise, including the substantial problems, expenses and other difficulties typically encountered in the course of its business, in addition to normal business risks, as well as those risks that are specific to the oil and gas industry. Investors should evaluate us in light of the delays, expenses, problems and uncertainties frequently encountered by undercapitalized companies in the oil and gas sector. We may never overcome these obstacles. Failure to raise the required capital to fund operations, on favorable terms or at all, will have a material adverse effect on our operations, and will likely cause us to curtail or cease operations.

***We may be unable to access the capital markets to obtain additional capital that we will require to implement our business plan, which would restrict our ability to grow.***

Our current capital on hand is insufficient to enable us to fully execute our business strategy in calendar 2018. We will need to raise significant additional funds in order to fully execute our business strategy. Because we are a development stage company with limited resources, we may not be able to compete in the capital markets with much larger, established companies that have ready access to capital. Our ability to obtain needed financing may be impaired by conditions and instability in the capital markets (both generally and in the oil and gas industry in particular), our status as a new enterprise without a demonstrated operating history, the location of our prospects and/or the loss of key consultants and management. Further, if oil and/or natural gas prices on the commodities markets decrease, then potential revenues, if any, will decrease, this may increase our requirements for capital. Some of the future contractual arrangements governing our operations may require us to maintain minimum capital (both from a legal and practical perspective), and we may lose our working interests and/or contractual rights to working interests if we do not have the required minimum capital. If the amount of capital we can raise is not sufficient, we may be required to curtail or cease our operations.

***We have a limited operating history with significant losses and expect losses to continue for the foreseeable future.***

We have incurred annual operating losses since our inception. As a result, at December 31, 2017, we had an accumulated deficit of $12,876,760. We had nominal revenues in 2017 and do not anticipate receiving significant revenues in 2018 unless we are successful in developing economically recoverable oil or gas reserves with respect to certain of our onshore working interests. We expect that our operating expenses will increase in future periods. We expect continued but diminishing losses in 2018.

***Our lack of diversification increases the risk of an investment in our common stock.***

Our business will focus on the oil and gas industry in Texas and the Gulf of Mexico. Larger companies have the ability to manage their risk by diversification. However, we lack substantial diversification, in terms of both the nature and geographic scope of our business. As a result, factors affecting our industry, or the regions in which we operate, will likely impact us more acutely than if our business was more diversified.

***Strategic relationships upon which we rely are subject to change, which may diminish our ability to conduct our operations.***

Our ability to successfully bid on and acquire interests in prospects, to discover resources, to participate in drilling opportunities through farm-in arrangements and to identify and enter into commercial arrangements with customers and partners, depends on developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable properties. Further, we must consummate transactions in a highly competitive environment. These realities are subject to change and may impair our ability to grow.

To develop our business, we will endeavor to use the relationships of our management to enter into strategic relationships, which may take the form of working interest acquisitions, joint ventures with other private parties or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require that we incur expenses or undertake activities we would not otherwise incur or undertake in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

***Competition in obtaining interests in mineral rights and existing royalties may impair our business.***

The oil and gas industry is extremely competitive. Present levels of competition for oil and gas interests are high worldwide. Other oil and gas companies with greater resources may compete with us in acquiring oil and gas interests. Additionally, other companies may compete with us in obtaining capital from investors. Competitors include larger, established exploration and production companies, which have access to greater financial and other resources than we have currently, and may be more successful in the recruitment and retention of qualified employees. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. Because of some or all of these factors, we may not be able to compete effectively.

***We may not be able to effectively manage our growth, which may harm our profitability.***

Our strategy envisions building and expanding our business. If we fail to effectively manage our growth, our financial results will be adversely affected. Growth may place a strain on our management systems and resources. We must continue to refine and expand our business development capabilities, our systems, processes, and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. While our recent transaction with Sydson is an intended step in this direction, we still cannot assure that we will be able to:

- expand our systems effectively or efficiently or in a timely manner;
- optimally allocate our human resources; or
- identify and hire qualified employees or retain valued employees.

If we are unable to manage our growth and our operations, our financial results could be adversely affected, which could prevent us from ever attaining profitability.

***Any change to government regulation/administrative practices may have a negative impact on our ability to operate and profitability.***

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency impacting any jurisdiction where we might conduct our business activities, including the BOEM, may be changed, applied or interpreted in a manner which may fundamentally alter the ability of the Company to conduct business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate profitably. Additionally, certain bonding and/or insurance may be required in jurisdictions in which we chose to have operations, increasing our costs to operate.

**Risks Related to the Industry in Which We Intend to Compete**

***Current volatile market conditions and significant fluctuations in energy prices may continue indefinitely, negatively affecting our business prospects and viability.***

The oil and gas markets are very volatile, and we cannot predict future oil and natural gas prices. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our planned operations and financial condition. The amount of revenue we receive, if any, from the production of oil and gas from our oil and gas interests will depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas by both refineries and end users;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the price and volume of imports of foreign oil and natural gas;
- political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activity;
- the level of global oil and gas exploration and production activity;
- the level of global oil and gas inventories;
- weather conditions;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations and taxes;
- proximity and capacity of oil and gas pipelines and other transportation facilities;

- the price and availability of competitors' supplies of oil and gas in captive market areas;
- the introduction, price and availability of alternative forms of fuel to replace or compete with oil and natural gas;
- import and export regulations for LNG and/or refined products derived from oil and gas production from the US;
- speculation in the price of commodities in the commodity futures market;
- the availability of drilling rigs and completion equipment; and
- the overall economic environment.

Further, oil and natural gas prices do not necessarily fluctuate in direct relationship to each other. The price of oil has been extremely volatile, and we expect this volatility to continue for the foreseeable future. Recent volatility during the last three years has seen WTI oil prices drop from a high of $107.26 on June 20, 2014, to a price dipping below $27 in intra-day trading on January 20, 2016. This near-term volatility may affect future prices in 2018 and beyond. The volatility of the energy markets makes it difficult to predict future oil and natural gas price movements with any certainty.

***Exploration for oil and natural gas is risky and may not be commercially successful, impairing our ability to generate revenues.***

Oil and natural gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. We may not discover oil or natural gas in commercially viable quantities, if at all. It is difficult to project the costs of implementing our drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over pressured zones and tools lost in the hole, and changes in drilling plans, locations as a result of prior exploratory wells or additional seismic data and interpretations thereof, and final commercial terms negotiated with partners. Developing developmental and exploratory oil and gas properties requires significant capital expenditures and involves a high degree of financial risk. The budgeted costs of drilling, completing, and operating exploratory wells are often exceeded and can increase significantly when drilling costs rise. Drilling may be unsuccessful for many reasons, including title problems, weather, cost overruns, equipment shortages, and mechanical difficulties. There is no assurance that we will successfully complete any wells or if successful, that the wells would be economically successful. Moreover, the successful drilling or completion of any oil or gas well does not ensure a profit on investment. Exploratory wells bear a much greater risk of loss than development wells. We cannot assure that our exploration, exploitation and development activities will result in profitable operations, the result of which will materially adversely affect our business.

***Oil and gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated, causing an adverse effect on the Company.***

Oil and gas operations are subject to national and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to national and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Environmental standards imposed by national or local authorities may be changed and any such changes may have material adverse effects on our potential royalties. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on any potential revenue to us.

***We will be dependent upon the third party operator of our offshore oil and gas interests.***

While we intend to be the operator with respect to our onshore drilling operations, when our offshore prospects proceed to drilling, third parties will act as the operators and control the drilling and operating activities to be conducted on our offshore properties. Therefore, we may have limited control over certain decisions related to activities on our offshore properties relating to the timing, costs, procedure, and location of drilling or production activities, which could affect the Company's results.

***We may not be able to develop oil and gas reserves on an economically viable basis.***

To the extent that we succeed in discovering oil and/or natural gas reserves on our prospects, we cannot assure that these reserves will be capable of production levels we project or in sufficient quantities to be commercially viable. Our future reserves, if any, will depend not only on our ability to develop then-existing properties, but also on our ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas we develop and to effectively distribute our production into markets.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While we will endeavor to effectively manage these conditions, we cannot be assured of doing so optimally, and we will not be able to eliminate them completely in any case. Therefore, these conditions could adversely impact our operations.

**Risks Related to our Common Stock**

***There is not now, and there may never be, an active market for our common stock.***

Shares of our common stock have historically been thinly traded. Currently there is a limited market for our common stock and no increased market for our common stock may develop in the future. As a result, our stock price as quoted in the over-the-counter market may not reflect an actual or perceived value. Moreover, several days may pass before any shares are traded; meaning that the number of persons interested in purchasing our common shares at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including, but not limited to:

- we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume; and

- stock analysts, stock brokers and institutional investors may be risk-averse and reluctant to follow a company such as ours that faces substantial doubt about its ability to continue as a going concern or to purchase or recommend the purchase of our shares until such time as we become more viable.

As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations of the price of our common stock. Accordingly, investors must assume they may have to bear the economic risk of an investment in our common stock for an indefinite period of time, and may lose their entire investment. There can be no assurance that a more active market for our common stock will develop, or if one should develop, there is no assurance that it will be sustained. This severely limits the liquidity of our common stock and would likely have a material adverse effect on the market price of our common stock and on our ability to raise additional capital.

***We cannot assure that our common stock will become liquid or that it will be listed on a national securities exchange.***

Until our common stock is listed on a national securities exchange such as the NASDAQ Capital Market or the NYSE, we expect our common stock to remain eligible for quotation on the over-the-counter market. If we fail to meet the criteria set forth in SEC regulations, various requirements govern the conduct of broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect the liquidity of our common stock. This would also make it more difficult for us to raise capital.

***We may issue preferred stock.***

Our Articles of Incorporation authorizes the issuance of up to 50 million shares of “blank check” preferred stock with designations, rights and preferences determined from time to time by the Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the holders of the common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. Although we have no present intention to issue any shares of its authorized preferred stock, there can be no assurance that we will not do so in the future.

***Future sales of our common stock could lower our stock price.***

We will likely sell additional shares of common stock to fund working capital obligations in future periods. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock. Moreover, sales of our common stock by existing shareholders could also depress the price of our common stock.

***Our common stock is subject to the “penny stock” rules of the SEC, which makes transactions in our common stock cumbersome and may reduce the value of an investment in the stock.***

The SEC has adopted Rule 15g-9 which establishes the definition of a “penny stock,” for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person’s account for transactions in penny stocks; and

- the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience and objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form sets forth:

- the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of common stock and cause a decline in the market value of stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***The price of our common stock is likely to remain volatile, which could lead to losses by investors and costly securities litigation.***

The trading price of our common stock is likely to be highly volatile and could fluctuate in response to factors such as:

- actual or anticipated variations in our operating results including but not limited to leasing, drilling, and discovery of oil and gas;
- announcements of developments by us, our strategic partners or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- adoption of new accounting standards affecting our Company's industry;
- additions or departures of key personnel;
- sales of our common stock or other securities in the open market;
- our ability to acquire seismic data and other intellectual property on commercially reasonable terms and to defend such intellectual property from third party claims;
- litigation; and
- other events or factors, many of which are beyond our control.

The stock market is subject to significant price and volume fluctuations. In the past, following periods of volatility in the market price of companies' securities, securities class action litigation has often been initiated against those companies. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and resources, which could harm our business and financial condition.

***We do not anticipate paying any dividends on our common stock.***

Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment in the Company.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

***Office Space***

We lease 4,360 square feet of office space pursuant to a lease that expires in December 2019, with lease obligations at market rate. We own limited office equipment, office furniture, and computer equipment.

***Oil and Gas Properties***

In March 2014, we entered into a farm out letter agreement with GulfSlope relating to certain prospects GulfSlope bid on at the Central Gulf of Mexico Lease Sale 231, located within 2.2 million acres of 3-D seismic licensed and interpreted by GulfSlope. Under the terms of the farm-out letter agreement, as amended, we acquired contractual rights to a 20% working interest in 12 blocks covered by nine prospects for $10,000,000 paid to date and $304,000 due on or prior to April 1, 2018. We have agreed to pay our proportionate share of the net rental costs related to the prospects. GulfSlope has conducted extensive seismic work on all of the prospects focusing on the high potential subsalt play at depths of 15,000' to 25,000' and will be the operator of record for the initial well on each of the prospects.

In May 2016, we entered into a letter of intent with GulfSlope that set forth the terms and conditions of a farm-out arrangement to develop the Shallow Prospects. At that time we owned a 70.7% working interest in the Shallow Prospects with a third party owning a 16.8% working interest for which it paid $400,000 and GulfSlope retaining a 12.5% working interest. Texas South acquired the interest in the two prospects in exchange for (i) cash payments of $400,000, (ii) the payment of annual rental obligations of $63,147, and (iii) the agreement to fund, or cause to be funded, the costs for the drilling of two shallow wells prior to December 31, 2017. The farmout on both prospects from GulfSlope expired by its own terms on December 31, 2017.

On January 8, 2018, the Company entered into a participation agreement dated effective January 1, 2018 (the "Agreement") with Delek GOM Investments, LLC, a subsidiary of Delek Group Ltd. ("Delek"), and GulfSlope (collectively, the "Parties") for the partial farm-out of the Company's interests in its Gulf of Mexico oil and gas leases (the "Farm-out"). The Agreement sets out the terms and conditions of the Parties participation in the drilling of up to a nine well multi-phase exploration program targeting the Company's prospects (the "Prospects") located on the Company's existing leases (the "Leases").

Under the terms of the agreement, the parties have committed to initially drill the Company's "Canoe" and "Tau" prospects (the "Initial Phase") with Delek having the option to participate in two additional two-well drilling phases and a final, three-well drilling phase (collectively, the "Phases"). In August 2017, the Company acquired a 20% working interest in Ship Shoal Block 351 and in Ship Shoal Block 336, which are collectively referred to as the Tau Prospect from GulfSlope and in January 2018, the Company acquired a 20% working interest in the Vermilion South Addition Block 378 ("Canoe Prospect") from GulfSlope. In each Phase, Delek will earn a 75% working interest upon paying 90% of the exploratory costs associated with drilling each exploratory well. The Company will thus retain a 5% working interest while paying 2% of the exploratory costs associated with drilling each well. In addition, Delek will pay the Company $405,000 upon the filing of each exploration plan with BOEM and/or BSEE on a Prospect in each Phase. Also, each Party will be responsible for its pro rata share (based on working interest) of delay rentals associated with the Prospects. GulfSlope will be the Operator during exploratory drilling of a Prospect, however, subsequent to a commercial discovery, Delek will have the right to become the Operator. Delek will have the right to terminate this Agreement at the conclusion of any drilling Phase. Delek will also have the option to purchase up to 5% of the Company's common stock upon fulfilling its obligation for each Phase (maximum of 20% in the aggregate) at a price per share equal to a 10% discount to the 30-day weighted average closing price for the Company's common stock preceding the acquisition. This option will expire on January 8, 2020. The foregoing description of the Agreement does not purport to be a complete description of the terms, provisions and conditions of such document, and represents only a summary of certain of the principal terms, provisions and conditions thereof.

The Company will assign a two-tenths of one percent of 8/8ths net profits interest in certain of the Company's oil and gas leases to include Vermilion Area, South Addition 378, Ship Shoal Area, South Addition 336, and Ship Shoal Area, South Addition 351, to Hi-View in consideration for consulting services provided pursuant to a non-exclusive consulting engagement dated October 25, 2017, by and between Hi-View, the Company, and GulfSlope. Hi-View will be entitled to additional assignments on the same terms and conditions as described above related to any of Leases in which Delek elects to participate in the drilling of an exploratory well. In addition, the Company issued an aggregate of twenty million shares of its common stock to Hi-View in consideration for those consulting services provided pursuant to the Advisory Agreement. In the event that Delek has not funded the $405,000 payment referenced above within six months of execution of this Agreement, then the common stock will be returned by Hi-View to the Company.

In January 2017, the Company entered into an asset purchase agreement with Sydson, where Sydson assigned to us certain onshore oil and gas assets and interests and certain tangible assets and additionally, certain employees and a consultant of Sydson have agreed to become employees and a consultant of the Company. Sydson is a private oil and gas company with land operations in Texas and Louisiana that has been in business since 1982.

In connection with the asset acquisition, the Company acquired a variety of proprietary seismic data, computer equipment, furniture and fixtures and other office equipment.

The consideration payable by the Company to Sydson and affiliates was (i) 100 million shares of Company common stock to Michael J. Mayell valued at $845,000 and (ii) $250,000 through a promissory note originally due March 5, 2017, and was amended to January 1, 2019.

In conjunction with the acquisition, the Company agreed to pay $1,250,000 of Sydson's future development costs attributable to its retained working interests in the oil and gas prospects conveyed to the Company and carried interests to casing point for Sydson's working interests on the first well in each of the West Tuleta prospect, Ray Field prospect and the Wilinda prospect.

The purchase price of this asset acquisition is summarized below:

| | | |
|---|---|---|
| Furniture & Fixtures, Software, Equipment | $ | 35,556 |
| Deposit – office rent | | 8,340 |
| Prepaid expenses | | 27,616 |
| Note Payable – insurance | | (6,822) |
| Leasehold rights | | 1,030,310 |
| Total purchase price | $ | 1,095,000 |

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. No legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market Information

Our common shares are quoted on the OTCPK under the symbol "TXSO". Shares of our common stock have historically been thinly traded, and currently there is no active trading market for our common stock. As a result, our stock price as quoted by the OTCPK may not reflect an actual or perceived value.

The following table sets forth the approximate high and low bid prices for our common stock as reported by the OTCPK for the periods indicated. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

| Period | High Bid | Low Bid |
|---|---|---|
| October 1, 2017 through December 31, 2017 | $ 0.11 | $ 0.02 |
| July 1, 2017 through September 30, 201 | 0.03 | 0.01 |
| April 1, 2017 through June 30, 2017 | 0.02 | 0.01 |
| January 1, 2017 through March 31, 2017 | 0.09 | 0.02 |
| | | |
| October 1, 2016 through December 31, 2016 | $ 0.05 | $ 0.02 |
| July 1, 2016 through September 30, 2016 | 0.08 | 0.05 |
| April 1, 2016 through June 30, 2016 | 0.09 | 0.03 |
| January 1, 2016 through March 31, 2016 | 0.06 | 0.04 |

### Holders

The number of record holders of the Company's common stock, as of March 27, 2018, is approximately 220.

### Dividends

The Company has not declared any dividends with respect to its common stock and does not intend to declare any dividends in the foreseeable future. The future dividend policy of the Company cannot be ascertained with any certainty. There are no material restrictions limiting the Company's ability to pay cash dividends on its common stock.

### Securities Authorized for Issuance Under Equity Compensation Plans

None.

### Recent Sales of Unregistered Securities

During October 2017, the Company issued 22,500,000 shares in connection with the conversion of $450,000 of indebtedness.

The Company has agreed to issue 1,250,000 shares of common stock to two investors who have purchased these shares at a price of $0.02 per share during January 2018. (Shares are not reflected as outstanding as of March 27, 2018.)

In February 2018, the Company issued 10,000,000 million shares of common stock to a third party for a purchase price of $0.02 per share.

The Company has agreed to issue 8,000,000 shares of common stock to third parties who have purchased these shares at a price of $0.02 per share during March 2018. (Shares are not reflected as outstanding as of March 27, 2018.)

The Company has agreed to issue 3,022,480 shares of common stock to certain employees and a consultant for services rendered through February 2018. (Shares are not reflected as outstanding as of March 27, 2018.)

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained in to Section 4(a)(2) of the Securities Act, Regulation D under the Securities Act and Regulation S under the Securities Act. Each purchaser represented that such purchaser's intention to acquire the shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment decision. Except as described in this prospectus, none of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

## ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion contains forward-looking statements. Please see "Forward-Looking Statements" above for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The following discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred. This management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical financial statements included elsewhere in this Annual Report. In addition to the impact of the matters discussed in "Risk Factors," our future results could differ materially from our historical results due to a variety of factors, many of which are out of our control.

**Overview**

In March 2014, we entered into a farm out letter agreement with GulfSlope relating to certain prospects GulfSlope bid on at the Central Gulf of Mexico Lease Sale 231, located within 2.2 million acres of 3-D seismic licensed and interpreted by GulfSlope. Under the terms of the farm-out letter agreement, as amended, we acquired contractual rights to a 20% working interest in 12 blocks covered by nine prospects for $10,000,000 paid to date and $304,000 due on or prior to April 1, 2018. We have agreed to pay our proportionate share of the net rental costs related to the prospects. GulfSlope has conducted extensive seismic work on all of the prospects focusing on the high potential subsalt play at depths of 15,000' to 25,000' and will be the operator of record for the initial well on each of the prospects.

In May 2016, we entered into a letter of intent with GulfSlope that set forth the terms and conditions of a farm-out arrangement to develop the Shallow Prospects. At that time we owned a 70.7% working interest in the Shallow Prospects with a third party owning a 16.8% working interest for which it paid $400,000 and GulfSlope retaining a 12.5% working interest. Texas South acquired the interest in the two prospects in exchange for (i) cash payments of $400,000, (ii) the payment of annual rental obligations of $63,147, and (iii) the agreement to fund, or cause to be funded, the costs for the drilling of two shallow wells prior to December 31, 2017. The farmout on both prospects from GulfSlope expired by its own terms on December 31, 2017.

On January 8, 2018, the Company entered into a participation agreement dated effective January 1, 2018 with Delek and GulfSlope (collectively, the "Parties") for the partial farm-out of the Company's interests in its Gulf of Mexico oil and gas leases (the "Farm-out"). The Agreement sets out the terms and conditions of the Parties participation in the drilling of up to a nine well multi-phase exploration program targeting the Company's prospects (the "Prospects") located on the Company's existing leases (the "Leases").

Under the terms of the Agreement, the Parties have committed to initially drill the Company's "Canoe" and "Tau" prospects (the "Initial Phase") with Delek having the option to participate in two additional two-well drilling phases and a final, three-well drilling phase (collectively, the "Phases"). In August 2017, the Company acquired a 20% working interest in Ship Shoal Block 351 and in Ship Shoal Block 336, which are collectively referred to as the Tau Prospect from GulfSlope and in January 2018, the Company acquired a 20% working interest in the Vermilion South Addition Block 378 ("Canoe Prospect") from GulfSlope. In each Phase, Delek will earn a 75% working interest upon paying 90% of the exploratory costs associated with drilling each exploratory well. The Company will thus retain a 5% working interest while paying 2% of the exploratory costs associated with drilling each well. In addition, Delek will pay the Company $405,000 upon the filing of each exploration plan with BOEM and/or BSEE on a Prospect in each Phase. Also, each Party will be responsible for its pro rata share (based on working interest) of delay rentals associated with the Prospects. GulfSlope will be the Operator during exploratory drilling of a Prospect, however, subsequent to a commercial discovery, Delek will have the right to become the Operator. Delek will have the right to terminate this Agreement at the conclusion of any drilling Phase. Delek will also have the option to purchase up to 5% of the Company's common stock upon fulfilling its obligation for each Phase (maximum of 20% in the aggregate) at a price per share equal to a 10% discount to the 30-day weighted average closing price for the Company's common stock preceding the acquisition. This option will expire on January 8, 2020. The foregoing description of the Agreement does not purport to be a complete description of the terms, provisions and conditions of such document, and represents only a summary of certain of the principal terms, provisions and conditions thereof.

The Company will assign a two-tenths of one percent of 8/8ths net profits interest in certain of the Company's oil and gas leases to include Vermilion Area, South Addition 378, Ship Shoal Area, South Addition 336, and Ship Shoal Area, South Addition 351, to Hi-View in consideration for consulting services provided pursuant to a non-exclusive consulting engagement dated October 25, 2017, by and between Hi-View, the Company, and GulfSlope. Hi-View will be entitled to additional assignments on the same terms and conditions as described above related to any of Leases in which Delek elects to participate in the drilling of an exploratory well. In addition, the Company issued an aggregate of twenty million shares of its common stock to Hi-View during January 2018 in consideration for those consulting services provided pursuant to the Advisory Agreement. In the event that Delek has not funded the $405,000 payment referenced above within six months of execution of this Agreement, then the common stock will be returned by Hi-View to the Company.

In January 2017, the Company entered into an asset purchase agreement with Sydson, where Sydson assigned to us certain onshore oil and gas assets and interests and certain tangible assets and additionally, certain employees and a consultant of Sydson have agreed to become employees and a consultant of the Company. Sydson is a private oil and gas company with land operations in Texas and Louisiana that has been in business since 1982.

The Company has incurred accumulated losses for the period from inception to December 31, 2017 of approximately $12,876,760. Further losses are anticipated in developing its business. As a result, the Company's auditors have expressed substantial doubt about our ability to continue as a going concern. As of December 31, 2017, the Company had $455 of cash on hand. As of the date of this Annual Report, we will require additional funds for the balance of 2018. The Company plans to finance the Company through best-efforts equity and/or debt financings. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Significant Accounting Policies**

**Investment Securities**

The Company previously owned investment securities that were composed of GulfSlope common stock, and were classified as "available-for-sale". Available-for-sale securities are adjusted to their fair market value with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive income. Upon disposition of these investments, the specific identification method is used to determine the cost basis in computing realized gains or losses, which are reported in other income and expense. Declines in value that are judged to be other than temporary are reported in other comprehensive income and expense. During the year ended December 31, 2016, the Company recorded a realized loss of $218,000 to adjust the investment securities to fair market value. The GulfSlope shares were sold in February 2016 to a third party for $50,000. The Company no longer owns any investment securities.

**Use of Estimates and Assumptions**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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. While management believes that such estimates are reasonable when considered in conjunction with the financial position and results of operations taken as a whole, actual results could differ from those estimates, and such differences may be material to the financial statements.

**Basic and Diluted Net Loss per Share**

The Company computes loss per share in accordance with "ASC-260", "Earnings per Share" which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. The Company has no potential dilutive instruments and accordingly basic loss and diluted loss per share are the same.

**Fair Value**

In accordance with the requirements of ASC 825 and ASC 820, the Company has determined the estimated fair value of financial instruments using available market information and appropriate valuation methodologies. The fair value of financial instruments classified as current assets or liabilities approximate their carrying value due to the short-term maturity of the instruments.

**Income Taxes**

The Company has adopted ASC 740 for reporting purposes. As of December 31, 2017, the Company had net operating loss carryforwards of approximately $9,700,000 that may be available to reduce future years' taxable income and will begin to expire in 2028. Availability of loss usage is subject to change of ownership limitations under Internal Revenue Code 382. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the tax loss carryforwards.

**Stock-based Compensation**

The Company has not adopted a stock option plan and has not granted any stock options. Common stock has been granted to numerous third parties and employees for services.

In December 2004, the Financial Accounting Standards Board ("FASB") issued ASC 718 "Compensation - Stock Compensation" and 505-50 "Equity-Based Payments to Non-Employees." This statement requires a public entity to expense the cost of services received in exchange for an award of equity instruments. This statement also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. The Company adopted ASC 718 and 505-50 upon creation of the company and expenses share based costs in the period incurred.

**Accounting for Oil and Gas Properties**

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, professional fees incurred for the lease acquisitions, capitalized interest costs relating to properties, geological expenditures, and tangible and intangible development costs (including direct internal costs), are capitalized into the full cost pool. When the Company commences production from established proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, will be depleted on the units-of-production method using estimates of proven reserves. Investments in unproved properties and major development projects, including capitalized interest if any, are not depleted until proven reserves associated with the projects can be determined. If the future exploration of unproven properties is determined to be uneconomical, the amount of such properties is added to the capital costs to be depleted. As of December 31, 2017, the Company's oil and gas properties consisted of capitalized acquisition costs for unproved mineral rights.

**RESULTS OF OPERATIONS**

**Results of Operations for the Year Ended December 31, 2017 compared to December 31, 2016**

We had revenues of $0 and $7,631 during the years ended December 31, 2017 and December 31, 2016. General and administrative expenses were $3,513,294 for the year ended December 31, 2017, compared to $1,316,112 for the year ended December 31, 2016. The increase in general and administrative expenses of approximately $2,200,000 was primarily attributed to an increase in consulting fees, compensation, professional fees, and travel expenses. Consulting expenses in 2017 totaling $884,635 were non cash since stock was issued in exchange for the services rendered. Expenses in 2017 totaling approximately $1,600,000 were not paid in 2017 but were recorded in accrued liabilities or accounts payable as of year end. Interest expense for 2017 totaled $210,277 of which $210,174 was accrued as of year end.

We had a net loss of $3,842,467 for the year ended December 31, 2017, compared to a net loss of $2,111,203 for the year ended December 31, 2016. The increase in net loss of $1,723,633 was due to an increase of approximately $2,200,000 in general and administrative expenses offset by a decrease in interest expense of approximately $170,000, a $200,000 impairment recorded on the mineral interests sold in 2016, and a $218,000 loss realized on the 5 million shares of GulfSlope common stock sold in February 2016.

The basic and diluted loss per share for the years ended December 31, 2017 and December 31, 2016 was $(0.00) each year.

As of December 31, 2017, the Company's cash balance was $455, compared to a cash balance of $325,089 as of December 31, 2016. As of December 31, 2017, the Company's assets consisted of cash of $455, prepaid expenses of $29,555, accounts receivable of $3,261 and net property and equipment of $11,811,977. As of December 31, 2016, the Company's assets consisted of cash of $325,089, prepaid expenses of $47,927, note receivable of $68,498 and undeveloped oil and gas properties of $10,214,004.

***Cash flow from Operating Activities***

During the year ended December 31, 2017, we used cash of $1,127,982 for operating activities as compared to a use of cash of $1,341,322 during the year ended December 31, 2016. The decrease in cash used for operating activities during the year was primarily due to the increase in the accrual of general and administrative expenses incurred during the year instead of using cash.

***Cash flow from Investing Activities***

During the year ended December 31, 2017 we used $758,272 to pay leases and acquire oil and gas properties. During the year ended December 31, 2016, we received $50,000 on the sale of the GulfSlope marketable securities and used $63,147 to pay leases on mineral interests.

***Cash flow from Financing Activities***

During the year ended December 31, 2017, we received $665,000 related to the sale of the Company's common stock, $837,000 from the proceeds of short term debt and $70,777 from the proceeds of long term debt. The Company made payments on short term debt totaling $11,157 during 2017. During the year ended December 31, 2016 we received $1,542,500 related to the sale of the Company's common stock, $153,000 from the proceeds of short term debt and oil and gas assets were given for debt forgiveness of $170,000. Cash was used to repay $153,000 of short term debt and we advanced $68,498 on a note receivable during 2016.

**Liquidity and Capital Resources**

As of December 31, 2017, we had a cash balance of $455 and a working capital deficit of $1,687,473. Our net loss of $3,842,467 for the year ended December 31, 2017 was primarily funded by proceeds raised from equity financings and loans from related parties.

As of March 27, 2018, we believe that we have sufficient cash on hand (or expected to be available) to fund near-term operations. We have budgeted required capital expenditures and other operating expenses during calendar year 2018 of approximately $6 million. These estimates are projections only and will vary depending upon a number of factors, including timing of and actual drilling operations commenced and maintained, completion and transportation costs, bonding and insurance costs, seismic expenses, other customary and ordinary drilling costs that are difficult to estimate, farm-in and farm-out arrangements, and ability to attract partners that are willing to bear some or all of our portion of the costs of conducting exploration drilling activities on offshore prospects. Additionally, depending upon the execution of our business plan, we may determine to acquire additional leasehold interests and fund the acquisition of additional seismic data and seismic processing. All of these expenditures will be funded through future best-efforts equity offerings, debt offerings or a combination of both.

Of the $6 million of budgeted expenditures for calendar 2018, approximately $2.5 million are expected to cover salaries, consulting and professional services, and required working capital needs.

The proposed expenditures for the calendar year 2018 are subject to change based on the execution of our business plan, any potential competition for leasehold interests and our ability to obtain additional funding. This represents our current best estimate of our capital needs through December 31, 2018. We currently anticipate offshore drilling activity to commence on or before June 1, 2018. We currently do not anticipate that any drilling activity will commence on any onshore prospects until early third quarter of 2018.

We will need to raise additional funds to cover planned 2018 expenditures, as well as any additional expenditures that we may encounter in future years. Future equity financings may be dilutive to our stockholders. Alternative forms of future financings may include preferences or rights superior to our common stock. Debt financings may involve a pledge of assets and will rank senior to our common stock. We have historically financed our operations through best-efforts private equity and debt financings. We do not have any credit or equity facilities available with financial institutions, stockholders or third party investors, and will continue to rely on best efforts financings. The failure to raise sufficient capital could cause us to cease operations.

**Off-Balance Sheet Arrangements**

As of December 31, 2017, we had no off-balance sheet transactions that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Recent Accounting Pronouncements**

We have reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on our results of operation, financial position or cash flows. With the exception of the pronouncements listed below, these recently issued pronouncements are not expected to have a material impact on our financial position, results of operations, or cash flows.

In May 2014, the FASB issued its final standard on revenue from contracts with customers. The standard, issued as ASU No. 2014-09: *Revenue from Contracts with Customers (Topic 606)* by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” ASU 2014-09 becomes effective for reporting periods (including interim periods) beginning after December 15, 2017. Early application is permitted for reporting periods (including interim periods) beginning after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method. Because we have no active revenues, the new guidance is not expected to have a material impact on our financial statements and related disclosures.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Texas South Energy, Inc.**
**Consolidated Financial Statements**
**December 31, 2017**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of
Texas South Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Texas South Energy, Inc. and its wholly owned subsidiary Texas South Operating Company, Inc. (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017 and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the Company's absence of significant revenues, recurring losses from operations, and its need for additional financing in order to fund its projected loss in 2018 raise substantial doubt about its ability to continue as a going concern. The 2017 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ LBB & Associates Ltd., LLP
LBB & Associates Ltd., LLP

We have served as the Company's auditor since October 2013.

Houston, Texas
March 27, 2018

**Texas South Energy, Inc.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 455 | $ 325,089 |
| Prepaid expenses | 29,555 | 47,927 |
| Accounts receivable, net | 3,261 | -- |
| Note receivable | -- | 68,498 |
| **TOTAL CURRENT ASSETS** | 33,271 | 441,514 |
| **PROPERTY AND EQUIPMENT** | | |
| Oil and gas properties, undeveloped | 11,779,201 | 10,214,004 |
| Furniture, fixtures and equipment | 39,712 | -- |
| Less: accumulated depreciation | (6,936) | -- |
| **TOTAL PROPERTY AND EQUIPMENT, NET** | 11,811,977 | 10,214,004 |
| **OTHER ASSETS** | 8,340 | -- |
| **TOTAL ASSETS** | **$ 11,853,588** | **$ 10,655,518** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 159,512 | $ 77,848 |
| Accounts payable – related party | 201,812 | -- |
| Accrued expenses | 77,279 | 437,283 |
| Accrued expenses – related party | 385,000 | -- |
| Accrued interest – related party | 40,693 | -- |
| Notes payable | 9,620 | 1,700,000 |
| Convertible notes payable – related party | 837,000 | -- |
| Due to related party | 9,828 | 52,152 |
| **TOTAL CURRENT LIABILITIES** | 1,720,744 | 2,267,283 |
| **LONG TERM LIABILITIES** | | |
| Convertible notes payable | 1,118,355 | -- |
| Convertible notes payable – related party | 50,000 | -- |
| Notes payable – related party | 250,000 | -- |
| Accrued expenses – related party | 894,272 | -- |
| Accrued interest | 403,636 | -- |
| Accrued interest – related party | 26,178 | -- |
| **TOTAL LONG TERM LIABILITIES** | 2,742,441 | -- |
| **TOTAL LIABILITIES** | 4,463,185 | 2,267,283 |
| **COMMITMENTS AND CONTINGENCIES** | | |
| **STOCKHOLDERS' EQUITY** | | |
| Preferred stock | -- | -- |
| 50,000,000 shares preferred stock authorized, none issued and outstanding | | |
| Common stock | | |
| 950,000,000 shares common stock authorized, $0.001 par value, 821,790,670 and 553,490,670 shares of common stock issued and outstanding at December 31, 2017 and December 31, 2016 | 821,790 | 553,490 |
| Additional paid-in capital | 19,445,373 | 16,869,038 |
| Accumulated deficit | (12,876,760) | (9,034,293) |
| Total stockholders' equity | 7,390,403 | 8,388,235 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 11,853,588** | **$ 10,655,518** |

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

**Texas South Energy, Inc.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Twelve months ended | |
|---|---|---|
| | December 31, 2017 | December 31, 2016 |
| **REVENUE** | $ -- | $ 7,631 |
| **EXPENSES** | | |
| Depreciation expense | 6,936 | -- |
| Impairment expense | 156,082 | 200,000 |
| General and administrative expense | 3,513,294 | 1,316,112 |
| **TOTAL EXPENSES** | 3,676,312 | 1,516,112 |
| **LOSS FROM OPERATIONS** | (3,676,312) | (1,508,481) |
| **OTHER INCOME / (EXPENSE)** | | |
| Other income | 44,122 | -- |
| Realized loss on sale of investment securities | -- | (218,000) |
| Interest expense, net | (210,277) | (384,722) |
| **TOTAL OTHER INCOME / (EXPENSE)** | **(166,155)** | **(602,722)** |
| **NET LOSS** | **$ (3,842,467)** | **$ (2,111,203)** |
| **NET LOSS PER COMMON SHARE** | | |
| **Basic and diluted** | **$ (0.00)** | **$ (0.00)** |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | | |
| **Basic and diluted** | **786,768,478** | **484,199,345** |

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

**Texas South Energy, Inc.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

| | Common Stock | | Additional Paid-in | Additional Paid-in Capital Shares to | Accumulated Other Comprehensive | Accumulated | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Capital | be Issued | Income | Deficit | Total |
| **Balance, December 31, 2015** | **427,865,670** | **427,865** | **14,480,646** | **100,000** | **(81,000)** | **(6,923,090)** | **8,004,421** |
| Imputed interest | -- | -- | 1,517 | -- | -- | -- | 1,517 |
| Stock issued for cash | 82,125,000 | 82,125 | 1,560,375 | (100,000) | -- | -- | 1,542,500 |
| Stock issued for services | 16,000,000 | 16,000 | 304,000 | -- | -- | -- | 320,000 |
| Stock issued for accrued compensation | 14,000,000 | 14,000 | 266,000 | -- | -- | -- | 280,000 |
| Stock issued to extinguish other debt | 13,500,000 | 13,500 | 256,500 | -- | -- | -- | 270,000 |
| Securities available for sale – marked to fair value | -- | -- | -- | -- | (73,500) | -- | (73,500) |
| Securities sold | -- | -- | -- | -- | 154,500 | -- | 154,500 |
| Net loss for the year ended December 31, 2016 | -- | -- | -- | -- | -- | (2,111,203) | (2,111,203) |
| **Balance, December 31, 2016** | **553,490,670** | **553,490** | **16,869,038** | **--** | **-** | **(9,034,293)** | **8,388,235** |
| Stock issued for cash | 33,250,000 | 33,250 | 631,750 | -- | -- | -- | 665,000 |
| Stock issued for services | 112,550,000 | 112,550 | 772,085 | -- | -- | -- | 884,635 |
| Stock issued for Sydson acquisition | 100,000,000 | 100,000 | 745,000 | -- | -- | -- | 845,000 |
| Stock issued to extinguish other debt | 22,500,000 | 22,500 | 427,500 | -- | -- | -- | 450,000 |
| Net loss for the year ended December 31, 2017 | -- | -- | -- | -- | -- | (3,842,467) | (3,842,467) |
| **Balance, December 31, 2017** | **821,790,670** | **$821,790** | **$19,445,373** | **$ --** | **$ --** | **$(12,876,760)** | **$ 7,390,403** |

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

**Texas South Energy, Inc.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net loss | $ (3,842,467) | $ (2,111,203) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Loss on securities | -- | 218,000 |
| Impairment expense | 156,082 | 200,000 |
| Non-cash interest | -- | 1,517 |
| Depreciation | 6,936 | -- |
| Gain on disposal of debt | (42,324) | -- |
| Common stock paid for interest expense | -- | 200,000 |
| Stock compensation | 884,635 | 120,000 |
| Changes in operating assets and liabilities: | | |
| Change in accounts receivable | (3,261) | -- |
| Change in prepaid expenses | 45,988 | (47,927) |
| Change in accounts payable and accrued expenses | 118,474 | 324,396 |
| Change in accounts payable and accrued expenses – related party | 1,547,955 | (246,105) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(1,127,982)** | **(1,341,322)** |
| | | |
| Sale of marketable securities | -- | 50,000 |
| Purchase of equipment | (4,156) | -- |
| Acquisition of oil and gas properties | (754,116) | (63,147) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(758,272)** | **(13,147)** |
| | | |
| Proceeds from issuance of notes payable | 70,777 | 153,000 |
| Repayment of notes payable | (11,157) | (153,000) |
| Proceeds from issuance of notes payable – related party | 837,000 | -- |
| Oil and gas assets given for debt forgiveness | -- | 170,000 |
| Issuance of demand promissory note receivable | -- | (68,498) |
| Proceeds from sale of common stock (issued) | 665,000 | 1,542,500 |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | **1,561,620** | **1,644,002** |
| | | |
| **NET INCREASE/(DECREASE) IN CASH** | **(324,634)** | **289,533** |
| | | |
| **CASH, BEGINNING OF PERIOD** | **325,089** | **35,556** |
| | | |
| **CASH, END OF PERIOD** | **$ 455** | **$ 325,089** |
| | | |
| Cash paid for: | | |
| Interest | $ -- | $ -- |
| Income taxes | $ -- | $ -- |
| | | |
| Non-cash activity: | | |
| Convert portion of note payable into common stock | $ 450,000 | $ -- |
| Issuance of common stock and notes payable for assets | $ 1,095,000 | $ -- |
| Assignment of note receivable for note payable | $ 131,645 | $ -- |

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

## NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Texas South Energy, Inc. (the "Company") was incorporated pursuant to the laws of the State of Nevada on March 15, 2010. The Company is engaged in the oil and gas business, generating or acquiring oil and gas projects, drilling and operating the wells and producing the oil and gas reserves.

On January 11, 2017, pursuant to the laws of the State of Texas, the Company formed Texas South Operating Company, Inc. as a wholly owned subsidiary of the Company. Texas South Energy, Inc. and Texas South Operating Company, Inc. (collectively, the "Company") now file consolidated financial statements effective with the March 31, 2017 filing. The consolidated financial statements reflect our accounts after elimination of all significant intercompany transactions and balances.

While the Company had previously established a fiscal year end of October 31, on March 3, 2017 the Company adopted a year end of December 31. A transition 10-K was filed for the period November 2016 through December 2016 to report the change in our year end.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation and Basis of Presentation

The accompanying audited consolidated financial statements have been prepared in all material respects in accordance with United States generally accepted accounting principles ("U.S. GAAP") for financial information. Intercompany accounts and transactions are eliminated. The accompanying audited consolidated financial statements have been prepared on the same basis as the audited financial statements for the transition report ended December 31, 2016. The exception being that the 2016 financial statements were not consolidated with Texas South Operating Company, Inc. since the Company had not yet been organized.

There have been no changes in the Company's significant accounting policies from those that were disclosed in the Company's 2016 Annual Report or the transition report for the two months ended December 31, 2016.

### Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

### Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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. While management believes that such estimates are reasonable when considered in conjunction with the financial position and results of operations taken as a whole, actual results could differ from those estimates, and such differences may be material to the financial statements.

### Basic and Diluted Net Loss per Share

The Company computes loss per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. The Company has no potential dilutive instruments and accordingly basic loss and diluted loss per share are the same.

### Fair Value

In accordance with the requirements of ASC 825 and ASC 820, the Company has determined the estimated fair value of financial instruments using available market information and appropriate valuation methodologies. The fair value of financial instruments classified as current assets or liabilities approximate their carrying value due to the short-term maturity of the instruments.

### Income Taxes

The Company has adopted ASC 740 for reporting purposes. As of December 31, 2017, the Company had net operating loss carryforwards of approximately $9,700,000 that may be available to reduce future years' taxable income and will begin to expire in 2028. Availability of loss usage is subject to change of ownership limitations under Internal Revenue Code 382. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the future tax loss carryforwards. The Company believes that its income tax filing positions and deductions will more-likely-than-not be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded. The Company is subject to income tax examinations by the U.S federal, state, or local tax authorities for years since inception to date.

**Stock-based Compensation**

The Company has not adopted a stock option plan and has not granted any stock options. Common stock has been granted to employees and third parties for services rendered (see Note 5 – Common Stock).

In December 2004, the Financial Accounting Standards Board ("FASB") issued ASC 718 "Compensation - Stock Compensation" and 505-50 "Equity-Based Payments to Non-Employees." This statement requires a public entity to expense the cost of services received in exchange for an award of equity instruments. This statement also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. The Company adopted ASC 718 and 505-50 upon creation of the Company and expenses share based costs in the period incurred.

**Accounting for Oil and Gas Properties**

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, professional fees incurred for the lease acquisitions, capitalized interest costs relating to properties, geological expenditures, and tangible and intangible development costs (including direct internal costs), are capitalized into the full cost pool. When the Company commences production from established proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, will be depleted on the units-of-production method using estimates of proven reserves. Investments in unproved properties and major development projects, including capitalized interest if any, are not depleted until proven reserves associated with the projects can be determined. If the future exploration of unproven properties is determined to be uneconomical, the amount of such properties is added to the capital costs to be depleted. As of December 31, 2017, the Company's oil and gas properties consisted of capitalized acquisition costs for unproved mineral rights.

**Investment Securities**

The Company previously owned investment securities composed of 5 million shares of GulfSlope common stock, which were classified as "available-for-sale". Available-for-sale securities are adjusted to their fair market value with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive income. Upon disposition of these investments, the specific identification method is used to determine the cost basis in computing realized gains or losses, which are reported in other income and expense. Declines in value that are judged to be other than temporary are reported in other comprehensive income and expense. During the year ended December 31, 2016, the Company recorded a realized loss of $218,000 to adjust the investment securities to fair market value. In February 2016, the GulfSlope shares were sold to a third party for $50,000. The Company no longer owns any investment securities.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued its final standard on revenue from contracts with customers. The standard, issued as ASU No. 2014-09: *Revenue from Contracts with Customers (Topic 606)* by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASU 2014-09 becomes effective for reporting periods (including interim periods) beginning after December 15, 2017. Early application is permitted for reporting periods (including interim periods) beginning after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method. Because the Company has no revenues, the new guidance is not expected to have a material impact on its financial statements and related disclosures.

In September 2015, FASB issued an accounting standards update for "Business Combinations", which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. We adopted this new guidance prospectively in the first quarter of 2016.

Other new pronouncements issued but not effective until after December 31, 2017 are not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

**NOTE 3 – GOING CONCERN**

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company does not have sufficient cash, nor does it have operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern. The Company has accumulated losses as of December 31, 2017, of $12,876,760. The Company will be dependent upon the raising of additional capital through the best-efforts placement of its equity and/or debt securities in order to implement its business plan. There can be no assurance that the Company will be successful in either situation in order to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These consolidated 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 result from this uncertainty.

**NOTE 4 – PROPERTY & EQUIPMENT**

The Company has $11,779,201 of undeveloped oil and gas properties. The majority of the assets are offshore leases in the Gulf of Mexico. Included are onshore properties which were acquired during the Sydson acquisition.

In January 2017, the Company entered into an asset purchase agreement with Sydson, where Sydson assigned to us certain onshore oil and gas assets and interests and certain tangible assets and additionally, certain employees and a consultant of Sydson have agreed to become employees and a consultant of the Company. Sydson is a private oil and gas company with land operations in Texas and Louisiana that has been in business since 1982.

In connection with the asset acquisition, the Company acquired a variety of proprietary seismic data, computer equipment, furniture and fixtures and other office equipment.

The consideration payable by the Company to Sydson and affiliates was (i) 100 million shares of Company common stock to Michael J. Mayell valued at $845,000 and (ii) $250,000 through a promissory note originally due March 5, 2017, and was amended to January 1, 2019.

In conjunction with the acquisition, the Company agreed to pay $1,250,000 of Sydson's future development costs attributable to its retained working interests in the oil and gas prospects conveyed to the Company and carried interests to casing point for Sydson's working interests on the first well in each of the West Tuleta prospect, Ray Field prospect and the Wilinda prospect.

The purchase price of this asset acquisition is summarized below:

| | |
|---|---|
| Furniture & Fixtures, Software, Equipment | $ 35,556 |
| Deposit – office rent | 8,340 |
| Prepaid expenses | 27,616 |
| Note Payable – insurance | (6,822) |
| Leasehold rights | 1,030,310 |
| Total purchase price | $ 1,095,000 |

At December 31, 2017, the properties were evaluated for impairment and the Company recorded $156,082 to impairment expense.

The Company has $39,712 of furniture and fixtures, software and equipment. The majority of the assets were acquired during the Sydson acquisition in January 2017. The accumulated depreciation as of December 31, 2017 is $6,936. Depreciation is being recorded using the straight line method of depreciation.

**NOTE 5 – COMMON STOCK**

The Company has 950,000,000 shares of common stock authorized with a par value of $0.001. As of December 31, 2017 the Company has 821,790,670 shares of common stock issued and outstanding. During the year ended December 31, 2017, the Company sold 33,250,000 shares of stock at a price of $.02 per share for a total of $665,000, and issued 22,500,000 shares of common stock upon conversion of $450,000 of convertible debt. The Company issued 112,550,000 shares of stock for services rendered valued between $0.005 and $0.00845, including 65.1 million shares to Mr. Connally and 27 million shares to Mr. Askew. Mr. Mayell was issued 100,000,000 shares in January, 2017 in connection with the asset purchase from Sydson.

As of December 31, 2017, the Company has not granted any stock options.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2016, the Company made cash payments and issued Mr. James Askew (former CEO) 14 million shares of common stock in exchange for $280,000 of the accrued compensation. Additionally, in accordance with the employment agreement, the Company paid Mr. Askew $420,000 for compensation and a $50,000 bonus for the fiscal year ended October 31, 2016. During the two month period ending December 31, 2016, the Company paid him $105,000 in compensation, $9,000 in bonuses and $38,030 for expense reimbursements. A prepayment of the January 2017 consulting agreement of $35,000 was included in the $105,000 compensation payments as of December 31, 2016.

Mr. Askew, our former chief executive officer and director for over three years, is currently a consultant to the Company. He resigned effective January 3, 2017 and signed a consulting agreement which is discussed in more detail in footnote 12 "Commitments and Contingencies". As of December 31, 2017, the Company has accrued eleven months of Mr. Askew's consulting agreement totaling $385,000. This accrual is reported on the balance sheet as "Accrued expenses – related party".

The Company had received unsecured advances prior to 2014 from a former director in the amount of $52,152. The amount of $42,324 due to the related party was written off during the quarter ended March 31, 2017 and recorded as "Other Income" as a result of the expiration of the applicable statute of limitations. The remaining balance of $9,828 is recorded within the 'Due to related party' line on the balance sheet.

In March 2014, the Company acquired 5,000,000 shares of restricted GulfSlope common stock from the Company's former sole officer and director James Askew for a purchase price of $268,000. At the time of the acquisition, Mr. Askew was also a director of GulfSlope. Mr. Askew resigned as a director of GulfSlope effective March 27, 2014. During the year ended December 31, 2016, the Company recorded an unrealized loss of $185,000 to adjust the investment securities to fair market value. In February 2016, the Company sold the 5,000,000 shares of GulfSlope common stock with a cost value of $268,000 for cash proceeds of $50,000 and recorded a realized loss of $218,000.

Mr. Mayell, our current chief executive officer and director effective January 4, 2017, is President of Sydson Energy, Inc. and Managing Partner of the General Partner of Sydson Resources, LP ("Sydson"). During the year ended December 31, 2017, Sydson and Mr. Mayell paid invoices on behalf of the Company and advanced loans to the Company. On August 11, 2017 the Company signed a note payable agreement with Sydson for $70,000 which represents a portion of the balance owed to Sydson, with the remainder reported as "Accounts Payable – related party" on the balance sheet. Also on August 11, 2017 the Company signed a note payable agreement with Mr. Mayell for $47,000 which represents some of the advances Mr. Mayell made to the Company. As of December 31, 2017, the Company owes Sydson $42,759 and Mr. Mayell $159,053 which are reported on the balance sheet as "Accounts payable - related party" for a total of $201,812. The note payable balances as of December 31, 2017 are $70,000 to Sydson and $47,000 to Mr. Mayell and are reported on the balance sheet under current liabilities as "Convertible notes payable – related party". The accrued interest on these notes is $4,560 as of December 31, 2017, $2,728 payable to Sydson and $1,832 payable to Mr. Mayell.

The Company has $420,000 of compensation accrued to Mr. Mayell and $410,000 to Mr. Connally as of December 31, 2017 totaling $830,000. Payroll taxes totaling $64,272 related to the accrued compensation have been accrued. These accruals total $894,272 and are reported within "Accrued expenses – related party" as long term liabilities on the balance sheet. The due dates for these liabilities are December 31, 2019 as a result of amendments dated March 1, 2017 to the compensation agreements. The Company has paid Mr. Connally approximately $100,000 for expense reimbursements.

In January 2017, the Company issued shares of stock to the following related parties: Mr. Askew 27 million shares, Mr. Mayell 100 million shares and Mr. Connally 65.1 million shares. See note 10 "Commitments and contingencies" for additional information.

As discussed in Note 7, the Company owes Sydson $250,000 plus accrued interest – long term totaling $26,178 on a note related to the acquisition of Sydson assets.

Also discussed in Note 8, Mr. Mayell and JTB Energy LLC, a company managed by Mr. Mayell, have each loaned the Company $250,000. Interest expense of $15,556 to each has been accrued as of December 31, 2017. JTB Energy LLC is a related party of Mr. Mayell.

Also discussed in Note 8, Mr. Mayell loaned the Company a total of $220,000 during October 2017. The accrued interest on these notes payable total $5,022 as of December 31, 2017.

During December 2017, the Company received a loan of $50,000 from a shareholder. The note and interest is due January 1, 2019 with an interest rate of 10% per annum. During the outstanding period, the note is convertible at the option of the investor up to the outstanding principal and unpaid interest into common shares at $0.02 per share. The note is reported as "Convertible Notes Payable – related party" under long term liabilities on the balance sheet.

**NOTE 7 – NOTES PAYABLE**

The Company had received unsecured advances prior to 2014 from a former director in the amount of $52,152. The amount of $42,324 due to the related party was written off during the quarter ended March 31, 2017 and recorded as "Other Income" as a result of the expiration of the applicable statute of limitations. The remaining balance of $9,828 is recorded within the 'Due to related party' line on the balance sheet as a current liability.

In connection with the Sydson asset acquisition, part of the consideration was an unsecured $250,000 note payable to Sydson due March 1, 2017. The note has been amended effective March 23, 2017 to extend the due date to January 1, 2019 and to charge a fixed rate of 10% interest on the note. The balance of $250,000 is included in "Notes payable-related party" in the long term section of the balance sheet.

The company financed the current year insurance premiums and that note has a balance of $9,620 as of December 31, 2017. This note is reported as "Notes payable" under current liabilities on the balance sheet.

**NOTE 8 – CONVERTIBLE NOTES PAYABLE**

Effective March 23, 2017 the Company extended an unsecured promissory note with an accredited investor in the amount of $1,700,000 to a payment date of January 1, 2019. The note was reduced by the assignment of a $131,645 note receivable from EnerGulf Resources to the investor. On September 18, 2017 the Company converted $450,000 of the principal amount of the note into 22,500,000 shares of the Company's common stock at a conversion price of $0.02 per share. As of December 31, 2017 the outstanding principal balance is $1,118,355 and is reported as "Convertible Notes Payable" under long term liabilities on the balance sheet. Subsequent to yearend the Company converted an additional $400,000 of the principal balance into 15,000,000 shares of the Company's common stock. The principal balance of $200,000 was converted at a conversion price of $0.02 and the principal balance of $200,000 was converted at a conversion price of $0.04. The amended note agreement now states that the note is convertible into common shares at $0.04 per share at the option of the investor up to $600,000 of the outstanding principal and accrued interest. The due date of the note payable was also extended to January 1, 2020.

During April 2017, the Company received a loan of $125,000 from Mr. Mayell and a loan of $125,000 from JTB Energy, LLC. Both loans are secured by a 5% interest in the $10,000,000 offshore leases, payable upon demand with interest rates of 10% per annum. During the outstanding period, the notes are convertible at the option of the investor up to the outstanding principal and accrued interest into common shares at $0.02 per share. These loans are both considered related party transactions. The notes are reported as "Convertible notes payable – related party" under current liabilities. The notes are convertible up to the outstanding principal and accrued interest into common shares at $0.02 per share.

During June 2017, the Company received an additional loan of $125,000 from Mr. Mayell and an additional loan of $125,000 from JTB Energy, LLC. Both loans are secured by a 5% interest in the $10,000,000 offshore leases, all payable upon demand with interest rates of 10% per annum. During the outstanding period, the notes are convertible at the option of the investor up to the outstanding principal and accrued interest into common shares at $0.02 per share. These loans are both considered related party transactions. The notes are reported as "Convertible notes payable – related party" under current liabilities. The notes are convertible up to the outstanding principal and accrued interest into common shares at $0.02 per share.

During August 2017, the Company converted a portion of the accounts payable balances owed to Sydson and Mr. Mayell to note payable agreements, charging interest at 10% per annum. Both Sydson and Mr. Mayell had advanced money to the Company and paid invoices on behalf of the Company, which had previously been reported as "Accounts payable – related party". The Company converted $70,000 into a note payable to Sydson and $47,000 into a note payable to Mr. Mayell. The remaining balances owed to them will continue to be reported as "Accounts payable – related party". The notes are reported as "Convertible notes payable – related party" under current liabilities. The notes are convertible up to the outstanding principal and accrued interest into common shares at $0.02 per share.

During October 2017, the Company received loans of $170,000 and $50,000 from Mr. Mayell. Both loans are secured by a 5% interest in the $10,000,000 offshore leases, payable upon demand with interest rates of 10% per annum. During the outstanding period, the notes are convertible at the option of the investor up to the outstanding principal and accrued interest into common shares at $0.02 per share. These loans are both considered related party transactions and are reported as "Convertible notes payable – related party under current liabilities.

During December 2017, the Company received a loan of $50,000 from a shareholder. The note and interest is due January 1, 2019 with an interest rate of 10% per annum. During the outstanding period, the note is convertible at the option of the investor up to the outstanding principal and unpaid interest into common shares at $0.02 per share. The note is reported as "Convertible Notes Payable – related party" under long term liabilities on the balance sheet.

**NOTE 9 – NOTES RECEIVABLE**

In October 2016, the Company loaned the principal amount of $47,138 to a third party under an interest free, demand promissory note agreement for the purpose of travel expenses and rentals. Subsequent to October 2016, the note was further increased to $68,498 as of December 31, 2016. During March 2017, the note was further increased to $131,645 and then assigned to an investor as a reduction in the note payable balance leaving a notes receivable balance of zero as of December 31, 2017. See note 8 for further information.

**NOTE 10 – INCOME TAXES**

The Company follows ASC 740. Deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carryforwards. No net provision for refundable Federal income tax has been made in the accompanying statement of loss because no recoverable taxes were paid previously. Similarly, no deferred tax asset attributable to the net operating loss carryforward has been recognized, as it is not deemed likely to be realized.

The provision for refundable federal income tax consists of the following for the periods ending:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Federal income tax benefit at the statutory rate: | | |
| Net loss | $ (693,000) | $ (715,000) |
| Effect of rate change | 715,000 | — |
| Change in valuation allowance | (22,000) | 715,000 |
| Net benefit | $ — | $ — |

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Deferred tax attributed: | | |
| Net operating loss carryover | $ 3,300,000 | $ 2,041,000 |
| Effect of rate change | (2,607,000) | — |
| Less: valuation allowance | (693,000) | (2,041,000) |
| Net deferred tax asset | $ — | $ — |

At December 31, 2017, the Company had an unused net operating loss carryforward approximating $9,700,000 that is available to offset future taxable income; the loss carryforward will start to expire in 2028. The Company's tax returns are open to audit under the statute of limitations for the years ending 2014 through 2016 for federal tax purposes.

**Effect of New Federal Tax Reform Legislation**

On December 22, 2017, new federal tax reform legislation was enacted in the United States (the "2017 Tax Act"), resulting in significant changes from previous tax law. The 2017 Tax Act reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of the Company's deferred tax assets of $7,947,029 and a corresponding reduction in the valuation allowance.

**NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company adopted the FASB standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The recorded values of long-term debt approximate their fair values, as interest approximates market rates. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows.

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's financial instruments are cash and accounts payable. The recorded values of cash and accounts payable approximate their fair values based on their short-term nature.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

See Note 6 for a discussion of Mr. Askew's employment agreement and the Company's financial obligations with respect thereto. Mr. Askew resigned as an executive officer and director of Texas South in January 2017 and entered into a consulting agreement with the Company that began on January 5, 2017 and terminates on December 31, 2020, and such term shall be extended for an additional one-year period upon December 31 of each calendar year, provided that neither the Company nor consultant notify the other on or prior to 90 days before the applicable December 31st that either party does not intend to extend this agreement. The Company shall pay to Mr. Askew $35,000 net per month and issued Mr. Askew 27 million shares of Company common stock. Upon termination of Mr. Askew by the Company other than for cause, Mr. Askew is entitled to receive three years of his then consulting compensation as severance.

The Company entered into an employment agreement with John B. Connally III to serve as chairman of the board that began on January 5, 2017 and terminates on December 31, 2020. Upon December 31 of each calendar year, the term shall be extended for one additional year, provided that neither the Company nor Mr. Connally notify the other on or prior to 90 days before the applicable December 31st date that either party does not intend to extend this agreement. The Company shall pay to Mr. Connally a base salary of $420,000 per annum, issued him 65.1 million shares, and Mr. Connally shall be entitled to standard and customary benefits. Mr. Connally has agreed to standard non-disclosure provisions. Upon termination of Mr. Connally by the Company other than for cause, Mr. Connally is entitled to receive three years of his then compensation as severance.

The Company entered into an employment agreement with Mr. Mayell on January 4, 2017 that terminates on December 31, 2020. Upon December 31 of each calendar year, the term shall be extended for one additional year, provided that neither the Company nor Mr. Mayell notify the other on or prior to 90 days before the applicable December 31st date that either party does not intend to extend this agreement. The Company shall pay to Mr. Mayell a base salary of $420,000 per annum and Mr. Mayell shall be entitled to standard and customary benefits. Mr. Mayell has agreed to standard non-disclosure and non-competition provisions. Upon termination of Mr. Mayell by the Company other than for cause, Mr. Mayell is entitled to receive three years of his then compensation as severance.

Effective March 1, 2017 the above mentioned employment agreements with Mr. Connally and Mr. Mayell were amended to extend the due dates. The payments are now due at the end of the terms of the agreements, which is December 31, 2020. These liabilities are accrued in the financial statements for the year ended December 31, 2017 however they are now reported as long term on the balance sheet.

**NOTE 13 – SUBSEQUENT EVENTS**

On January 12, 2018 the Company converted $400,000 of the principal amount of a long-term note payable into 15,000,000 shares of the Company's common stock at a conversion price of $200,000 principal amount at $0.02 per share and $200,000 principal amount at $0.04 per share. (See footnote 8 "Convertible notes payable" for additional information.)

During January 2018 Mr. Mayell loaned the Company $7,250 which is recorded as accounts payable.

On January 8, 2018, the Company entered into a participation agreement dated effective January 1, 2018 (the "Agreement") with Delek GOM Investments, LLC, a subsidiary of Delek Group Ltd. ("Delek"), and GulfSlope (collectively, the "Parties") for the partial farm-out of the Company's interests in its Gulf of Mexico oil and gas leases (the "Farm-out"). The Agreement sets out the terms and conditions of the Parties participation in the drilling of up to a nine well multi-phase exploration program targeting the Company's prospects (the "Prospects") located on the Company's existing leases (the "Leases").

Under the terms of the agreement, the parties have committed to initially drill the Company's "Canoe" and "Tau" prospects (the "Initial Phase") with Delek having the option to participate in two additional two-well drilling phases and a final, three-well drilling phase (collectively, the "Phases"). In August 2017, the Company acquired a 20% working interest in Ship Shoal Block 351 and in Ship Shoal Block 336, which are collectively referred to as the Tau Prospect from GulfSlope and in January 2018, the Company acquired a 20% working interest in the Vermilion South Addition Block 378 ("Canoe Prospect") from GulfSlope. In each Phase, Delek will earn a 75% working interest upon paying 90% of the exploratory costs associated with drilling each exploratory well. The Company will thus retain a 5% working interest while paying 2% of the exploratory costs associated with drilling each well. In addition, Delek will pay the Company $405,000 upon the filing of each exploration plan with BOEM and/or BSEE on a Prospect in each Phase. Also, each Party will be responsible for its pro rata share (based on working interest) of delay rentals associated with the Prospects. GulfSlope will be the Operator during exploratory drilling of a Prospect, however, subsequent to a commercial discovery, Delek will have the right to become the Operator. Delek will have the right to terminate this Agreement at the conclusion of any drilling Phase. Delek will also have the option to purchase up to 5% of the Company's common stock upon fulfilling its obligation for each Phase (maximum of 20% in the aggregate) at a price per share equal to a 10% discount to the 30-day weighted average closing price for the Company's common stock preceding the acquisition. This option will expire on January 8, 2020. The foregoing description of the Agreement does not purport to be a complete description of the terms, provisions and conditions of such document, and represents only a summary of certain of the principal terms, provisions and conditions thereof.

The Company will assign a two-tenths of one percent of 8/8ths net profits interest in certain of the Company's oil and gas leases to include Vermilion Area, South Addition 378, Ship Shoal Area, South Addition 336, and Ship Shoal Area, South Addition 351, to Hi-View in consideration for consulting services provided pursuant to a non-exclusive consulting engagement dated October 25, 2017, by and between Hi-View, the Company, and GulfSlope. Hi-View will be entitled to additional assignments on the same terms and conditions as described above related to any of Leases in which Delek elects to participate in the drilling of an exploratory well. In addition, the Company issued an aggregate of twenty million shares of its common stock to Hi-View in consideration for those consulting services provided pursuant to the Advisory Agreement. In the event that Delek has not funded the $405,000 payment referenced above within six months of execution of this Agreement, then the common stock will be returned by Hi-View to the Company.

During January 1, 2018 through March 27, 2018 the Company sold an aggregate of 19,900,000 shares of common stock for $398,000 at a purchase price of $0.02 per share.

During January 2018, the Company issued 20,000,000 shares of common stock to Hi-View for consulting services provided pursuant to the Advisory Agreement dated October 25, 2017. These shares were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933 ("Securities Act").

During February and March 2018 the Company sold interests in the Wilinda prospect located in Texas. The Company's share of the proceeds totaled $251,250. Leases are being acquired and the Company hopes to begin drilling in late 2018.

On March 15, 2018, the Company issued an aggregate of 3,022,480 shares to certain employees and a consultant for services rendered.

During January 1, 2018 through March 27, 2018 the Company paid Mr. Mayell $80,000 of the accounts payable balance owed to him as of December 31, 2017.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer (who also serves as our principal financial officer) of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the period covered by this Annual Report. Based upon that evaluation, our principal executive officer (who also serves as our principal financial officer) concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed by us under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

### Management's Report on Internal Control over Financial Reporting

Our management, including our principal executive officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors or fraud. A control system, no matter how well conceived 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Accordingly, management believes that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

### Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

### Identification of Directors and Executive Officers

Our executive officer and directors as of March 27, 2018, and their respective ages, position and biographical information are set forth below.

| Name | Age | Title |
|---|---|---|
| Michael J. Mayell | 70 | Chief Executive Officer, Chief Financial Officer and Director |
| John B. Connally, III | 71 | Chairman of the Board |

Mr. Mayell has served as our chief executive officer and director since January 2017 and he has over 45 years of experience in the oil and gas business. Mr. Mayell founded Sydson in 1982 and has served as an officer and director of Sydson since 1987. In 1985, Mr. Mayell co-founded the Meridian Resource Corporation (NYSE) and served as the president and chief operating officer of Meridian for over 20 years. Mr. Mayell began his career with Shell Oil Company in New Orleans, La. in the drilling and production engineering groups responsible for drilling and producing fields both onshore and offshore South Louisiana. Mr. Mayell received his Bachelor of Science degree in mechanical engineering from Clarkston University.

Mr. Connally presently serves as chairman of the Texas Lt. Governor's Energy Advisory Board. Mr. Connally was a founding shareholder of Texas South and GulfSlope Energy, Inc., and a founding director of Nuevo Energy, Inc, Endeavor International Corp, Pure Energy Group (where he also served as chief executive officer), and Pure Gas Partners. Mr. Connally was a law partner with Baker Botts, and received both his Bachelor of Arts and JD from the University of Texas. Mr. Connally has been involved in private business endeavors for over the last five years.

### Key Employees and Consultants

Key employees and consultants as of March 27, 2018 are:

Mr. Gunderson, Land Manager, has held land positions with public and independent producers including Chevron, Murphy, Cities, Ladd and Meridian Resources. Mr. Gunderson has been with Sydson since 2009. Mr. Gunderson received a BBA degree in petroleum land management from the University of Oklahoma

Mrs. Alexander, Controller, began her career in accounting with Arthur Andersen before moving into corporate accounting in 1985. She later opened her consulting practice focusing on the healthcare and oil and gas industries and has been Sydson's lead accountant since 2010. Mrs. Alexander received her Bachelor in Accountancy degree from the University of Mississippi in 1980.

Mr. Goldstein, Geologist, has served as a consultant to Sydson for over 10 years and has over 40 years of experience in Gulf Coast geology interpretation. Mr. Goldstein has served as a geologist with Amerada Hess, Houston Oil and Minerals and Meridian Resources. Mr. Goldstein received his Bachelor of Arts – Geology degree from Rutgers University and received his Master's degree in Geology from Florida State University.

Mr. Askew, our former chief executive officer and director for over three years, is currently a consultant to the Company.

### Board Committees and Meetings

The Company does not maintain an audit committee, compensation committee or nominating committee, and the Board performs the functions of such committees. The Board has determined that it is not necessary to have a standing nominating committee or procedures for submitting shareholder nominations. Furthermore, we have not designated any member of the Board of Directors as an audit committee financial expert because we are not required to do so at this time.

The Company has no formal policy with regard to Board members' attendance at annual meetings of security holders and the Company did not hold an annual meeting during the years ended December 31, 2017 and 2016. The Board of Directors did not hold any meetings and acted by written consent.

### Independent Directors

We currently do not have any directors who are considered "independent" as such term is defined in the NASDAQ Global Market listing standards. We believe that retaining an independent director or directors at this time would be overly costly and burdensome and is not warranted in our circumstances given the stage of our development. Moving forward, at such time the Board of Directors deems independent directors desirable, or that we are required to have independent directors, either as a result of our listing on NASDAQ, the NYSE or a similar market or exchange, or that we are otherwise required by applicable law to have independent director, we will promptly take steps to appoint such independent directors.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file with the SEC reports of their holdings of, and transactions in, our common stock. Based solely upon our review of copies of such reports and written representations from reporting persons that were provided to us, we believe that our officers, directors and 10% stockholders complied with these reporting requirements with respect to the twelve months ended December 31, 2017 except as set forth below. Mr. Mayell was late in filing a Form 4 (subsequently filed on March 22, 2018) reflecting the following acquisition of shares of common stock: (i) in April 2017 Mr. Mayell and an affiliate loaned the Company $250,000, payable on demand, convertible into 12,500,000 shares of Company common stock; (ii) on June 23, 2017, Mr. Mayell and an affiliate loaned the Company $250,000, payable on demand, convertible into 12,500,000 shares of Company common stock; (iii) on August 11, 2017, Mr. Mayell and an affiliate loaned the Company $117,000, payable on demand, convertible into 5,850,000 shares of Company common stock; (iv) in October 2017, Mr. Mayell loaned the Company an aggregate of $220,000, payable on demand, convertible into 11,000,000 shares of Company common stock; and (v) on January 28, 2018, an affiliate of Mr. Mayell acquired 500,000 shares of Company common stock at a purchase price of $0.02 per share. Mr. Connally was late in filing a Form 4 (subsequently filed on March 23, 2018) reflecting the following gifts of shares of common stock: (i) in May 2017, Mr. Connally gifted 20,000,000 shares of common stock to a third party; and (ii) in September 2017, Mr. Connally gifted 20,000,000 shares of common stock to third parties.

**Code of Ethics**

We have adopted a written code of ethics and whistleblower policy (the "Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We believe that the Code of Ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

**Involvement in Certain Legal Proceedings**

There are currently no material pending legal proceedings to which the Company is a party or of which any of its property is the subject, in which any of the above referenced directors or officers is a party adverse to the Company or has a material interest adverse to the Company. Furthermore, during the past ten years, none of the Company's officers or directors described above were involved in any legal proceedings that are material to an evaluation of the ability or integrity of such directors and officers.

**ITEM 11. EXECUTIVE COMPENSATION**

**Compensation to Officers of the Company**

The following table contains compensation data for our named executive officers as of the years ended December 31, 2017 and 2016:

***Summary Compensation Table***

| Name and Principal Position | Year | Salary | Bonus | Stock Awards | Stock Option Awards | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Michael J. Mayell, CEO * | 2017 | $ 420,000 | $ -- | $ — | $ — | $ — | $ 420,000 |
| John B. Connally III, Chairman of the Board * | 2017 | $ 420,000 | | $ | $ | $ | $ 420,000 |
| James Askew, former CEO | 2016 | $ 420,000 | $ 59,000 | $ — | $ — | $ — | $ 479,000 |

* Mr. Mayell's and Mr. Connally's salaries for 2017 have not been paid, but were accrued during the year.

**Employment and Consulting Arrangements**

The Company entered into an employment agreement with Mr. Mayell that terminates on December 31, 2020. Upon December 31 of each calendar year, the term shall be extended for one additional year, provided that neither the Company nor Mr. Mayell notify the other on or prior to 90 days before the applicable December 31st date that either party does not intend to extend this agreement. The Company shall pay to Mr. Mayell a base salary of $420,000 per annum and Mr. Mayell shall be entitled to standard and customary benefits. Mr. Mayell has agreed to standard non-disclosure and non-competition provisions. Upon termination of Mr. Mayell by the Company other than for cause, Mr. Mayell is entitled to receive three years of his then compensation as severance. In March 2017, the due dates of the compensation payments were extended to the end of the term.

The Company entered into an employment agreement with John B. Connally III to serve as chairman of the board that terminates on December 31, 2020. Upon December 31 of each calendar year, the term shall be extended for one additional year, provided that neither the Company nor Mr. Connally notify the other on or prior to 90 days before the applicable December 31st date that either party does not intend to extend this agreement. The Company shall pay to Mr. Connally a base salary of $420,000 per annum, issued him 65.1 million shares, and Mr. Connally shall be entitled to standard and customary benefits. Mr. Connally has agreed to standard non-disclosure provisions. Upon termination of Mr. Connally by the Company other than for cause, Mr. Connally is entitled to receive three years of his then compensation as severance. In March 2017, the due dates of the compensation payments were extended to the end of the term.

Mr. Askew resigned as an executive officer and director of Texas South in January 2017 and entered into a consulting agreement with the Company that terminates on December 31, 2020, and such term shall be extended for an additional one-year period upon December 31 of each calendar year, provided that neither the Company nor consultant notify the other on or prior to 90 days before the applicable December 31st that either party does not intend to extend this agreement. The Company shall pay to Mr. Askew $35,000 net per month and issued Mr. Askew 27 million shares of Company common stock. Upon termination of Mr. Askew by the Company other than for cause, Mr. Askew is entitled to receive three years of his then consulting compensation as severance.

In January 2017, the Company entered into a two-year agreement with Ernest Miller to provide financial consulting services to the Company for up to 20 hours per month pursuant to which the Company paid Mr. Miller 5 million shares of Company common stock.

**Grants of Plan-Based Awards**

No plan-based awards were granted to any of our named executive officers during the twelve months ended December 31, 2017.

**Outstanding Equity Awards at Year End**

No unexercised options or warrants were held by any of our named executive officers at December 31, 2017.

**Compensation Policies and Practices as they Relate to the Company's Risk Management**

We conducted a review of our compensation policies and procedures as they relate to an overall risk management policy. We have concluded that our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

**Director Compensation**

During the years ended 2017 and 2016, the director of the Company was not compensated for his services as director.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

**Principal Stockholders**

The following table sets forth the number and percentage of outstanding shares of common stock owned by: (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; (b) each of our directors; (c) the named executive officers as defined in Item 402 of Regulation S-K; and (d) all current directors and executive officers, as a group as of the date of this Annual Report. As of March 27, 2018, there were 867,440,670 shares of common stock deemed issued and outstanding.

Unless otherwise stated, beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person or group of persons, the number of shares beneficially owned by such person or group of persons is deemed to include the number of shares beneficially owned by such person or the members of such group by reason of such acquisition rights, and the total number of shares outstanding is also deemed to include such shares (but not shares subject to similar acquisition rights held by any other person or group) for purposes of that calculation. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The address for each of the beneficial owners is the Company's address, except footnoted below.

| Name of Beneficial Owner | Number of Shares of Common Stock Beneficially Owned | Percentage of Class Beneficially Owned |
|---|---|---|
| **Named Executive Officers and Directors:** | | |
| Michael J. Mayell | 143,350,000[1] | 15.77% |
| John B. Connally III | 61,000,000 | 7.03% |
| All directors & executive officers as a group (2 persons) | 204,350,000 | 22.47% |
| **5% or Greater Shareholders** | | |
| | | |
| Desertaire Enterprises, LP[2] | 60,000,000[3] | 6.90% |
| | | |
| James M. Askew | 101,000,000 | 11.64% |

(1) Comprised of (i) 101,500,000 shares of common stock issued and outstanding, and (ii) 41,850,000 shares of common stock issuable upon conversion of outstanding indebtedness.

(2) Address is 3 Strawberry Canyon, The Woodlands, TX 77382.

(3) Comprised of (i) 57,500,000 shares of common stock issued and outstanding, and (ii) 2,500,000 shares of common stock issuable upon conversion of outstanding indebtedness.

**Description of Capital Stock**

We are authorized to issue 950,000,000 shares of common stock, par value $0.001, of which 867,440,670 shares are issued and outstanding as of March 27, 2018. We are also authorized to issue 50,000,000 shares of blank check preferred stock, none of which have been issued as of the date of this Annual Report.

***Common Stock***

The holders of common stock are entitled to one vote per share with respect to all matters required by law to be submitted to stockholders. The holders of common stock have the sole right to vote, except as otherwise provided by law or by our articles of incorporation, including provisions governing any preferred stock. The common stock does not have any cumulative voting, preemptive, subscription or conversion rights. Election of directors requires the affirmative vote of a plurality of shares represented at a meeting, and other general stockholder action requires the affirmative vote of a majority of shares represented at a meeting in which a quorum is represented. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

Subject to the rights of any outstanding shares of preferred stock, the holders of common stock are entitled to receive dividends, if declared by our board of directors, out of funds legally available. In the event of liquidation, dissolution or winding up of the affairs of the Company, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding.

The authorized but unissued shares of our common stock are available for future issuance without stockholder approval. These additional shares may be used for a variety of corporate purposes, including future public offering to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock may enable our Board to issue shares of stock to persons friendly to existing management, which may deter or frustrate a takeover of the Company.

***Preferred Stock***

We are authorized to issue 50 million shares of “blank check” preferred stock, none of which are issued and outstanding. We have no present plans for the issuance thereof. Our board of directors has the authority, without action by our stockholders, to designate and issue preferred stock in one or more series. Our board of directors may also designate the rights, preferences, and privileges of each series of preferred stock, any or all of which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of the common stock until the board of directors determines the specific rights of the holders of the preferred stock. However, these effects might include:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; and
- delaying or preventing a change in control without further action by the stockholders.

***Indemnification of Directors and Officers***

Section 718.7502 of the Nevada Revised Statutes (“NRS”) provides, in general, that a corporation incorporated under the laws of the State of Nevada, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person (a) is not liable pursuant to Section 73.138 of the NRS, and (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. In the case of a derivative action, a Nevada corporation may indemnify any such person against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person (a) is not liable pursuant to Section 73.138 of the NRS, and (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation.

Our Articles of Incorporation and Bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the NRS, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders’ or directors’ resolution or by contract. In addition, our director and officer indemnification agreements with each of our directors and officers provide, among other things, for the indemnification to the fullest extent permitted or required by Nevada law. Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification. We are also permitted to maintain insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the NRS would permit indemnification.

***Anti-Takeover Effect of Nevada Law***

*Business Combinations*

The "business combination" provisions of Sections 78.411 to 78.444, inclusive, of the Nevada Revised Statutes, or NRS, prohibit a Nevada corporation with at least 200 stockholders from engaging in various "combination" transactions with any interested stockholder: for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status; or after the expiration of the three-year period, unless:

- the transaction is approved by the board of directors or a majority of the voting power held by disinterested stockholders, or
- the consideration to be paid by the interested stockholder is at least equal to the highest of: (a) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, (b) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher, or (c) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher.

A "combination" is defined to include mergers or consolidations or any sale, lease exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions, with an "interested stockholder" having: (a) an aggregate market value equal to 5% or more of the aggregate market value of the assets of the corporation, (b) an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation, or (c) 10% or more of the earning power or net income of the corporation.

In general, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 10% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire our company even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

*Control Share Acquisitions*

The "control share" provisions of Sections 78.378 to 78.3793, inclusive, of the NRS, which apply only to Nevada corporations with at least 200 stockholders, including at least 100 stockholders of record who are Nevada residents, and which conduct business directly or indirectly in Nevada, prohibit an acquirer, under certain circumstances, from voting its shares of a target corporation's stock after crossing certain ownership threshold percentages, unless the acquirer obtains approval of the target corporation's disinterested stockholders. The statute specifies three thresholds: one-fifth or more but less than one-third, one-third but less than a majority, and a majority or more, of the outstanding voting power. Once an acquirer crosses one of the above thresholds, those shares in an offer or acquisition and acquired within 90 days thereof become "control shares" and such control shares are deprived of the right to vote until disinterested stockholders restore the right. These provisions also provide that if control shares are accorded full voting rights and the acquiring person has acquired a majority or more of all voting power, all other stockholders who do not vote in favor of authorizing voting rights to the control shares are entitled to demand payment for the fair value of their shares in accordance with statutory procedures established for dissenters' rights.

Our Articles of Incorporation state that we have elected not to be governed by the "control share" provisions, therefore, they currently do not apply to us.

***Transfer Agent***

The transfer agent and registrar for our common stock is Island Stock Transfer, whose address is 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760.

**ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

In connection with the Sydson transaction, as disclosed in detail in Item 1, "Business – The Company," the Company entered into employment agreements with Messrs. Mayell and Connally, and a consulting agreement with Mr. Askew, as disclosed in Item 11, "Executive Compensation-Employment and Consulting Agreements."

In December 2016, the Company paid Mr. Askew a bonus of $9,000 cash. In November and December 2016, Mr. Askew was paid $105,000 in compensation pursuant to his employment agreement for the months of November 2016 through January 2017.

In November and December 2016, the Company paid aggregate bonuses to Mr. Connally in the amount of $144,000 and consulting fees of $20,000. Mr. Connally was paid aggregate consulting fees of $120,000 per year for fiscal years 2015 and 2016 and a bonus of $5,000 during fiscal year 2016. During 2017 the Company reimbursed Mr. Connally approximately $100,000 for expenses incurred on behalf of the Company.

During the year ended December 31, 2016, the Company's former chief executive officer and sole director James Askew paid numerous vendors on behalf of the Company. The Company accrued the amount owed to Mr. Askew and as of December 31, 2017 and 2016 this balance was zero since he had been reimbursed for all amounts owed.

During the fiscal year ended 2013, Roxana Gloria Candela Calixto, a prior director, advanced the Company a total of $52,152. The amount of $42,324 was written off during the quarter ended March 31, 2017 and recorded as "Other Income" as a result of the expiration of the applicable statute of limitations. The balance of $9,828 remains at December 31, 2017.

Members of the Company's legal counsel, Thomas C. Pritchard, P.C., own an aggregate of 4.5 million shares of common stock, issued for nominal consideration.

**ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following is a summary of the fees billed to us by our principal accountants, LBB & Associates Ltd., LLP, during the years ended December 31, 2017 and 2016.

| | 2017 | 2016 |
|---|---|---|
| Total audit fees | $ 65,250 | $ 67,950 |

Audit Fees - Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and review of the financial statements included in our Forms 10-Q or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related Fees - Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees."

Tax Fees - Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All Other Fees - Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees," and "Tax fees" above.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

We have not adopted an Audit Committee; therefore, there is no Audit Committee policy in this regard. All services rendered by our principal accountant are performed pursuant to a written engagement letter between us and the principal accountant.

## PART IV

### ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits. The following exhibits are filed as part of this Annual Report:

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Texas South Energy, Inc. incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed November 27, 2013. |
| 3.2 | Amended and Restated Bylaws of Texas South Energy, Inc. incorporated by reference to Exhibit 3.2 of the Company's Form 8-K filed November 12, 2013. |
| 4.1 | Common Stock Specimen incorporated by reference to Exhibit 10.1 of the Company's Form 10-K filed February 13, 2014. |
| 10.1* | Employment Agreement, by and between the Company and James M. Askew incorporated by reference to Exhibit 10.1 of the Company's Form 10-K filed February 13, 2014. |
| 10.2 | Consulting Agreement by and between the Company and John Connally incorporated by reference to Exhibit 10.1 of the Company's Form 10-K filed February 13, 2014. |
| 10.3 | Contract For Sale, dated effective January 22, 2014, incorporated by reference to Exhibit 10.1 of Form 8-K filed January 27, 2014. |
| 10.4 | Form of Subscription Agreement, incorporated by reference to Exhibit 10.1 of the Company's Form 10-K filed February 13, 2014. |
| 10.5 | Farm-Out Letter Agreement, incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed March 21, 2014. |
| 10.6 | Note Agreement, as amended, incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q filed March 21, 2014. |
| 10.7 | Amendment No. 1 to Employment Agreement, incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed March 21, 2014. |
| 10.8 | Indemnification Agreement, incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed March 21, 2014. |
| 10.9 | Amendment No. 2 to Employment Agreement, incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed March 21, 2014 |
| 10.10 | Amendment to Consulting Agreement by and between the Company and John Connally, incorporated by reference to Exhibit 10.1 of the Company's Form 10-K filed February 13, 2014. |
| 10.11 (1) | Purchase Agreement by and between the Company and Littleton E. Walker dated February 18, 2016. |
| 10.12 (1) | Amendment of $1,100,000 Note to Extend Maturity. |
| 10.13 | Asset Purchase Agreement by and among Texas South Energy, Inc., Sydson Resources, L.P., and Sydson Energy, Inc., dated January 4, 2017, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed January 10, 2017 |
| 10.14* | Employment Agreement by and between the Company and Michael J. Mayell dated January 4, 2017, incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed January 10, 2017. |
| 10.15* | Consulting Agreement by and between the Company and James M. Askew dated January 5, 2017, incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed January 10, 2017. |
| 10.16* | Employment Agreement by and between the Company and John B. Connally, III dated January 5, 2017, incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed January 10, 2017. |
| 10.17 | Participation Agreement by and between the Company and Delek GOM Investments, LLC, incorporated by reference to Exhibit 99.2 of the Company's Form 8-K filed January 12, 2018. |
| 14.1 | Code of Ethics, incorporated by reference to Exhibit 14.1 of the Company's Form 10-K filed February 13, 2014. |
| 31.1 (1) | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) |
| 32.1 (1) | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 18 U.S.C. Section 1350, adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from our Annual Report on Form 10-K for the year ended September 30, 2013 formatted in Extensible Business Reporting language (XBRL); (i) Condensed Balance Sheets, (ii) Condensed Statements of Operations, (iii) Condensed Statements of Cash Flows and (iv) Notes to the Condensed Financial Statements (1) |

* Management contract or compensatory plan or arrangement.

(1) Filed herewith.

### ITEM 16: FORM 10-K SUMMARY

None

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Transition Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Texas South Energy, Inc.**

Date: March 27, 2018

By: */s/ Michael J. Mayell*
Michael J. Mayell
Chief Executive Officer,
President, and Director

# PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made as of the date set forth on the signature page hereof by and between Texas South Energy, Inc., a Nevada corporation (the "Company"), and the undersigned (the "Investor").

W I T N E S S E T H:

WHEREAS, the Company shall sell to the Investor and the Investor shall purchase 5 million shares of GulfSlope Energy, Inc. ("GulfSlope") common stock ("Shares" or "Securities") at a price per Share of US $0.01 ("Purchase Price");

WHEREAS, the Investor desires to purchase the amount of Shares set forth on the Signature Page hereof on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations and covenants hereinafter set forth, the parties hereto do hereby agree as follows:

## I. SUBSCRIPTION FOR SHARES AND REPRESENTATIONS BY INVESTOR

1.1 Subject to the terms and conditions hereinafter set forth, the Investor hereby irrevocably subscribes for and agrees to purchase from the Company the Shares and to pay the Purchase Price concurrently upon execution of this Agreement, and the Company agrees to sell to the Investor such Shares, as is set forth on the Signature Page.

1.2 The Investor recognizes that the purchase of the Securities involves a high degree of risk including, but not limited to, the following: (a) GulfSlope has a limited operating history with a history of losses and requires additional funds to conduct its business; (b) an investment in GulfSlope is highly speculative, and only investors who can afford the loss of their entire investment should consider investing in GulfSlope and the Securities; (c) the Investor may not be able to liquidate its investment; (d) transferability of the Securities is extremely limited and GulfSlope will not be registering the resale of the Shares; (e) in the event of a disposition, the Investor could sustain the loss of its entire investment; (f) GulfSlope has not paid any dividends since its inception and does not anticipate paying any dividends; and (g) GulfSlope may issue additional securities in the future which have rights and preferences that are senior to those of the Securities. Without limiting the generality of the representations set forth in Section 1.5 below, the Investor represents that the Investor has carefully reviewed all of GulfSlope's filings made with the Securities and Exchange Commission through the date of execution hereof ("SEC Filings") and has had the opportunity to ask management any questions regarding the SEC Filings.

1.3 The Investor represents that the Investor is an "accredited investor" as such term is defined in Rule 501 of Regulation D ("Regulation D") promulgated under the Securities Act, and that the Investor is able to bear the economic risk of an investment in the Securities.

1.4 The Investor hereby acknowledges and represents that (a) the Investor has knowledge and experience in business and financial matters, and prior investment experience, to

evaluate the merits and risks of such an investment on the Investor's behalf; (b) the Investor recognizes the highly speculative nature of this investment; and (c) the Investor is able to bear the economic risk that the Investor hereby assumes.

1.5 The Investor hereby acknowledges receipt and careful review of this Agreement, represents that the Investor has carefully reviewed the SEC Filings, and in making the decision to invest in the Securities, the Investor has relied solely upon the information provided in the SEC Filings.

1.6 The Investor hereby represents that the Investor has the capacity to protect the Investor's own interests in connection with the transaction contemplated hereby.

1.7 The Investor understands that the Securities have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act that depends, in part, upon the Investor's investment intention. In this connection, the Investor hereby represents that the Investor is purchasing the Shares for the Investor's own account for investment and not with a view toward the resale or distribution to others.

1.8 The Investor understands that GulfSlope was a "shell company" as defined in Rule 405 of the Securities Act until May 2014, and neither the Company nor any affiliate of the Company is an affiliate of GulfSlope.

1.9 The Investor understands that the Securities are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state securities laws.

## II. REPRESENTATIONS BY AND COVENANTS OF THE COMPANY

The Company hereby represents and warrants to the Investor that:

2.1 Organization, Good Standing, Qualification and Capitalization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has full corporate power and authority to conduct its business.

2.2 Authorization; Enforceability. The Company has all corporate right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, including the issuance of the Shares. All corporate action on the part of the Company, its directors and stockholders necessary for the (i) authorization execution, delivery and performance of this Agreement by the Company and (ii) authorization, sale, issuance and delivery of the Shares contemplated hereby and the performance of the Company's obligations hereunder has been taken. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy. The Shares, when issued and fully paid for in accordance with the terms hereof, will be validly issued, fully paid and nonassessable.

2.3 Good and Valid Title Being Transferred. The Shares being transferred by the Company to Investor are free and clear of any lien, encumbrance or other charge and the Company has good and valid title in the Shares to be able to transfer the Shares free of any lien.

III. MISCELLANEOUS

3.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

3.2 Nothing in this Agreement shall create or be deemed to create any rights in any person or entity not a party to this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Subscription Agreement as of the date set forth below.

2-18-16

Littleton E. Walker

TEXAS SOUTH ENERGY, INC.

By:

James Askew, Chief Executive Officer

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES OR "BLUE SKY LAWS," AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.**

# AMENDED AND RESTATED PROMISSORY NOTE
**(Unsecured)**

$1,568,354.82 March 23, 2017

FOR VALUE RECEIVED, the undersigned, Texas South Energy, Inc., a Nevada corporation ("Maker"), hereby unconditionally promises to pay to the order of Elefterios Aligizakis ("Payee"), the principal sum of ONE MILLION, FIVE HUNDRED SIXTY-EIGHT THOUSAND, THREE HUNDRED FIFTY-FOUR AND 82/100 DOLLARS ($1,568,354.82) in lawful money of the United States of America, together with interest on the unpaid principal balance at the rate of 10% per annum. This amended and restated promissory note consolidates the following two notes previously entered into by Maker in favor of Payee, as described below (and replaces these two notes in their entirety, it being understood and agreed that the two notes are null and void and are of no further effect), and reflects a payment to Payee by Maker on the date hereof in the amount of $131,645.18 evidenced by the assignment of the note payable by EnerGulf Resources, Inc. to Maker dated January 3, 2017, in the principal amount of $131,645.18:

- Promissory Note between Maker and Smart Victory Holdings dated June 12, 2014, in the principal amount of $1,000,000. This note was amended on June 30, 2015 to extend the maturity date from June 30, 2015 to June 30, 2016, and to change the principal amount from $1,000,000 to $1,100,000. This note was then assigned by Smart Victory Holdings to Payee, effective March 10, 2016. This note was then further amended, effective March 11, 2016, to extend the maturity date from June 30, 2016 to October 1, 2017.

- Amended and Restated Promissory Note between Maker and Zhong Chen dated October 1, 2015 in the principal amount of $700,000 due October 1, 2017. This note was then assigned by Zhong Chen to Payee effective December 2015. This note was then amended on July 29, 2016 to reduce the principal from $700,000 to $600,000 as a result of the partial conversion of $100,000 principal amount into 5 million shares of Company common stock.

The entire unpaid balance of this Note, including all unpaid and accrued interest, shall be due and payable on January 1, 2019 ("Maturity Date"), provided that the Company will be required to effect mandatory prepayments as follows: (i) upon receipt of an aggregate of $250,000 from the sale for cash of Maker equity from and after the date hereof, Maker shall

prepay $22,500 of the principal amount owed to Payee; and (ii) upon receipt of subsequent aggregate amounts of $250,000 from the sale for cash of Maker equity from and after the date hereof, Maker shall prepay $22,500 of the principal amount owed to Payee. Payments of any cash sums due to the Payee under the terms of this Note shall be made via wire transfer. If any payment hereunder would otherwise become due and payable on a day on which banks are closed or permitted to be closed in Houston, Texas, such payment shall become due and payable on the next succeeding day on which banks are open and not permitted to be closed in Houston, Texas. The Maker shall have the right to pay any or all accrued interest under the Note through the issuance of shares of its common stock ("Common Stock") valued at a per share price equal to the quotient of (i) the sum of the closing bid price of the Common Stock on each of the 20 consecutive trading days ending and including the trading day immediately prior to the interest due date, divided by (ii) 20.

If default occurs in the payment of any principal or interest when due hereunder, or upon Maker's insolvency, the appointment of a receiver of all or any part of Maker's property, an assignment for the benefit of creditors of Maker, or the commencement of any proceeding under any bankruptcy, insolvency or debtor relief laws by or against Maker, the Payee hereof may, at its option, declare the entirety of this Note, principal and interest, immediately due and payable, and pursue any and all other remedies available to it at law or in equity. If this Note is given to an attorney for collection, or if suit is brought for collection, or if it is collected through bankruptcy, or other judicial proceedings, then Maker shall pay Payee all costs of collection, including reasonable attorney's fees and court costs, in addition to other amounts due.

No failure or delay by the Payee to insist upon the strict performance of any term, condition, covenant, or agreement of this Note, or to exercise any right, power, or remedy upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Payee from exercising any such right, power, or remedy at a later time or times. By accepting payment after the due date of any amount payable under the terms of this Note, the Payee shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under the terms of this Note or to declare an event of default for the failure to effect such prompt payment of any such other amount. No course of dealing or conduct shall be effective to amend, modify, waive, release, or change any provisions of this Note.

**Conversion**

At any time while this Note is outstanding, the Payee may convert up to $800,000 of the outstanding principal, and accrued and unpaid interest, at his option (such total amount, the "Conversion Amount"), into shares of Common Stock of the Maker (the "Conversion Shares") at a conversion price equal to $0.04 per share of Common Stock (the "Conversion Price"). The Payee shall submit a conversion notice ("Conversion Notice") indicating the Conversion Amount and the number of Conversion Shares issuable upon such conversion.

To convert this Note into Conversion Shares on any date set forth in the Conversion Notice by the Payee (the "Conversion Date"), the Payee shall transmit by facsimile or electronic

mail (or otherwise deliver) a copy of the fully executed Conversion Notice to the Maker. Upon receipt by the Maker of a copy of a Conversion Notice, the Maker shall as soon as practicable, send, via facsimile or electronic mail (or otherwise deliver) a confirmation of receipt of such Conversion Notice (the "Conversion Confirmation") to the Payee indicating that the Maker will process such Conversion Notice in accordance with the terms herein. The person(s) entitled to receive the Conversion Shares issuable upon a conversion of this Note shall be treated for all purposes as the record holder(s) of such Conversion Shares as of the Conversion Date. Maker shall take all action reasonably necessary to at all times have authorized, and reserved for the purpose of issuance, such number of Conversion Shares as shall be necessary to effect the full conversion of the Note in accordance with its terms (the "Share Reserve"). If at any time the Share Reserve is insufficient to effect the full conversion of the Note then outstanding, Maker shall increase the Share Reserve accordingly.

If the Maker, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on outstanding shares of Common Stock to its shareholders, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues to its shareholders, in the event of a reclassification of shares of Common Stock, any shares of capital stock of the Maker, then the Conversion Price and the number of Conversion Shares shall be adjusted accordingly.

If, at any time while this Note is outstanding, the Maker effects (i) any merger or consolidation of the Maker with or into another person or (ii) any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then upon any subsequent conversion of this Note, the Payee shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one (1) share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Maker shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Payee shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Maker or surviving entity in such Fundamental Transaction shall issue to the Payee a new note consistent with the foregoing provisions and evidencing the Payee's right to convert such note into Alternate Consideration. The terms of any agreement pursuant to

which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions hereof and insuring that this Note (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

Whenever the Conversion Price is adjusted pursuant to any provision of this Note, the Maker shall promptly deliver to Payee a notice setting forth the Conversion Price and Conversion Shares after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

If: (A) the Maker shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Maker shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Maker shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Maker shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Maker is a party, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Maker shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Maker, then, in each case, the Maker shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be delivered to the Payee at its last address as it shall appear upon the Maker's records, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating: (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice.

**General**

Maker reserves the right to prepay the outstanding principal balance of this Note, in whole or in part, at any time and from time to time, without premium or penalty, by delivery of written notice to Payee.

In the event any provision of this Note (or any part of any provision) is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note; but this Note shall be construed as if such invalid, illegal, or unenforceable provision (or part thereof) had not been contained in this Note, but only to the extent it is invalid, illegal, or unenforceable.

This Note is being executed and delivered, and is intended to be performed, in the State of Texas, with venue for any dispute to be in Harris County, Texas. Except to the extent that the laws of the United State may apply to the terms hereof, the substantive laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Note.

**IN WITNESS WHEREOF**, the Maker has executed this Note as of the date set forth above.

**TEXAS SOUTH ENERGY, INC.**

By: Michael Mayell

Name: Michael J. Mayell

Title: Chief Executive Officer

AGREED AND ACKNOWLEDGED BY:

Eleftherios Aligizakis

**ASSIGNMENT**

For good and valuable consideration, effective March 23, 2017, Texas South Energy, Inc. ("Company") hereby assigns to Elefterios Aligizakis the promissory note in the principal amount of $131,645.18 payable to the Company by EnerGulf Resources, Inc.

Texas South Energy, Inc.

By: _____
Name: Michael J. Mayell
Title: Chief Executive Officer

_____
Elefterios Aligizakis

**Exhibit 31.1**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a – 14 AND RULE 15d – 14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Michael J. Mayell, certify that:

1. I have reviewed this Annual Report on Form 10-K for the years ended December 31, 2017 and December 31, 2016 of Texas South Energy, Inc. (the "Registrant");

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. I am 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 13(a)-15(f) and 15(d)-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 my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me 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 my 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 principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report my 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 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.

5. I have disclosed, based on my 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 involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 27, 2018

/s/ MICHAEL J. MAYELL

Michael J. Mayell
Principal Executive Officer and Principal Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF**
**PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER**
**UNDER SECTION 906 OF THE**
**SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with this annual report on Form 10-K of Texas South Energy, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael J. Mayell, Chief Executive Officer and Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) 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 operations of the Company.

Date: March 27, 2018

/s/ MICHAEL J. MAYELL

Michael J. Mayell

Principal Executive Officer and Principal Financial Officer