

UNITED ENERGY CORP /NV/
Form 10QSB
February 13, 2006

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

Form 10-QSB
(Mark One)

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

For the quarterly period ended December 31, 2005

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

For the transition period from _____ to _____
Commission File No. 000-30841

UNITED ENERGY CORP.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

22-3342379
(I.R.S. Employer Identification No.)

600 Meadowlands Parkway #20, Secaucus, N.J.
(Address of principal executive offices)

07094
(Zip Code)

(800) 327-3456
(Registrant's telephone number, including area code)

Indicate by check mark whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding as of February 13, 2006</u>
Common Stock, \$.01 par value	26,755,882 shares

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UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND MARCH 31, 2005

	<u>December 31,</u> 2005	<u>March 31,</u> 2005
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 83,658	\$ 365,610
Accounts receivable, net of allowance for doubtful accounts of \$3,258 and \$22,192, respectively	119,246	783,004
Inventory, net of allowance of \$16,290 and \$16,290, respectively	135,759	135,960
Note receivable, net of reserve of \$17,500 and \$31,350, respectively	17,500	28,650
Prepaid expenses and other current assets	50,285	120,574
	<u>406,448</u>	<u>1,433,798</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation and amortization of \$354,970 and \$305,734 respectively	147,060	165,587
OTHER ASSETS:		
Goodwill, net	15,499	15,499
Patents, net of accumulated amortization of \$112,767 and \$92,486, respectively	301,168	295,603
Employee loans	159	137
Deposits	1,385	1,385
Deferred financing costs, net of accumulated amortization of \$106,303 at March 31, 2005		206,590
	<u>\$ 871,719</u>	<u>\$ 2,118,599</u>

The accompanying notes are an integral part of these consolidated balance sheets

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND MARCH 31, 2005

	December 31, 2005	March 31, 2005
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 266,047	\$ 258,940
Accrued expenses	74,191	96,106
Convertible term note payable, net of discount		583,330
Due to related parties	444,141	377,741
	784,379	1,316,117
LONG TERM LIABILITIES:		
Convertible term note payable, net of discount		672,268
	784,379	1,988,385
STOCKHOLDERS (DEFICIT) EQUITY:		
Common stock: \$0.01 par value 100,000,000 shares authorized; 26,030,882 and 23,255,267 shares issued and outstanding as of December 31, 2005 and March 31, 2005	260,309	232,552
Additional paid-in capital	15,123,418	12,308,963
Stock subscription receivable		(13,333)
Accumulated deficit	(15,296,387)	(12,397,968)
	87,340	130,214
Total liabilities and stockholders equity	\$ 871,719	\$ 2,118,599

The accompanying notes are an integral part of these consolidated balance sheets

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES, net	\$ 225,220	\$ 537,450	\$ 390,295	\$ 1,192,499
COST OF GOODS SOLD	113,705	247,916	250,504	589,893
Gross profit	111,515	289,534	139,791	602,606
OPERATING EXPENSES:				
Selling, general and administrative	615,999	555,861	2,409,362	1,938,043
Depreciation and amortization	17,326	21,252	51,986	62,038
Total operating expenses	633,325	577,113	2,461,348	2,000,081
Loss from operations	(521,810)	(287,579)	(2,321,557)	(1,397,475)
OTHER INCOME (EXPENSE), net:				
Interest income	9	411	32	7,784
Interest expense	(726)	(70,330)	(576,894)	(208,361)
Total other expense, net	(717)	(69,919)	(576,862)	(200,577)
Net loss	\$ (522,527)	\$ (357,498)	\$ (2,898,419)	\$ (1,598,052)
BASIC AND DILUTED LOSS PER SHARE:				
Total basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.12)	\$ (0.07)
WEIGHTED AVERAGE NUMBER OF SHARES, OUTSTANDING, basic and diluted	25,782,241	22,411,245	24,791,025	22,309,328

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

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2005 (UNAUDITED)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stock Subscription Receivable	Total
	Shares	Amount				
BALANCE, April 1, 2005	23,255,267	\$ 232,552	\$ 12,308,963	\$ (12,397,968)	\$ (13,333)	\$ 130,214
Common stock issued in consideration of note payable	2,000,000	20,000	1,580,000			1,600,000
Common stock issued in consideration for interest	615	7	485			492
Proceeds from stock subscription receivable					13,333	13,333
Warrants granted in consideration for consulting services			129,720			129,720
Compensation expense associated with options			387,000			387,000
Exercise of options	300,000	3,000	342,000			345,000
Common stock issued for private placement	475,000	4,750	375,250			380,000
Net loss				(2,898,419)		(2,898,419)
BALANCE, December 31, 2005	26,030,882	\$ 260,309	\$ 15,123,418	\$ (15,296,387)	\$	\$ 87,340

The accompanying notes are an integral part of this consolidated statement.

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>(Unaudited)</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,898,419)	\$ (1,598,052)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	620,508	235,690
Stock granted in consideration for services		55,500
Warrants granted in consideration for services	129,720	48,240
Stock granted in consideration for interest expense	492	12,497
Compensation expense associated with options	387,000	
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable, net	663,758	(106,920)
Decrease in inventory, net	201	15,174
Decrease in note receivable, net	11,150	30,000
Decrease (increase) in prepaid expenses	70,289	(8,994)
Decrease in deposits		75,000
Decrease in accounts payable and accrued expenses	(14,807)	(184,420)
Net cash used in operating activities	<u>(1,030,108)</u>	<u>(1,426,285)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Employee loans	(22)	901
Proceeds from sale of fixed asset		15,000
Payments for acquisition of property and equipment	(30,709)	(26,053)
Payments for patents	(25,846)	(8,375)
Net cash used in investing activities	<u>(56,577)</u>	<u>(18,527)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party	200,000	
Payment of related party payable	(133,600)	
Proceeds from the exercise of stock options	345,000	
Proceeds from the issuance of common stock	380,000	
Proceeds from stock subscription receivable	13,333	
Net cash provided by financing activities	<u>804,733</u>	
Net decrease in cash and cash equivalents	(281,952)	(1,444,812)
CASH AND CASH EQUIVALENTS, beginning of period	<u>365,610</u>	<u>1,518,025</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 83,658</u>	<u>\$ 73,213</u>

**UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
	(Unaudited)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period		
Interest	\$ 1,756	\$ 40,131
Income taxes	\$ 1,434	\$ 1,520
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of accrued expenses due to former employee into warrants	\$	\$ 75,000
Conversion of note payable into common stock	\$ 1,600,000	\$ 150,000

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

**UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005 (Unaudited)**

1. BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at December 31, 2005 (unaudited) and the results of its operations for the three months and nine months ended December 31, 2005 and 2004 (unaudited) and cash flows for the nine months ended December 31, 2005 and 2004 (unaudited). All such adjustments are of a normal and recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the three months and nine months ended December 31, 2005 are not necessarily indicative of the operating results that may be expected for the year ending March 31, 2006.

The consolidated balance sheet as of March 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB.

Going Concern - During the past two fiscal years ended March 31, 2005 and 2004, the Company has recorded aggregate losses from operations of \$4,423,974 and has incurred total negative cash flow from operations of \$3,801,148 for the same two-year period. During the nine months ended December 31, 2005 the Company experienced a net loss from operations of \$2,898,419 and negative cash flow from operating activities of \$1,030,108. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity The Company's continued existence is dependent upon several factors, including increased sales volume, collection of existing receivables and the ability to achieve profitability from the sale of the Company's product lines. In order to increase its cash flow, the Company is continuing its efforts to stimulate sales and cut back expenses not directly supporting its sales and marketing efforts.

2. CONVERTIBLE DEBT

On March 24, 2004, the Company issued a secured convertible term note in the amount of \$1,750,000, which had a term of three years and accrued interest at the greater of the prime rate of interest, currently 7.50% per year (as published in the Wall Street Journal), or 4% per year. Interest was payable monthly in arrears commencing on May 1, 2004, and on the first day of each consecutive calendar month after that date. Monthly amortization payments commenced on October 1, 2004, at the rate of \$58,333.

The holder of the Term Note had the option to convert all or a portion of the note (including principal, interest and penalties) into shares of common stock at any time, subject to specified limitations, at a fixed conversion price of \$1.00 per share. The conversion price was subject to adjustment for stock splits, stock dividends and similar events. On March 18, 2005, in connection with the financing, the fixed conversion price was adjusted to \$0.80. The Company's obligations under the Term Note were secured by a first priority security interest in the Company's assets. During the nine months ended December 31, 2005, the holder of the Term Note converted the remaining \$1,600,000 in principal and \$492 of interest into 2,000,615 shares of common stock.

UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION

Under the provision of SFAS No. 131, the Company's activities fall within two operating segments: Graphic Arts and Specialty Chemicals. The following tables set forth the Company's industry segment information for the three months and nine months ended December 31, 2005 and 2004.

The Company's total revenues and net loss by segment for the three month period ended December 31, 2005 and identifiable assets as of December 31, 2005 are as follows:

	<u>Graphic Arts</u>	<u>Specialty Chemicals</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 106,259	\$ 118,961	\$	\$ 225,220
Gross profit	\$ 44,747	\$ 66,768	\$	\$ 111,515
Selling, general and administrative	60,251	254,696	301,052	615,999
Depreciation and amortization		15,756	1,570	17,326
Interest income			9	9
Interest expense			726	726
Net loss	\$ (15,504)	\$ (203,684)	\$ (303,339)	\$ (522,527)
Cash and cash equivalents	\$	\$	\$ 83,658	\$ 83,658
Accounts receivable, net	46,019	73,227		119,246
Inventory, net	7,737	128,022		135,759
Note receivable, net	17,500			17,500
Prepaid expenses			50,285	50,285
Property and equipment, net		111,705	35,355	147,060
Goodwill, net		15,499		15,499
Patents, net		301,168		301,168
Loan receivable, net			159	159
Deposits			1,385	1,385
Total assets	\$ 71,256	\$ 629,621	\$ 170,842	\$ 871,719
Capital Expenditures	\$	\$ 17,529	\$ 13,180	\$ 30,709

The Company's total revenues and net loss by segment for the nine month period ended December 31, 2005, are as follows:

	<u>Graphic Arts</u>	<u>Specialty Chemicals</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 106,741	\$ 283,554	\$	\$ 390,295
Gross profit	\$ 44,959	\$ 94,832	\$	\$ 139,791
Selling, general and administrative	138,777	1,446,679	823,906	2,409,362
Depreciation and amortization		45,756	6,230	51,986
Interest income			32	32
Interest expense			576,894	576,894
Net loss	\$ (93,818)	\$ (1,397,603)	\$ (1,406,998)	\$ (2,898,419)

UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The Company's total revenues and net income (loss) by segment for the three month period ended December 31, 2004 and identifiable assets as of December 31, 2004 are as follows:

	<u>Graphic Arts</u>	<u>Specialty Chemicals</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 212,095	\$ 325,355	\$	\$ 537,450
Gross profit	\$ 95,548	\$ 193,986	\$	\$ 289,534
Selling, general and administrative	35,452	302,070	218,339	555,861
Depreciation and amortization		18,549	2,703	21,252
Interest income			411	411
Interest expense			70,330	70,330
Net income (loss)	\$ 60,096	\$ (126,633)	\$ (290,961)	\$ (357,498)
Cash and cash equivalents	\$	\$	\$ 73,213	\$ 73,213
Accounts receivable, net	268,540	232,321		500,861
Inventory, net	20,080	141,233		161,313
Note receivable, net	33,650			33,650
Prepaid expenses		33,137	56,153	89,290
Property and equipment, net		156,823	29,527	186,350
Goodwill, net		17,509		17,509
Patents, net		298,769		298,769
Loan receivable, net			637	637
Deferred note costs			232,666	232,666
Deposits			1,385	1,385
Total assets	\$ 322,270	\$ 879,792	\$ 393,581	\$ 1,595,643
Capital Expenditures	\$	\$ 21,210	\$ 4,843	\$ 26,053

The Company's total revenues and net income (loss) by segment for the nine month period ended December 31, 2004, are as follows:

	<u>Graphic Arts</u>	<u>Specialty Chemicals</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 549,242	\$ 643,257	\$	\$ 1,192,499
Gross profit	\$ 238,329	\$ 364,277	\$	\$ 602,606
Selling, general and administrative	98,647	1,054,432	784,964	1,938,043
Depreciation and amortization		54,902	7,136	62,038
Interest income			7,784	7,784
Interest expense			208,361	208,361
Net income (loss)	\$ 139,682	\$ (745,057)	\$ (992,677)	\$ (1,598,052)

GEOGRAPHICAL INFORMATION

REVENUE
2005 2004

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	<u> </u>	<u> </u>
U.S.	\$ 321,863	\$ 860,574
Non U.S.	68,432	331,925
	<u> </u>	<u> </u>
Total revenue	\$ 390,295	\$ 1,192,499
	<u> </u>	<u> </u>

UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. SALE OF OIL WELL LEASES

In April 2004, the Company sold their oil well leases located in Laramie County, Wyoming for \$15,000 and a 4.5% royalty on all future oil sales from these wells. The Company recognized no gain or loss on the sale of the oil well leases. In May 2004, the state of Wyoming returned the \$75,000 deposit made by the company at the time the oil leases were purchased.

5. RELATED-PARTY TRANSACTIONS

The Company has an amount due to Robert Seaman, a major shareholder and former director of the Company. Amount due to the related party as of December 31, 2005 and 2004 is \$244,141. This amount is unsecured, non-interest bearing and due upon demand.

Martin Rappaport, a major shareholder and director of the Company, owns the property from which United Energy leases the 9,600 square foot facility it occupies in Secaucus, New Jersey. The Company pays approximately \$108,000 per year under the lease, excluding real estate taxes. The Company believes that the lease is at fair market value with leases for similar facilities.

During January and February 2005, the Chairman of the Board, Ron Wilen, loaned the Company \$133,600. The loan was unsecured, non interest bearing and due upon demand. The loan was repaid in April 2005.

During August 2005, the Chairman of the Board, Ron Wilen and the Chief Executive Officer, Brian King, each loaned the Company \$100,000. The loans are both unsecured, non interest bearing and due upon demand.

6. STOCK-BASED COMPENSATION

At December 31, 2005, the Company has stock-based compensation plans. As permitted by SFAS No.123, Accounting for Stock Based Compensation, as amended by SFAS No. 148, the Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Account Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No.123 and Emerging Issues Task Force (EITF) Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. December 2004, the Financial Accounting Standards Board issued SFAS 123R Share Based Payments. SFAS 123R requires public companies to record non-cash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period. The Company will adopt SFAS 123R during the fourth quarter. Stock-based compensation for non-employees was \$129,720 and \$103,740 for the nine months ended December 31, 2005 and 2004, respectively.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all stock-based compensation:

UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2005	2004	2005	2004
Net loss as reported	\$ (522,527)	\$ (357,498)	\$ (2,898,419)	\$ (1,598,052)
Add:				
Stock based employee compensation expense included in reported net income			387,000	
Deduct:				
Total stock based employee compensation expense determined under fair value based method for all awards	(45,954)	(287,039)	(343,691)	(441,839)
Pro forma loss	\$ (568,481)	\$ (644,537)	\$ (2,855,110)	\$ (2,039,891)
Basic and diluted loss per common share				
As reported	\$ (0.02)	\$ (0.02)	\$ (0.12)	\$ (0.07)
Pro forma	\$ (0.02)	\$ (0.03)	\$ (0.12)	\$ (0.09)

7. COMMITMENTS AND CONTINGENCIES

Sales Commission Claim

In July 2002, an action was commenced against us in the Court of Common Pleas of South Carolina, Pickens County, brought by Quantum International Technology, LLC and Richard J. Barrett. Plaintiffs allege that they were retained as a sales representative of ours and in that capacity made sales of our products to the United States government and to commercial entities. Plaintiffs further allege that we failed to pay to plaintiffs agreed commissions at the rate of 20% of gross sales of our products made by plaintiffs. The complaint seeks an accounting, compensatory damages in the amount of all unpaid commissions plus interest thereon, and punitive damages in an amount triple the compensatory damages, plus legal fees and costs. Plaintiffs maintain that they are entitled to receive an aggregate of approximately \$350,000 in compensatory and punitive damages, interest and costs. In June 2003, the action was transferred from the court in Pickens County to a Master in Equity sitting in Greenville, South Carolina and was removed from the trial docket. The action, if tried, will be tried without a jury. No trial date has been scheduled. We believe, based on the advice of counsel, we have meritorious defenses to the claims asserted in the action and intend to vigorously defend the case. The outcome of this matter cannot be determined at this time.

8. RECLASSIFICATION

Certain amounts from the prior period consolidated financial statements have been reclassified to conform to current period presentation with no effect on the net income.

UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. SUBSEQUENT EVENTS

During January 2006, the Company issued the remaining 7.25 units or 725,000 shares of its common stock for a purchase price of \$580,000 as per the securities purchase agreement dated March 18, 2005.

On January 26, 2006, the Company entered into the First Amendment to the securities agreement dated March 18, 2005. The agreement was scheduled to expire on its first anniversary, March 18, 2006. The amendment changes that date to the earlier of March 18, 2008 or thirty (30) days after notice of termination from the holder of a majority of the shares issued under the agreement. For the period beginning on the date of the amendment through June 30, 2007, the consent of the majority holder is required for the Company to do any of the following:

- (i) contract for equity financing or debt financing with an equity component or issue any equity securities or securities convertible to equity;
- (ii) incur indebtedness in excess of \$250,000 other than trade debt in the ordinary course of business;
- (iii) merge or consolidate or sell, transfer or license our assets outside of the ordinary course of business;
- (iv) enter into an operating or capital lease in a transaction or series of transactions with annual payments in excess of \$250,000;
- (v) make capital expenditures in excess of \$125,000 per fiscal year;
- (vi) grant exclusive distribution rights with respect to any of our products; or
- (vii) permit any of our officers to sign or endorse any check, note, draft or other form of indebtedness in excess of \$5,000 without the prior written authority of our Chairman.

We also agreed that from the date of the amendment through March 18, 2009 we will not negotiate or contract for a future offering without first providing to the investors a ten-day right of first refusal to participate in the future offering. To the extent the investors choose not to participate, we will then have 60 days to complete the future offering without re-offering the investors the right to participate.

During the period from the date of the amendment through March 18, 2008, the majority holder has the right to designate someone to receive notices of our Board of Directors meetings and attend as an observer.

For so long as the investors hold 1,500,000 shares of common stock equivalents (meaning shares of common stock and other securities convertible to or exercisable for common stock), the majority holder shall have the right to designate a majority of the members of our Board of Directors in the event of any of the following, referred to as triggering events:

- (i) if we fail to have gross revenue of at least \$5,000,000 for the six months ending September 30, 2006;
- (ii) if we breach any of our representations, warranties, agreements, covenants, terms or obligations under the securities purchase agreement or ancillary agreements; or
- (iii) if the investors purchase an aggregate of twenty-one or more Series B Units.

Item 2 *Management's Discussion and Analysis or Plan of Operations*
CAUTIONARY STATEMENT RELATING TO FORWARD-LOOKING STATEMENTS

The matters discussed in this Form 10-QSB contain certain forward-looking statements and involve risks and uncertainties (including changing market conditions, competitive and regulatory matters, etc.) detailed in the disclosure contained in this Form 10-QSB and the other filings with the Securities and Exchange Commission made by the Company from time to time. The discussion of the Company's liquidity, capital resources and results of operations, including forward-looking statements pertaining to such matters, does not take into account the effects of any changes to the Company's operations. Accordingly, actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified herein. This item should be read in conjunction with the financial statements and other items contained elsewhere in the report.

Overview

We develop and distribute environmentally friendly specialty chemical products with applications in several industries and markets. Our current line of products includes:

KH-30 paraffin dispersant for the oil industry and related products;

Uniproof specialty-coated proofing paper for the printing industry; and

following additional testing, Slick Barrier underwater protective coatings for use in marine applications.

Through our wholly owned subsidiary, Green Globe Industries, Inc., we provide the U.S. military with a variety of environmentally friendly, non-hazardous, biodegradable solvents and cleaners under our trade name Qualchem. Green Globe is a qualified supplier for the U.S. military and has sales contracts currently in place.

We have developed and patented a system referred to as our S2 system, to work with our environmentally friendly paraffin dispersants products. This patented technology produces high volumes of steam and heat at variable pressures and temperatures to completely dissolve most deposits of paraffin and asphaltene within oil wells, pipelines or storage tanks. The S2 system apparatus is portable, compact and easy to use. We are further developing the process to enhance and support sales of KH-30 and its related products for the oil industry and for other potential applications.

A key component of our business strategy is to pursue collaborative joint working and marketing arrangements with established international oil and oil service companies. We intend to enter into these relationships to more rapidly and economically introduce our KH-30 product line to the worldwide marketplace for refinery, tank and pipeline cleaning services. We are currently negotiating potential working arrangements with several companies.

Business Operations and Principal Products

K-Product Line of Chemicals

KH-30 is a mixture of modified oils, dispersants and oil-based surfactants designed to control paraffin and asphaltene deposits in oil wells. When applied in accordance with our recommended procedures, KH-30 has resulted in substantial production increases of between two and five times in paraffin-affected oil and gas wells by allowing for a faster penetration of paraffin and asphaltene deposits. KH-30 disperses and suspends paraffin and asphaltene in a free-flowing state and prevents solids from sticking to each other or to oil well equipment. KH-30 is patented in the United States, Australia, Russia, Nigeria, Venezuela, Vietnam and the OAPI (the Africa Intellectual Property Organization, which includes the countries of Burkina-Faso, Benin, Central African Republic, Congo, Ivory Coast, Cameroon, Gabon, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo). We

have 12 additional country patent applications pending in most of the major oil-producing countries around the world (including the European Union and Canada).

Although we believe that the application of our K-Line of products on a continuous basis will result in higher production and lower lease operating costs in oil wells, the introduction of our K-Line of products into the oil and gas producing industry has been difficult. Many entrenched players such as the hot oilers and the major oil service companies who benefit from high mark-ups on their proprietary products have no incentive to promote the use of our K-Line of products. Moreover, oil production engineers are reluctant to risk damage to a well from a product that does not have the endorsement and backing of a major enterprise. Consequently, the pace of introduction of our K-line of products has been much slower than we initially anticipated. We believe that this situation has begun to change as a result of our marketing efforts with several oil service companies and well owners beginning to use our products after successful trials.

KX-91 is used for cleanup and stimulation of well bores. It works on all gravities of crudes. Penetrates and disperses faster than KH-30 and has a freeze point of 40F. KX-91 is good for tanks with buildup on the bottom and can be used on pipelines with paraffin and asphaltene blockages.

KH-30S is an outstanding flow enhancer. Used mainly on heavy crudes to reduce the viscosity and reduce drag and friction. It has been very successful in tanks with high bottoms and should be injected into the oil stream to help enhance flow.

KDR-75 is effective in reducing friction pressure of petroleum crude and related oil products due to turbulent flow through pipelines and helps restore laminar flow. As a result, an increase in flow rate and productivity with reduced energy consumption can be achieved.

KX-100 is a product where contact time is limited for removal of a plug. It is fast acting and an outstanding dispersant that can be used in temperatures as low as 25F. It can be used in nearly any application with great results.

KX-105DS-A Degreaser is a strong multi-functional, non-hazardous chemical cleaning compound designed to dissolve and remove tough heavy organic and sludge deposits. It possesses strong wetting, penetrating, dispersing and solvating properties. Hence, safe for use in oil field cleaning applications.

KX-104PDC is designed to reduce pour point, gel point, or cloud point of crude oil and improve its cold flow property and pumpability in oil field processing applications.

KX-200-A Pentrant is a proprietary chemical composition, specifically developed to handle problems with paraffin and asphaltene blockages and high viscosity crude with flow impairment.

KX-404 EB is specifically formulated to destabilize both, oil-in-water and water-in-oil type emulsions when used in low treatment dosages of 50-100 PPM with minimal contact time. It triggers kinetically and thermodynamically unstable, weaker, transient emulsion phase into a sharp clean break down of oil & water phase. The application of steam heat up to 150-200F will activate and speed up demulsification.

Additional Product Line of Chemicals

AS-12 is an acidic cleaner in liquid form, which has been formulated to aid in the removal of Iron Sulfide and mild depositions of Calcium Carbonate from down-hole equipment surfaces and any other locations where a low pH may be advisable. Due to its very low pH, it is recommended that general safety precautions be observed while handling the concentrated material, wearing suitable facial and skin precautions.

CI-95 is formulated around an oil-soluble, water-dispersible filming amine designed for use in sour gas and producing oil wells. It is a liquid compound, which has been formulated to give a very tenacious film with an extended persistency without undesirable gunking on the down-hole tubulars.

SCI-97 Quaternary Surfactant is designed for use in down-hole cleanups in producing oil wells. It is a quaternary ammonium chloride compound which has been successfully used to clean the down-hole surfaces in producing wells, as well as in salt water disposal and injections systems, while at the same time water-wetting the solids to assist in removing these from the produced crude oil.

SI-15 Scale Inhibitor is a broad based spectrum, high-calcium tolerant, water soluble scale inhibitor which has been formulated to inhibit the formation and deposition of Calcium Carbonate scale in oil field brines. SI-15 will complex well with the calcium cations, impeding crystal growth and subsequent scale formation and deposition.

HI-17 is an aqueous solution of an alkyl amine along with other proprietary ingredients, which is used to prevent precipitation of sodium chloride crystals from high chloride brines. It may be applied over the wide range of temperatures and pressures, which are typically found in producing oil and gas wells with little to no impact on performance.

Uniproof Proofing Paper

We have developed a photo-sensitive coating that is applied to paper to produce what is known in the printing industry as proofing paper or blue line paper. We developed this formulation over several years of testing. The formulation is technically in the public domain as being within the scope of an expired patent of duPont. However, other companies have not duplicated the exact formulation utilized by us, to the best of our knowledge, and we protect it as a trade secret.

Slick Barrier

Slick Barrier is an underwater protective coating, which prevents the adherence of barnacles to boat hulls. The product is environmentally friendly and biodegradable, which we believe to be particularly appealing in fresh water marine applications. The product is currently being tested on pleasure boats throughout the United States and Europe. A patent application for Slick Barrier was filed in 2003, and we are applying for trademark protection both nationally and internationally.

GreenGlobe Industries

In November 1998, we acquired all of the outstanding shares of Green Globe in exchange for 30,000 shares of our common stock. Green Globe is operated as a separate subsidiary and sells its products under the trade name Qualchem. The acquisition of Green Globe has given us access to the chemistry and product lines of Green Globe which include environmentally friendly paint strippers and cleaners, many of which have been qualified for use by the U.S. military. Of particular note in the Green Globe line was the development of dual package cleaning and drying wipes which produce a clear, non-reflective coating on glasses, computer screens and instrument panels. The wipes were developed, and have received U.S. military approval, for the cleaning of the instrument panels of combat aircraft.

Proprietary Technologies

With respect to our formulations, which are proprietary, we have patented our KH-30 oil well cleaner in the United States, Australia, Russia, Nigeria, Venezuela, Vietnam and OAPI. We also have 12 additional country patent applications pending in most of the major oil-producing countries around the world (including the European Union and Canada). We believe our patent is strong and will help our competitive position. However, we are aware that others may try to imitate our product or invalidate our patents. We have in the past vigorously enforced our trade secrets such as the one relating to our Uniproof proofing paper, and intend to continue to do so in the future. However, we recognize that intellectual property rights provide less than complete protection. We believe that no other company is currently producing a product similar to KH-30.

In addition to applying for patent protection on our KH-30 product, we have also registered KH-30 as a trademark. Trademark protection has also been obtained for the Uniproof name for our proofing paper. We anticipate applying for both patent and trademark protection for our other products in those jurisdictions where we deem such protection to be beneficial.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2005 Compared to the Three Months Ended December 31, 2004

Revenues. Revenues for the three months ended December 31, 2005 were \$225,220, a \$312,230, or 58% decrease from revenues of \$537,450 in the comparable three months of 2004. The decrease in revenues was due to lower levels of Specialty Chemicals and Uniproof proofing paper sales during the quarter. Specialty Chemicals, which includes sales of our KH-30 products and Green Globe/Qualchem military sales, decreased by \$206,394 to \$118,961, or 63% compared to \$325,355 in the comparable three months in the previous year. This decrease was due primarily to lower sales of our KH-30 family of oil field dispersant products. Uniproof proofing paper sales decreased \$105,836 to \$106,259, or 50% compared to \$212,095 in the comparable three months in the previous year. The decrease was due to fewer orders from our primary customer.

Cost of Goods Sold. Cost of goods sold decreased \$134,211, or 54% to \$113,705 or 50% of sales, for the three months ended December 31, 2005 from \$247,916, or 46% of sales for the three months ended December 31, 2004. The decrease in cost of goods sold and higher percentage of sales was due to the lower sales levels.

Gross Profit. Gross profit for the three months ended December 31, 2005, decreased by \$178,019, or 61% to \$111,515 or 50% of sales compared with \$289,534 or 54% of sales in the prior period. The decrease in gross profit and gross profit percentage reflects the lower levels of sales of specialty chemicals and Uniproof proofing paper sales.

Operating Costs and Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$60,138 to \$615,999 or 274% of sales for the three months ended December 31, 2005 compared with \$555,861 for the three months ended December 31, 2004. The increase in selling, general and administrative expenses was primarily related to an increase in salaries, benefits, insurance and bad debts, partially offset by a decrease in professional fees and travel and entertainment.

Depreciation and Amortization. Depreciation and amortization decreased by \$3,926 to \$17,326 or 18% for the three months ended December 31, 2005 as compared to \$21,252 for the three months ended December 31, 2004. The decrease was due to the Company's use of an accelerated method of depreciation, offset by a slight increase in fixed assets.

Interest Expense. The Company had interest expense of \$726 for the three months ended December 31, 2005 compared with interest expense of \$70,330 in the corresponding period in 2004. The decrease was due to the convertible term note being satisfied in August 2005.

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Net Loss. The three months ended December 31, 2005 resulted in a net loss of \$522,527 or \$0.02 per share as compared to a net loss of \$357,498 or \$0.02 per share for the three months ended December 31, 2004. The average number of shares of common stock used in calculating earnings per share increased 3,370,996 shares to 25,782,241 as a result of 2,000,615 shares issued for the conversion of the note payable and interest payable, 1,275,000 shares issued in connection with the private placement and 300,000 shares issued in connection with the exercise of options.

Nine Months Ended December 31, 2005 Compared to the Nine Months Ended December 31, 2004

Revenues. Revenues for the nine-month period ended December 31, 2005 were \$390,295, a \$802,204 or 67% decrease from revenues of \$1,192,499 in the comparable nine-month period ended December 31, 2004. The decrease in revenues was due to lower levels of specialty chemicals and Uniproof proofing paper sales during the nine months ended December 31, 2005. Specialty Chemicals, which includes sales of our KH-30 products and Green Globe/Qualchem products, decreased by \$359,703 to \$283,554, or 56% compared to \$643,257 in the comparable nine month period ended December 31, 2004. The decrease was primarily related to a 63% decrease in sales of our KH-30 family of oil field dispersant products reflecting a lower level of orders partially offset by a 20% increase in Green Globe/Qualchem military sales. Uniproof proofing paper sales decreased \$442,501 to \$106,741, or 81% compared to \$549,242 in the comparable nine month period ended December 31, 2005. The decrease was primarily related to fewer orders from our primary customer.

Cost of Goods Sold. Cost of goods sold decreased 58% to \$250,504 or 64% of sales, for the nine-month period ended December 31, 2005 from \$589,893 or 49% of sales, for the nine-month period ended December 31, 2004. The decrease in cost of goods sold and higher percentage of sales was due to the lower sales level.

Gross Profit. Gross profit for the nine-month period ended December 31, 2005 was 36% or \$139,791, a \$462,815 or 77% decrease from a 51% gross profit or \$602,606 in the corresponding period of fiscal 2004. The decrease in gross profit and gross profit percentage reflect the lower levels of sales of specialty chemicals and Uniproofing paper.

Operating Costs and Expenses

Selling, general and Administrative Expenses. Selling, general and administrative expenses increased \$471,319, or 24% to \$2,409,362, or 6,173% of revenues for the nine-month period ended December 31, 2005 from \$1,938,043, or 163% of revenues for the nine-month period ended December 31, 2004. The increase in selling, general and administrative expenses was primarily related to an increase in salaries due to the exercise of options, benefits and bad debts partially offset by a decrease in professional fees and travel and entertainment.

Depreciation and Amortization. Depreciation and amortization decreased by \$10,052 or 16% to \$51,986 for the nine months ended December 31, 2005 as compared to \$62,038 for the nine months ended December 31, 2004. The decrease was due to the Company's use of an accelerated method of depreciation, offset by a slight increase in fixed assets.

Interest Expense. The Company had interest expense of \$576,894 for the nine-month period ended December 31, 2005 compared with interest expense of \$208,361 in the corresponding period in 2004. The increase was due to the additional warrants issued to the holder of the convertible term note issued in February 2005 and satisfied in August 2005.

Net Loss. The nine-month period ended December 31, 2005 resulted in a net loss of \$2,898,419 or \$0.12 per share compared to a net loss of \$1,598,052 or \$0.07 per share for the comparable period ended December 31, 2004. The average number of shares of common stock used in calculating earnings per share increased by 2,481,697 to 24,791,025 shares at December 31, 2005 compared with 22,309,328 at December 31, 2004 as a result of 2,000,615 shares issued for the conversion of the note payable and interest payable, 1,275,000 shares issued in connection with the private placement and 300,000 shares issued in connection with the exercise of options.

Liquidity and Capital Resources

As of December 31, 2005, the Company had \$83,658 in cash and cash equivalents, as compared to \$365,610 at March 31, 2005.

The \$281,952 decrease in cash and cash equivalents was due to net cash used in operating activities of \$1,030,108, net cash used in investing activities of \$56,577, partially offset by net cash provided by financing activities of \$804,733. Cash used in investing activities consisted of employee loans of \$22, \$25,846 related to patent applications for KH-30 and the S-2 technology and the purchase of production equipment and other fixed assets of \$30,709. Cash provided by financing activities consisted of proceeds from related parties of \$200,000, proceeds from the exercise of stock options of \$345,000, proceeds from the issuance of common stock of \$380,000, the receipt of stock subscription receivable of \$13,333, partially offset by the payment of related party payable of \$133,600.

During the nine months ended December 31, 2005, the Company issued 4.75 additional Series A Unit or 475,000 shares of its common stock for a purchase price of \$380,000 as per the securities purchase agreement dated March 18, 2005.

During January 2006, the Company issued the remaining 7.25 units or 725,000 shares of its common stock for a purchase price of \$580,000 as per the securities purchase agreement dated March 18, 2005.

On January 26, 2006, the Company entered into the First Amendment to the securities agreement dated March 18, 2005. The agreement was scheduled to expire on its first anniversary, March 18, 2006. The amendment changes that date to the earlier of March 18, 2008 or thirty (30) days after notice of termination from the holder of a majority of the shares issued under the agreement. For the period beginning on the date of the amendment through June 30, 2007, the consent of the majority holder is required for the Company to do any of the following:

- (i) contract for equity financing or debt financing with an equity component or issue any equity securities or securities convertible to equity;
- (ii) incur indebtedness in excess of \$250,000 other than trade debt in the ordinary course of business;
- (iii) merge or consolidate or sell, transfer or license our assets outside of the ordinary course of business;
- (iv) enter into an operating or capital lease in a transaction or series of transactions with annual payments in excess of \$250,000;
- (v) make capital expenditures in excess of \$125,000 per fiscal year;
- (vi) grant exclusive distribution rights with respect to any of our products; or
- (vii) permit any of our officers to sign or endorse any check, note, draft or other form of indebtedness in excess of \$5,000 without the prior written authority of our Chairman.

We also agreed that from the date of the amendment through March 18, 2009 we will not negotiate or contract for a future offering without first providing to the investors a ten-day right of first refusal to participate in the future offering. To the extent the investors choose not to participate, we will then have 60 days to complete the future offering without re-offering the investors the right to participate.

During the period from the date of the amendment through March 18, 2008, the majority holder has the right to designate someone to receive notices of our Board of Directors meetings and attend as an observer.

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For so long as the investors hold 1,500,000 shares of common stock equivalents (meaning shares of common stock and other securities convertible to or exercisable for common stock), the majority holder shall have the right to designate a majority of the members of our Board of Directors in the event of any of the following, referred to as triggering events:

- (i) if we fail to have gross revenue of at least \$5,000,000 for the six months ending September 30, 2006;
- (ii) if we breach any of our representations, warranties, agreements, covenants, terms or obligations under the securities purchase agreement or ancillary agreements; or
- (iii) if the investors purchase an aggregate of twenty-one or more Series B Units

As of December 31, 2005 the Company had no backlog. Backlog represents products that the Company's customers have committed to purchase. The Company's backlog is subject to fluctuations and is not necessarily indicative of future sales.

During the past two fiscal years ended March 31, 2005 and 2004, the Company has recorded aggregate losses from operations of \$4,423,974 and has incurred total negative cash flow from operations of \$3,801,148 for the same two-year period. During the nine months ended December 31, 2005, the Company experienced a net loss from operations of \$2,898,419 and negative cash flow from operating activities of \$1,030,108. The Company does not currently have an operating line of credit. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's continued existence is dependent upon several factors, including increased sales volume, collection of existing receivables and the ability to achieve profitability from the sale of the Company's product lines. In order to increase its cash flow, the Company is continuing its efforts to stimulate sales and cut back expenses not directly supporting its sales and marketing efforts.

Concentration of Risk

The Company sells its Uniproof proofing paper to three customers. One of these customers constitutes 99% of Graphic Arts sales and 27% of total customer sales for the nine months period ended December 31, 2005. The loss of this customer would have adverse financial consequences to the Company. We have provided liberal credit terms to this customer and there is a risk that a certain amount of this receivable balance may prove to be uncollectible. The Company believes that this customer will purchase additional product and the Company would use that as leverage to collect any outstanding balances.

Quantitative and Qualitative Disclosures about Market Risk

The Company is not subject to market risk as there are no outstanding loans as of December 31, 2005.

Item 3. Controls and Procedures.

Evaluation of the Company's Disclosure Controls

As of the end of the period covered by this report, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (disclosure controls). This evaluation (the controls evaluation) was done under the supervision and participation of the Company's management, including its chief executive officer (the CEO) and interim chief financial officer (the CFO). Rules adopted by the Securities and Exchange Commission require that in this section of the report the Company present the conclusions of its CEO and CFO about the effectiveness of the Company's disclosure controls based on and as of the dated of the controls evaluation.

CEO and CFO Certifications

Appearing as exhibits 31.1 and 31.2 to this report are Certifications of the CEO and CFO. The certifications are required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certifications). This section of this report contains information concerning the controls evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Disclosure Controls

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Securities Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including, without limitation, the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

The Company's management, including, without limitation, the CEO and CFO, does not expect that the Company's disclosure controls will prevent all error and 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. Because of the inherent limitations of all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Scope of Controls Evaluation

The CEO/CFO evaluation of the Company's disclosure controls included a review of the controls' objective and design, the controls implementation by the Company and the effect of the controls on the information generated for use in this report. In the course of the controls evaluation, management sought to identify data errors, controls problems or acts of fraud and to confirm that appropriate corrective action, including process movements, was being undertaken. This type of evaluation will be done on a quarterly basis so that the conclusions concerning controls effectiveness can be reported in the Company's quarterly reports on Form 10-QSB and annual report on Form 10-KSB. The overall goals of these various review and evaluation activities are to monitor the Company's disclosure controls and to make modifications, as necessary. In this regard, the Company's intent is that the disclosure controls will be maintained as dynamic controls systems that change (including improvements and corrections) as conditions warrant.

Conclusions

Based upon the controls evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls are effective to provide reasonable assurance that information required to be disclosed in the Company's reports filed under the Securities Exchange Act such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal controls over financial reporting during the fiscal quarter ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

See Note 7, Commitments and Contingencies to the Consolidated Financial Statements.

Item 2. *Changes in Securities and Use of Proceeds*

Not Applicable

Item 3. *Defaults upon Senior Securities*

Not Applicable

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

Not Applicable

Item 5. *Other Information*

Not Applicable

Item 6. *Exhibits*

(a) Exhibits.

31.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. §1350 Sec. 302

31.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. §1350 Sec. 302

32.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. §1350 Sec. 906

32.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. §1350 Sec. 906

**United Energy Corp.
FORM 10-QSB
December 31, 2005**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Small Business issuer has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: February 13, 2006

UNITED ENERGY CORP.

By: /s/ Brian King

Brian King,
Chief Executive Officer
(as principal executive officer)

By: /s/ James McKeever

James McKeever,
Interim Chief Financial Officer
(as principal financial and accounting officer)