

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB/A  
(AMENDMENT NO. 2)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

OR

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. 333-64122

VERDISYS, INC.

(Exact name as specified in its charter)

CALIFORNIA

(State or other jurisdiction of incorporation or organization)

22-3755993

(I. R. S. Employer Identification No.)

25025 I-45 North, Suite 525  
The Woodlands, Texas  
(Address of executive offices)

77380  
(Zip Code)

(281) 364-6999

(Registrant's telephone number, including area code)

Reconstruction Data Group, Inc.  
10600 N. De Anza Boulevard, Suite 250  
Cupertino, California 95014  
(408) 517-3305

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

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

As of September 30, 2003, there were 28,369,486 shares of Verdisys, Inc. Common Stock issued and outstanding.

EXPLANATORY NOTE: This Amendment No. 2 on Form 10-QSB/A ("Form 10-QSB/A No. 2") is being filed to amend Part I, Items 1 and 2 to remove a statement included in the Company's Amendment No. 1 on Form 10-QSB/A filed on November 20, 2003 ("Form 10-QSB/A No. 1") regarding the review by the Company's independent public accountants. The Company's independent public accountants have completed their review of the Company's unaudited interim financial statements which has resulted in a restatement of such statements. Such restatement also required the Company to make certain related changes to the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in Part I, Item 2. This Form 10-QSB/A No. 2 also amends the disclosure under Part I, Item 3 relating to the Company's internal controls and procedures and amends the Exhibit List in Part II, Item 6 to add additional exhibits. The Company originally filed its Quarterly Report on Form 10-QSB for the quarter ended September 30, 2003 on November 19, 2003 (the "Form 10-QSB").

The restatements included herein reflect the following: First, the Company inadvertently recorded an October 2003 transaction in September 2003, which resulted in an overstatement to accounts receivable and deferred revenue of \$200,000. Second, revenue and associated cost of services provided on related party transactions were incorrectly recognized and should have been deferred as of September 30, 2003. Third, certain contributions to capital by founders for debt forgiveness and debt forgiveness income were calculated incorrectly. Fourth, the Company is reclassifying a note payable on its license. Fifth, certain revenue and associated costs of services provided were incorrectly recognized and should have been deferred as of September 30, 2003. Finally, the Company is correcting certain mathematical and other classification errors. This restatement is described in detail in Note 11 to the unaudited interim financial statements.

This Form 10-QSB/A No. 2 files in its entirety the Company's unaudited interim financial statements filed as Part I, Item 1 of the Form 10-QSB/A No.1, which financial statements are now restated as a result of the review of the independent public accountants. Such financial statements also include a report of the independent public accountants as required pursuant to rules and regulations promulgated by the Securities and Exchange Commission. This Form 10-QSB/A No. 2 also files in its entirety the Company's MD&A in Part I, Item 2 to reflect certain changes made in connection with the restatement. This Form 10-QSB/A also files in its entirety Part I, Item 3 relating to the Company's internal controls and procedures. Finally, the Company is filing Part II, Item 6 in its entirety to file the required certifications of management and additional exhibits that were not included in the Form 10-QSB or Form 10-QSB/A No. 1. This Form 10-QSB No. 2 speaks as of the filing date of the Form 10-QSB, except for the certifications which speak as of their respective dates and the filing date of this Form 10-QSB/A No. 2. Except as specifically indicated, this Form 10-QSB/A No. 2 does not reflect any events occurring subsequent to the filing of the Form 10-QSB or the Form 10-QSB/A No. 1 except as required to reflect the effects of the restatement as described in Note 11 to the unaudited interim financial statements. This Form 10-QSB/A No. 2 also corrects the number of shares of the Company's common stock outstanding reported on the cover page, which was incorrect in the Form 10-QSB and Form 10-QSB/A No. 1.

PART I

ITEM 1. FINANCIAL STATEMENTS

November 28, 2003

To the Board of Directors  
Verdisys, Inc.  
The Woodlands, Texas

We have reviewed the accompanying balance sheet of Verdisys, Inc. as of September 30, 2003, and the related statements of operations and cash flows for the three and nine months ended September 30, 2003, in accordance with the Statements on Standards of Accounting for Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Verdisys.

A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2003 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The balance sheet as of December 31, 2002 was audited by us and we expressed an unqualified opinion on it in our report dated May 27, 2003, except notes 11 and 12, for which the date was September 18, 2003, but we have not performed any auditing procedures since that date.

As discussed in Note 11 to these interim financial statements, errors resulting in overstatements and understatements of previously reported assets, liabilities, stockholders equity and net loss as of and for the three and nine months ended September 30, 2003 were discovered by the management of Verdisys during November 2003. Accordingly, adjustments have been made as of September 30, 2003 to correct the errors.

Malone & Bailey, PLLC  
Houston, Texas  
[www.malone-bailey.com](http://www.malone-bailey.com)

VERDISYS, INC.  
BALANCE SHEETS

(Unaudited)  
(Restated)  
September 30,  
December 31,  
2003 2002 -----

-----  
ASSETS Current  
Assets Cash \$  
200,501 \$ 135  
Accounts  
receivable, net  
of allowance  
for doubtful  
accounts of \$0  
and \$22,352  
1,575,236  
10,402 Accounts  
receivable from  
related party  
337,500  
Employee  
advances 42,620  
Other current  
assets 25,468 -  
-----  
Total Current  
Assets  
2,138,705  
53,157 -----

-----  
Property and  
equipment, net  
of accumulated  
depreciation of  
\$43,153 and  
\$41,833 372,135  
3,755 License,  
net of  
accumulated  
amortization of  
\$107,473  
4,917,528 -----  
-----

Total Assets \$  
7,428,368 \$  
56,912

=====

LIABILITIES AND  
STOCKHOLDERS'

EQUITY  
(DEFICIT)  
Current  
Liabilities  
Accounts  
payable \$  
294,763 \$  
1,562,339  
Accrued  
expenses  
910,186 905,461  
Deferred  
revenue  
1,409,977  
56,180 Notes  
payable to  
stockholders  
204,106  
1,579,562 Note  
payable on

license  
2,020,404 -----  
-----

Total Current  
Liabilities  
4,839,436  
4,103,542  
Deferred  
revenue, less  
current portion  
272,751 80,367  
-----

Total  
Liabilities  
5,112,187  
4,183,909 -----  
-----

Commitments &  
Contingencies  
Stockholders'  
Equity  
(Deficit)  
Convertible  
preferred  
stock, no par  
value,  
40,000,000  
shares  
authorized  
Series A,  
2,000,000  
shares  
allocated, none  
outstanding  
Series B, none  
and 1,410,000  
issued and  
outstanding  
705,000 Common  
stock, \$.001  
par value,  
60,000,000  
shares  
authorized,  
28,369,486 and  
13,553,139  
shares issued  
and outstanding  
28,369 13,553  
Additional paid  
in capital  
15,793,629  
6,098,924  
Accumulated  
deficit  
(13,505,817)  
(10,944,474) --  
-----

Total  
Stockholders'  
Equity  
(Deficit)  
2,316,181  
(4,126,997) ---  
-----

Total  
Liabilities and  
Stockholders'  
Equity  
(Deficit) \$  
7,428,368 \$  
56,912  
=====

=====



VERDISYS, INC.  
STATEMENTS OF OPERATIONS

Three and Nine Months Ended September 30, 2003 and 2002  
(Unaudited)

Three Months  
Nine Months  
Ended  
September 30,  
Ended  
September 30,  
2003 2002  
2003 2002  
(Restated)  
(Restated) --

----- --  
----- --  
----- --  
----- --

Revenue Third  
parties \$  
524,824 \$  
20,509 \$  
859,115 \$  
227,332

Related party  
60,000 -----  
-----  
-----  
-----

----- Total  
revenue  
524,824  
20,509  
919,115  
227,332 -----  
-----  
-----

----- Cost  
of services  
Provided  
432,021  
28,107  
774,085  
225,562

Selling,  
general &  
administrative  
770,119  
581,992  
1,897,811  
1,445,467

Depreciation  
&  
amortization  
62,078 3,587  
108,792 8,477  
Bad debts  
19,999 19,999  
Impairment  
1,000,000  
Debt  
forgiveness  
income

(460,235) ---  
-----  
-----  
-----

-----  
Total  
operating  
expenses  
1,284,217  
613,686  
3,340,452

1,679,506 ---  
-----  
-----  
-----  
-----  
Operating  
loss  
(759,393)  
(593,177)  
(2,421,337)  
(1,452,174) -  
-----  
-----  
-----

Other expense  
Interest  
expense  
43,167 38,926  
140,006  
101,804 -----  
-----  
-----  
-----

----- NET  
LOSS \$  
(802,560) \$  
(632,103) \$  
(2,561,343) \$  
(1,553,978)  
=====

=====

Basic and diluted net loss per share \$ (.03) \$ (.05) \$ (.12) \$ (.11)	
Weighted average shares outstanding	
26,783,077	
13,553,139	
21,491,391	
13,553,139	

VERDISYS, INC.  
 STATEMENTS OF CASH FLOW  
 Nine Months Ended September 30, 2003 and 2002  
 (Unaudited)

(Restated)  
 2003 2002 -  
 -----

Cash Flows  
 From  
 Operating  
 Activities  
 Net loss

\$(2,561,343)  
 \$(1,553,978)

Adjustments  
 to  
 reconcile  
 net loss to  
 net cash  
 used in  
 operating  
 activities:

Stock  
 issued for  
 services  
 326,329  
 Issuance of  
 options and  
 warrants  
 for  
 services  
 810,935  
 353,709

Depreciation  
 and  
 amortization  
 108,792  
 8,477

Impairment  
 expense  
 1,000,000

Debt  
 forgiveness  
 income  
 (460,235)  
 Bad debt  
 19,999

Changes in:  
 Accounts  
 receivable  
 (1,584,833)  
 41,510

Accounts  
 receivable  
 - related  
 party  
 (337,500)

Other  
 current  
 assets  
 (25,468)  
 (9,500)

Employee  
 advances  
 42,620  
 Accounts  
 payable  
 (302,674)

100,758  
 Accrued  
 expenses  
 261,353  
 570,639

Deferred  
 revenue  
 1,546,181

115,730 ---  
-----  
-----  
Net Cash  
Used In  
Operating  
Activities  
(1,155,844)  
(372,655) -  
-----

Cash Flows  
From  
Investing  
Activities  
Purchase of  
property  
and  
equipment  
(369,701)  
(5,286)  
Cash  
payments  
for license  
(100,000) -  
-----

Net Cash  
Used In  
Investing  
Activities  
(469,701)  
(5,286) ---  
-----

Cash Flows  
From  
Financing  
Activities  
Proceeds  
from sales  
of common  
stock  
1,982,150  
Proceeds  
from  
exercise of  
warrants  
329,251  
Proceeds  
from notes  
payable to  
stockholders  
50,000  
Payments on  
notes  
payable to  
stockholders  
(155,894)  
Payments on  
note  
payable on  
license  
(379,596)  
Proceeds  
from sales  
of  
preferred  
stock  
380,000 ---  
-----

Net Cash  
Provided by  
Financing  
Activities  
1,825,911  
380,000 ---  
-----  
-----  
Net change

in cash  
200,366  
2,059 Cash  
at  
beginning  
of period  
135 3,397 -  
-----  
-----  
Cash at end  
of period \$  
200,501 \$  
5,456  
=====  
=====

VERDISYS, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)  
(Restated)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Verdisys, Inc. ("Verdisys") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in Verdisys' Annual Report filed with the SEC on Form 8-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for 2002 as reported in the 8-K have been omitted.

Revenue recognition. Revenue is recognized on well drilling operations when persuasive evidence of an arrangement exists, the lateral drilling is complete, the price is fixed or determinable and collectibility is reasonably assured.

Certain amounts in financial statements of prior years have been reclassified to conform to the presentation of the current year for comparative purposes. Those reclassifications did not affect net loss for the periods presented.

Restatements of September 30, 2003 were made. See note 11 for details.

As a result of the merger that was completed in July 2003, the capitalization of Verdisys changed. Par value is \$.001 per share as compared to no par prior to the merger. All amounts have been retroactively restated to reflect this change.

NOTE 2 - STOCK OPTIONS AND WARRANTS

Stock options and warrants. Verdisys accounts for non-cash stock-based compensation issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF No. 96-18, Accounting for Equity Investments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling Goods or Services. Common stock issued to non-employees and consultants is based upon the value of the services received or the quoted market price, whichever value is more readily determinable. Verdisys accounts for stock options and warrants issued to employees under the intrinsic value method. Under this method, Verdisys recognizes no compensation expense for stock options or warrants granted when the number of underlying shares is known and the exercise price of the option or warrant is greater than or equal to the fair market value of the stock on the date of grant.

In April 2003, Verdisys issued 1,280,000 10 year \$.10 options to employees. 30,000 options vest monthly over three months, 750,000 options vest quarterly over four years, 300,000 options vest quarterly over one year and 200,000 options vest quarterly over two years. The intrinsic value of these options totals \$193,250 which approximated their fair value.

In April 2003, Verdisys issued 100,000 \$.10 warrants that expire in January 2007 and have a fair value of \$40,000 which was expensed when the warrants were granted.

During the summer of 2003, Verdisys negotiated settlements with 9 vendors plus the two original founders for various debts carried on the books. One of the founders was issued 150,000 warrants exercisable at \$.10 and valued at \$.40 or \$60,000.

In September 2003, Verdisys issued an employee 100,000 five year options with an exercise price of \$4.10. There was no intrinsic value associated with the issuance. The fair value of the options was \$299,008.

The following table illustrates the effect on net loss and net loss per share if Verdisys had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

Three Months  
 Ended Nine  
 Months Ended  
 September  
 30,  
 September  
 30, 2003  
 2002 2003  
 2002

(Restated)  
 (Restated) -  
 -----  
 -----  
 -----

----- Net  
 loss as  
 reported \$  
 (802,560) \$  
 (632,103) \$  
 (2,561,343)  
 \$  
 (1,553,978)  
 Less: stock  
 based  
 compensation  
 determined  
 under fair  
 value- based  
 method  
 (299,008)  
 (299,008) --  
 -----  
 -----  
 -----

----- Pro  
 forma net  
 loss \$  
 (1,101,568)  
 \$ (632,103)  
 \$  
 (2,860,351)  
 \$  
 (1,553,978)  
 =====  
 =====  
 =====  
 =====

Basic and  
 diluted net  
 loss per  
 common  
 share: As  
 reported \$  
 (.03) \$  
 (.05) \$  
 (.12) \$  
 (.11) Pro  
 forma (.04)  
 (.05) (.13)  
 (.11)

The weighted average fair value of the stock options granted during 2003 and 2002 was \$.50 and \$.50, respectively. Variables used in the Black-Scholes option-pricing model include (1) 5.0% risk-free interest rate, (2) expected option life is the actual remaining life of the options as of each year end, (3) expected volatility is zero, and (4) zero expected dividends.

NOTE 3 - PRIVATE PLACEMENT

In July and August 2003, Verdisys sold 609,000 shares of common stock at \$2.00 per share in a private placement for total proceeds of \$1,218,000. Offering costs consisted of 59,400 shares of restricted common stock and 9,501 warrants exercisable at \$2 per share anytime through September 5, 2008.

NOTE 4 - LATERAL DRILLING LICENSE

In April 2003, an individual licensed his lateral drilling technology and equipment to Verdisys. Verdisys agreed to pay \$2,750,000 plus 10 percent of related gross revenue from drilling operations. Verdisys paid \$100,000 upon signing and signed a note payable for \$2,650,000 plus 8 percent due in monthly installments from May 2003 through March 2004 for a total payout of \$2,970,000.

In July 2003, Verdisys issued 125,000 shares in exchange for a \$250,000 reduction of the note payable. In August 2003, Verdisys and the licensor amended the agreement whereby, in exchange for 500,000 shares of Verdisys and the grant of a board seat, the licensor agreed to eliminate the 10% royalty and instead receive \$500 per well drilled. The stock price at the time of the amendment was \$4.55 per share, resulting in a \$2,275,000 increase in the carrying value of the license.

At September 30, 2003 the total cost of the license was \$5,025,000 with \$107,473 of accumulated amortization. The license is amortized over the remaining life of the patent, 14 years. The balance of the note payable at September 30, 2003 was \$2,020,404.

#### NOTE 5 - DEFERRED REVENUE

Typical satellite bandwidth contracts cover 36 months. Verdisys receives the cash up front, records deferred revenue and recognizes revenue evenly over the contract.

In addition to satellite bandwidth, Verdisys deferred revenue consists of revenue and associated costs of services provided on drilling operation contracts. In June 2003, Verdisys signed an agreement to drill wells for Edge Capital ("Edge"). The contracts contained contingencies disallowing revenue recognition until each contingency is fulfilled. As of September 30, 2003, Verdisys deferred revenues and associated costs of \$1,496,000 and \$330,000, respectively under this contract. In November 2003, Verdisys and Edge renegotiated the contract to remove the

contingencies. Verdisys expects to recognize the deferred revenue in the fourth quarter provided collectibility from Edge is reasonably assured. If collectibility is not reasonably assured, the revenue will remain deferred.

Verdisys deferred \$337,500 of revenue and \$72,000 of associated costs as of September 30, 2003 related to related party transactions. See note 9 for details.

#### NOTE 6 - DEBT FORGIVENESS INCOME

During 2003, Verdisys negotiated settlements with 9 vendors for various debts carried on the books at \$520,501 for \$43,600 cash and 33,333 shares of stock valued at \$.50 or \$16,666 resulting in debt forgiveness income of \$460,235. During the same period, Verdisys negotiated settlements with the two original founders for various debts carried on the books at \$576,000 for \$28,000 cash and 150,000 warrants exercisable at \$.10 and valued at \$.40 or \$60,000 resulting in a contribution to capital of \$488,000.

#### NOTE 7 - SOFTWARE IMPAIRMENT

Verdisys reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. Verdisys assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In April 2003, Verdisys issued 2,000,000 shares of common stock for software. The shares were valued at \$1,000,000. The software has been determined to not be useful and was fully impaired as of September 30, 2003.

#### NOTE 8 - NON-CASH TRANSACTIONS ON CASH FLOW STATEMENT

##### Non-cash transactions:

Purchase of license with note payable	\$2,650,000
Stock issued for license amendment	2,275,000
Stock issued for reduction of note payable on license	250,000
Contributions to capital by founders for debt forgiveness income	488,000
Conversion of notes payable to investors to common stock	1,245,000
Conversion of accrued interest on notes payable to investors to common stock	261,190
Conversion of Series B preferred stock to common	705,000
Stock issued for accounts payable	16,666
Warrants exercised with notes payable to investors	20,000

#### NOTE 9 - RELATED PARTY ACCOUNTS RECEIVABLE AND REVENUE

In April 2003, Verdisys signed a drilling service contract with Energy 2000 NGC, Inc. of Louisiana ("Energy 2000"), whereby Energy 2000 will pay Verdisys a minimum of \$1,800,000 for lateral drilling of 45 wells. This contract is a fixed fee contract with the total price depending on the number of wells drilled and offshoot lateral bores drilled. In addition, Verdisys will receive an 80 percent interest in the net operating income after payback from these properties and will also be reimbursed for 20 percent of its field costs. In September, 2003 Verdisys entered into another contract with Energy 2000 for an additional 57 wells with terms similar to the original contract.

Energy 2000 is a related party. Energy 2000 is a wholly owned subsidiary of Berg McAfee Companies for which Eric McAfee, a director of Verdisys, has a 50% ownership. Mr. McAfee has a 0.4% direct ownership of Verdisys and Berg McAfee Companies has a 29.6% ownership in Verdisys, and Clyde Berg, the co-owner of Berg McAfee Companies, owns 1.3% of Verdisys; therefore, Mr. McAfee and Mr. Berg have a total beneficial ownership of 31.3% in Verdisys.

Verdisys billed \$397,500 of revenue for the nine months ended September 30, 2003, but has deferred \$337,500 of revenue and \$72,000 of associated costs as of September 30, 2003. The deferral relates to contingencies in the contract that existed as of September 30, 2003. Verdisys is carrying \$337,500 of accounts receivable as of September 30, 2003 related to Energy 2000.

NOTE 10 - EQUIPMENT

In September 2003, Verdisys purchased 2 drilling rigs for \$170,000 each. Depreciation expense for the rigs will be computed on the straight-line basis over a period of five years. There was no depreciation expense related to the rigs as of September 30, 2003 because they were placed in service in October.

NOTE 11 - RESTATEMENTS OF PREVIOUSLY REPORTED FINANCIAL STATEMENTS

There were several errors and misstatements in the originally prepared September 30, 2003 financials. See the notes below.

A summary of the restatements are as follows:

Previously Increase Stated (Decrease) Restated -- ----- ----- -----
--- As of September 30, 2003: Balance Sheet: Cash \$ 200,501 \$ 200,501 Accounts receivable, net 1,775,236 (1) \$ (200,000) 1,575,236 Accounts receivable from related party 337,500 337,500 Other current assets 25,468 25,468 Property & equipment, net 411,280 (2) (39,145) 372,135 License, net 4,917,528 4,917,528 - ----- ----- ----- --- Total assets \$ 7,667,513 \$ (239,145) \$ 7,428,368 =====
Accounts payable \$ 294,763 \$ 294,763 Accrued expenses 910,186 910,186 Deferred

revenue  
575,884 (1)  
(200,000)  
1,682,728  
(7)  
1,496,000  
(7)  
(330,000)  
(2) 140,844  
Note  
payable to  
stockholders  
2,224,510  
(5)  
(2,020,404)  
204,106  
Note  
payable on  
license (5)  
2,020,404  
2,020,404  
Common  
stock  
28,364 (6)  
5 28,369  
Additional  
paid in  
capital  
15,865,134  
(3)  
(60,000)  
15,793,629  
(6) (5) (6)  
(11,500)  
Accumulated  
deficit  
(12,231,328)  
(7)  
(1,496,000)  
(13,505,817)  
(7) 330,000  
(3) 60,000  
(6) 11,500  
(2)  
(140,844)  
(2)  
(39,145) --  
-----  
-----  
- --- Total  
liabilities  
and equity  
\$ 7,667,513  
\$ (239,145)  
\$ 7,428,368  
=====

For the three months ended September 30, 2003:

Statement of Operations:

Revenue:				
Third parties	\$ 2,094,612	(7)	\$ (1,496,000)	\$ 524,824
		(2)	(73,788)	
Cost of services provided	(775,278)	(7)	330,000	(432,021)
		(2)	13,257	
Selling, general and administrative	(815,722)	(3)	45,603	(770,119)
Depreciation & amortization	(61,638)	(4)	(440)	(62,078)
Bad debts	(19,999)			(19,999)
Debt forgiveness income	61,653	(3)	(16,050)	
		(3)	(45,603)	
Interest expense	(59,217)	(3)	16,050	(43,167)
Net income (loss)	\$ 424,411		\$ (1,226,971)	\$ (802,560)
Basic net loss per common share	\$ .02		\$ (.05)	\$ (.03)
Diluted net loss per share	\$ .01			(.03)
Weighted average common shares outstanding	26,783,077			26,783,077
Diluted average common shares outstanding	34,893,910			26,783,077

For the nine months ended September 30, 2003:

Statement of Operations:

Revenue:				
Third parties	\$ 2,627,959	(7)	\$ (1,496,000)	\$ 859,115
		(2)	(397,500)	
		(2)	124,656	
Related party		(2)	60,000	60,000
Cost of services provided	(1,138,260)	(7)	330,000	(774,085)
		(2)	32,855	
		(6)	1,320	
Selling, general and administrative	(2,003,414)	(3)	60,000	(1,897,811)
		(3)	45,603	
Depreciation & amortization	(107,472)	(6)	(1,320)	(108,792)
Bad debts	(19,999)			(19,999)
Impairment	(1,000,000)			(1,000,000)
Debt forgiveness income	521,887	(3)	(16,049)	460,235
		(3)	(45,603)	
Interest expense	(156,055)	(3)	16,049	(140,006)
Net loss	\$ (1,275,354)		\$ (1,285,989)	\$ (2,561,343)
Basic and diluted net loss per common share	\$ (.06)		\$ (.06)	\$ (.12)
Weighted average common shares outstanding	21,491,391			21,491,391

#### Restatement notes:

- (1) - An October transaction was inadvertently recorded in September. This overstated accounts receivable and deferred revenue by \$200,000.
- (2) - Revenue and associated cost of services provided on related party transactions were incorrectly recognized and should have been deferred as of September 30, 2003 (see note 9 for details).
- (3) - Contributions to capital by founders for debt forgiveness and debt forgiveness income were calculated incorrectly (see note 6 for details).
- (4) - mathematical error
- (5) - reclassification of note payable on license
- (6) - classification errors
- (7) - Revenue and associated cost of services provided were incorrectly recognized and should have been deferred as of September 30, 2003 (see note 5 for details).

#### NOTE 12 - SUBSEQUENT EVENTS

In October 2003, Verdisys sold 833,333 shares of common stock to Gryphon Master Fund, L.P. at \$6.00 per share for aggregate gross proceeds of \$5,000,000. Offering costs associated with the sale were \$420,000 in cash, 83,334 warrants at \$6 per share that expire October 24, 2008 and 20,000 shares of common stock. The warrants are exercisable at any time prior to October 24, 2008 by paying cash at the exercise price or by electing a cashless exercise. If a cashless exercise is elected, the holder would receive a percentage of the shares defined as the market price at the time of exercise less the exercise price multiplied by the number of shares for which the warrant is exercised.

If Verdisys fails to meet certain milestones related to registration of such shares, Verdisys is required to pay in cash liquidated damages equal to 1 percent of the purchase price of the shares paid for the first 30 days the event is not cured and 2 percent of the purchase price paid for each thirty day period thereafter until cured. In no event shall Verdisys be required to pay more than aggregate liquidated damages of 8 percent of the purchase price or \$400,000. In addition, if in the ten months subsequent to the agreement, the 30 day average closing price of Verdisys' common stock drops below \$6 per share, such drops could result in the issuance of a maximum of 277,778 additional shares of common stock for no additional compensation. If this occurs, a total of 1,111,111 common shares will have been issued for an average price of \$4.50 per share.

In October 2003, Verdisys amended certain provisions of its contract with its major customer. Under the provisions of the amendment, Verdisys shall refund to its customer \$200,000 if delivery of certain leases to the customer does not occur.

On November 10, 2003, Verdisys paid \$500,000 for an option to place an additional \$10,500,000 deposit to purchase a large natural gas field with significant current gas production for a purchase price in excess of \$100 million. Verdisys also paid fees to date of \$120,000 associated with the transaction. The additional \$10,500,000 would have held the purchase option open until February 2004. As of November 26, 2003, the \$500,000 was forfeited and the option expired.

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

The following "Management's Discussion and Analysis of Financial Condition and Plan of Operations" reflects certain restatements to the Company's previously reported unaudited interim financial statements for the quarter ended September 30, 2003. (See "Restatement of Financial Statements" below).

#### Forward-Looking Statements

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

## Restatement of Financial Statements

As discussed in Note 11 to the unaudited interim financial statements included herein, the Company is making the following restatements to its financial statements: First, the Company inadvertently recorded an October 2003 transaction in September 2003, which resulted in an overstatement to accounts receivable and deferred revenue of \$200,000. Second, revenue and associated cost of services provided on related party transactions were incorrectly recognized and should have been deferred as of September 30, 2003. Third, certain contributions to capital by founders for debt forgiveness and debt forgiveness income were calculated incorrectly. Fourth, the Company is reclassifying a note payable on its license. Fifth,

certain revenue and associated costs of services provided were incorrectly recognized and should have been deferred as of September 30, 2003. Finally, the Company is correcting certain mathematical and other classification errors.

#### Critical Accounting Policies

The Company has made certain disclosures relating to its critical accounting policies with respect to certain of its contracts; please see the paragraphs below under "Revenues-Lateral Drilling Services."

#### Management Discussion

Headquartered in Houston, Texas, Verdisys provides proprietary oil services and solutions for Energy Production Enhancement including patented Lateral Drilling Technologies and secure Satellite Communications. Verdisys, Inc. was incorporated in the State of California as Rocker & Spike Entertainment, Inc. on September 27, 2000. Until December 31, 2000, operations consisted of organizational matters, the sale of no par value common stock, and the search for an operating company with which to perform a merger or acquisition. Effective January 1, 2001, Rocker & Spike Entertainment, Inc. purchased the assets and web domain of Accident Reconstruction Communications Network, a sole proprietorship, from the sole proprietor. Following the acquisition, the company changed its name from Rocker & Spike Entertainment, Inc. to Reconstruction Data Group, Inc. effective March 19, 2001. On July 18, 2003, Reconstruction Data Group, Inc. changed its name to Verdisys, Inc. to facilitate the merger with Verdisys Operation Corporation based on the Company's desire to retain the name of the private company into which it merged.

Reconstruction Data Group, Inc. ("RDGI") and Verdisys, Inc. ("Verdisys") entered into an Agreement and Plan of Merger on April 24, 2003, as amended, which was effective as of July 18, 2003. Prior to the merger, the authorized capital stock of RDGI consisted of 50,000,000 shares of RDGI common stock, \$.001 par value, of which 3,651,500 shares of common stock, which included 1,485,000 shares of common stock previously owned by the President of RDGI, in exchange for 100 per cent of RDGI's ownership, rights, interest and liabilities in ARC Network. The ARC Network represented all the operations of RDGI immediately prior to the merger.

Prior to the Consummation of the merger, the authorized capital stock of Verdisys consisted of 40,000,000 shares of common stock, and 60,000,000 shares of preferred stock, no par value, of which 25,202,539 shares of common stock were outstanding. Immediately prior to the merger Verdisys, Inc. changed its name to Verdisys Operations Corporation and RDGI changed its name to Verdisys, Inc.

Upon consummation of the merger, Verdisys, Inc. issued 25,202,539 newly issued, restricted common shares. Each share of common stock was converted into and exchanged into one share of restricted common stock of Verdisys, Inc., except shares held in treasury which were cancelled. The following table reconciles the number of shares of common stock issued and outstanding immediately prior to consummation of the merger to the number of shares of common stock issued and outstanding immediately following consummation of the merger.

RDGI shares just prior to the merger were 3,651,500 shares of common stock of which the following were cancelled:

Shares owned by President	1,485,000	
Shares owned by other founder	666,500	
		(2,151,500)
		-----
RDGI shares prior to share issuance		1,500,000
Newly issued shares for the share exchange		25,202,539
		-----
Verdisys shares outstanding immediately after Merger		26,702,539

#### Financial Summary

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Verdisys incurred \$524,824 in revenues and an operating loss of \$759,393 for the quarter ended September 30, 2003 as compared to revenues of \$20,509 and an operating loss of \$593,177 for the quarter ended September 30, 2002. The significant increase in revenues for the three months ended September 30, 2003 was due to lateral drilling services utilizing the Landers lateral drilling

technology for the first full quarter. Higher operating margins for the quarter ended September 30, 2003 compared with the prior year were offset by increased spending on selling, general and administrative expense. There were no comparable revenues in 2002 as the license to the Landers lateral drilling technology was acquired in April 2003.

## Revenues

### Lateral Drilling Services

Lateral Drilling Services' revenues were \$497,000 and \$0 for the three months ended September 30, 2003 and three months ended September 30, 2002, respectively. During the quarter, 29 wells were drilled with Verdisys' proprietary drilling rigs under the Edge Capital Group ("Edge") initial contract. Verdisys was paid by Edge on the initial 7 wells drilled and recognized revenue on these wells for a total value of \$497,000 in the quarter. Consequently, Edge represented 100% of the lateral drilling services revenues for the quarter ended September 30, 2003. A further 22 wells for a total revenue of \$1,496,000 were drilled in the quarter such revenues being contingent upon receipt of financing and payment by Edge Capital. Such revenues were deferred in the quarter, along with associated costs of \$330,000, pending payment of the outstanding amounts. Management has received representations from Edge and its principals that the amount will be paid in the quarter ending December 31, 2003. Based upon these representations, management believes collectibility is assured.

In addition to the fee for drilling services, Verdisys shall receive a 66 2/3% interest in the net operating income from Edge's portion of the properties' income (the "Verdisys Royalty") after Edge has fully recovered all drilling service fees and related expenses incurred for all wells drilled as part of the contract. The Verdisys Royalty will be calculated as 66 2/3% of the net lease after recovery by Edge and/or its third party financing sources of Edge's costs related to the drilling services, including principal, interest, fees and costs for financing such drilling services; cost of acquisition of the lease; land owner royalties or other royalties to third parties other than Edge or Verdisys; and field operating costs. Therefore, after completion of the re-development of the field, Edge will secure for Verdisys a 66 2/3% listing with the gatherer for direct payment of net proceeds. It is not anticipated that Verdisys will receive any royalties until late 2004 or later.

During the quarter ended September 30, 2003, the Company signed a second contract with Edge for drilling services for 100 wells associated with the Franklin field. The Company is to receive a conveyancing fee of \$200,000 upon the completion of the transfer of certain leases to Edge plus similar drilling fees and production interest to its first contract with Edge. To date, the Company has received payment of \$120,000 towards the conveyancing fee with the balance due in March 2004. At this time such leases have not been conveyed to Edge. Management currently believes they will be conveyed by December 31, 2003.

The Company's revenue recognition policy with regards to drilling operations is to recognize revenue when collectibility is reasonably assured. The Company has determined that based upon the current contract with Edge collectibility is reasonably assured when amounts outstanding are paid. Consequently, the Company has deferred any revenue associated with the contract that has not been paid.

During the quarter ended September 30, 2003, two wells were drilled by Verdisys in accordance with the Energy 2000 NGC, Inc.'s (E2000) agreement for total revenue of \$107,500, and 4 wells during the quarter ended June 30, 2003 for a total value of \$230,000. Such revenues were deferred in the respective quarters being contingent upon receipt of financing and payment by E2000. Associated costs of \$24,000 for the quarter ended September 30, 2003 and \$48,000 for the quarter ended June 30, 2003 were also deferred, pending payment of the outstanding amounts. Management has received representations from E2000 and its principals that the amount will be paid in the quarter ending December 31, 2003 and in October 2003 an amount of \$100,000 was paid. Based upon these representations, management believes collectibility is assured.

E2000 is a wholly owned subsidiary of Berg McAfee Companies for which Eric McAfee, a director of and consultant to Verdisys, has a 50 per cent ownership. Mr. McAfee has a 0.4% direct ownership of Verdisys and Berg McAfee Companies has a 29.6% ownership in Verdisys, and Clyde Berg, the co-owner of Berg McAfee Companies, owns 1.3% of Verdisys; therefore, Mr. McAfee and Mr. Berg have a total beneficial ownership of 31.3% in Verdisys. In addition to the fee for drilling services, Verdisys shall receive an 80% interest in the net operating income from E2000's portion of the properties' income (the "Verdisys Royalty") after E2000 has fully recovered all drilling service fees and related expenses incurred for all wells drilled as part of the contract. The Verdisys Royalty will be calculated as 80% of the net lease after recovery by Edge and/or its third party financing sources of E2000's costs related to the drilling services, including principal, interest, fees and costs for financing such drilling services; cost of acquisition of the lease; land owner royalties or other royalties to third parties other than E2000 or Verdisys; and field operating costs. Therefore, after completion of the re-development of the field, E2000 will secure for Verdisys an 80% listing with the gatherer for direct payment of net proceeds. It is not anticipated that Verdisys will receive any royalties until late 2004 or later.

The Company's revenue recognition policy with regards to drilling operations is to recognize revenue when collectibility is reasonably assured. The Company has determined that based upon the current contract with E2000 collectibility is reasonably assured when amounts outstanding are paid. Consequently, the Company has deferred any revenue associated with the contract that has not been paid.

During the quarter ended September 30, 2003, the Company signed an agreement with Natural Gas Systems, Inc. ("NGS") to provide drilling services for 120 wells in the Delhi field in Louisiana. The Company did not commence drilling on this contract until October 2003 and consequently no revenue was recognized for the quarter ended September 30, 2003. Mr. McAfee, a director, and other affiliates have a 28.6% beneficial ownership in Natural Gas Systems, Inc. and as such any revenue associated with the contract will be disclosed as a related party transaction.

In addition to the fee for drilling services, Verdisys shall receive a 70% interest in the net operating income from NGS's portion of the properties' income (the "Verdisys/NGS Royalty") after NGS has fully recovered all drilling service fees and related expenses incurred for all wells drilled as part of the contract. The Verdisys/NGS Royalty will be calculated as 70% of the net lease after recovery by NGS and/or its third party financing sources of NGS's costs related to the drilling services, including principal, interest, fees and costs for financing such drilling services;

cost of acquisition of the lease; land owner royalties or other royalties to third parties other than NGS or Verdisys; and field operating costs. Therefore, after completion of the re-development of the field, NGS will secure for Verdisys a 70% listing with the gatherer for direct payment of net proceeds. It is not anticipated that Verdisys will receive any royalties until late 2004 or later.

During the quarter ended September 30, 2003, the Company amended its lateral drilling license agreement with Carl Landers. In August 2003, Mr. Landers agreed to retroactively eliminate the royalty fees of 10% of the net revenues on Verdisys' lateral drilling, in exchange for 500,000 shares of restricted common stock of Verdisys plus a \$500 flat fee per well drilled. The parties also agreed to amend the term of the license to the expiration dates associated with the patents to the lateral drilling technology. The Company capitalized \$2,275,000 associated with the 500,000 shares issued and is amortizing the amounts associated with the license over a period of 14 years. In July 2003, Verdisys exchanged 125,000 shares of Verdisys restricted common stock for reduction of \$250,000 to the principal balance of the note payable to Mr. Landers.

#### Satellite Communications Services

Satellite Communication Services' revenues for the quarter ended September 30, 2003 were \$24,824 compared to the quarter ended September 30, 2002 of \$20,509. This increase for the current quarter as compared to the quarter ended June 30, 2003 was due to the nature of the services provided. As hardware is sold, Verdisys recognizes the revenue in the period it is delivered to the customer. The bandwidth revenue is amortized over the period benefited. Cash collected for bandwidth is recorded as deferred revenue. At September 30, 2003 there was \$251,228 reflected in balance sheet as deferred revenue relating to Satellite Communications.

#### Operating Loss

The operating loss for the quarter ended September 30, 2003 narrowed due to the high gross margins realized from the lateral drilling services.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Verdisys had \$919,115 in revenues and incurred an operating loss of \$2,421,337 for the nine months ended September 30, 2003 as compared to revenues of \$227,332 and an operating loss of \$1,452,144 for the quarter ended September 30, 2002. The increase in revenues for the nine months ended September 30, 2003 was due primarily to lateral drilling services provided utilizing the Landers lateral drilling technology. There were no comparable revenues in 2002 as the license to the Landers lateral drilling technology was acquired in April 2003. Operating loss increased for the nine months ended September 30, 2003 due to the impairment of certain software the Company acquired for \$1,000,000 which was written down during the year, offset by higher gross margins from the lateral drilling services.

#### Revenues

Lateral Drilling Services' revenues for the nine months ended September 30, 2003 were \$557,000. The revenues reflect less than four month of operations for 2003 so no comparable figures are available for 2002.

Satellite Communication Services' revenues for the nine months ended September 30, 2003 were \$362,115 compared to the quarter ended September 30, 2002 of \$227,332. Revenues increased due to the increase in contracts to provide satellite communication services.

#### Backlog

To date the Company has signed contracts to drill 540 wells and had drilled and completed 35 wells as of September 30, 2003. Of the 540 wells under contract 318 wells are related to Edge's contracts, 102 wells are related E2000's contract and 120 wells are related to Natural Gas Systems, Inc., of which Mr. McAfee, a Director, and other affiliates have a 28.6% beneficial ownership.

#### Liquidity and Capital Resources

##### Capital Expenditures

The Company utilized two drilling rigs owned and operated by Mr. Landers and his affiliates during the current quarter. The Company took delivery of its first new rig in late September, 2003 and an additional rig in November, 2003. It currently has in assembly two rigs which it expects to receive in early

December, 2003.

## Liquidity

In July and August 2003, Verdisys sold 609,000 shares of common stock at \$2.00 per share in a private placement for total proceeds of \$1,218,000 gross, fees associated with the placement consisted of \$19,000 in cash, 39,400 shares of restricted common stock and warrants to purchase 9,501 shares of common stock at \$2.00 per share.

In connection with the offering, Verdisys issued 9,501 warrants for the purchase of common stock at a price of \$2.00 per share to certain principals of the investment bank that assisted with the offering. The warrants may be exercised at any time prior to September 5, 2008 by paying cash at the warrant price. Prior to a registration statement such warrants may be exercised by surrendering such number of shares of common stock received upon exercise of the warrants with a current market price equal to the warrant price.

On October 24, 2003, Verdisys, Inc. sold 833,333 shares of its common stock at a purchase price of \$6.00 per share for a total purchase price of \$5,000,000. The shares issued in the offering contain a restrictive legend; as they have not been registered under the Securities Act of 1933 or any State Securities Act. Therefore in the absence of an effective registration statement, the shares can only be sold pursuant to some exception from registration, such as Rule 144 of the Act which requires, among other conditions, that the Shares must be held for a minimum of one (1) year. Verdisys, Inc. has paid fees associated with this sale totaling \$420,000 resulting in net proceeds to the company of \$4,580,000. The Subscription Agreement for the sale has two provisions that if triggered by a drop in the 30 day average closing price of Verdisys, Inc. common stock, could result in the issuance of a maximum of 277,778 additional shares of common stock for no additional compensation. If this occurs, a total of 1,111,111 common shares will have been issued for a price of \$4.50 per share. The Subscription Agreement for the sale also confers registration rights to the Purchaser for the all of the common stock purchased in this transaction and an additional 300,000 common shares purchased from a director of the company in a prior unrelated private transaction. The purpose of this offering was to provide additional operating capital to assist the company in fulfilling its current commitments and expanding operations related to Lateral Drilling operations and Satellite Data Services.

In November 2003, the Company signed an exclusive option to purchase a large natural gas field with significant current gas production for a specified time period. The option required the Company to pay a non-refundable deposit of \$500,000 and has incurred fees to date of \$120,000 associated with the transaction. As of November 26, 2003, the option expired and the Company forfeited the deposit. The Company is continuing to negotiate for the purchase of the field on a non-exclusive basis including the application of the forfeited amount to the purchase price.

## ITEM 3. CONTROLS AND PROCEDURES

The Company's Principal Executive Officer and Principal Financial Officer have undertaken an evaluation of the Company's disclosure controls and procedures as of September 30, 2003. For the period covering the preparation and filing of the Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2003, the Company was in the process of certain proposed changes in its personnel involved in the financial reporting function of the Company, which led to certain deficiencies in the implementation of the Company's disclosure controls and procedures. This contributed to the Company's filing of inaccurate financial reports for the three month and nine month periods ended September 30, 2003 and without the completion of a review of the Company's independent auditor. Accordingly, this Amendment No. 2 to Form 10-QSB for the quarterly period ended September 30, 2003 contains restated financial results for the three months and nine months ended September 30, 2003. The Company has taken steps to reassign and clarify financial reporting responsibility and has also implemented certain additional disclosure controls and internal controls and procedures for financial reporting and will continue to evaluate these controls to improve its financial reporting. While the Company's Principal Executive Officer and Principal Financial Officer have determined that modifications to its disclosure controls and procedures are appropriate, the Company's Principal Executive Officer and Principal Financial Officer have concluded that the existing disclosure controls and procedures, when combined with further investigations which have been undertaken and the interim modifications discussed below are effective to provide reasonable assurances that the information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

While the Company is in the process of further evaluation of its disclosure

controls and procedures and implementing modifications to such disclosure controls and procedures, the Company has, on an immediate basis, instituted certain additional interim controls and procedures to ensure that information required to be disclosed in this Amendment No. 2 to Quarterly Report on Form 10-QSB and subsequent reports filed or submitted by the Company has been recorded, processed, summarized and reported to the Company's senior management. Steps that have been taken to ensure that such filings are subject to proper review and approval include:

- o the appointment of the Company's Chairman of the Board to the position of interim President;
- o a requirement that the Company's Chief Financial Officer shall perform a full credit check on all customer's ability to pay prior to executing any contracts with such customer;
- o a requirement that two signatures are required for any check in excess of \$25,000;
- o all contracts in excess of \$25,000 require approval by the Board;
- o all proposed merger and acquisition activity is to be approved and controlled by the Company's Chairman of the Board;
- o the Company's website shall be under the control of the Company's Chief Financial Officer;
- o all press releases and other public statements relating to financial issues concerning the Company shall be approved by the Chief Executive Officer, the Chief Financial Officer and the Audit Committee;
- o an evaluation of the personnel requirements at the financial reporting function of the Company's management, including the Chief Financial Officer position, and the consideration of other changes or additional personnel as may be needed; and
- o the engagement of outside professionals, including the Company's outside legal counsel, to obtain advice and recommendations with respect to the foregoing and such other matters as may be necessary or appropriate.

In connection with the evaluation described above, no changes in the Company's internal control over financial reporting occurred during the Company's third fiscal quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company does intend to continue to evaluate its internal disclosure controls and procedures and implement improvements as required.

PART II

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

EXHIBITS

Verdisys, Inc. includes herewith the following exhibits:

- 3.1\* Restated Articles of Incorporation of Verdisys, Inc., dated July 15, 2003, filed July 17, 2003 with Secretary of State, State of California.
- 10.1\* Employment Agreement, by and between Verdisys, Inc. and Daniel Williams, President and Chief Executive Officer, dated June 2003.
- 10.2\* Employment Agreement, by and between Verdisys, Inc. and Andrew Wilson, Chief Financial Officer Officer, dated June 2003.
- 10.3\* Employment Agreement, by and between Verdisys, Inc. and David Mauz, Chief Operating Officer, dated June 2003.
- 10.4\* Advisor Agreement, by and between Verdisys, Inc. and Ron Robinson, Chairman of the Board of Directors, dated July 2003.
- 10.5\* Advisor Agreement, by and between Verdisys, Inc. and Eric A. McAfee, Director, dated October 1, 2000.
- 10.6\* Contract by and between Verdisys, Inc. and Natural Gas Systems, re: lateral drilling services, "Delhi Field", dated September 22, 2003.
- 10.7\* Contract by and between Verdisys, Inc. and Edge Capital Group, re: lateral drilling services, "Franklin Field", dated September 27, 2003.
- 10.7.1\* Addendum to Contract by and between Verdisys, Inc. and Edge Capital Group, re: lateral drilling services, "Franklin Field", dated September 27, 2003.
- 10.8\* Contract by and between Verdisys, Inc. and Apache Corp, re: satellite services, dated September 11, 2002.
- 10.9\* Contract by and between Verdisys, Inc. and Noble Energy, re: satellite services, dated September 17, 2002.
- 10.10\* Technology Report "Landers Technology", dated October 13, 2003.
- 10.11\* Placement Agency Agreement between the Company and Stonegate Securities, Inc. dated August 26, 2003.
- 10.12\* Verdisys Inc. 2003 Stock Option Plan.
- 10.13\* Independent Contractor Agreement between the Company and TerrOnne Petroleum Corporation dated August 1, 2003.
- 10.14 Form of Registration Rights Agreement in connection with the Company's private placements in July and August 2003.
- 10.15 Alternative Form of Registration Rights Agreement in connection with the Company's private placements in July and August 2003.
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Previously filed.

REPORTS ON FORM 8-K

On July 18, 2003, the Company filed a Current Report on Form 8-K reporting its Agreement and Plan of Merger with Verdisys, Inc. as an event under Item 2, which Form 8-K was amended by Amendment No. 1 to Form 8-K filed on September 29, 2003.

SIGNATURES

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

Verdisys, Inc.

Date: December 3, 2003

By: /s/ Dan Williams

-----  
Dan Williams,  
Chief Executive Officer

Date: December 3, 2003

By: /s/ Andrew Wilson

-----  
Andrew Wilson,  
Chief Financial Officer

EXHIBIT INDEX

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\* Previously filed.

## REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT ("Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 2003 by and between (i) [\_\_\_\_\_] a [\_\_\_\_\_] corporation (the "Company"), and (ii) those certain Participants under that certain Subscription Agreement of even date herewith between each Participant and the Company, each of whose signatures shall be included on Exhibit A hereto upon consummation of their respective portion of the transaction (each such Participant a "Stockholder").

## AGREEMENTS:

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by each of the Company and Stockholder, each of the Company and Stockholder hereby agrees as follows:

(a) If at any time after the date hereof the Company proposes to register any Common Stock under the Securities Act of 1933, as amended (the "Act"), for sale to the public for cash (and not for issuance pursuant to an employee benefit plan or in connection with an acquisition of another company or business or in connection with any other registration that does not allow the registration of secondary sales), the Company shall give written notice to Stockholder of its intention so to do at least 20 days prior to filing the related registration statement (the "Registration Statement"). Upon the written request of Stockholder, given within 10 days after receipt of any such notice, to register any Registrable Shares, the Company shall use its best efforts to cause all Registrable Shares, as to which registration shall have been so requested, to be included in the securities to be covered by the Registration Statement, all to the extent requisite to permit the sale or other disposition by Stockholder of the Registrable Shares requested to be so registered; provided, however, that:

(i) If, at any time after giving such written notice of its intention to register any securities and prior to the effective date of the Registration Statement, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to Stockholder, and thereupon the Company shall be relieved of its obligation to register any Registrable Shares in connection with such registration;

(ii) If such registration involves an underwritten offering, Stockholder must sell its Registrable Shares to the underwriters selected by the Company on the same terms and conditions as apply to the Company (except as otherwise agreed to by the Company in writing); and

(iii) The Company shall be obligated to keep the Registration Statement effective only for nine months after its initial effective date.

The number of Registrable Shares to be included in an underwritten offering may be reduced, pro rata among all the Company's stockholders selling shares in the offering, in a ratio equal to the respective amounts of shares proposed to be sold by such stockholders, if and to the extent that the managing underwriter shall advise Stockholder and the Company by letter of its belief

that the number of securities requested to be registered exceeds the number that can be sold in (or during the term of) such offering without adversely affecting the marketing of the securities to be sold by the Company.

(b) In connection with the registration provided for hereunder, Stockholder shall use reasonable efforts to cooperate with the Company and shall furnish to the Company in writing such information with respect to it and its proposed distribution as shall be reasonably necessary in order too assure compliance with federal and applicable state securities laws.

(c) The Company shall pay all expenses incurred by the Company in complying with its registration obligations pursuant to this Agreement, including, without limitation, all registration, qualification, and filing fees, blue sky fees and expenses, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, all expenses of the underwriter customarily paid by issuers or sellers of securities (including fees of the National Association of Securities Dealers, Inc.), transfer taxes, escrow fees, fees of transfer agents and registrars, and costs of insurance. Stockholder shall pay all underwriting discounts and selling commissions applicable to the sale of the Registrable Shares being registered.

(d) (i) The Company shall protect, indemnify and hold Stockholder, and its officers, directors, stockholders, attorneys, accountants, employees, affiliates, successors and assigns, harmless from any and all demands, claims, actions, causes of actions, lawsuits, proceedings, investigations, judgments, losses, damages, injuries, liabilities, obligations, expenses and costs (including costs of litigation and attorneys' fees), arising out of or based upon (aa) any untrue statement or alleged untrue statement of any material fact contained in or incorporated by reference into the Registration Statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, (bb) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (cc) any material violation by the Company of any rule or regulation promulgated under Act applicable to the Company and relating to action or inaction by the Company in connection with any such registration; provided, however, that the Company shall not be liable in the case of (aa) and (bb) above if and to the extent that the event otherwise giving rise to indemnification arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in conformity with information furnished by a person otherwise entitled to indemnification in writing specifically for use in the Registration Statement or prospectus or information contained in a writing that has been expressly approved or deemed approved by a person otherwise entitled to indemnification.

(ii) Stockholder shall protect, indemnify and hold the Company and its officers, directors, stockholders, attorneys, accountants, employees, affiliates, successors and assigns, harmless from any and all demands, claims, actions, causes of actions, lawsuits, proceedings, investigations, judgments, losses, damages, injuries, liabilities, obligations, expenses and costs (including costs of litigation and attorneys' fees), arising out of or based upon (aa) any untrue statement or alleged untrue statement of any material fact contained in or incorporated by reference into the Registration Statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, (bb) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (cc) any material violation by Stockholder of any rule

or regulation promulgated under the Act applicable to Stockholder and relating to action or inaction by Stockholder in connection with any such registration; provided, however, that Stockholder shall be liable in the case of (aa) and (bb) above only if and to the extent that the event giving rise to indemnification arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in conformity with information furnished by Stockholder in writing specifically for use in the Registration Statement or prospectus or information contained in a writing that has been expressly approved or deemed approved by Stockholder.

(iii) Promptly after receipt by an indemnified party under this Section (d) of notice of the threat or commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party hereunder, notify each such indemnifying party in writing thereof, but the omission so to notify an indemnifying party shall not relieve it from any liability which it may have to any indemnified party to the extent that the indemnifying party is not prejudice as a result thereof. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section (d) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so elected; provided, however, that, if the defendants in any such action include both an indemnified party and an indemnifying party and the related indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be believed to conflict with the interests of the indemnifying party, the indemnified party shall have the right to select separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation in be reimbursed by the indemnifying party as incurred. No indemnifying party shall be subject to any liability for any settlement made without consent which shall not be unreasonably withheld. No indemnifying party shall consent to the entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability with respect to such claim or litigation.

(e) Any notice or request herein required or permitted to be given to any party hereunder shall be given in writing and shall be personally delivered or sent to such party by prepaid mail at the address set forth below the signature of such party hereto or at such other address as such party may designate by written communication to the other party to this Agreement. Each notice given in accordance with this paragraph shall be deemed to have been given, if personally delivered, on the date personally delivered, or, if mailed, on the third day following the day on which it is deposited in the United States mail, certified or registered mail, return receipt requested, with postage prepaid.

(f) This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to the subject matter hereof. This Agreement may not be amended, supplemented, waived, or terminated except by written instrument executed by the Company and Stockholder. No waiver of any provision of this Agreement shall constitute a waiver of any other provision of this Agreement, nor shall such waiver constitute a waiver of any subsequent breach of such provision. This Agreement shall be binding upon and shall inure to the benefit of each party hereto and his or its respective successors, heirs, assigns, and legal representatives, but neither this Agreement nor any rights hereunder may be assigned by any party hereto without the consent in writing of the other party. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument. A party may execute this Agreement and transmit its signature by facsimile, which shall be fully binding, and the party taking such actions shall deliver a manually signed original as soon as is practicable.

[The Remainder of this Page Left Intentionally Blank]

[Signature Page to Registration Rights Agreement]

IN WITNESS WHEREOF, the undersigned have set their hands hereunto as of the first date written above.

"COMPANY"

[ \_\_\_\_\_ ]  
-----

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

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EXHIBIT A

STOCKHOLDER'S SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT

"Stockholder"

-----  
Signature

-----  
Printed Name

-----  
Street Address

-----  
City, State, Zip Code

Date: \_\_\_\_\_, 2003

Number of Registrable Shares:

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Subject to acceptance by the Company, the undersigned has completed this Subscription Agreement to evidence his/her subscription for, participation in the Shares of the Company, this day of \_\_\_\_\_, 2003, at \_\_\_\_\_, \_\_\_\_\_.

-----  
Subscriber

The Company has accepted this subscription this \_\_\_ day of \_\_\_\_\_, 2003.

[ \_\_\_\_\_ ], A [ \_\_\_\_\_ ] CORPORATION  
-----

By -----

Its -----











## REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT ("Agreement") is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 2003 by and between (i) [\_\_\_\_\_] a [\_\_\_\_\_] corporation (the "Company"), and (ii) those certain Participants under that certain Subscription Agreement of even date herewith between each Participant and the Company, each of whose signatures shall be included on Exhibit A hereto upon consummation of their respective portion of the transaction (each such Participant a "Stockholder").

## AGREEMENTS:

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by each of the Company and Stockholder, each of the Company and Stockholder hereby agrees as follows:

(a) While acting in a commercially reasonable fashion, the Company shall prepare and file for registration the shares of Common Stock issuable in connection with the financing on or before October 15, 2003, as otherwise limited herein. The term "registration" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder with the Securities and Exchange Commission, and the declaration or ordering of the effectiveness of such registration statement.

(b) In connection with the registration provided for hereunder, Stockholder shall use reasonable efforts to cooperate with the Company and shall furnish to the Company in writing such information with respect to it and its proposed distribution as shall be reasonably necessary in order to assure compliance with federal and applicable state securities laws.

(c) The Company shall pay all expenses incurred by the Company in complying with its registration obligations pursuant to this Agreement, including, without limitation, all registration, qualification, and filing fees, blue sky fees and expenses, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, all expenses of the underwriter customarily paid by issuers or sellers of securities (including fees of the National Association of Securities Dealers, Inc.), transfer taxes, escrow fees, fees of transfer agents and registrars, and costs of insurance. Stockholder shall pay all underwriting discounts and selling commissions applicable to the sale of the Registrable Shares being registered.

(d) (i) The Company shall protect, indemnify and hold Stockholder, and its officers, directors, stockholders, attorneys, accountants, employees, affiliates, successors and assigns, harmless from any and all demands, claims, actions, causes of actions, lawsuits, proceedings, investigations, judgments, losses, damages, injuries, liabilities, obligations, expenses and costs (including costs of litigation and attorneys' fees), arising out of or based upon (aa) any untrue statement or alleged untrue statement of any material fact contained in or incorporated by reference into the Registration Statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, (bb) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (cc) any material violation by the Company of any rule

or regulation promulgated under Act applicable to the Company and relating to action or inaction by the Company in connection with any such registration; provided, however, that the Company shall not be liable in the case of (aa) and (bb) above if and to the extent that the event otherwise giving rise to indemnification arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in conformity with information furnished by a person otherwise entitled to indemnification in writing specifically for use in the Registration Statement or prospectus or information contained in a writing that has been expressly approved or deemed approved by a person otherwise entitled to indemnification.

(ii) Stockholder shall protect, indemnify and hold the Company and its officers, directors, stockholders, attorneys, accountants, employees, affiliates, successors and assigns, harmless from any and all demands, claims, actions, causes of actions, lawsuits, proceedings, investigations, judgments, losses, damages, injuries, liabilities, obligations, expenses and costs (including costs of litigation and attorneys' fees), arising out of or based upon (aa) any untrue statement or alleged untrue statement of any material fact contained in or incorporated by reference into the Registration Statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, (bb) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (cc) any material violation by Stockholder of any rule or regulation promulgated under the Act applicable to Stockholder and relating to action or inaction by Stockholder in connection with any such registration; provided, however, that Stockholder shall be liable in the case of (aa) and (bb) above only if and to the extent that the event giving rise to indemnification arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in conformity with information furnished by Stockholder in writing specifically for use in the Registration Statement or prospectus or information contained in a writing that has been expressly approved or deemed approved by Stockholder.

(iii) Promptly after receipt by an indemnified party under this Section (d) of notice of the threat or commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party hereunder, notify each such indemnifying party in writing thereof, but the omission so to notify an indemnifying party shall not relieve it from any liability which it may have to any indemnified party to the extent that the indemnifying party is not prejudice as a result thereof. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section (d) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so elected; provided, however, that, if the defendants in any such action include both an indemnified party and an indemnifying party and the related indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be believed to conflict with the interests of the indemnifying party, the indemnified party shall have the right to

select separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred. No indemnifying party shall be subject to any liability for any settlement made without consent which shall not be unreasonably withheld. No indemnifying party shall consent to the entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability with respect to such claim or litigation.

(e) Any notice or request herein required or permitted to be given to any party hereunder shall be given in writing and shall be personally delivered or sent to such party by prepaid mail at the address set forth below the signature of such party hereto or at such other address as such party may designate by written communication to the other party to this Agreement. Each notice given in accordance with this paragraph shall be deemed to have been given, if personally delivered, on the date personally delivered, or, if mailed, on the third day following the day on which it is deposited in the United States mail, certified or registered mail, return receipt requested, with postage prepaid.

(f) This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof. This Agreement may not be amended, supplemented, waived, or terminated except by written instrument executed by the Company and Stockholder. No waiver of any provision of this Agreement shall constitute a waiver of any other provision of this Agreement, nor shall such waiver constitute a waiver of any subsequent breach of such provision. This Agreement shall be binding upon and shall inure to the benefit of each party hereto and his or its respective successors, heirs, assigns, and legal representatives, but neither this Agreement nor any rights hereunder may be assigned by any party hereto without the consent in writing of the other party. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument. A party may execute this Agreement and transmit its signature by facsimile, which shall be fully binding, and the party taking such actions shall deliver a manually signed original as soon as is practicable.

[The Remainder of this Page Left Intentionally Blank]

[Signature Page to Registration Rights Agreement]

IN WITNESS WHEREOF, the undersigned have set their hands hereunto as of  
the first date written above.

"COMPANY"

VERDISYS, INC.

By: /s/ Andrew Wilson

-----  
Andrew Wilson,  
Chief Financial Officer

Address: 10600 N. De Anza Boulevard  
Cupertino, California 95014

EXHIBIT A

STOCKHOLDER'S SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT

"Stockholder"

-----  
Signature

-----  
Printed Name

-----  
Street Address

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City, State, Zip Code

Date: \_\_\_\_\_, 2003

Number of Registrable Shares:

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## CERTIFICATION

I, Dan Williams, certify that:

1. I have reviewed this Amendment No. 2 to the Form 10-QSB/A of Verdisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weakness 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: December 3, 2003

/s/ Dan Williams

-----  
Name: Dan Williams  
Title: Principal Executive Officer

## CERTIFICATION

I, Andrew Wilson, certify that:

1. I have reviewed this Amendment No. 2 to the Form 10-QSB/A of Verdisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weakness 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: December 3, 2003

/s/ Andrew Wilson

-----  
Name: Andrew Wilson  
Title: Principal Accounting Officer

CERTIFICATION FURNISHED PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Amendment No. 2 to the Quarterly Report of Verdisys, Inc. (the "Company") on Form 10-QSB/A for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Williams, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dan Williams

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Name: Dan Williams  
Title: Principal Executive Officer  
Date: December 3, 2003

A signed original of this statement required by Section 906 has been provided to Verdisys, Inc. and will be retained by Verdisys, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION FURNISHED PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Amendment No. 2 to the Quarterly Report of Verdisys, Inc. (the "Company") on Form 10-QSB/A for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Wilson, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew Wilson

-----  
Name: Andrew Wilson  
Title: Principal Accounting Officer  
Date: December 3, 2003

A signed original of this statement required by Section 906 has been provided to Verdisys, Inc. and will be retained by Verdisys, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.