LONESTAR Group Holdings CO
Form 10QSB
May 15, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D. C. 20549

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FORM 10-QSB

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(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities and Exchange Act of 1934 for the period ended March 31, 2007.

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______________ to ____________.

Commission File Number: 333-86518

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Lonestar Group Holdings

(Name of small business issuer in its charter)

Nevada **75-3025152**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4606 FM 1960 West, Suite 400, Houston, Texas 77069

(Address of Principal Executive Offices and Zip Code)

(281) 315-8895

(Telephone number, including area code, of agent for service)

Securities Registered under Section 12(b) of the Exchange Act

None

Securities registered under Section 12(g) of the Exchange Act

None

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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

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

The issuer's revenue for its most recent fiscal year was $0.

The Company s common stock is quoted on the Over-the-Counter Bulletin Board under the trading symbol LSGH. The aggregate market value of the voting and non-voting common equity held by non-affiliates based upon a price per share of $.09 which was the closing price on March 30, 2007, is $1,993.316.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY US ENERGY HOLDINGS, INC.)

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY US ENERGY HOLDINGS, INC.)

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2007

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LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY US ENERGY HOLDINGS, INC.)

BALANCE SHEET

FOR THE THREE MONTHS ENDED MARCH 31, 2007

		2007
ASSETS		
Current Asset:		
Cash	$	465
Other Asset:		
Well Rights - Oil and Gas		50,000
TOTAL ASSETS	$	50,465
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	5,150
Loan payable - officers		176,879
Total Current Liabilities		182,029
STOCKHOLDERS' (DEFICIT)		
Common stock, $.001 Par Value; 75,000,000 shares authorized		
10,893,978 issued and outstanding		22,148
Warrants outstanding		777,357
Additional paid-in capital		3,069,188
Accumulated deficit		(4,000,257)
Total Stockholders' (Deficit)		(131,564)

TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT)	$	50,465

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

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY US ENERGY HOLDINGS, INC.)

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

		2007		2006
OPERATING EXPENSES				
Compensation	$	-	$	-
Consulting Services		-		
General and administrative expenses		10,227		861,379
Total Operating Expenses		10,227		861,379
OTHER INCOME				
Forgiveness of debt		-		-
Total Other income		-		-
(LOSS) BEFORE PROVISION FOR TAXES		(10,227)		(861,379)
Provision for income taxes		-		-
Net (loss) from continuing operations		(10,227)		(861,379)
DISCONTINUED OPERATIONS:				
Loss from Operations of Discontinued Segment		-		-
Net (loss)	$	(10,227)	$	(861,379)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	$	(0.00)	$	(0.14)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		18,502,718		6,378,400

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

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY US ENERGY HOLDINGS, INC.)

STATEMENTS OF CASH FLOW

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

		2007		2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Continuing Operations:				
Net (loss)	$	(10,227)	$	(861,379)
Adjustments to reconcile net (loss) to net cash				
(used in) operating activities:				
Common shares issued for services				
Changes in assets and liabilities:				686,300
Increase in accounts payable and accrued expenses		-		25,000
Total		-		(150,079)
Net cash (used in) operating activities		(10,227)		(150,079)
Discontinued Operations:				
Adjustments to reconcile net (loss) to net cash				
(used in) discontinued operations:				
Shares issued for termination agreement		-		-
(Loss) from discontinued operations		-		-
Change in assets disposed of		-		-
Net cash used in operating activities - discontinued division				
Discontinued Investing Activities:		-		-
Discontinued Financing Activities:		-		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in amounts due from related parties		10,227		150,000
Net cash provided by financing activities		10,227		150,000
NET (DECREASE) IN CASH		-		(79)
CASH AND CASH EQUIVALENTS -				
BEGINNING OF PERIOD		683		683
CASH AND CASH EQUIVALENTS - END OF PERIOD	$	683	$	604

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-

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

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LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 1- BASIS OF PRESENTATION

The interim financial statements included herein, presented in accordance with accounting principles generally accepted in the United States have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information present and not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the audited financial statements of the Company for the period ended December 31, 2005 and notes thereto included in the Company s Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

NOTE 2- HISTORY AND ORGANIZATION OF COMPANY

Karma Media, Inc. (the Company) was organized April 21, 1999 under the laws of the State of Nevada, as Le Gourmet Co. Inc.

On March 11, 2002, the Company amended its Articles of Incorporation to increase the number of authorized shares to 25,000,000 shares and to change the par value to $0.001.

On March 17, 2003, the Company amended its Articles of Incorporation to change its name to Estelle Reyna, Inc.

On September 11, 2003, the Company amended its Articles of Incorporation to change its name to Karma Media, Inc.

On July 8, 2005, the Company amended its Articles of Incorporation to change its name to PitBoss Entertainment, Inc.

On February 1, 2006, the Board of Directors Amended the Articles of Incorporation to change its name and address from PitBoss Entertainment, Inc., to US Energy Holdings, Inc. effective March 3, 2006.

On February 3, 2006, Claude Eldridge was named Chairman/CEO and Secretary of US Energy Holdings, Inc.

In February, 2006, the Company amended its Articles of Incorporation to increase the number of authorized shares to 75,000,000 shares at $0.001 par value.

On January 1, 2007, the Company amended its Articles of Incorporation to change its name to Lonestar Group Holdings Company.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Cash and cash equivalents

The Company maintains a cash balance in a non-interest bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents include funds held in a Paypal account. There were no such cash and cash equivalents as of December 31, 2006.

Fixed assets

Fixed assets are recorded at cost. Minor additions and renewals are expensed in the period incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using half year convention over the estimated useful lives as follows:

Computers and equipment 3 years

Impairment of long-lived assets

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. Management has not had any impairment adjustments for the three months ended March 31, 2007 and 2006, respectively.

Revenue recognition

The Company as of October 2005 and January 2006 ceased its former business plans. The Company formerly recognized revenue when earned through affiliate programs. The affiliate programs are with various companies whereby they will pay a referral or commission for sales generated through a link on the Company s website. The affiliates generally took 30 days to process the commission once the sale occurs. The Company recognized the commission once it was notified of the amount. For consulting, on-line marketing and sponsorship and appearance income the Company recognizes revenue as services are performed.

Advertising costs

The Company expenses all costs of advertising as incurred. The advertising costs are included in general and administrative expenses in the statements of operations for the three months ended March 31, 2007 and 2006.

Oil and Gas Exploration and Development

Property Acquisition Costs - Oil and gas leasehold acquisition costs are capitalized and included in the balance sheet caption properties, plants and equipment. Leasehold impairment is recognized based on exploratory experience and management s judgment. Upon discovery of commercial reserves, leasehold costs are transferred to proved properties.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Oil and Gas Exploration and Development (Continued)

Exploratory Costs -Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are expensed as incurred. Exploratory well costs are capitalized, or suspended, on the balance sheet pending further evaluation of whether economically recoverable reserves have been found. If economically recoverable reserves are not found, exploratory well costs are expensed as dry holes. If exploratory wells encounter potentially economic quantities of oil and gas, the well costs remain capitalized on the balance sheet as long as sufficient progress assessing the reserves and the economic and operating viability of the project is being made. For complex exploratory discoveries, it is not unusual to have exploratory wells remain suspended on the balance sheet for several years while we perform additional appraisal drilling and seismic work on the potential oil and gas field, or we seek government or co-venturer approval of development plans or seek environmental permitting. Once all required approvals and permits have been obtained, the projects are moved into the development phase and the oil and gas reserves are designated as proved reserves.

Unlike leasehold acquisition costs, there is no periodic impairment assessment of suspended exploratory well costs. In addition to reviewing suspended well balances quarterly, management continuously monitors the results of the additional appraisal drilling and seismic work and expenses the suspended well costs as a dry hole when it judges that the potential field does not warrant further investment in the near term.

Earnings (Loss) Per Share of Common Stock

Historical net (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be anti-dilutive for periods presented. As of September 30, 2005, the Company had 3,000,000 warrants available.

The following is a reconciliation of the computation for basic and diluted EPS:

		2007		2006
Net (Loss)	$	(10,227)	$	(861,379)
Weighed-average common shares outstanding (Basic)		22,147,956		6,378,400
Weighed-average common shares equivalents:				
Stock options		-		-
Warrants		-		-
Weighed-average common shares outstanding (Diluted)		22,147,956		6,378,400

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Start-up costs

Reporting on the costs of start-up activities Statement of Position 98-5 (SOP 98-5), Reporting on the Costs of Start-Up Activities, which provides guidance on the financial reporting of start- up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company s financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

Fair value of financial instruments discussed herein are based upon certain market assumptions and pertinent information available to management as of March 31, 2007 and 2006. The respective carrying value of certain balance sheet financial instruments approximated their fair values. These financial instruments include cash and equivalents, accounts receivable, prepaid expenses and accounts payable and accrued expenses. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Reclassification

Certain amounts for the period ended December 31, 2005 have been reclassified to conform to the presentation of the December 31, 2006 amounts. The reclassifications have no effect on the net loss for the period ended December 31, 2006.

Income taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable on the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Discontinued Operations

In accordance with SFAS No. 144, Accounting for the Impairment or disposal of Long-Lived Assets, discontinued operations include components of entities or entire entities that, through disposal transactions, will be eliminated from the on-going operations of the Company.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Recent pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, Inventory Costs. SFAS No. 151 requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges. Additionally, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The standard is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material impact on the Company s financial position or results of operations.

Recent pronouncements (Continued)

On December 16, 2004, the Financial Accounting Standards Board (FASB) published Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of FAS 123R, as amended, are effective for small business issuers beginning as of the next fiscal year after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Previously, the Company accounted for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements (note 3(e)). The adoption of SFAS No. 123R did not have a material impact on the Company s financial position, results of operations, or cash flows.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS No. 154 replaces Accounting Principles Board (APB) Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company s financial position, results of operations, or cash flows.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140. SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets, and permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS

No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 155 is not anticipated to have a material impact on the Company s financial position, results of operations, or cash flows.

Recent pronouncements (Continued)

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140. SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer s financial assets that meets the requirements for sale accounting, a transfer of the servicer s financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 156 is not anticipated to have a material impact on the Company s financial position or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*,(FAS 157). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of FAS 157 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 3- SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

The FASB also issued in September 2006 Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statement No. 87, 88, 106 and 132(R),* (FAS 158) . This Standard requires recognition of the funded status of a benefit plan in the statement of financial position. The Standard also requires recognition in other comprehensive income certain gains and losses that arise during the period but are deferred under pension accounting rules, as well as modifies the timing of reporting and adds certain disclosures. FAS 158 provides recognition and disclosure elements to be effective as of the end of the fiscal year after December 15, 2006 and measurement elements to be effective for fiscal years ending after December 15, 2008. The Company has not yet analyzed the impact FAS 158 will have on its financial condition, results of operations, cash flows or disclosures.

NOTE 4- INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS No. 109), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

At March 31, 2007, deferred tax assets consisted of the following:

Deferred tax assets	$	1,200,000

Less: valuation allowance		(1,200,000)
Net deferred tax assets	$	-

At March 31, 2007, the Company had accumulated deficits in the amount of $4,000,257 available to offset future taxable income through 2026. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 5- STOCKHOLDERS (DEFICIT)

As of March 31, 2007 the Company had 22,147,956 shares of common stock outstanding.

The Company issued 360,000 shares of its stock with a fair value of $0.05 per share to various investors for cash totaling $18,000.

On January 31, 2007 the board of directors increased the shareholders position by issuing a 1 for 1 restricted dividend for shareholders of record.

On January 10, 2006, the Company issued 500,000 shares of its $0.001 par value common stock to an officer of the Company as compensation. The fair value was $100,000.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 5- STOCKHOLDERS (DEFICIT) (CONTINUED)

On March 28, 2006, the Company issued 2,255,000 shares of its $0.001 par value common stock to individuals in a termination agreement. The fair value was $586,300.

The Company is authorized to issue 75,000,000 shares of its $0.001 par value common stock.

On November 30, 2006, the Company re-issued 500,000 shares of its $0.001 par value common stock to an officer of the Company as compensation. The fair value was $50,000.

On December 5, 2006, the Company issued 5,000,000 shares of its $0.001 par value common stock to a corporation for public relations, which should have been issued on March 25, 2005. The fair value was $475,000.

On July 8 2005, the Company reported and approved a 10 to 1 reverse split of its $0.001 par value common stock.

During 2005, the Company issued 97,898 shares of its $0.001 par value common stock to individuals in a termination agreement. The fair value was $ 802,036.

All share and per share amounts have been retroactively restated to reflect the splits discussed above.

NOTE 6- WARRANTS AND OPTIONS

On December 4, 2003, the Company issued one warrant to a consultant to purchase 3,000,000 shares of the Company s $0.001 par value common stock. The warrant exercise price is $0.50 per share of common stock and substantially all warrants will expire on or before October 31, 2013. The warrant has been determined to have a market value of $777,357 using the Black- Scholes option pricing model with a market value per common share of $0.50, a risk free rate of return of 4.41%, an exercise period of ten years and a volatility of 80% and was discounted for the lack of marketability.

During the year ended December 31, 2006, no warrants have been exercised.

NOTE 7- LOAN PAYABLE - OFFICERS

These amounts represent loans payable to various current and former officers of the Company for working capital needs, due on demand and without any repayment terms.

NOTE 8- RELATED PARTY TRANSACTIONS

During the year ended March 31, 2007 and 2006, the Company paid the president of the Company $0 and $56,000, respectively for his services.

During the year ended March 31, 2007 and 2006, the Company paid the secretary of the Company $0 and $110,000, respectively for her services.

LONESTAR GROUP HOLDINGS COMPANY

(FORMERLY PITBOSS US ENERGY HOLDINGS, INC.)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 8- RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended December 31, 2006, the Company issued 500,000 shares of its $0.001 par value common stock to a former officer of the Company as compensation valued at $100,000.

During the year ended December 31, 2006, the Company issued 500,000 shares of its $0.001 par value common stock to a former officer of the Company as compensation valued at $50,000.

During the year ended December 31, 2006, one of the officer s loans payable to a former officer of the Company was forgiven totaling $15,587 and is included in other income.

Office space and services were provided without charge by an officer, director and shareholder through December 2005. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

NOTE 9- COMMITMENT

On December 4, 2003, the Company executed a consulting agreement with Christopher Pair to assist the Company with strategic planning and introducing potential business partners and customers. The agreement provides for (a) consulting fees paid quarterly based on 20% of net revenues less certain revenues attributable to revenues not associated with the contract and other expenses; and (b) issuance of one warrant to purchase up to 3,000,000 shares of the Company s $0.001 par value common stock. Consulting fees associated with the warrant were based on a value of

$0.50 per share. The value of the warrant was based on the then- market closing price of the Company s common stock. The Company then discounted both the then- market closing price because the shares issued and options to purchase shares were restricted and the volume of trading of the Company s common stock that was not restricted was relatively low. The resulting consulting expense recognized for the warrant issuance was $777,356 for the three months ended December 31, 2003. During the year ended December 31, 2006, the Company has not paid or accrued any consulting fees.

NOTE 10- GOING CONCERN

As shown in the accompanying financial statements, the Company has sustained net operating losses for the three months ended March 31, 2007 and 2006, and has sustained large accumulated deficits.

The Company s future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities. At December 31, 2006 there is substantial doubt whether this can happen. There is no guarantee that the Company will be able to generate revenues in the near future.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Item 2. Management's Discussion and Analysis or Plan of Operation.

Forward-Looking Statements

This Annual Report contains forward-looking statements about Lonestar Group Holdings Company business, financial condition and prospects that reflect management s assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management s assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, Lonestar Group Holdings Company actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *believes, expects, intends, plans, anticipates, estimates* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Management s Discussion and Plan of Operation

We were incorporated on January 01, 2006, and have begun our planned principal operations. Our efforts to date have focused primarily on formation and organization of our company and the development and implementation of our business Natural Gas plan. During the three and nine months ended December 31, 2006 and 2005, we did not generate any revenues. We have generated a total of $0 in revenues from our Natural Gas services. We do not have any long-term agreements to provide our services to any customer. As a result, we are unable to predict the stability of, and ability to continue to generate, ongoing revenues.

Lonestar Group Holdings has spent the past two and a half months or so restructuring its business model and the company as well as planning its spin off subsidiary strategy for its acquired companies.

At the end of December, Lonestar Group Holdings (LSGH.OB) announced a restructuring of its business model to focus on shareholder appreciation and value, a statement by the company said. Lonestar currently has business interests in insurance, natural gas, real estate, business development and financial services.

Our business' gross profitability is expected to grow over the coming quarters due to the fact that we have our core businesses in position to profit in both sales and development.

The company said that it planned to spin off its future subsidiaries. Shareholders are to receive a pro-rata percentage of registered shares in every sector that is spun off from Lonestar Holdings.

Lonestar Holdings will operate as a business development company that incubates, develops, and acquires portfolio companies in various industries to maximize shareholder value through eventual public offering, sale, or merger, acquisition or similar business combination, So, for all practical purposes, ownership of Lonestar Holdings will lead to ownership in future spin-offs and shareholder dividends from both companies.

We do not believe that our business is subject to seasonal factors. Our management does not expect to incur costs related to research and development. We currently do not own any significant plant or equipment that we would seek to sell in the near future.

The company has not yet drilled the well sites described in Ozona Texas and that factor has limited our ability to maintain our operating objectives. Our management believes it is imperative to hire additional employees and/or officers and directors within the next three to six months. If we are unable to hire additional personnel, either as employees, directors, officers or outside consultants, we may be unable to continue operating as a going concern.

On January 29, 2007 - Lonestar Group Holdings (OTCBB: LSGH), announce that a meeting of the LONESTAR GROUP HOLDINGS INC. Board of Directors was called to order at approximately 10:00 AM on January 22nd, 2007 at the Offices of LONESTAR GROUP HOLDINGS Inc. Located at 4606 1960 W Houston Texas, 77069, it was unanimously approved that a special dividend to the current shareholders of Lonestar Group Holdings would be issued on a 1 for 1 LIKE KIND basis, the stock dividend would be issued by the company s transfer agent of record and the stock described would be LIKE KIND . The stock would be issued to all shareholders of record as of 02-07-07 with a Pay Date of 2-14-07.

On December 20, 2006 US Energy Holdings (OTCBB: USEH) announced that the board of directors agreed on the name (LoneStar Group Holdings Company) for the parent company.

The company reported on December 10, 2006 The Company management commented: The company now has the ability to leverage the bankable gas reserves of its properties in Ozona Texas and thus will allow the company to acquire and expand it s asset portfolio . The company concluded: We will release expanded information on this and the other significant matters that have taken place over the last few weeks in our 8k sometime this week .

The company has several acquisition candidates that it is interviewing at this time and plans to release information to the public as it becomes available.

Our goal is to position the company for exponential growth while building a strong base of residual income. We have tried and proven methods for achieving growth that will put the company on the leading edge, and most importantly, add profits to the bottom line.

Through our diverse professional skills and clarity of purpose and values, we plan to grow a highly successful company.

Lonestar Group Holdings Company does not have any off-balance sheet arrangements.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.

Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation as of the end of the period covered by this report, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our board of directors was advised by Bagell, Josephs & Company, L.L.C., our independent registered public accounting firm, that during their performance of audit procedures for 2005 & 2006 Bagell, Josephs & Company, L.L.C. identified a material weakness as defined in Public Company Accounting Oversight Board Standard No. 2 in our internal control over financial reporting.

This deficiency consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews. However, our size prevents us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Item 1. Exhibits

31.1	CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 PURSUANT TO REGULATION SS.240.15D-14 AS PROMULAGATED BY THE SECURITIES AND EXCHANGE COMMISSION
32	CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

SIGNATURES

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

			Lonestar Group Holdings Company
Date:	May 15, 2007	By:	/s/Claude Eldridge
			Claude Eldridge
		Title:	Chairman, Chief Executive Officer and Director