BLAST ENERGY SERVICES, INC.
Form 10-Q
May 18, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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

For the transition period from   to

Commission file number: 000-53725

Blast Energy Services, Inc.
(Exact name of registrant as specified in its charter)

Texas	22-3755993
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

P.O. Box 710152
Houston, Texas 77271-0152
(Address of Principal Executive Offices)

(281) 453-2888
(Registrant's Telephone Number, Including Area Code)

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 x No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

As of May 15, 2012, 71,425,905 shares of the registrant’s common stock, $0.001 par value per share, were outstanding, including 1,150,000 approved but unissued shares arising from the class action settlement from 2005.

Blast Energy Services, Inc.

For the Three Months Ended March 31, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BLAST ENERGY SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$3,097	$19,428
Accounts receivable, net	20,742	16,507
Prepaid expenses and other current assets	68,655	30,472
Total current assets	92,494	66,407
Oil and gas properties - full cost method		
Proved oil and gas properties	1,212,824	1,216,277
Unproved oil and gas properties	696,178	696,178
Less: accumulated depletion	(512,973)	(493,186)
Oil and gas properties, net	1,396,029	1,419,269
Equipment, net	381,421	396,754
Total assets	$1,869,944	$1,882,430
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$82,437	$84,196
Accrued expenses	672,197	632,349
Accounts payable and accrued expenses - related parties	396,413	367,763
Note payable - related parties	106,150	106,150
Notes payable - net of discount of $79,009 and $11,944, respectively	1,561,589	1,272,731
Total current liabilities	2,818,786	2,463,189
Long term liabilities:		
Notes payable - related party	1,120,000	1,120,000
Asset retirement obligations	41,712	44,160
Total liabilities	3,980,498	3,627,349
Commitments and contingencies	-	-
Stockholders' equity (deficit):		
Series A Preferred Stock, $.001 par value, 20,000,000 shares authorized; 6,000,000 shares issued and outstanding	6,000	6,000
Series B Preferred Stock, $.001 par value, 1 share authorized 1 share issued and outstanding, respectively	-	-
Common Stock, $.001 par value, 180,000,000 shares authorized;		

71,425,905 and 71,425,905 shares issued and outstanding	71,426	71,426
Additional paid-in capital	76,389,124	76,389,124
Accumulated deficit	(78,577,104)	(78,211,469)
Total stockholders' equity (deficit)	(2,110,554)	(1,744,919)
Total liabilities and stockholders' equity (deficit)	$1,869,944	$1,882,430

See accompanying notes to unaudited consolidated financial statements

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BLAST ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2012 and 2011
(unaudited)

	2012	2011
Revenues	$118,214	$106,527
Cost of revenues		
Services	-	5,502
Lease operating costs	67,353	70,374
Total cost of revenues	67,353	75,876
Operating expenses:		
Selling, general and administrative expense	190,981	426,514
Depreciation, depletion and amortization	36,124	34,916
Total operating expenses	227,105	461,430
Operating loss	(176,244)	(430,779)
Other expense:		
Interest expense	(189,391)	(113,775)
Total other expense	(189,391)	(113,775)
Loss from continuing operations	(365,635)	(544,554)
Loss from discontinued operations	-	(3,686)
Net loss	$(365,635)	$(548,240)
Preferred dividends	59,836	59,178
Net loss attributable to common shareholders	$(425,471)	$(607,418)
Net (loss) per common share - Basic and Diluted:		
Continuing operations	$(0.01)	$(0.01)
Discontinued operations	0.00	0.00
	$(0.01)	$(0.01)
Weighted average common shares outstanding:		
Basic and diluted	71,425,905	69,941,090

See accompanying notes to unaudited consolidated financial statements

BLAST ENERGY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2012 and 2011
(unaudited)

	2012	2011
Cash Flows From Operating Activities:		
Net loss	$(365,635)	$(548,240)
Loss from discontinued operations	-	3,686
Loss from continuing operations	(365,635)	(544,554)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization - oil and gas	36,124	34,916
Amortization of discount and financing costs	111,745	69,791
Stock-based compensation	-	171,168
Loss on disposal of equipment	-	1,315
Changes in:		
Accounts receivable	(4,235)	53,506
Prepaid expenses and other current assets	(5,082)	11,827
Accounts payable	(1,758)	(30,064)
Accrued expenses	39,848	93,566
Accrued expense – related party	28,650	22,400
Net cash used in operating activities	(160,343)	(116,129)
Cash Flows From Investing Activities:		
Proceeds from sale of fixed assets	-	11,200
Net cash used in investing activities	-	11,200
Cash Flows From Financing Activities:		
Payments on short term debt	(11,246)	(36,586)
Borrowings on short term debt, net of financing costs	155,258	84,352
Proceeds from warrants exercised	-	7,500
Net cash provided by (used in) financing activities	144,012	55,266
Net cash provided by discontinued operating activities	-	(3,686)
Net change in cash	(16,331)	(53,349)
Cash at beginning of period	19,428	373,470
Cash at end of period	$3,097	$320,121
Cash paid for:		
Interest	$47,283	$3,992
Income taxes	-	-
Non-cash investing and financing transactions:		
Note payable issued to finance insurance	53,893	59,039
Shares issued for accrued expenses	-	249,000

See accompanying notes to unaudited consolidated financial statements

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BLAST ENERGY SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Blast Energy Services, Inc. (“Blast” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) 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 Blast’s latest Annual Report filed with the SEC on Form 10-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 interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate disclosures contained in the audited financial statements for the most recent fiscal year, as reported in the Form 10-K, have been omitted.

Blast’s consolidated financial statements include the accounts of Blast and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

NOTE 2 – DESCRIPTION OF BUSINESS

Business. Blast Energy Services, Inc. (“Blast” or the “Company”) is seeking to become an independent oil and gas producer with additional revenue potential from its applied fluid jetting ("AFJ") technology. Blast plans to grow operations, initially through the acquisition of oil producing properties, and then eventually through the acquisition of oil and gas properties where its applied fluid jetting process could be used to increase field production volumes and, therefore, the value of the properties in which it owns an interest.

As a part of this shift in strategy, in September 2010, with an effective date of October 1, 2010, Blast closed on the acquisition of oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas, and in October 2010, Blast entered into a Letter of Intent with Solimar Energy LLC as described in Note 7 below. Blast also determined that the Satellite Services business was no longer a crucial part of Blast’s future and steps were taken to divest this business unit further discussed in Note 15.

On January 13, 2012, the Company entered into an Agreement and Plan of Reorganization with Blast Acquisition Corp., a newly formed wholly-owned Nevada subsidiary of the Company (“MergerCo”), and Pacific Energy Development Corp., a privately-held Nevada corporation (“PEDCO”), pursuant to which MergerCo will be merged with and into PEDCO, with PEDCO being the surviving entity and becoming a wholly-owned subsidiary of the Company, in a transaction structured to qualify as a tax-free reorganization.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications. Certain amounts in the consolidated financial statements of the prior year have been reclassified to conform to the current presentation for comparative purposes.

Use of Estimates in Financial Statement Preparation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Significant estimates include those with respect to the amount of recoverable oil and gas reserves, the fair value of financial instruments, oil and gas depletion, asset retirement obligations and stock based compensation.

Revenue Recognition. All revenue is recognized when persuasive evidence of an arrangement exists, the service or sale is complete, the price is fixed or determinable and collectability is reasonably assured. Revenue is derived from the sale of crude oil and down hole services. Revenue from crude oil sales is recognized when the crude oil is delivered to the purchaser and collectability is reasonably assured. Revenue from services is recognized when the service is delivered or completed and collection is reasonably assured. The Company follows the "sales method" of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected. We recognize reimbursements received from third parties for out-of-pocket expenses incurred as service revenues and account for out-of-pocket expenses as direct costs.

Cash Equivalents. Blast considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Allowance for Doubtful Accounts. Blast does not require collateral from its customers with respect to accounts receivable, but performs periodic credit evaluations of such customer's financial condition. Blast determines any required allowance by considering a number of factors including length of time accounts receivable are past due and Blast's previous loss history. Blast provides reserves for accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of March 31, 2012 and December 31, 2011, Blast determined that no allowance for doubtful accounts was required.

Equipment. Equipment is stated at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the life or improve existing equipment are capitalized. Upon disposition or retirement of equipment, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 3 to 10 years.

Oil and Gas Properties, Full Cost Method. Blast uses the full cost method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells used to find proved reserves, and to drill and equip development wells, including directly related overhead costs, and related asset retirement costs are capitalized.

Under this method, all costs, including internal costs directly related to acquisition, exploration and development activities, if any, are capitalized as oil and gas property costs on a field by field basis. Sales of oil and gas properties or interests therein are credited against capitalized costs in the full cost pool. Properties not subject to amortization consist of exploration and development costs which are evaluated on a property-by-property basis. Amortization of these unproved property costs begins when the properties become proved or their values become impaired. Blast will assess the probability of realization of unproved properties, if any, on at least an annual basis or when there has been an indication that impairment in value may have occurred. Impairment of unproved properties is assessed based on management's intention with regard to future exploration and development of individually significant properties and the ability of Blast to obtain funds to finance such exploration and development. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. Costs of oil and gas properties are amortized using the units of production method.

Ceiling Test. In applying the full cost method, Blast performs an impairment test (ceiling test) at each reporting date, whereby the carrying value of oil and gas property and equipment is compared to the "estimated present value" of its proved reserves, discounted at a 10% interest rate of future net revenues based on current operating conditions at the end of the period and the average, first day of the month price received for oil and gas production over the preceding 12 month period, plus the cost of properties not being amortized, plus the lower of cost or fair market value of unproved properties included in costs being amortized, less the income tax effects related to book and tax basis differences of the properties.

Impairment of Long-Lived Assets. Blast reviews the carrying value of its long-lived assets (other than oil and gas properties, which are subject to a quarterly ceiling test impairment analysis) annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. Blast assesses recoverability of the carrying value of the asset by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposition. If the future net undiscounted 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 estimated fair value.

Accounting for Asset Retirement Obligations. If a reasonable estimate of the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells can be made, Blast will record a liability (an asset retirement obligation or ARO) on its consolidated balance sheet and capitalize the present value of the asset retirement cost in oil and gas properties in the period in which the retirement obligation is incurred. In general, the amount of an ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation assuming the normal operation of the asset, using current prices that are escalated by an assumed inflation factor up to the estimated settlement date, which is then discounted back to the date that the abandonment obligation was incurred using an assumed cost of funds for Blast. After recording these amounts, the ARO will be accreted to its future estimated value using the same assumed cost of funds and the capitalized costs are depreciated on a unit-of-production basis within the related full cost pool. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statements of operations.

Fair Value of Financial Instruments. The carrying amount of Blast's cash, accounts receivables, accounts payables, and accrued expenses approximates their estimated fair values due to the short-term maturities of those financial instruments. Management believes the fair value of the promissory notes entered into in connection with the funding arrangement for the Guijarral Hills Exploitation Project approximates the fair value due to the short-term nature of the instruments.

Income Taxes. Blast utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carry-forwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that the value of such assets will be realized.

Stock-Based Compensation. Pursuant to the provisions of FASB ASC 718, Compensation – Stock Compensation, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

The Company estimates volatility by considering the historical stock volatility. The Company has opted to use the simplified method for estimating expected term, which is generally equal to the midpoint between the vesting period and the contractual term.

Earnings or Loss per Share. Basic earnings per share equal net earnings or loss divided by weighted average common shares outstanding during the period. Diluted earnings per share include the impact on dilution from all contingently issuable shares, including options, warrants and convertible securities. The common stock equivalents from contingent shares are determined by the treasury stock method. Blast incurred a net loss for the three month periods ended March 31, 2012 and 2011 and therefore, basic and diluted earnings per share for those periods are the same as all potential common equivalent shares would be anti-dilutive.

Recently Issued Accounting Pronouncements. There were various accounting standards and interpretations issued during 2012 and 2011, none of which are expected to have a material impact on Blast's financial position, operations or cash flows.

Subsequent Events. We evaluated all transactions from March 31, 2012 through the financial statement issuance date for the subsequent event disclosure.

NOTE 4 – GOING CONCERN

Blast had a cash balance of approximately $3,000, current assets of approximately $92,000 and a stockholders' deficit of approximately $2.1 million as of March 31, 2012. Blast had a loss from continuing operations of approximately $366,000 for the three months ended March 31, 2012 and an accumulated deficit at March 31, 2012 of approximately $78.6 million. The consolidated financial statements do not include any adjustments that might be necessary if Blast is unable to continue as a going concern. These conditions create substantial doubt as to Blast's ability to continue as a going concern. Management is trying to grow the existing business but may need to raise additional capital through sales of common stock or convertible instruments, as well as financing from third parties.

NOTE 5 - MERGER AGREEMENT – PACIFIC ENERGY DEVELOPMENT CORP.

On January 13, 2012, Blast entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with Blast Acquisition Corp., a newly formed wholly-owned Nevada subsidiary of the Company ("MergerCo"), and Pacific Energy Development Corp., a privately-held Nevada corporation ("PEDCO"), pursuant to which MergerCo will be merged with and into PEDCO, with PEDCO being the surviving entity and becoming a wholly-owned subsidiary of the Company, in a transaction structured to qualify as a tax-free reorganization (the "Merger"). Pursuant to the Merger Agreement, prior to the effective time of the Merger (the "Effective Time"), the Company will amend its Certificate of Formation and Designation to: (i) convert all outstanding shares of the Company's Series A Convertible Preferred Stock and Series B Preferred Stock into common stock of the Company on a one to one basis, and immediately thereafter, (ii) the Company will effectuate a reverse stock split, with the end result being that the Company will not have more than 2,400,000 shares of common stock issued and outstanding on a fully-diluted basis prior to the Merger (the "Shares Limit"), which will include the converted preferred stock, converted debt securities (as described below), and all options and warrants issued but not exercised (the "Reverse Split" and the "Amendment"). Furthermore, in connection with the Reverse Split and the Amendment, the Company has agreed to change its name to "PEDEVCO Corp.", and amend its Certificate of Formation and Designation, so that the Company shall have an authorized capitalization consisting of 300,000,000 shares of capital stock post-Reverse Split, which shall consist of 200,000,000 shares of common stock, $0.001 par value per share ("Common Stock"); and 100,000,000 authorized shares of Preferred Stock, including (a) 25,000,000 authorized shares of Series A Convertible Preferred Stock, $0.001 par value per share ("new Series A Preferred Stock"), which shares shall be designated in connection with the amendment to the Certificate of Formation and Designation and which shall amend and replace the currently designated Series A and Series B Preferred Stock designations, and have such terms and conditions as described in the Form of Amended and Restated Certificate of Formation and Designation.

In addition, prior to the closing of the Merger, PEDCO has agreed to advance certain transaction-related fees and expenses to the Company, which advances, if not reimbursed to PEDCO by the Company prior to the filing date of the Amendment, shall result in a reduction of the Shares Limit (for the purposes of the Reverse Split described above) by one (1) share of Common Stock for each $1.00 advance that has not been repaid to PEDCO by such filing date. For example, if upon the filing of the Amendment, PEDCO has paid the Company $100,000 in advances, the Company's stockholders will collectively own 2,300,000 fully-diluted shares of the Company's Common Stock subsequent to the Reverse Split and prior to the Merger (i.e., a 100,000 share reduction for the terms of the Merger as described above).

After the Reverse Split, at the Effective Time of the Merger, MergerCo will merge into PEDCO, with the stockholders of PEDCO receiving one (1) share of the Company's post-Reverse Split Common Stock or new Series A Preferred Stock, as applicable, for each share of PEDCO Common Stock or PEDCO Series A Convertible Preferred Stock then held by the PEDCO shareholders and all outstanding warrants and options of PEDCO at the Effective Time being assumed by the Company. PEDCO shall have no more than 45 million shares issued and outstanding, or committed for future issuance, on a fully-diluted basis at the time of the Merger. As a result of the Merger, the stockholders of PEDCO are anticipated to receive up to approximately 95% of the issued and outstanding capital stock of the Company in the Merger.

The consummation of the Merger is subject to a number of conditions precedent including the Company amending its Certificate of Formation and Designation, which includes the conversion of all of its existing Preferred Stock into Common Stock and the Reverse Split, and the conversion of the various outstanding debts of the Company, as described below under BMC Debt Conversion and Other Debt Conversions, into Common Stock, and is subject to the satisfaction of customary conditions to closing, including, without limitation, satisfactory completion of the parties' due diligence review, and receipt of necessary board and stockholder approval. The result of the Merger, assuming it is consummated, is that the business of PEDCO will become the business of the Company, PEDCO's officers and Director will become the officers and Directors of the Company, and the shareholders of PEDCO will become the majority shareholders of the Company.

In connection with the Merger Agreement, the Company has entered into various voting agreements (the “Voting Agreement”), with certain security and debt holders of the Company, including the debt holders executing the BMC Debt Conversion Agreement and the Note Purchase Amendment, described below, whereby those debt holders and stockholders have agreed to vote Company capital stock held by them in favor of the Merger Agreement. These Voting Agreements terminate on the earlier of the termination of the Merger Agreement or, on June 1, 2012, if the Merger is not consummated by such date. The Company is currently in discussions to extend the Merger Agreement to August 2, 2012.

BMC Debt Conversion

In connection with the Merger Agreement, on January 13, 2012, the Company entered into a Debt Conversion Agreement (the “BMC Debt Conversion Agreement”) with Berg McAfee Companies, LLC (“BMC”), and Clyde Berg, (“Berg”). The Company had previously entered into: (1) a Secured Promissory Note Agreement, dated February 27, 2008, as amended on January 5, 2011 with BMC in the aggregate principal amount of $1,120,000 (the "BMC Note"); and (2) a Promissory Note, dated May 19, 2011, with Berg in the aggregate principal amount of $100,000 (the "Berg Note" and collectively with the BMC Note, the “Notes”).

The BMC Debt Conversion Agreement modifies the Notes to provide that all principal and accrued interest under the Notes shall be converted into shares of the Company's Common Stock (pre-Reverse Split) at a conversion price of Two Cents ($0.02) per share (the “Conversion”). As of March 31, 2012, the outstanding principal and accrued interest under the Notes is approximately $1,487,397, which would convert into 74,369,850 pre-Reverse Split shares of Common Stock. The BMC Debt Conversion Agreement can be terminated by either party in the event the record date for the shareholder meeting has not occurred by June 1, 2012 or if the Board of Directors of the Company withdraws or materially modifies their recommendation of the Merger (the “Termination Rights”). In connection with the BMC Debt Conversion Agreement, BMC and Berg also entered into the Voting Agreement, described above.

Debt Modifications

In connection with the Merger, on January 13, 2012, the Company entered into the Amendment to Note Purchase Agreement (the “Note Purchase Amendment”), with the Lender in connection with the Company’s debt obligations under certain secured notes with the Lender. The Note Purchase Amendment amended the Note Purchase Agreement, dated February 24, 2011 (the “Note Purchase Agreement”) primarily in order (i) to grant consent to the Merger Agreement, (ii) to waive, solely with respect to the Company post-Merger, certain loan covenants and restrictions as they relate to the assets of PEDCO and the operations of the Company post-Merger, (iii) to waive the Lender’s right of first refusal to provide additional funding to the Company; and (iv) to provide for the conversion of up to 50% of the loan amounts outstanding to the Lender in the original principal amount of $2,522,111, of which approximately $1,306,078 was owed as of the date of the parties entry into the Note Purchase Amendment, into shares of the Company’s Common Stock at $0.75 per share on a post-Reverse Split basis at the option of Lender at any time after June 9, 2012, provided that the Company in its sole discretion may waive the 50% conversion limitation. The conversion rights described above are subject to the Lender being prohibited from converting any portion of the outstanding notes which would cause it to beneficially own more than 4.99% of the Company’s then outstanding shares of common stock, subject to the Lender’s right to increase such limit to up to 9.99% of the Company’s outstanding shares with 61 days prior written notice to the Company.

The Promissory Notes issued in connection with the Note Purchase Amendment were amended to provide an extension of the maturity date of such Promissory Notes, which were due February 2, 2012, to: (i) thirty (30) days after the termination of the Merger Agreement, if the Merger Agreement is terminated before June 1, 2012, (ii) June 1, 2012, if the Effective Date of the Merger has not occurred by such date, (iii) August 2, 2012, or (iv) the date all obligations and indebtedness under such Promissory Notes are accelerated in accordance with the terms and conditions of such Promissory Notes. Furthermore, commencing February 2, 2012, the interest amount on the Promissory Notes was increased from 10% to 18% per annum, and the new interest rate includes both the principal amount and the Exit Fee payable below, and as further described under the Promissory Notes. Lastly, the Exit Fee, which is 12% of the repayment amount, was increased by an aggregate of $15,000 for the Promissory Notes.

Other Debt Conversions

In connection with the Merger, the Company further approved the conversion of certain other outstanding debt obligations of the Company at $0.02 per share upon the Conversion Date, subject to the Termination Rights. As of

March 31, 2012, these debt obligations include: $308,500 of accrued compensation due to the members of Board of Directors, $6,150 of short term loans from members of the Board of Directors, $232,209 of accrued salaries and vacation pay owed to the Company's employees, and approximately $119,990 in accrued finders' fees, for a total amount of $666,849. These amounts will convert at $0.02 per share under debt conversion agreements ("Debt Conversion Agreements") into approximately 33,342,450 shares of the Company's pre-Reverse Split Common Stock on the Conversion Date. In May 2012, the finder's fee amount owed was reduced to $47,960 as described below in Note 9 – Commitments.

NOTE 6 - EQUIPMENT

Equipment consists of the following as of March 31, 2012 and December 31, 2011:

Description	Life	March 31, 2012	December 31, 2011
Computer equipment	3 years	$ -0-	$ 7,987
Tractor	4 years	15,518	15,518
Service Trailer	5 years	4,784	4,784
AFJ Rig	10 years	712,133	712,133
Equipment		732,435	740,422
Less: Accumulated depreciation		(351,014)	(343,668)
Equipment, net		$ 381,421	$ 396,754

During the three months ended March 31, 2012, we evaluated the carrying value of the AFJ rig and, based upon our analysis, no impairment was warranted.

NOTE 7 – OIL AND GAS PROPERTIES

Guijarral Hills Exploitation Project

In October 2010, Blast entered into a letter of intent with Solimar Energy LLC (“Solimar”), which provides Blast the right to participate in a field extension drilling project to exploit an undeveloped acreage position in the Guijarral Hills Field located in the San Joaquin basin of central California. Solimar is a wholly-owned subsidiary of Solimar Energy Limited, a publicly-traded company on the Australia Stock Exchange based in Melbourne, Australia. Pursuant to the letter of intent, Blast paid Solimar a non-refundable fee of $100,000, which initially was capitalized in the accompanying balance sheet under the caption Option on oil and gas properties, in return for the exclusive right for a period of 90 days to execute a definitive agreement. Upon execution of the farmout agreement in 2011, the deposit was reclassified to unproved properties.

In February 2011, Blast entered into a farmout agreement with Solimar, whereby Blast will participate in the Guijarral Hills project on a promoted basis of 66-2/3 percent (%) of the costs to drill and complete the initial planned exploratory well. After the drilling of the initial well, Blast will earn a 50% working interest, with net revenue interest of 38% in the entire project’s acreage position and will be required to contribute on an equal heads up basis (i.e., 50% of all costs) on any additional wells that may be drilled in the project.

In March 2011, the Solimar Energy 76-33 well in the Guijarral Hills Field reached its total drilling depth of 10,550 feet. In May 2011, Solimar commenced completion operations, by perforating and flow testing three potentially hydrocarbon bearing sands encountered in the drilling process. However, the zones tested did not result in an oil producing well. Solimar and Blast are currently evaluating further potential testing to be done in the well, including an evaluation of a large interval of Kreyhegan Shale that was encountered while drilling.

On December 22, 2011, the Company entered into a Modification Agreement ("Modification Agreement") with Solimar. The Modification Agreement amended certain existing agreements, including the Guijarral Hills Farmout Agreement and the related Guijarral Hills Joint Operating Agreement ("JOA") with Solimar, which provided Blast the right to participate in a field extension drilling project to exploit an undeveloped acreage position in the Guijarral Hills Field located in the San Joaquin basin of central California. Solimar purchased 25% of the 100% working interest in the Solimar Energy 76-33 Well (modifying the Farmout Agreement which provided for Blast to hold 50% of the 100% working interest), and Blast agreed to participate on all go-forward costs associated with the Guijarral Hills project on a heads up 25% of 100% basis (governed by the JOA) in exchange for $311,872 of unpaid drilling costs.

The Farmout Agreement and subsequent participation in the Solimar Energy 76-33 well is reported in the balance sheet under “Unproved oil and gas properties, not subject to amortization.”

NOTE 8 – NOTES PAYABLE – RELATED PARTIES AND OTHER

Related Party Transactions

Related Party Advances

The Company was advanced $2,050 from Michael Peterson, former Interim President and CEO and $2,050 each from Pat Herbert and Don Boyd, directors of the Company, for the purpose of paying the Company's Directors' and Officers' insurance premiums in the month of September 2011. These advances are noninterest bearing, unsecured and are due on demand (reflected as Accrued expenses – related parties in the accompanying balance sheet).

Promissory Note with Clyde Berg

On May 19, 2011, Blast entered into a $100,000 promissory note with Clyde Berg, a significant shareholder. The note carries a 25% interest rate, has a one-year term and Blast's performance under the note is guaranteed by Eric McAfee, another affiliate of Berg McAfee Companies, LLC. The proceeds from this note were used to partially pay the cost of testing operations on the Solimar Energy 76-33 well.

Interest payable under this note (reflected as Accrued expenses – related parties in the accompanying balance sheet) is $21,798 at March 31, 2012.

AFJ Note

On July 15, 2005, Blast entered into an agreement to develop its initial applied jetting rig with Berg McAfee Companies, LLC ("BMC"). The arrangement involves two loans for a total of $1 million to fund the completion of the initial rig and sharing in the expected rig revenues for a ten-year period. Under the terms of the loan agreement with BMC, cash revenues will be shared on the basis of allocating 90% to Blast and 10% to BMC for a ten-year period following repayment. After ten years, Blast will receive all of the revenue from the rig. BMC also has the option to fund an additional three rigs under these commercial terms.

In 2008, BMC extended the term for the $1 million Note secured on the Applied Fluid Jetting rig for three years. The revised Note was issued for $1.12 million, including accumulated interest, and carries an 8% interest rate and was convertible into common stock at $0.20 per share.

On January 5, 2011, Blast and BMC agreed to (a) enter into Amendment No. 1 to the February 27, 2008 Promissory Note, pursuant to which the Company owes BMC, $1.12 million (the "Amended Note"); and (b) to amend the terms of the Company's Series A Convertible Preferred Stock (the "Preferred Stock") to provide for a reduction in the conversion price of such Preferred Stock from $0.50 per share to $0.20 per share (the "Amendment").

The Amended Note revised and amended the terms of the original note, entered into between the Company and BMC on February 27, 2008, to extend the maturity date of such note from February 27, 2011, to February 27, 2013; to increase the amount of notice the Company is required to provide BMC in the event the Company desires to prepay the note from five (5) days to thirty (30) days; to subordinate the security for such note to the Company's obligations due to and in connection with the drilling and completion of the Guijarral Hills development project and the payoff of the Company's $300,000 promissory note due to Sun Resources Texas, Inc.; and to provide BMC the right to convert the amount outstanding under the note into shares of the Company's common stock at a reduced rate of $0.08 per share, rather than $0.20 per share as provided for in the original note agreement.

The Company evaluated the terms of the Amended Note and determined that, due to the change in the common stock conversion rate, the original note had been extinguished and consequently, the Amended Note would be recorded at its current fair value. Based upon the new common stock conversion rate, which was equivalent to the Company's closing stock price at January 5, 2011, the Company determined that the Amended Note had a fair value of $1,120,000, based upon the value of the Company's common stock the Amended Note could be converted into at the date of the amendment. Therefore, no gain or loss was recognized.

Interest payable under this note (reflected as Accrued expenses – related parties in the accompanying balance sheet) is $367,397 at March 31, 2012.

Third Party Transactions

Promissory Note - North Sugar Valley Field

Under the terms of the sales agreement with Sun, Blast issued an interest free promissory note for $300,000 payable at a rate of $10,000 per month commencing October 31, 2010, with the final balance payable in full on or before October 8, 2011. The promissory note is secured by a lien against the North Sugar Valley Field.

As the promissory note is noninterest bearing, Blast discounted the promissory note to its estimated net present value using an 8% interest rate, which Blast believes is representative of its incremental cost of borrowing given the secured nature of the promissory note. The resulting discount of $18,902 was to be amortized using the effective interest rate method over the term of the promissory note.

In February 2011, this note was paid in full.

Lending Arrangement

On February 24, 2011 (the "Closing"), Blast entered into the Note Purchase Agreement and related agreements (as described below) with the Lender to fund its Guijarral Hills project and to repay the Sun promissory note. Pursuant to the Purchase Agreement, Blast agreed with the Lender to enter into the Promissory Notes in the aggregate principal amount of $2,522,111, with a Senior Secured Promissory Note in the amount of $2,111,111 (the "First Note") delivered to the Lender at the Closing and a second Note delivered in April 2011 in the amount of $411,000 (the "Second Note").

Pursuant to the Note Purchase Agreement, Blast agreed to undertake certain requirements and to certain restrictions while the Promissory Notes are outstanding. These requirements and restrictions, among other things, include:

- to continue to file reports with the Securities and Exchange Commission (the "Commission");
- not pay any dividends, make any distributions or redeem any securities;
- not permit any liens on any of its assets (other than those already approved by the Lender) or incur any additional liabilities (unless subordinated to amounts owed to the Lender);
- not enter into any merger, sale or acquisition agreements; and,
- maintain a minimum cash bank balance of $100,000, with some flexibility as it relates to funding costs for the initial well to be drilled as part of the Guijarral Hills Exploitation Project (the "Test Well"). This amount was returned to the lender in 2011 and applied toward accrued interest, repayment penalty and principle.

Additionally, Blast granted the Lender a right of first refusal to provide Blast with additional funding on such terms and conditions as Blast may receive from third parties, until the later of (a) one year from the date that the Promissory Notes are repaid in full; or (b) such time as Blast ceases paying a Royalty to the Lender pursuant to the Royalty Agreement (described below).

Blast also agreed that if the Test Well failed to achieve an initial production average of at least 350 barrels of oil equivalent per day for the 30-day period commencing on the first day on which the Test Well is at full production, Blast would issue to the Lender a common stock purchase warrant to purchase up to 12,000,000 shares of Blast's common stock (the "Warrant"). The Warrant will have a term of two years, and provide for cashless exercise rights in the event the shares of common stock issuable upon exercise of the Warrant are not registered with the Commission. The Warrant will also contain certain anti-dilution provisions and will have an exercise price, in the event it is granted, equal to the weighted average of the trading price of Blast's common stock over the ten day period prior to the grant date. The Warrant was granted in October 2011. In April 2012, the warrant agreement was further amended to provide that the lowest exercise price of the warrant is $0.01 per share. As a result of this warrant issuance and under the terms of the finder fee agreement with Trident Partners, they have earned warrants to purchase

1,200,000 shares under the same terms.

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First Note

Blast delivered to the Lender the First Note in the amount of $2,111,111 at the Closing. Blast paid an original issue discount to the Lender on the First Note of 10%, or $211,111 (the "Original Issue Discount"). The First Note accrues interest at the rate of ten percent (10%) per annum, with interest only payments due on the first day of each month beginning in March 2011.

The terms of this note were amended in February 2012 as described above. Blast also agreed to pay the Lender an exit fee at such time as the First Note is paid in full of twelve percent (12%) of the amount of such repayment (the "Exit Fee").

The proceeds from the First Note were used by Blast (i) to repay in full the remaining indebtedness of $250,000 owed to Sun under the then outstanding promissory note described above; (ii) to fund Blast's portion of the Test Well under the terms of the Farmout Agreement; and (iii) to pay fees and expenses incurred in connection with the Closing, including the payment of the Original Issue Discount and reimbursement of legal fees incurred by the Lender in connection with the Closing.

Blast incurred $381,506 in legal and finders' fees associated with the lending arrangement, which has been recorded as deferred financing costs to be amortized over the term of the First Note. Net proceeds to Blast after the original issue discount, reimbursement of the lender's legal fees and Blast's own expenses were approximately $1.6 million with an effective interest rate of approximately 36%.

Second Note

Blast delivered the Lender the Second Note in the amount of $411,000 on April 5, 2011. Blast paid an original issue discount to the Lender on the Second Note of 10% or $41,100. The terms of this note were amended in February 2012 as described above. The Second Note has substantially similar terms to the First Note. The proceeds from the Second Note were used by Blast to fund Blast's portion of the completion and testing costs of the Test Well under the terms of the Farmout Agreement.

Guaranty and Security Agreement

The repayment of the amounts loaned Blast by the Lender under the Promissory Notes were guaranteed by Blast's wholly-owned subsidiaries Eagle Domestic Drilling Operations LLC ("Eagle") and Blast AFJ, Inc. ("Blast AFJ"). Additionally, Blast, Eagle and Blast AFJ each entered into a Security Agreement in favor of the Lender, pursuant to which such parties provided the Lender a first prior security interest in all of their tangible and intangible assets, including equipment, intellectual property and personal and real property as collateral to secure the repayment of the Loans (the "Security Agreement"). Additionally, Berg McAfee Companies, LLC ("Berg McAfee") agreed, pursuant to its entry into a Subordination and Intercreditor Agreement with Blast, to subordinate the repayment of the $1.12 million principal amount of the Secured Promissory Note owed by Blast to Berg McAfee to the repayment of the Loans and the Lender's security interest granted pursuant to the Security Agreement.

Stock Purchase Agreement

As additional security for the repayment of the Loans, and pursuant to a Stock Purchase Agreement, Blast sold the Lender one (1) share of its newly designated Series B Preferred Stock, in consideration for $100, which entitles the Lender to consent to and approve Blast's or any of its subsidiaries' entry into any bankruptcy proceeding, consent to the appointment of a receiver, liquidator or trustee or the assignment by Blast or any of its subsidiaries for the benefit of any creditors. Blast assigned no value to this Series B Preferred Share.

Royalty Payment Letter

As additional consideration for the Lender agreeing to make the Loans, Blast agreed pursuant to a Royalty Payment Letter (the “Royalty Payment Letter”), to pay the Lender 30% of all amounts earned (the “Royalty”) by Blast under the Test Well.

First and Second Note Interest

As of March 31, 2012, Blast had paid interest in the amount of $221,824.

During the three months ended March 31, 2012, Blast also recognized:

- Interest expense of $90,953 was recorded by the Company related to the accretion of the debt discount applicable to the First and Second Notes.
- Interest expense of $20,792 was recorded for the amortization of the deferred financing costs related to the First and Second Notes.

Third Party Advances

For the twelve month period ended December 31, 2011, the Company received $87,000 advances from PEDCO to fund the merger transaction-related fees and expenses. During three month period ended March 31, 2012, the Company received additional $155,258 advances from PEDCO for the same purpose.

NOTE 9 – COMMITMENTS

Placement Agreement

In November 2010, Blast entered into a non-exclusive Placement Agent Agreement with Trident Partners Ltd. ("Trident" and the "Placement Agreement"). Pursuant to the Placement Agreement, certain principals of Trident were granted fully vested warrants, exercisable for one year from the date of the agreement, to purchase up to 750,000 shares of Blast's common stock at an exercise price of $0.01 per share. All of the warrants were exercised during 2011.

Additionally, Blast agreed to pay Trident a cash fee of 10% of the proceeds received from the sale of any equity or equity-linked securities to any party introduced by Trident; warrants to purchase shares of common stock equal to 10% of the total number of shares of common stock sold or granted in connection with any funding (on similar terms as the Placement Warrants); and Blast agreed to grant Trident a net revenue interest equal to 10% of any revenue interest provided to any investors in any closing (the "Placement Fees"). The requirement to pay the Placement Fees in connection with any subsequent investment by an investor continues in effect for 12 months following the expiration of the Placement Agreement on or about February 15, 2011. To date, Trident has been paid $100,000. At March 31, 2012, Blast owes a cash fee to Trident of $119,990.

On May 18, 2011, the Company amended the Placement Agent Agreement to eliminate the provision for the contingent grant of a 10% net revenue interest in oil and gas properties in exchange for the issuance of fully vested warrants to purchase 400,000 shares with a term of two years and an exercise price of $0.01 per share. The Company recorded $44,528 as share-based compensation for the issuance of the warrants.

On December 22, 2011, the Company granted additional fully vested warrants to purchase 1,200,000 shares of restricted common stock to Trident in connection with capital raising services rendered in February 2011 and December 2011. The warrants are exercisable for one penny ($0.01) per share of common stock and have a one (1) year term. The Company recorded $9,406 as share-based compensation for the issuance of the warrants.

In May 2012, Trident, various affiliates of Trident and the Company agreed to enter into settlement agreements to release each other from any ongoing claims and obligations. Pursuant to the settlement agreements, the $119,990 finder's fee payable to Trident was reduced to $47,960 by the payment in early May 2012 to Trident and certain affiliates (provided that we reserved the right to convert such unpaid fees into shares of our common stock at the rate of $0.02 per share at any time upon notice from the Company prior to December 31, 2012). Upon the parties' entry into the settlement agreements, the Company no longer owes any other consideration to Trident or its affiliates other than as provided in the settlement. The settlement will result in a gain from a reduction in payables in the amount of $62,030.

NOTE 10 – PREFERRED STOCK – RELATED PARTIES

Series A Convertible Preferred Stock

The Series A Preferred Stock (the “Preferred Stock”) accrue dividends at the rate of 8% per annum, in arrears for each month that the Preferred Stock is outstanding. Blast has the right to pay any or all of the accrued dividends at any time by providing the holders of the Preferred Stock at least five days written notice of their intent to pay such dividends. In the event Blast receives a “Cash Settlement,” defined as an aggregate total cash settlement received by Blast, net of legal fees and expenses, in connection with Blast’s litigation proceedings with Hallwood and Quicksilver in excess of $4 million, Blast is required to pay outstanding dividends within thirty (30) days in cash or stock at the holder’s option. If the dividends are not paid within thirty (30) days of the date the Cash Settlement is received, a “Dividend Default” occurs The shares of Series A Preferred Stock shall have the same voting rights as those accruing to the common stock and shall vote based upon the number of underlying shares of common stock that the holder owns at the effective date of the vote. In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of the Preferred Stock shall be entitled to receive, prior and in preference to, any distribution of any of the assets of the Company to the holders of the common stock by reason of their ownership of such stock.

The Preferred Stock and any accrued and unpaid dividends, have optional conversion rights into shares of Blast's common stock at a conversion price of $0.20 per share. The Preferred Stock automatically converts if Blast's common stock trades for a period of more than twenty (20) consecutive trading days at a price greater than $3.00 per share and if the average trading volume of Blast's common stock exceeds 50,000 shares per day.

As of March 31, 2012, the aggregate and per share arrearages on the outstanding Preferred Stock were $1,032,987, and $0.17 respectively, which includes dividends in arrearage of $50,630 related to 2,000,000 preferred shares that were redeemed in October 2008.

Series B Preferred Stock

As additional security for the repayment of the Promissory Notes and pursuant to a Stock Purchase Agreement in 2011, Blast sold the Lender one (1) share of its newly designated Series B Preferred Stock, in consideration for $100, which entitles the Lender to consent to and approve Blast's or any of its subsidiaries entry into any bankruptcy proceeding, consent to the appointment of a receiver, liquidator or trustee or the assignment by Blast or any of its subsidiaries for the benefit of any creditors. The Shares of Series B Preferred Stock shall have the same voting rights as those accruing to the common stock and shall have the right to vote one share of Series B Preferred Stock for each share held by the holders of Series B Preferred Stock, on all matters which come before a vote of the common stock holders. The holder of the Series B Preferred Stock share shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on the common stock of the Company or on any other class of stock ranking junior to the Series B Preferred Stock upon liquidation.

NOTE 11 – COMMON STOCK

Stock Issuances

During the three months ended March 31, 2012, there were no new shares of common stock issued by the Company.

NOTE 12 – STOCK OPTIONS AND WARRANTS

2003 Stock Option Plan

The 2003 Stock Option Plan was replaced by the 2009 Stock Incentive Plan. The number of securities originally grantable pursuant to the 2003 Stock Option Plan was 8 million shares. Any options granted pursuant to the 2003 Stock Option Plan remain in effect. Effective April 1, 2009, all grants of shares have been made from the 2009 Stock Incentive Plan described below.

Blast's 2009 Stock Incentive Plan

The 2009 Stock Incentive Plan (the "Incentive Plan") authorizes the issuance of various forms of stock-based awards, including incentive or non-qualified options, restricted stock awards, performance shares and other securities as described in greater detail in the Incentive Plan, to the Company's employees, officers, directors and consultants. Options to purchase a total of 5 million shares were initially authorized to be issued under the Incentive Plan. Effective January 1, 2011, the number of shares available under the Incentive Plan increased by 2,000,000 shares, and effective January 1, 2012, the number of shares available under the Incentive Plan increased by an additional 2,000,000 shares. As of March 31, 2012, 2 million shares have been granted under this plan.

Options
During the three months ended March 31, 2012, no options were granted by the Company.

During the three month period ended March 31, 2012, the Company recognized stock-based compensation expense of $-0-. The remaining amount of unamortized options expense at March 31, 2012 is $-0-. The intrinsic value of outstanding as well as exercisable options at March 31, 2012 was $-0-.

Activity in options during the three month period ended March 31, 2012 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at January 1, 2012	4,358,792	$ 0.37	
Granted	0	0	
Exercised	0	0	
Forfeited and cancelled	0	0	
Outstanding at March 31, 2012	4,358,792	$ 0.37	5.59
Exercisable at March 31, 2012	4,358,792	$ 0.37	5.59

Warrants

During the three month period ended March 31, 2012, the Company recognized share-based compensation expense of $-0-. The remaining amount of unamortized warrant expense at March 31, 2012 was $-0-. The intrinsic value of outstanding as well as exercisable warrants at March 31, 2012 was $-0-.

Activity in warrants during the three months ended March 31, 2012 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at January 1, 2012	23,095,089	$ 0.43	
Granted	0	0	
Exercised	0	0	
Expired	0	0	
	0	0	

Forfeited and cancelled			
Outstanding at March 31, 2012	23,095,089	$ 0.43	1.43
Exercisable at March 31, 2012	23,095,089	$ 0.43	1.43

NOTE 13 – CONTINGENCIES

Quicksilver Resources Lawsuit
In September 2008, Blast and Eagle Domestic Drilling Operations LLC, our wholly-owned subsidiary ("Eagle"), entered into a Compromise Settlement and Release Agreement with Quicksilver Resources, Inc. ("Quicksilver") to resolve the pending litigation and the parties agreed to release all claims against one another and certain related parties. Quicksilver agreed to pay Eagle a total of $10 million which has been received to date, including $2 million ($1.44 million net of associated legal fees) which was received as final payment in September 2011.

General
Other than the aforementioned matters, Blast is not aware of any other pending or threatened legal proceedings. The foregoing is also true with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder, over the last five years.

As part of its regular operations, Blast may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its' commercial operations, products, employees and other matters. Although Blast can give no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on Blast, except as described above, Blast believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on Blast's financial condition or results of operations.

NOTE 14 – BUSINESS SEGMENTS

As of March 31, 2012, Blast has two reportable segments: (1) Oil and Gas Producing Properties and (2) Down-hole Solutions. A reportable segment is a business unit that has a distinct type of business based upon the type and nature of services and products offered.

Blast evaluates performance and allocates resources based on profit or loss from operations before other income or expense and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The table below reports certain financial information by reportable segment:

	For the Three Months Ended March 31, 2012	2011
Oil and Gas Production	$ 118,214	$ 106,527
Down-hole Solutions	0	0
Total Revenue	$ 118,214	$ 106,527
Oil and Gas Production	$ 88,145	$ 89,780
Down-hole Solutions	15,532	21,012
Corporate	190,981	426,514
Total Costs of Goods Sold	$ 294,458	$ 537,306
Oil and Gas Production	$ 30,069	$ 16,747
Down-hole Solutions	(15,332)	(21,012)
Corporate	(190,981)	(426,514)
Operating Loss	$ (176,244)	$ (430,779)

NOTE 15 – DISCONTINUED OPERATIONS

On December 30, 2010, Blast entered into an Asset Purchase Agreement with GlobaLogix, Inc. ("GlobaLogix" and the "Purchase Agreement"). Pursuant to the Purchase Agreement, Blast sold all of its Satellite Communications assets, rights and interests, including all goodwill, customer and vendor contracts (collectively "Satellite Contracts"), inventory, test equipment, software and other assets associated with its Satellite Communications operations to GlobaLogix in consideration for (a) $50,000; and (b) GlobaLogix agreeing to assume any and all liabilities, obligations and rights associated with the Satellite Contracts. Additionally, GlobaLogix agreed to offer full-time employment to one of the Company's employees in connection with the Purchase Agreement. The $50,000 payment was received in January 2011.

Pursuant to the Purchase Agreement, the Company also agreed not to compete with GlobaLogix in connection with the Satellite Communications services in the United States or attempt to solicit any employees from GlobaLogix for a period of one year following the closing of the Purchase Agreement.

As a result of the consummation of the Purchase Agreement, the Company no longer has any operations or assets in connection with Satellite Communications and anticipates solely focusing its efforts, resources and operations moving forward on its Down-hole Solutions and Oil and Gas Production segments.

Net income (loss) from the discontinuance of satellite operations for the three months ended March 31, 2012 and 2011 is as follows:

	For the Three Months Ended March 31,	
	2012	2011
Revenues	$ 0	$ 0
Operating Expenses:		
Bad debts expense	0	(3,686)
Total operating expenses	0	(3,686)
Net income (loss) from discontinued operations	$ 0	$ (3,686)

At March 31, 2011, bad debt expense of $3,686 was recorded related to a delinquent receivable balance from the discontinued satellite business.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and the related footnotes thereto.

Forward-Looking Statements

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition, or state other "forward-looking" information. The words "believe," "intend," "plan," "expect," "anticipate," "estimate," "project," "goal" and similar expressions identify such a statement was made. These statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Factors that might cause or contribute to such a discrepancy include, but are not limited to the risks discussed in this and our other SEC filings. We do not promise to or take any responsibility to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements. Future events and actual results could differ materially from those expressed in, contemplated by, or underlying such forward-looking statements.

The following discussion and analysis of our financial condition is as of March 31, 2012. Our results of operations and cash flows should be read in conjunction with our unaudited financial statements and notes thereto included elsewhere in this report and the audited financial statements and the notes thereto included in our Form 10-K for the year ended December 31, 2011.

Business Overview

Unless otherwise indicated, we use "Blast," "the Company," "we," "our" and "us" in this quarterly report to refer to the businesses of Blast Energy Services, Inc. and its wholly-owned subsidiaries, Eagle Domestic Drilling Operations LLC, Blast AFJ, Inc. and Blast Acquisition Corp.

Blast is seeking to become an independent oil and gas producer with additional revenue potential from its applied fluid jetting technology. We plan to grow operations initially through the acquisition of oil producing properties (as described below) and then eventually, to acquire oil and gas properties where our applied fluid jetting process could be used to increase the field production volumes and value of the properties in which we own an interest. The Company may also consider potential merger opportunities with other oil and gas operators.

Oil and Gas Properties

North Sugar Valley Field

On September 23, 2010, Blast closed on a sales agreement with Sun Resources Texas, Inc. ("Sun") a privately-held company based in Longview, Texas, to acquire Sun's oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas for a total purchase price of $1,181,000. Under the terms of the agreement, the purchase price was paid in cash, common stock and through the issuance of a promissory note (which has since been repaid) for Sun's approximately 65% working interest (net revenue interest of approximately 50%) in three wells. The acquired wells are currently producing a total of approximately 43 gross barrels of oil per day (or approximately 21.5 net barrels of oil) from the Gravier Sand formation, which our year end reserve report estimates contains approximately 44,640 barrels of recoverable reserves net to the interest acquired by Blast.

The effective date of the sale was October 1, 2010. Under the terms of the agreement, Sun will continue to act as Operator of the properties. Sun has retained a 1% working interest in the wells.

Guijarral Hills Exploitation Project

In February 2011, Blast entered into a farmout agreement with Solimar Energy LLC (“Solimar”), which provided Blast the right to participate in a field extension drilling project to exploit an undeveloped acreage position in the Guijarral Hills Field located in the San Joaquin basin of central California. Solimar is a wholly-owned subsidiary of Solimar Energy Limited, a publicly-traded company on the Australia Stock Exchange based in Melbourne, Australia.

Under the terms of the agreement with Solimar, Blast will participate in the Guijarral Hills project on a promoted basis of 66-2/3 percent (%) of the costs to drill and complete the initial planned exploratory well. After the drilling of the initial well, Blast will earn a 50% working interest, with net revenue interest of 38% in the entire project's acreage position and will be required to contribute on an equal heads up basis (i.e., 50% of all costs) on any additional wells that may be drilled in the project.

In March 2011, the Solimar Energy 76-33 well in the Guijarral Hills Field Area located in Fresno County, California (the "Test Well") reached its total drilling depth of 10,550 feet.

On May 19, 2011, a completion rig moved on location to commence the flow testing program on the well. The three intervals selected to be tested have all been productive in the adjacent Guijarral Hills field. While drilling, each interval had indications that hydrocarbons were present which were also indicated on wireline logs that were run after drilling was completed. While such petro-physical analysis indicates that hydrocarbon pay is present, the flow testing program is necessary to determine whether the reservoir quality will meet commercial production rates.

The testing program involved perforating the selected interval followed by periods when the well was shut-in to measure the pressure response and to evaluate fluid properties. The test sequence involved testing the deepest interval, the Lower Gatchell, first and then working up the well to the shallower Avenal and Leda objectives.

However, none of the zones tested resulted in an oil producing well. Solimar and Blast have discussed the potential of further testing on the well, including an evaluation of a large interval of Kreyhegan Shale that was encountered while drilling. As of this date, no determination has been made to perform further work on the Solimar Energy 76-33 well or other wells in the Guijarral Hills project.

Modification Agreement

On December 22, 2011, the Company entered into a Modification Agreement ("Modification Agreement") with Solimar. The Modification Agreement amended certain existing agreements, including the Guijarral Hills Farmout Agreement and the related Guijarral Hills Joint Operating Agreement with Solimar.

Solimar purchased 25% of the 100% working interest in the Solimar Energy 76-33 Well (modifying the Farmout Agreement which provided for Blast to hold 50% of the 100% working interest), and Blast agreed to participate on all go-forward costs associated with the Guijarral Hills project on a heads up 25% of 100% basis (governed by the JOA) in exchange for $311,872 of unpaid drilling costs.

The Farmout Agreement and subsequent participation in the Solimar Energy 76-33 well is reported in the balance sheet under "Unproved oil and gas properties, not subject to amortization."

Applied Fluid Jetting Technology

Over the past several years, Blast has developed a down-hole stimulation service that management believes has the potential to dramatically increase production volumes and reserves from existing or newly drilled wells. Blast has filed for a patent to protect this proprietary AFJ process.

The theory behind AFJ is both simple and extremely bold to maximize the reservoir area contacted by the well bore, both vertically and horizontally, in order to increase production rates and improve reservoir recovery rates. Recent experience has moved the theory closer to commercial realization. Blast enters existing or new well bores to access the productive formations containing oil and natural gas. By jetting laterally into the formations, more of the reservoir is exposed to the wellbore and if successful, additional hydrocarbons are flowed to the surface. It is believed that this AFJ process can be successful in many types of sandstone and limestone/carbonate formations.

During 2009, Blast further tested the AFJ process on wells in the Austin Chalk play in Central Texas operated by Reliance Oil & Gas, Inc. ("Reliance") with some initial production success. Later Blast attempted to apply the process to third-party wells in West Texas and in Kentucky. Unfortunately, due to mechanical failures of the surface equipment we were not able to achieve any lateral jetting in the down-hole environment. Currently the AFJ rig and other support vehicles have been moved back to a storage yard in Spring, Texas. Blast intends to restart its down-hole stimulation service line over the next few years once liquidity permits.

Merger Agreement

On January 13, 2012, Blast entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with Blast Acquisition Corp., a newly formed wholly-owned Nevada subsidiary of the Company ("MergerCo"), and Pacific Energy Development Corp., a privately-held Nevada corporation ("PEDCO"), pursuant to which MergerCo will be merged with and into PEDCO, with PEDCO being the surviving entity and becoming a wholly-owned subsidiary of the Company, in a transaction structured to qualify as a tax-free reorganization (the "Merger"). Pursuant to the Merger Agreement, prior to the effective time of the Merger (the "Effective Time"), the Company will amend its Certificate of Formation and Designation to: (i) convert all outstanding shares of the Company's Series A Convertible Preferred Stock and Series B Preferred Stock into common stock of the Company on a one to one basis, and immediately thereafter, (ii) the Company will effectuate a reverse stock split, with the end result being that the Company will not have more than 2,400,000 shares of common stock issued and outstanding on a fully-diluted basis prior to the Merger (the "Shares Limit"), which will include the converted preferred stock, converted debt securities (as described below), and all options and warrants issued but not exercised (the "Reverse Split" and the "Amendment"). Furthermore, in connection with the Reverse Split and the Amendment, the Company has agreed to change its name to "PEDEVCO Corp.", and amend its Certificate of Formation and Designation, so that the Company shall have an authorized capitalization consisting of 300,000,000 shares of capital stock post-Reverse Split, which shall consist of 200,000,000 shares of common stock, $0.001 par value per share ("Common Stock"); and 100,000,000 authorized shares of Preferred Stock, including (a) 25,000,000 authorized shares of Series A Convertible Preferred Stock, $0.001 par value per share ("new Series A Preferred Stock"), which shares shall be designated in connection with the amendment to the Certificate of Formation and Designation and which shall amend and replace the currently designated Series A and Series B Preferred Stock designations, and have such terms and conditions as described in the Form of Amended and Restated Certificate of Formation and Designation.

In addition, prior to the closing of the Merger, PEDCO has agreed to advance certain transaction-related fees and expenses to the Company, which advances, if not reimbursed to PEDCO by the Company prior to the filing date of the Amendment, shall result in a reduction of the Shares Limit (for the purposes of the Reverse Split described above) by one (1) share of Common Stock for each $1.00 advance that has not been repaid to PEDCO by such filing date. For example, if upon the filing of the Amendment, PEDCO has paid the Company $100,000 in advances, the Company's stockholders will collectively own 2,300,000 fully-diluted shares of the Company's Common Stock subsequent to the Reverse Split and prior to the Merger (i.e., a 100,000 share reduction for the terms of the Merger as described above).

After the Reverse Split, at the Effective Time of the Merger, MergerCo will merge into PEDCO, with the stockholders of PEDCO receiving one (1) share of the Company's post-Reverse Split Common Stock or new Series A Preferred Stock, as applicable, for each share of PEDCO Common Stock or PEDCO Series A Convertible Preferred Stock then held by the PEDCO shareholders and all outstanding warrants and options of PEDCO at the Effective Time being assumed by the Company. PEDCO shall have no more than 45 million shares issued and outstanding, or committed for future issuance, on a fully-diluted basis at the time of the Merger. As a result of the Merger, the stockholders of PEDCO are anticipated to receive up to approximately 95% of the issued and outstanding capital stock of the Company in the Merger.

The consummation of the Merger is subject to a number of conditions precedent including the Company amending its Certificate of Formation and Designation, which includes the conversion of all of its existing Preferred Stock into Common Stock and the Reverse Split, and the conversion of the various outstanding debts of the Company, as described below under BMC Debt Conversion and Other Debt Conversions, into Common Stock, and is subject to the satisfaction of customary conditions to closing, including, without limitation, satisfactory completion of the parties' due diligence review, and receipt of necessary board and stockholder approval. The result of the Merger, assuming it is consummated, is that the business of PEDCO will become the business of the Company, PEDCO's officers and Director will become the officers and Directors of the Company, and the shareholders of PEDCO will become the majority shareholders of the Company.

In connection with the Merger Agreement, the Company has entered into various voting agreements (the “Voting Agreement”), with certain security and debt holders of the Company, including the debt holders executing the BMC Debt Conversion Agreement and the Note Purchase Amendment, described below, whereby those debt holders and stockholders have agreed to vote Company capital stock held by them in favor of the Merger Agreement. These Voting Agreements terminate on the earlier of the termination of the Merger Agreement or, on June 1, 2012, if the Merger is not consummated by such date. The Company is currently in discussions to extend the Merger Agreement to August 2, 2012.

BMC Debt Conversion

In connection with the Merger Agreement, on January 13, 2012, the Company entered into a Debt Conversion Agreement (the "BMC Debt Conversion Agreement") with Berg McAfee Companies, LLC ("BMC"), and Clyde Berg, ("Berg"). The Company had previously entered into: (1) a Secured Promissory Note Agreement, dated February 27, 2008, as amended on January 5, 2011 with BMC in the aggregate principal amount of $1,120,000 (the "BMC Note"); and (2) a Promissory Note, dated May 19, 2011, with Berg in the aggregate principal amount of $100,000 (the "Berg Note" and collectively with the BMC Note, the "Notes").

The BMC Debt Conversion Agreement modifies the Notes to provide that all principal and accrued interest under the Notes shall be converted into shares of the Company's Common Stock (pre-Reverse Split) at a conversion price of Two Cents ($0.02) per share (the "Conversion"). As of March 31, 2012, the outstanding principal and accrued interest under the Notes is approximately $1,487,397, which would convert into 74,369,850 pre-Reverse Split shares of Common Stock. Pursuant to the BMC Debt Conversion Agreement, the Conversion shall take place, at such time as the Company shall provide the debt holders one (1) day's prior notice of the Company's intent to convert such debt, which shall not be more than five (5) business days prior to the record date of the Shareholder Meeting for voting on the Merger transaction (referenced above)(the "Conversion Date").The BMC Debt Conversion Agreement can be terminated by either party in the event the record date for the shareholder meeting has not occurred by June 1, 2012 or if the Board of Directors of the Company withdraws or materially modifies their recommendation of the Merger (the "Termination Rights"). In connection with the BMC Debt Conversion Agreement, BMC and Berg also entered into the Voting Agreement, described above.

Debt Modifications

In connection with the Merger, on January 13, 2012, the Company entered into the Amendment to Note Purchase Agreement (the "Note Purchase Amendment"), with the Lender in connection with the Company's debt obligations under certain secured notes with the Lender. The Note Purchase Amendment amended the Note Purchase Agreement, dated February 24, 2011 (the "Note Purchase Agreement") primarily in order (i) to grant consent to the Merger Agreement, (ii) to waive, solely with respect to the Company post-Merger, certain loan covenants and restrictions as they relate to the assets of PEDCO and the operations of the Company post-Merger, (iii) to waive the Lender's right of first refusal to provide additional funding to the Company; and (iv) to provide for the conversion of up to 50% of the loan amounts outstanding to the Lender in the original principal amount of $2,522,111, of which approximately $1,306,078 was owed as of the date of the parties entry into the Note Purchase Amendment, into shares of the Company's Common Stock at $0.75 per share on a post-Reverse Split basis at the option of Lender at any time after June 9, 2012, provided that the Company in its sole discretion may waive the 50% conversion limitation. The conversion rights described above are subject to the Lender being prohibited from converting any portion of the outstanding notes which would cause it to beneficially own more than 4.99% of the Company's then outstanding shares of common stock, subject to the Lender's right to increase such limit to up to 9.99% of the Company's outstanding shares with 61 days prior written notice to the Company.

The Promissory Notes were amended to provide an extension of the maturity date of such Promissory Notes, which were due February 2, 2012, to: (i) thirty (30) days after the termination of the Merger Agreement, if the Merger Agreement is terminated before June 1, 2012, (ii) June 1, 2012, if the Effective Date of the Merger has not occurred by such date, (iii) August 2, 2012, or (iv) the date all obligations and indebtedness under such Promissory Notes are accelerated in accordance the terms and conditions of such Promissory Notes. Furthermore, commencing February 2, 2012, the interest amount on the Promissory Notes was increased from 10% to 18% per annum, and the new interest rate includes both the principal amount and the Exit Fee payable below, and as further described under the Promissory Notes. Lastly, the Exit Fee, which is 12% of the repayment amount, was increased by an aggregate of $15,000 for the Promissory Notes.

Other Debt Conversions

In connection with the Merger, the Company further approved the conversion of certain other outstanding debt obligations of the Company at $0.02 per share upon the Conversion Date, subject to the Termination Rights. As of March 31, 2012, these debt obligations include: $308,500 of accrued compensation due to the members of Board of Directors, $6,150 of short term loans from members of the Board of Directors, $232,209 of accrued salaries and vacation pay owed to the Company's employees, and approximately $119,990 in accrued finders' fees, for a total amount of $666,849. These amounts will convert at $0.02 per share under debt conversion agreements ("Debt Conversion Agreements") into approximately 33,342,450 shares of the Company's pre-Reverse Split Common Stock on the Conversion Date. In May 2012, the finder's fee amount owed was reduced to $47,960.

Lending Arrangement

Purchase Agreement

Pursuant to the Purchase Agreement (described above under “Debt Modifications”), Blast agreed to undertake certain requirements and to certain restrictions while the Notes are outstanding. These requirements and restrictions, among other things, include:

- to continue to file reports with the Securities and Exchange Commission (the “Commission”);
- not pay any dividends, make any distributions or redeem any securities;
- not permit any liens on any of its assets (other than those already approved by the Lender) or incur any additional liabilities (unless subordinated to amounts owed to the Lender);
- not enter into any merger, sale or acquisition agreements; and,
- maintain a minimum cash bank balance of $100,000, with some flexibility as it relates to funding costs for the Test Well.

Additionally, Blast granted the Lender a right of first refusal to provide Blast with additional funding on such terms and conditions as Blast may receive from third parties, until the later of (a) one year from the date that the Notes are repaid in full; or (b) such time as Blast ceases paying a Royalty to the Lender pursuant to the Royalty Agreement (described below), provided that such right of first refusal was agreed to be waived in connection with the Note Purchase Amendment in connection with the Merger.

First Note

Blast delivered to the Lender the First Note in the amount of $2,111,111 on February 24, 2011 (the “Closing”). Blast paid an original issue discount to the Lender on the First Note of 10%, or $211,111 (the “Original Issue Discount”). The First Note accrues interest at the rate of ten percent (10%) per annum, payable on the first day of each month beginning in March 2011, and had a maturity date of February 24, 2012, which has since been extended in connection with the Note Purchase Amendment, described above. Blast also agreed to pay the Lender an exit fee at such time as the First Note is paid in full of twelve percent (12%) of the amount of such repayment (the “Exit Fee”).

The proceeds from the First Note were used by Blast (i) to repay in full the indebtedness of $250,000 owed to Sun Resources Texas, Inc. under an outstanding promissory note (as described in greater detail in the Form 8-K/A filed by Blast on December 7, 2010); (ii) to fund Blast’s portion of the Test Well under the terms of the Farmout Agreement; and (iii) to pay fees and expenses incurred in connection with the Closing, including the payment of the Original Issue Discount and reimbursement of legal fees incurred by the Lender in connection with the Closing.

Second Note

Blast delivered to the Lender the Second Note in the amount of $411,000 on April 5, 2011. Blast paid an original issue discount to the Lender on the Second Note of 10%, or $41,100. The Second Note has substantially similar terms to the First Note. The proceeds from the Second Note were used by Blast to fund Blast’s portion of the completion and testing costs of the Test Well under the terms of the Farmout Agreement.

Guaranty and Security Agreement

The repayment of the amounts loaned to Blast by the Lender under the First Note and the Second Note (the “Loans”) was guaranteed by Blast’s wholly-owned subsidiaries Eagle Domestic Drilling Operations LLC (“Eagle”) and Blast AFJ, Inc. (“Blast AFJ”). Additionally, Blast, Eagle and Blast AFJ each entered into a Security Agreement in favor of the Lender, pursuant to which such parties provided the Lender a first priority security interest in all of their tangible and intangible assets, including equipment, intellectual property and personal and real property as collateral to secure the repayment of the Loans (the “Security Agreement”). Additionally, Berg McAfee Companies, LLC (“Berg McAfee”) agreed, pursuant to its entry into a Subordination and Intercreditor Agreement with Blast, to subordinate the repayment of the $1,120,000 principal amount of the Secured Promissory Note owed by Blast to Berg McAfee to the repayment of the Loans and the Lender’s security interest granted pursuant to the Security Agreement.

Stock Purchase Agreement

As additional security for the repayment of the Notes, and pursuant to a Stock Purchase Agreement, Blast sold to the Lender one (1) share of its newly designated Series B Preferred Stock, in consideration for $100, which entitles the Lender to consent to and approve Blast's or any of its subsidiaries entry into any bankruptcy proceeding, consent to the appointment of a receiver, liquidator or trustee or the assignment by Blast or any of its subsidiaries for the benefit of any creditors.

Royalty Payment Letter

As additional consideration for the Lender agreeing to make the Loans, Blast agreed pursuant to a Royalty Payment Letter (the "Royalty Payment Letter"), to pay the Lender 30% of all amounts earned (the "Royalty") by Blast under the Test Well. Amounts earned by Blast in connection with the Test Well are deemed to include, without limitation, amounts earned from the sale, assignment, transfer or other disposition by Blast of any interest in the Test Well. As described above, none of the zones tested associated with the Test Well drilled in March 2011, resulted in an oil producing well.

Warrant Agreement

On February 24, 2011, Blast and the Lender entered into the Note Purchase Agreement which provided that if the Test Well failed to achieve an initial production average of at least 350 barrels of oil equivalent per day for the 30-day period commencing on the first day on which the Test Well is at full production, Blast would issue to the Lender a common stock purchase warrant to purchase up to 12,000,000 shares of Blast's common stock (the "Warrant"). The Warrant was subsequently granted in October 2011. The Warrant has a term of two years, and provides for cashless exercise rights in the event the shares of common stock issuable upon exercise of the Warrant are not registered with the Commission. The Warrant further contained various anti-dilution protections and had an exercise price equal to the weighted average of the trading price of Blast's common stock over the ten day period prior to the grant date.

On October 7, 2011, Blast and the Lender amended the Warrant in exchange for certain mutual promises and covenants and for consideration of $30,000 paid by the Lender to Blast. The amendments included that the exercise price shall thereafter be $0.01 per share, and may be further reduced with the previous anti-dilutive protective provisions, but in no event shall it be greater than $0.01 per share, unless certain events occur, including the merger of Blast with an operating company (a "Merger Event"). Further, in the event a Merger Event occurs, the Lender has waived its price-based anti-dilution protection (if Blast sells its securities lower than the exercise price of the warrants) and anti-dilution protection for compensatory issuances (in amounts in excess of 7,000,000 shares of common stock). In April 2012, the warrant agreement was further amended to provide that the lowest exercise price of the warrant is $0.01 per share.

Placement Agreement

In November 2010, Blast entered into a non-exclusive Placement Agent Agreement with Trident Partners Ltd. ("Trident" and the "Placement Agreement"). Pursuant to the Placement Agreement, Trident agreed to assist Blast in raising capital in a private offering. In consideration for such assistance, Blast agreed to grant to certain principals of Trident fully vested warrants, exercisable for one year from the date of the agreement, to purchase up to 750,000 shares of Blast's common stock at an exercise price of $0.01 per share. Subsequent to year end 2010, Trident principals exercised these warrants and have been issued 750,000 shares of restricted common stock for cash proceeds of $7,500.

Additionally, Blast agreed to provide Trident a cash fee of 10% of the proceeds received from the sale of any equity or equity-linked securities to any party introduced by Trident (each an "Introduced Investor"); warrants to purchase shares of common stock equal to 10% of the total number of shares of common stock sold or granted in connection with any funding (on similar terms as the Placement Warrants); and Blast agreed to grant Trident a net revenue interest equal to 10% of any revenue interest provided to any Introduced Investors in any closing (the "Placement Fees"). The requirement to pay the Placement Fees in connection with any subsequent investment by an Introduced Investor continued in effect until February 15, 2012. With the closing of the lending arrangement described above, Blast owed a cash fee to Trident of approximately $219,990. As of the date of this filing, approximately $119,990 is still owed to Trident in Placement Fees, provided that pursuant to the Debt Conversion Agreement described above, Trident has agreed to convert such outstanding amount into shares of the Company's common stock at the rate of $0.02 per share, in connection with the Merger, as described above.

On May 18, 2011, the Company amended the Placement Agent Agreement to eliminate the provision for the contingent grant of a 10% net revenue interest in oil and gas properties in exchange for the issuance of 400,000 fully vested warrants with a term of two years and an exercise price of $0.01 per share. The Company recorded $44,528 as share-based compensation for the issuance of the warrants.

In December 2011, the Company granted warrants to purchase 1,200,000 shares of restricted common stock to Trident Partners Ltd (or its assigns)("Trident"), in connection with capital raising services rendered in February 2011 and December 2011, under that certain Placement Agreement with Trident dated November 15, 2010. The warrants are exercisable for $0.01 and have a one (1) year term.

In May 2012, Trident, various affiliates of Trident and the Company agreed to enter into settlement agreements to release each other from any ongoing claims and obligations. Pursuant to the settlement agreements, the $119,990 finder's fee payable to Trident was reduced to $47,960 by the payment in early May 2012 to Trident and certain affiliates (provided that we reserved the right to convert such unpaid fees into shares of our common stock at the rate of $0.02 per share at any time upon notice from the Company prior to December 31, 2012). Upon the parties' entry into the settlement agreements the Company no longer owes any other consideration to Trident or its affiliates other than as provided in the settlement. The settlement will result in a gain from a reduction in payables in the amount of $62,030.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our most significant judgments and estimates used in preparation of our financial statements.

Revenue Recognition. All revenue is recognized when persuasive evidence of an arrangement exists, the service or sale is complete, the price is fixed or determinable and collectability is reasonably assured. Revenue is derived from the sale of crude oil and down hole services. Revenue from crude oil sales is recognized when the crude oil is delivered to the purchaser and collectability is reasonably assured. Revenue from services is recognized when the service is delivered or completed and collection is reasonably assured. The Company follows the sales method" of accounting for oil and natural gas revenue, so it recognizes revenue on all natural gas or crude oil sold to purchasers, regardless of whether the sales are proportionate to its ownership in the property. A receivable or liability is recognized only to the extent that the Company has an imbalance on a specific property greater than its share of the expected remaining proved reserves. If collection is uncertain, revenue is recognized when cash is collected. We recognize reimbursements received from third parties for out-of-pocket expenses incurred as service revenues and account for out-of-pocket expenses as direct costs.

Oil and Gas Properties, Full Cost Method. Blast uses the full cost method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells used to find proved reserves, and to drill and equip development wells, including directly related overhead costs, and related asset retirement costs are capitalized.

Under this method, all costs, including internal costs directly related to acquisition, exploration and development activities are capitalized as oil and gas property costs on a field by field basis. Sales of oil and gas properties or interests therein are credited against capitalized costs in the full cost pool. Properties not subject to amortization consist of exploration and development costs which are evaluated on a property-by-property basis. Amortization of these unproved property costs begins when the properties become proved or their values become impaired. Blast will assess the probability of realization of unproved properties, if any, on at least an annual basis or when there has been an indication that impairment in value may have occurred. Impairment of unproved properties is assessed based on management's intention with regard to future exploration and development of individually significant properties and the ability of Blast to obtain funds to finance such exploration and development. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. Costs of oil and gas properties will be amortized using the units of production method.

Ceiling Test. In applying the full cost method, Blast performs an impairment test (ceiling test) at each reporting date commencing on December 31, 2010, whereby the carrying value of property and equipment is compared to the "estimated present value" of its proved reserves, discounted at a 10% interest rate of future net revenues based on current operating conditions at the end of the period and the average, first day of the month price received for oil and gas production over the preceding 12 month period, plus the cost of properties not being amortized, plus the lower of cost or fair market value of unproved properties included in costs being amortized, less the income tax effects related to book and tax basis differences of the properties.

Accounting for Asset Retirement Obligations. If a reasonable estimate of the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells can be made, Blast will record a liability (an asset retirement obligation or "ARO") on its consolidated balance sheet and capitalize the present value of the asset retirement cost in oil and gas properties in the period in which the retirement obligation is incurred. In general, the amount of an ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation assuming the normal operation of the asset, using current prices that are escalated by an assumed inflation factor up to the estimated settlement date, which is then discounted back to the date that the abandonment obligation was incurred using an assumed cost of funds for Blast. After recording these amounts, the ARO will be accreted to its future estimated value using the same assumed cost of funds and the capitalized costs are depreciated on a unit-of-production basis within the related full cost pool. Both the accretion and the depreciation will be included in depreciation, depletion and amortization expense on our consolidated statement of income.

Stock-Based Compensation. Pursuant to the provisions of FASB ASC 718, Compensation – Stock Compensation, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances. We estimate volatility by considering historical stock volatility. We have opted to use the simplified method for estimating expected term, which is equal to the midpoint between the vesting period and the contractual term.

Results of Operations and Financial Condition

All dollar amounts discussed in "Item 2" are rounded to the nearest $1,000, or for larger numbers, to the nearest tenth of a million dollars. Please consult the financial statements in "Item 1" for exact dollar amounts.

Comparison of the Three Months Ended March 31, 2012 with the Three Months Ended March 31, 2011

Oil and Gas Properties. Oil and gas revenues increased by $11,000 to $118,000 for the three months ended March 31, 2012 compared to $107,000 for the three months ended March 31, 2011. Operating expenses associated with the oil and gas properties decreased by $2,000 to $88,000 for the three months ended March 31, 2012 compared to $90,000 for the three months ended March 31, 2011. The gross profit from oil and gas activities for the three months ended March 31, 2012 was $30,000 compared to $17,000 for the same period in 2011.

Down-hole Solutions. There were no Down-hole Solutions' revenues for the three months ended March 31, 2012 or 2011. The loss from Down-hole Solutions decreased by $6,000 to $15,000 for the three months ended March 31, 2012 compared to a loss of $21,000 for the three months ended March 31, 2011. This reduction is related to storage fees and equipment related insurance premiums in 2011 which were not applicable to 2012.

Depreciation, Depletion and Amortization (“DD&A”). DD&A costs increased $1,000 to $36,000 for the three months ended March 31, 2012 compared to $35,000 for the three months ended March 31, 2011.

Selling, General and Administrative. Selling, general and administrative ("SG&A") expenses decreased by $236,000 to $191,000 for the three months ended March 31, 2012 compared to $427,000 for the three months ended March 31, 2011. The decrease was primarily due to stock compensation expense in 2011 not applicable to 2012 and a reduction in payroll and overhead costs.

(in thousands)	For the Three Months Ended March 31, 2012	2011	Increase (Decrease)
Payroll and related costs	$ 38	$ 103	$ (65)
Option and warrant expense	0	171	(171)
Legal fees and settlements	65	12	53
External services	68	92	(24)
Insurance	12	21	(9)
Travel & entertainment	0	8	(8)
Office rent, communications, misc.	8	20	(12)
	$ 191	$ 427	$ (236)

Interest Expense. Interest expense was $189,000 for the three months ended March 31, 2012 compared to $114,000 for the three months ended March 31, 2011, an increase of $75,000 from the prior period. This increase is primarily due to interest incurred on the lending arrangement that closed in February 2011, the accretion and amortization of the related debt discount and deferred financing costs, the expensing of the portion of the debt discount and deferred financing costs associated with the principal payment during the 2011 period as well as the Exit Fee calculated on the remaining principle balance which was triggered by the agreement with the lender to extend the maturity date of the note from February 2012 to June 2012.

Loss From Continuing Operations. The loss from continuing operations decreased by $179,000 to $366,000 for the three months ended March 31, 2012 compared to a loss from continuing operations of $545,000 for the three months ended March 31, 2011. This decrease is primarily due to stock compensation expense associated with the granting of options in 2011 not applicable to 2012.

Loss From Discontinued Operations. Loss from discontinued operations was $-0- for the three months ended March 31, 2012 compared to a loss from discontinued operations of $3,686 for the three months ended March 31, 2011.

Net Loss. Net loss decreased by $182,000 to a net loss of $366,000 for the three months ended March 31, 2012 compared to a net loss of $548,000 for the three months ended March 31, 2011. This decrease is primarily due to stock compensation expense associated with the granting of options in 2011, which was not applicable to 2012.

Liquidity and Capital Resources

We have no current commitment from our officers, Directors or any of our shareholders to supplement our operations or provide us with financing in the future. In the future, we may be required to seek additional capital by selling debt or equity securities, selling assets or partial interests in oil and gas properties, or otherwise be required to bring cash flows in balance when we approach a condition of cash insufficiency. The sale of additional equity or debt securities, if accomplished, may result in dilution to our then shareholders. We provide no assurance that financing will be available in amounts or on terms acceptable to us, or at all.

Blast had total current assets of $92,000 as of March 31, 2012, including cash of $3,000, compared to total current assets of $66,000 as of December 31, 2011, including a cash balance of $19,000.

Blast had total assets of $1.9 million as of March 31, 2012 and December 31, 2011. Included in total assets as of March 31, 2012 and December 31, 2011 were $1.2 million of proved oil and gas properties subject to amortization.

Blast had total liabilities of $4.0 million as of March 31, 2012, including current liabilities of $2.8 million, compared to total liabilities of $3.6 million as of December 31, 2011, including current liabilities of $2.5 million.

Blast had negative working capital of $2.7 million, total stockholders' deficit of $2.1 million and a total accumulated deficit of $78.6 million as of March 31, 2012, compared to negative working capital of $2.4 million, total stockholders' deficit of $1.7 million and a total accumulated deficit of $78.2 million as of December 31, 2011.

On January 13, 2012, Blast entered into the Merger Agreement, described above.

The Company intends to consummate the Merger Agreement which, if completed, will substantially modify the Company's obligations and capitalization in the future. There is no assurance that such Merger will be completed.

Since the execution of the Merger Agreement, PEDCO has advanced Blast approximately $323,336 to cover Blast's operating and merger expenses and an additional $30,000 in the form of a deposit. The Merger Agreement provides for an automatic adjustment in the reverse stock split ratio (and therefore a reduction in the percentage of shares to be retained by Blast shareholders in the merger) based on the total amount of unpaid advances at closing. The parties currently anticipate that the total of such unpaid advances, at closing, will equal approximately $437,500, resulting in a reverse split ratio of one-for-110. Our Board of Directors has previously determined not to move forward with the merger transaction and approval of the amended and restated certificate of formation in the event the total reverse split required to be effected pursuant to the terms of the merger would be greater than 1:110. In the event the Merger Agreement is terminated, the amounts owed to PEDCO will be payable within ten days.

If the merger is not completed, we will not have sufficient cash available to repay the amounts owed to PEDCO and the Lender. As such, we may be forced to curtail or abandon our operations, liquidate our assets (notwithstanding the fact that the lender holds a first priority security interest over substantially all of our assets), seek bankruptcy protection (if available) and/or cease filing reports with the SEC. In such case, an investment in our Company will likely decline in value or become worthless and shareholders of our Company may lose their entire investment.

Cash Flows From Operating Activities. Blast had net cash used in operating activities of approximately $160,000 for the three months ended March 31, 2012 which was primarily due to $366,000 of loss from continuing operations.

Cash Flows from Investing Activities. Blast had no net cash used in investing activities for the three months ended March 31, 2012.

Cash Flows from Financing Activities. Blast had net cash provided from financing activities of $144,000 for the three months ended March 31, 2012 which was due to borrowings on short-term debt.

Recent Accounting Pronouncements

For the period ended March 31, 2012, there were no other changes to our critical accounting policies as identified in our annual report on Form 10-K for the year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and that information is accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our principal executive and principal financial officer, the effectiveness of our disclosure controls and procedures as of March 31, 2012, pursuant to Rule 13a-15(b) under the Securities Exchange Act. Based upon that evaluation, our principal executive and principal financial officer concluded that, as of March 31, 2012, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We will continue to evaluate the effectiveness of internal controls and procedures on an on-going basis.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Quicksilver Resources Lawsuit
In September 2008, Blast and Eagle Domestic Drilling Operations LLC, our wholly-owned subsidiary ("Eagle"), entered into a Compromise Settlement and Release Agreement with Quicksilver Resources, Inc. ("Quicksilver") in the Court to resolve the pending litigation and the parties agreed to release all claims against one another and certain related parties. Quicksilver agreed to pay Eagle a total of $10 million which has been received to date, including $2 million ($1.44 million net of associated legal fees) which was received in September 2011.

General
Other than the aforementioned matters, Blast is not aware of any other pending or threatened legal proceedings. The foregoing is also true with respect to each officer, director and control shareholder as well as any entity owned by any officer, director and control shareholder, over the last five years.

As part of its regular operations, Blast may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its' commercial operations, products, employees and other matters. Although Blast can give no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on Blast, except as described above, Blast believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on Blast's financial condition or results of operations.

Item 1A. Risk Factors

Other than as described below, there have been no material changes from the risk factors previously disclosed in the registrant's Form 10-K for the fiscal year ended December 31, 2011, filed with the Commission on April 16, 2012.

Our Auditor Has Raised Doubt As To Whether We Can Continue As A Going Concern.

We had a cash balance of approximately $3,000, current assets of approximately $92,000 and stockholders' deficit of approximately $2.1 million as of March 31, 2012. We had a loss from continuing operations of approximately $366,000 for the three months ended March 31, 2012 and an accumulated deficit at March 31, 2012 of approximately $78.6 million. These factors among others indicate that we may be unable to continue as a going concern. Management is trying to grow the existing business but may need to raise additional capital through sales of common stock or convertible instruments, as well as financing from third parties. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available, the Company may not be able to continue its operations. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In December 2011, the Company granted warrants to purchase 1,200,000 shares of restricted common stock to Trident Partners Ltd (or its assigns)("Trident"), in connection with capital raising services rendered in February 2011 and December 2011, under that certain Placement Agreement with Trident dated November 15, 2010. The warrants are exercisable for $0.01 and have a one (1) year term.

Under the Debt Conversion Agreements (described above), the Company agreed to convert the following debt obligations into common stock at a conversion rate of $0.02 per share: Director Roger P. (Pat) Herbert, Director Donald Boyd, and former Director Michael L. Peterson, shall each convert $85,000, $68,000 and $48,000, respectively, of accrued and unpaid Board of Directors fees, into 4,250,000, 3,400,000 and 2,400,000 shares of common stock, respectively. Further, Director Roger P. (Pat) Herbert, Director Donald Boyd, and former Director Michael L. Peterson, shall each convert $2,050 ($6,150 total) of loans made to the Company, which are currently due and outstanding, into 102,500 shares (307,500 total) of common stock of the Company, respectively. John MacDonald (the Company's Chief Financial Officer), and Andrew Wilson (a non-executive officer of the Company) shall each convert $72,159, and $153,800, respectively, of outstanding accrued pay and vacation into 3,607,950 and 7,690,000 shares, respectively, of common stock of the Company. Each of the conversions will occur on the Conversion Date (defined above), subject to the Termination Rights (described above).

The Company claims an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "Act") since the foregoing issuances and grants did not involve a public offering, the recipients took the securities for investment and not resale, the Company took appropriate measures to restrict transfer, and the recipients were either (a) "accredited investors" and/or (b) had access to similar documentation and information as would be required in a Registration Statement under the Act. No underwriters or agents were involved in the foregoing issuances or grants and the Company paid no underwriting discounts or commissions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
1.1	Second Amendment to Warrant Filed December 27, 2011 with the SEC, Form 8-K
1.2	Third Amendment to Warrant dated April 10, 2012 Filed April 16, 2012 with the SEC, Form 10-K
2.1	Modification Agreement with Solimar Energy LLC Filed December 27, 2011 with the SEC, Form 8-K
2.2	Placement Agent Warrant Agreement with Trident Partners Ltd. Filed December 27, 2011 with the SEC, Form 8-K
2.3	Modification , dated December 22, 2011 Filed December 27, 2011 with the SEC, Form 8-K
2.4	Placement Agent Warrant Agreement, dated December 22, 2011 Filed December 27, 2011 with the SEC, Form 8-K
2.5	Agreement and Plan of Reorganization, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
2.6*	Form of Trident Partners, Ltd., affiliate Warrants
3.1	Form of Amended and Restated Certificate of Formation and Designation Filed January 20, 2012 with the SEC, Form 8-K

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3.2	Form of Articles of Merger (Nevada) Filed January 20, 2012 with the SEC, Form 8-K
4.1	$800,000 Secured Promissory Note dated July 15, 2005 by and among Blast Energy Services, Inc. and Berg McAfee Companies, LLC Filed July 26, 2005 with the SEC, Form 8-K
4.2	$200,000 Secured Subordinated Promissory Note dated July 15, 2005 by and among Blast Energy Services, Inc. and Berg McAfee Companies, LLC Filed July 26, 2005 with the SEC, Form 8-K
4.3	2003 Stock Option Plan Filed November 20, 2003 with the SEC, Form 10-QSB
4.4	Blast Energy Services, Inc. 2009 Stock Incentive Plan Filed August 14, 2009 with the SEC, Form 10Q
10.1	Note Purchase Agreement Filed March 2, 2011 with the SEC, Form 8-K
10.2	Senior Secured Promissory Note (First Tranche) Filed March 2, 2011 with the SEC, Form 8-K
10.3	Senior Secured Promissory Note (Second Tranche) Filed April 4, 2011 with the SEC, Form 10-K
10.4	Guaranty Filed March 2, 2011 with the SEC, Form 8-K
10.5	Security Agreement Filed March 2, 2011 with the SEC, Form 8-K
10.6	Stock Purchase Agreement Filed March 2, 2011 with the SEC, Form 8-K
10.7	Royalty Payment Letter Filed March 2, 2011 with the SEC, Form 8-K
10.8	Subordination and Intercreditor Agreement Filed March 2, 2011 with the SEC, Form 8-K
10.9	Placement Agent Agreement Filed March 2, 2011 with the SEC, Form 8-K
10.10	Amendment to Placement Agency Agreement Filed August 22, 2011 with the SEC, Form 10-Q
10.11	Second Amendment to Placement Agency Agreement Filed August 22, 2011 with the SEC, Form 10-Q

10.12	Warrant to Purchase Shares of Common Stock Filed November 14, 2011 with the SEC, Form 10-Q
10.13	First Amendment to Warrant Filed November 14, 2011 with the SEC, Form 10-Q
10.14	Second Amendment to the Warrant Agreement, dated December 16, 2011 Filed December 27, 2011 with the SEC, Form 8-K
10.15	Form of Voting Agreement Filed January 20, 2012 with the SEC, Form 8-K

10.16	BMC Debt Conversion Agreement, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
10.17	Form of Debt Conversion Agreement Filed on March 5, 2008 with the SEC, Form 8-K
10.18	Amendment to the Note Purchase Agreement, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
10.19	Amendment to the First Tranche Promissory Note, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
10.20	Amendment to the Second Tranche Promissory Note, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
10.21	Amendment to the Security Agreement, dated January 13, 2012 Filed January 20, 2012 with the SEC, Form 8-K
10.22	PEDCO Guarantee Agreement Filed January 20, 2012 with the SEC, Form 8-K
10.23*	Settlement Agreement and Release With Trident Partners Ltd and Affiliates
10.24*	Fee Conversion and Settlement Agreement with Trident Partners Ltd Affiliates
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief 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 Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

	Blast Energy Services, Inc.	
Date: May 18, 2012	By:	/s/ Roger P. (Pat) Herbert Roger P. (Pat) Herbert Interim President and CEO and Principal Executive Officer
Date: May 18, 2012	By:	/s/ John A. MacDonald John MacDonald Chief Financial Officer and Principal Accounting Officer