

BLAST ENERGY SERVICES, INC.  
Form 10-Q  
August 22, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

000-53725  
(Commission file number)

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

Texas  
(State or other jurisdiction of  
incorporation or organization)

22-3755993  
(IRS Employer  
Identification No.)

14550 Torrey Chase Blvd, Suite 330  
Houston, Texas 77014  
(Address of principal executive offices)

(281) 453-2888  
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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  No

As of August 22, 2011, 71,425,905 shares of the registrant's common stock, \$.001 par value per share, were outstanding, including 1,150,000 approved but unissued shares arising from the class action settlement from 2005.

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Blast Energy Services, Inc.

For the Six Months Ended June 30, 2011

INDEX

PART I – FINANCIAL INFORMATION		Page
Item 1.	Financial Statements	
	Unaudited Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010	1
	Unaudited Consolidated Statements of Operations For the Three and Six Months Ended June 30, 2011 and 2010	2
	Unaudited Consolidated Statements of Cash Flows For the Six Months Ended June 30, 2011 and 2010	3
	Notes to Unaudited Consolidated Financial Statements	4
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	22
Item 4T.	Controls and Procedures	23
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	24
Item 1A.	Risk Factors	24
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	25
Item 4.	(Removed and Reserved)	25
Item 5.	Other Information	25

Item 6.	Exhibits	25
Signatures		27

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	June 30, 2011	December 31, 2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$59,367	\$373,470
Restricted cash	100,000	-
Accounts receivable, net	26,932	19,466
Prepaid and other assets	218,597	36,203
Other current receivable	1,440,000	1,440,000
<b>Total Current Assets</b>	<b>1,844,896</b>	<b>1,869,139</b>
<b>Non-Current Assets:</b>		
<b>Oil and gas properties – full cost method</b>		
Proved oil and gas properties, subject to amortization	1,191,396	1,191,488
Unproved oil and gas properties, not subject to amortization	1,990,489	-
Less: accumulated depletion and impairment	(109,078 )	(69,432 )
<b>Total oil and gas properties, net</b>	<b>3,072,807</b>	<b>1,122,056</b>
Equipment, net of accumulated depreciation and impairment of \$773,287 and \$751,386	427,418	470,776
Option on oil and gas properties	-	100,000
Assets from discontinued operations – held for sale	-	65,626
<b>Total Assets</b>	<b>\$5,345,121</b>	<b>\$3,627,597</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$75,510	\$29,575
Accrued expenses	476,997	447,173
Accrued expenses – related party	303,142	255,397
Note payable – related party	100,000	-
Note payable – other	34,350	4,400
Note payables – other, net of discount of \$236,946 and 14,028	2,285,165	255,972
<b>Total Current Liabilities</b>	<b>3,275,164</b>	<b>992,517</b>
<b>Long-Term Liabilities:</b>		
Notes payable – related party	1,120,000	1,120,000
Asset retirement obligations	11,785	10,862
<b>Total Liabilities</b>	<b>4,406,949</b>	<b>2,123,379</b>
<b>Stockholders' Equity:</b>		
<b>Preferred stock, \$0.001 par value, 20,000,000 shares authorized:</b>		
Series A - 6,000,000 shares issued and outstanding	6,000	6,000

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Series B – one and zero share issued and outstanding	-	-
Common stock, \$0.001 par value, 180,000,000 shares authorized; 71,425,905 and 67,909,238 shares issued and outstanding	71,426	67,909
Additional paid-in capital	75,962,396	75,492,738
Accumulated deficit	(75,101,650)	(74,062,429)
Total Stockholders' Equity	938,172	1,504,218
Total Liabilities and Stockholders' Equity	\$5,345,121	\$3,627,597

See accompanying notes to unaudited consolidated financial statements

BLAST ENERGY SERVICES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Three and Six Months Ended June 30, 2011 and 2010  
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:	\$ 136,543	\$-	\$ 243,070	\$ -
Operating Expenses:				
Cost of sales - services	1,378	21,763	6,880	49,888
Lease operating costs	65,199	-	135,573	-
Selling, general and administrative expense	270,060	127,713	695,259	333,738
Depreciation - services	15,332	35,868	30,842	71,736
Depletion and amortization – oil and gas	20,735	-	39,646	-
Accretion expense	520	-	1,015	-
(Gain) Loss on disposal of equipment	-	-	1,315	-
Total operating expenses	373,224	185,344	910,530	455,362
Operating Loss	(236,681 )	(185,344 )	(667,460 )	(455,362 )
Other income (expense):				
Other income	-	2,073	-	2,073
Interest income	-	-	-	17
Interest expense	(254,300 )	(23,332 )	(368,075 )	(46,557 )
Total other income (expense)	(254,300 )	(21,259 )	(368,075 )	(44,467 )
Loss from continuing operations	(490,981 )	(206,603 )	(1,035,535 )	(499,829 )
Income (Loss) from discontinued operations	-	4,419	(3,686 )	9,474
Net Loss	\$(490,981 )	\$(202,184 )	\$(1,039,221 )	\$(490,355 )
Preferred dividends	59,836	59,178	119,014	119,014
Net loss attributable to common shareholders	\$(550,817 )	\$(261,362 )	\$(1,158,235 )	\$(609,369 )
Net income (loss) per common share – Basic:				
Continuing operations	\$(0.01 )	\$0.00	\$(0.02 )	\$(0.01 )
Discontinued operations	-	-	-	-
Net income (loss)	\$(0.01 )	\$0.00	\$(0.02 )	\$(0.01 )
Net income (loss) per common share – Diluted:				
Continuing operations	\$(0.01 )	\$0.00	\$(0.02 )	\$(0.01 )
Discontinued operations	-	-	-	-
Net income (loss)	\$(0.01 )	\$0.00	\$(0.02 )	\$(0.01 )
Weighted average common shares outstanding-				

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Basic	71,425,905	61,909,238	70,687,599	61,881,105
Diluted	71,425,905	61,909,238	70,687,599	61,881,105

See accompanying notes to unaudited consolidated financial statements.



BLAST ENERGY SERVICES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2011 and 2010  
(unaudited)

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$(1,039,220)	\$(490,355 )
(Income) loss from discontinued operations	3,686	(9,474 )
Loss from continuing operations	\$(1,035,535)	\$(499,829 )
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	30,842	71,736
Depletion and impairment – oil and gas	39,646	-
Accretion of asset retirement obligation	1,015	-
Amortization of debt discount	146,184	-
Amortization of deferred financing costs	89,530	-
Option and warrant expense	216,675	5,516
(Gain)/Loss on disposition of equipment	1,315	-
<b>Changes in:</b>		
Accounts receivable	58,160	(3,140 )
Prepaid expenses and other current assets	48,912	22,809
Accounts payable		