ALUMINUM CORP OF CHINA LTD
Form 6-K
July 03, 2012

1934 ACT FILE NO. 001-15264

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of July 2012

Aluminum Corporation of China Limited

(Translation of Registrant's name into English)

No. 62 North Xizhimen Street
Haidian District, Beijing
People's Republic of China 100082
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F _______

Indicate by check mark if the registrant is submitting the Form 6-K in papers as permitted by Regulation S-T Rule 101(b)(1): __________

Indicate by check mark if the registrant is submitting the Form 6-K in papers as permitted by Regulation S-T Rule 101(b)(7): __________

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _______ No___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_______

SIGNATURES

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

Aluminum Corporation of China Limited
(Registrant)

Date July 3, 2012

By **/s/ Liu Qiang**
Name: Liu Qiang
Title: Company Secretary

idth="1%" style="BORDER-BOTTOM: black 4px double; TEXT-ALIGN: left"> - - - - - - - (4,149,040) (4,149,040)
Balances at December 31, 2011
6,000,000 $6,000 1 $- 71,425,905 $71,426 $76,389,124 $(78,211,469) $(1,744,919)

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

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BLAST ENERGY SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Cash Flows From Operating Activities:		
Net loss	$ (4,149,040)	$ (1,519,958)
(Income) loss from discontinued operations	3,686	(38,695)
Loss from continuing operations	(4,145,354)	(1,558,653)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization - oil and gas	147,591	205,343
Amoritization of discount and financing costs	615,009	4,873
Impairment loss	1,640,489	454,082
Stock-based compensation	643,303	47,174
Gain on disposal of equipment	(2,485)	(3,337)
Changes in:		
Accounts receivable	68,586	11,884
Prepaid expenses and other current assets	90,156	81,521
Accounts payable	54,621	(5,346)
Accrued expenses	112,366	166,201
Accrued expense – related parties	314,186	89,600
Deferred revenue	-	(1,890)
Net cash used in operating activities	(461,532)	(508,548)
Cash Flows From Investing Activities:		
Proceeds from sale of fixed assets	15,100	45,000
Cash paid for oil and gas properties	(1,890,489)	(700,000)
Net cash used in investing activities	(1,875,389)	(655,000)
Cash Flows From Financing Activities:		
Payments on short-term debt	(1,662,469)	(125,221)
Borrowings on short-term debt, net of financing costs	2,095,384	-
Borrowings on short-term debt - related parties	106,150	-
Proceeds from warrants exercised	7,500	-
Net cash provided by (used in) financing activities	546,565	(125,221)
Net cash provided by discontinued operating activities	1,436,314	1,401,075
Net change in cash	(354,042)	112,306
Cash at beginning of period	373,470	261,164
Cash at end of period	$ 19,428	$ 373,470
Cash paid for:		
Interest	$ 176,436	$ 3,386
Income taxes	-	-

Non-cash investing and financing transactions:

Note payable issued to finance issuance	$ 63,633	$ 80,239
Shares issued for accrued expenses	249,000	14,800
Oil and gas properties exchanged in settlement of payable	311,872	-
Shares issued for acquisition of oil and gas properties	-	300,000
Note payable issued for acquisition of oil and gas properties	-	281,098
Asset retirement obligation assumed	-	10,390

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

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BLAST ENERGY SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS OVERVIEW AND SUMMARY OF ACCOUNTING POLICIES

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 4 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 16.

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. See Note 16.

Basis of Presentation. Blast's consolidated financial statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. Accordingly, Blast's consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should Blast be unable to continue as a going concern.

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

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 reasonable assured. 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 cash equivalents.

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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 December 31, 2011 and 2010, Blast determined that no allowance for doubtful accounts was required. During the year ended December 31, 2011, Blast recognized bad debt expense of $3,686 related to a dated receivable balance from its discontinued satellite business determined to be uncollectible.

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. As of December 31, 2011, the application of the ceiling test resulted in a charge of $1,640,489 to impairment expense.

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. In 2011, the Company evaluated the carrying value of its unproved oil and gas properties following the drilling of an unsuccessful well at the Guijarral Hills Field Exploitation Project in Fresno County, California. Based upon this analysis, unproved properties in the amount of $1,640,000 was recorded to the full cost

pool subject to amortization and evaluated in conjunction with the ceiling test. During 2010, the Company evaluated the carrying value of the AFJ rig utilized in our down-hole solutions segment and, based upon our analysis, recorded an impairment of approximately $454,000 to reduce the carrying value to its estimated fair value. During 2011, we re-evaluated the carrying value of the AFJ rig and, based upon our analysis, no additional impairment was warranted.

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.

The components of the change in the Company's asset retirement obligations during 2011 and 2010 are shown below:

		2011		2010
Asset retirement obligations, January 1	$	10,862	$	10,390
Change in estimate		24,789		-
Accretion expense		8,509		472
Asset retirement obligations, December 31	$	44,160	$	10,862

The Company had no asset retirement obligations prior to the acquisition of oil and gas properties from Sun Resources Texas more fully discussed in Note 4.

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 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 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 years ended December 31, 2011 and 2010 and therefore, basic and diluted earnings per share for those periods are the same as all potential common equivalent shares would be anti-dilutive. At December 31, 2011 and 2010, all outstanding options, warrants and convertible securities had exercise prices or conversion rates that were in excess of Blast's common share price at the end of the period.

Recently Issued Accounting Pronouncements. There were various accounting standards and interpretations issued during 2011 and 2010, 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 December 31, 2011 through the financial statement issuance date for the subsequent event disclosure.

NOTE 2 – GOING CONCERN

Blast had a cash balance of approximately $19,000, current assets of approximately $66,000 and stockholders' deficit of approximately $1.7 million as of December 31, 2011. Blast had a loss from continuing operations of approximately $4.1 million for the year ended December 31, 2011 and an accumulated deficit at December 31, 2011 of approximately $78.2 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 3 – EQUIPMENT

Equipment consists of the following as of December 31, 2011 and 2010:

Description	Lives	December 31, 2011	December 31, 2010
Computer equipment	3 years	$ 7,987	$ 14,188
Tractor	4 years	15,518	36,975
Service Trailer	5 years	4,784	4,784
AFJ Rig	10 years	712,133	712,133
Equipment		740,422	768,080
Less: accumulated depreciation		(343,670)	(297,304)
Equipment, net		$ 396,752	$ 470,776

During 2010, we evaluated the carrying value of the AFJ rig utilized in our down-hole solutions segment and which has been temporarily idled pending sufficient funding to resolve certain mechanical issues and, based upon our

analysis, recorded an impairment of approximately $454,000 to reduce the carrying value to the estimated fair value of approximately $450,000. During 2011, we re-evaluated the carrying value of the AFJ rig and, based upon our analysis, no additional impairment was warranted.

NOTE 4 – 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.

Modification Agreement. Solimar purchased 25% of the 100% working interest in the GH 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."

North Sugar Valley Field

On September 23, 2010, Blast closed on a sales agreement with Sun Resources Texas, Inc., a privately-held company based in Longview, Texas ("Sun"), to acquire Sun's oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas (the "Field"). The effective date of the sale was October 1, 2010. Under the terms of the agreement Sun is the Operator of the properties. Sun has retained a 1% working interest in the wells.

Under the terms of the agreement, Blast paid $1.2 million in a combination of cash, common stock and the issuance of a promissory note payable for Sun's approximately 65% working interest (net revenue interest of approximately 50%) in three wells in the Field currently producing from the Gravier Sand formation.

Under the terms of the sales agreement with Sun, Blast (i) made a cash payment of $600,000; (ii) 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; and (iii) issued to the shareholders of Sun 6,000,000 shares of restricted common stock of Blast with a value of $300,000 based upon the $0.05 per share closing market price of Blast's common stock on the day the agreement was signed.

The following table summarizes the consideration paid by Blast and the assets acquired at October 1, 2010:

Purchase price:		
Cash	$	600,000
Non-interest bearing promissory note (discounted at 8%)		281,098
Common shares issued valued at $0.05 per share		300,000
Total purchase price	$	1,181,098
Fair value of oil and gas assets acquired	$	1,181,098

Blast allocated 100% of the purchase price to the proved oil and gas properties acquired from Sun based upon the estimated fair value of those properties, which was calculated using estimated future cash flows from the proved reserves (as determined by a third party reservoir engineer and using NYMEX strip prices as of the acquisition date of October 1, 2010), reduced for estimated future operating costs and discounted at Blast's estimated weighted average cost of capital as of the acquisition date of approximately 18%.

Blast funded the initial cash portion of this acquisition from a portion of the $1.4 million in funds, net of attorney's fees, received from Quicksilver Resources in connection with the Compromise Settlement and Release Agreement entered into with Quicksilver in September 2008 as described in Note 13.

In February 2011, the promissory note was paid in full from proceeds of a lending arrangement described in Note 7 below. For the year ended December 31, 2011, Blast recognized the balance of the unamortized discount of $11,944 as interest expense.

Unaudited Pro forma Information

The following (unaudited) pro forma consolidated results of operations have been prepared as if the acquisition of the Sugar Valley oil and gas assets had occurred on January 1, 2010:

		For the year ended December 31, 2010
Revenues	$	457,443

Net loss		(1,609,360)
Net loss per share – basic and diluted	$	(0.02)
Weighted average shares outstanding		6,572,000

NOTE 5 - FAIR VALUE MEASUREMENTS

As defined in ASC 820-Fair Value Measurements and Disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). This statement requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e supported by little or no market activity). This category includes the proved oil and gas properties acquired from Sun Resources Texas (see Note 5) that we valued using the present value of the future cash flows (calculated using NYMEX strip prices as of the acquisition date of October 1, 2010) of the estimated proved reserves, discounted at approximately 18 percent, which represents an estimate of the Company's weighted average cost of capital as of the acquisition date. This category also includes the temporarily idled AFJ Rig, which was impaired to its estimated fair value based upon discussions with third parties regarding the price the Company could expect to realize if it were to attempt to sell this asset.

As required by ASC 820, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The following table summarizes the valuation of our investments and financial instruments by ASC 820 pricing levels as of December 31, 2011:

Fair Value Measurement

	Level 1	Level 2	Level 3	Total
Proved Properties	$ -	$ -	$ 787,108	$ 787,108
AFJ Rig	-	-	450,000	450,000
Total	$ -	$ -	$ 1,237,108	$ 1,237,108

NOTE 6 – ACCRUED EXPENSES

Accrued expenses at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Director fees (related parties)	$ 281,500	$ 374,500
Accrued payroll	225,959	66,212
Professional fees	119,990	-
Other	4,900	6,461
Total	$ 632,349	$ 447,173

NOTE 7 – 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 Director & Officers' insurance premiums in the month of September 2011. These advances are noninterest bearing, unsecured and are due on demand.

Promissory Note with Clyde Berg

On May 19, 2011, Blast entered into a $100,000 promissory note with Clyde Berg, a major 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 cover the cost of testing operations on the Solimar 76-33 well.

Interest payable under this note (reflected as Accrued expenses – related parties in the accompanying balance sheet) is $15,548 at December 31, 2011.

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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 $344,997 at December 31, 2011.

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 from proceeds of a lending arrangement described below. For the twelve months ended December 31, 2011, Blast recognized the balance of the unamortized discount at the time of repayment of $14,028 as interest expense.

Lending Arrangement

On February 24, 2011 (the "Closing"), Blast entered into a Note Purchase Agreement (the "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 Secured Promissory Notes in the aggregate principal amount of $2,522,111 (the "Notes"), 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.

Pursuant to the Purchase Agreement, 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 initial well be drilled as part of the Guijarral Hills Exploitation Project (the "Test Well"). This minimum cash balance is shown as restricted cash in the accompanying balance sheet at December 31, 2010. 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 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 fails 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 1,200,000 warrants under the same terms.

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. See Note 16 for details. 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"). However, this Exit Fee will be waived by the Lender if the Test Well

achieves 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.

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 was amended in February 2012. See Note 16 for details. 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 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; provided however, that should the Test Well achieve an initial production average equal to or greater than 400 barrels of oil equivalent per day for the period commencing on the first day on which the Test Well is at full production and ending on the 30th day thereafter Blast's obligation under the Royalty Payment Letter is limited to 30% of Blast's earnings on only 400,000 gross barrels of production, from such wells (which may or may not include the Test Well) as Blast may determine in its sole discretion. 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. Blast did not assign any value to the 30% royalty assigned to the Lender due to the lack of proved reserves associated with the Guijarral Hills Test Well and uncertainty around its ultimate commercial viability.

First and Second Note Interest

As of December 31, 2011, Blast had paid interest in the amount of $174,826.

Principal Payment

During the twelve months ended December 31, 2011, using a portion of the proceeds from the $1.4 million in funds received from Quicksilver Resources as discussed further in Note 13, Blast paid a total of $1,520,597 to the Lender, which was allocated as follows:

- $1,330,293 was applied against principal amounts due the Lender under the First Note;
- $23,937 was applied against amounts due for accrued interest under the First and Second Notes;
- $6,732 was paid for past due interest expense; and
- $159,635 was paid to the Lender for the Exit Fee of 12% discussed above and which has been treated as additional interest expense for the twelve months ended December 31, 2011 in the accompanying financial statements.

During the year ended December 31, 2011, Blast also recognized:

- Interest expense of $240,267 was recorded by the Company related to the accretion of the debt discount applicable to the First and Second Notes.
- Interest expense of $360,714 was recorded for the amortization of the deferred financing costs related to the First and Second Notes

NOTE 8 - INCOME TAXES

As of December 31, 2011, Blast had accumulated net operating losses, and therefore, had no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately $30,039,172 at December 31, 2011, and will begin expiring in the years 2019 through 2028.

At December 31, 2011 and 2010, the deferred tax assets consisted of the following:

	2011	2010
Deferred tax assets		
Net operating losses	$ 10,213,318	$ 9,088,293
Less: valuation allowance	(10,213,318)	(9,088,293)
Net deferred tax asset	$ -	$ -

The change in the valuation allowance for the years ended December 31, 2011 and 2010 totaled approximately $1,125,025 and $517,481, respectively.

The utilization of some or all of Blast's net operating losses could be restricted in the future by a significant change in ownership as defined under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended.

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, 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. As of December 31, 2011, the principals of Trident 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 "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 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 December 31, 2011 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 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.

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.

NOTE 10 – PREFERRED STOCK – RELATED PARTIES

Series A Convertible Preferred Stock

In January 2008, Blast sold the rights to an aggregate of two million units each consisting of four shares of Series A Convertible Preferred Stock, and one three year warrant to purchase one share of common stock with an exercise price of $0.10 per share (the "Units"), for an aggregate of $4 million or $2.00 per Unit, to Clyde Berg and to McAfee Capital LLC, two parties related to Blast's largest shareholder, Berg McAfee Companies. The shares of common stock issuable in connection with the exercise of the warrants and in connection with the conversion of the Preferred Stock were granted registration rights in connection with the sale of the Units. The proceeds from the sale of the Units were used to satisfy creditor claims of about $2.4 million under the terms of our Second Amended Plan of Reorganization (the "Plan") allowing Blast to emerge from Chapter 11 bankruptcy and provided working capital of $1.6 million.

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.

In October 2008, Blast redeemed two million shares of Blast's Series A Preferred Stock held by Clyde Berg and McAfee Capital, LLC at face value of $0.50 per share (the then conversion price of the preferred shares) and paid $1 million to redeem the Preferred shares. In connection with the redemption, Blast cancelled one million Series A Preferred shares each held by Clyde Berg and McAfee Capital, LLC. Accordingly, 6,000,000 preferred shares remain outstanding at December 31, 2011.

As of December 31, 2010, the aggregate and per share arrearages on the outstanding Preferred Stock were $733,151, and $0.12 respectively, which includes dividends in arrearage of $50,630 related to the 2,000,000 preferred shares that were redeemed in October 2008.

As of December 31, 2011, the aggregate and per share arrearages on the outstanding Preferred Stock were $973,151, and $0.16 respectively, which includes dividends in arrearage of $50,630 related to the 2,000,000 preferred shares that were redeemed in October 2008.

Warrants issued with Series A Preferred Stock

Blast also granted warrants to the Preferred Stockholders to purchase up to 2 million shares of common stock at an exercise price of $0.10 per share. These warrants had a three-year term and expired without being exercised in February 2011. The relative fair value of the warrants determined utilizing the Black-Scholes model was approximately $446,000 on the date of grant. The significant assumptions used in the valuation were: the exercise price of $0.10; the market value of Blast's common stock on the date of issuance of $0.29; expected volatility of 131%; risk free interest rate of 2.25%; and a term of three years. Management has evaluated the terms of the Convertible Preferred Stock and the grant of warrants in accordance with ASC 470, and concluded that there was not a beneficial conversion feature at the date of grant.

Series B Preferred Stock

As additional security for the repayment of the Note sold to the Lender, as described above, 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 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

During 2011, Blast issued 3,516,667 shares of common stock as follows:

- 750,000 shares of restricted common stock to Trident Partners in connection with the exercise of warrants originally issued in November 2010 under the terms of a placement agreement between the Company and Trident. Blast received cash proceeds of $7,500 related to this exercise.

- 2,766,667 shares of restricted common stock valued at $249,000 to certain current and retired members of the board of directors in payment of deferred board fees accrued from October 2008. Fees were converted into shares at $0.09 per share, the closing market price of the Company's stock on February 2, 2011.

During 2010, Blast issued 6,089,334 shares of common stock as follows:

·

6,000,000 shares issued in connection with the acquisition of oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas from Sun Resources Texas, Inc. The shares were valued at $300,000 based upon the $0.05 per share closing market price of Blast's stock on the day the agreement with Sun was signed; and

· 89,334 shares issued to a consultant for past services valued at $14,800, based upon the price of Blast's common stock at the time the services were rendered.

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 plan 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 grants of shares were 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 are authorized to be issued under the Incentive Plan.

Pursuant to the Incentive Plan, the Board of Directors (or a committee thereof) has the ability to award grants of 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. The number of securities issuable pursuant to the Incentive Plan is initially 5 million, provided that the number of shares available for issuance under the Incentive Plan will be increased on the first day of each Fiscal Year (as defined below) beginning with the Company’s 2011 Fiscal Year, in an amount equal to the greater of (i) 2 million shares; or (ii) three percent (3%) of the number of issued and outstanding shares of the Company on the first day of such Fiscal Year. The Company’s “Fiscal Year” shall be defined as the twelve month accounting period which the Company has designated for its public accounting purposes, which shall initially be the period from January 1 to December 31, and shall thereafter be such Fiscal Year as the Company shall adopt from time to time. As of December 31, 2011, 2 million shares have been granted under this 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 pursuant to the provisions of the plan described above.

Options

During 2010, no options were granted by the Company.

In February 2011, options to purchase an aggregate of 2 million shares were granted to certain named executives and non-executive members of the management team at an exercise price of $0.09 per share. The options have a 10 year term and vested immediately upon the date of grant. A fair value of $169,369 was recorded using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for the options issued during the twelve month period ended December 31, 2011 include (1) discount rate of 3.52%, (2) expected term of 5 years, (3) expected volatility of 369.75%; and (4) zero expected dividends.

During the years ended December 31, 2011 and 2010, the Company recognized share-based compensation expense of $172,147 and $9,140, respectively. The remaining amount of unamortized options expense at December 31, 2011 and 2010 was $0 and $2,778, respectively. The intrinsic value of outstanding as well as exercisable options at December 31, 2011 and 2010 was $0 and $0, respectively.

Activities in options during the years ended December 31, 2011 and 2010 and related balances December 31, 2011 and 2010 are reflected below:

	Number of Shares	Weighted Average Excercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at December 31, 2009	2,970,292	$ 0.60	5.40
Granted	-	-	
Exercised	-	-	
Expired	-	-	
Forfeited and cancelled	(611,500)	0.61	
Outstanding at December 31, 2010	2,358,792	0.61	4.10
Granted	2,000,000	0.09	
Exercised	-	-	
Expired	-	-	
Forfeited and cancelled	-	-	
Outstanding at December 31, 2011	4,358,792	$ 0.37	5.80
Exercisable at December 31, 2011	4,358,792	$ 0.37	5.80

Summary of options outstanding and exercisable as of December 31, 2011 is as follows:

Exercise Price	Weighted Average Remaining Life (years)	Options Outstanding	Options Exercisable
$0.09	9.1	2,000,000	2,000,000
0.10	1.2 - 1.3	754,792	754,792
0.20	6.4	300,000	300,000
0.38	3.4	12,000	12,000
0.40	3.2 – 3.6	120,000	120,000

0.61	4.4	12,000	12,000
0.80	4.0	660,000	660,000
0.90	2.6	420,000	420,000
4.28	2.1	80,000	80,000
		4,358,792	4,358,792

Summary of options outstanding and exercisable as of December 31, 2010 is as follows:

Exercise Price	Weighted Average Remaining Life (years)	Options Outstanding	Options Exercisable
$0.10	2.3	754,792	754,792
0.20	7.4	300,000	283,333
0.38	4.4	12,000	12,000
0.40	4.3	120,000	120,000
0.61	5.4	12,000	12,000
0.80	5.0	660,000	660,000
0.90	3.6	420,000	420,000
4.28	3.1	80,000	80,000
		2,358,792	2,342,125

Warrants

Blast grants warrants to non-employees from time to time. The board of directors has discretion as to the terms under which the warrants are granted. All warrants vest immediately unless specifically noted in the warrant agreements.

In November 2010, Blast granted warrants to purchase 750,000 shares of its common stock in connection with the placement agreement. The fair value of $38,034 was recorded as stock compensation expense for the year ended December 31, 2010 and the warrants were valued using the Black-Scholes option pricing model. Variables used in the Black-Scholes option pricing model for the 750,000 warrants include: (1) discount rate of 0.27%, (2) expected term of 1 year, (3) expected volatility of 166.03% and (4) zero expected dividends. The warrants vested immediately, have an exercise price of $0.01 per share and are exercisable for a period of one year from the grant date.

In February 2011, 2,000,000 warrants with an exercise price of $0.10 per share expired without being exercised.

On February 24, 2011, Blast and a third party lender (the "Lender") entered into that certain Note Purchase Agreement which provided that if the Test Well fails 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. In April 2012, the warrant agreement was further amended to provide that in no event shall any anti-dilutive provisions reduce the Warrant Price below $0.01 per share. A fair value of $417,147 was recorded using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for the warrants issued include: (1) discount rate of 0.09%, (2) expected term of one year, (3) expected volatility of 209.65% and (4) zero expected dividends.

On May 18, 2011, Blast agreed with Trident Partners to amend their placement agreement as it pertains to Trident's 10% share of the royalty offered to the Lender introduced to Blast by Trident. In lieu of a share in the royalty interest and as consideration for entering into the amendment, Blast agreed to grant to certain principals of Trident fully vested warrants, exercisable for two years to purchase up to 400,000 shares of Blast's common stock at an exercise price of $0.01 per share. A fair value of $44,528 was recorded using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for the 400,000 warrants include: (1) discount rate of 0.18%, (2) expected

term of 1 years, (3) expected volatility of 171.18% and (4) zero expected dividends.

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 in no event shall any anti-dilutive provision reduce the Warrant Price below $0.01 per share.

On December 16, 2011, the First Amendment was further amended to include that the $30,000 payment by Lender was the waiver of an outstanding mandatory prepayment obligation by the Company to the Lender and that the Company shall pay the Lender an additional $30,000 fee at the maturity date of the Company's $2,522,111 secured notes with the Lender, currently due in February 24, 2012.

On December 19, 2011, the Company granted warrants to purchase 1,200,000 shares of restricted Common Stock to Trident Partners Ltd (or its assigns), in connection with its services rendered in February 2011 and December 2011, under that certain Placement Agreement with Trident Partners Ltd, dated November 15, 2010. The warrants vested immediately, have an exercise price of $0.01 per share and are exercisable for a period of one year from the grant date. A fair value of $9,406 was recorded using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for the warrants issued include: (1) discount rate of 0.24%, (2) expected term of 1 year, (3) expected volatility of 247.22% and (4) zero expected dividends.

During the years ended December 31, 2011 and 2010, the Company recognized share-based compensation expense of $471,156 and $38,034, respectively. The remaining amount of unamortized warrant expense at December 31, 2011 was $0 and $0, respectively. The intrinsic value of outstanding as well as exercisable warrants at December 31, 2011 was $0 and $130,805, respectively.

Activities in warrants during the years ended December 31, 2011 and 2010 and related balances outstanding as of December 31, 2011 and 2010 are reflected below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at December 31, 2009	12,245,089	$ 0.08	3.10
Granted	750,000	0.01	
Exercised	-	-	
Expired	-	-	
Forfeited and cancelled	(750,000)	0.45	
Outstanding at December 31, 2010	12,245,089	0.81	2.06
Granted	13,600,000	0.01	
Exercised	(750,000)	0.01	
Expired	(2,000,000)	0.10	

Forfeited and cancelled			
Outstanding at December 31, 2011	23,095,089	$ 0.43	1.70
Exercisable at December 31, 2011	23,095,089	$ 0.43	1.70

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Summary of warrants outstanding and exercisable as of December 31, 2011 is as follows:

Exercise Price	Weighted Average Remaining Life (years)	Warrants Outstanding	Warrants Exercisable
$0.01	1.0 - 1.9	15,155,089	15,155,089
0.10	0.6	250,000	250,000
0.20	1.4	850,000	850,000
1.00	1.1	750,000	750,000
1.44	1.7	6,090,000	6,090,000
		23,095,089	23,095,089

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”) 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.

NOTE 14 – BUSINESS SEGMENTS

As of December 31, 2011, 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 Years Ended December 31,	
	2011	2010
Revenues:		
Oil and Gas Production	$ 446,526	$ 109,443
Down-hole Solutions	-	-
Total Revenue	$ 446,526	$ 109,443
Cost of revenues and operating expenses:		
Oil and Gas Production (1)	$ 1,997,320	$ 138,119
Down-hole Solutions (2)	69,575	672,547
Corporate	1,469,061	763,508
Total cost of revenue and operating expenses	$ 3,535,956	$ 1,574,174
Operating loss		
Oil and Gas Production	$ (1,550,794)	$ (28,676)
Down-hole Solutions	(69,575)	(672,547)
Corporate	(1,469,061)	(763,508)
Total operating loss	$ (3,089,430)	$ (1,464,731)

(1) Includes $1,640,489 and $47,812 in impairment expenses pursuant to the full cost ceiling test for the years ended December 31, 2011 and 2010, respectively.
(2) Includes an impairment to the AFJ Rig of $454,082 for the year ended December 31, 2010.

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 years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Revenues	$ -	$ 210,155
Cost of revenues	-	(221,460)
Operating expenses:		
Selling, general and administrative	-	
Bad debts expense	3,686	-
Total operating expenses	3,686	
Loss from discontinued operations	(3,686)	(11,305)
Other income		
Proceeds from sale of assets	-	50,000
Total other income	-	50,000
Net income (loss) from discontinued operations	$ (3,686)	$ 38,695

The net income from discontinued operations is associated with the disposition of the Satellite Communications assets to GlobaLogix as discussed above.

At December 31, 2011, bad debt expense of $3,686 related to a dated receivable balance from the discontinued satellite business which was determined to be uncollectible.

At December 31, 2010, assets related to discontinued operations – held for sale, consisted of $50,000, representing a receivable for the sales proceeds due from GlobaLogix, and $15,626 in accounts receivable related to the satellite operations that were not transferred to GlobaLogix pursuant to the sales agreement.

NOTE 16 – SUBSEQUENT EVENTS

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). The Company estimates the Reverse Split will range between approximately 1for 100 and 1for 110, subject to the terms and conditions detailed herein and in the Merger Agreement.

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, as applicable, 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 and consequently it is anticipated that the pre-Merger shareholders of the Company will own approximately 5% of the total post-Merger outstanding shares of the Company.

The consummation of the Merger is subject to a number of conditions precedent and milestones, including, but not limited to, the Company amending its Certificate of Formation and Designation as described above, which includes the conversion all 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 and stockholders have agreed to vote Company capital stock held by them in favor of the Merger Agreement and the transactions contemplated thereby. 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.

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, a California limited liability company ("BMC"), and Clyde Berg, an individual ("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 the date of this Current Report the outstanding principal and accrued interest under the Notes is approximately $1,556,969, which would convert into 77,848,450 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 (and the cause of such delay is not the result of the actions of the terminating party) 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 that certain Note Purchase Agreement, dated as of 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, effective upon the Effective Date of the Merger, 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 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.

In connection with the Note Purchase Amendment, the Company further amended certain terms and conditions of the other documents previously entered into with the Lender and referenced and defined in the Note Purchase Amendment, including: the Security Agreement, the First Tranche Promissory Note, and the Second Tranche Promissory Note (individually each a "Promissory Note," and collectively, the "Promissory Notes"). The Security Agreement was amended: (i) to grant consent to the Merger Agreement, and (ii) to waive, solely with respect to the Company post-Merger, certain covenants and restrictions on the Company's collateral as they relate to the assets of PEDCO and the operations of the Company post-Merger, and (iii) to include a subsidiary guarantee with PEDCO (the "PEDCO Guarantee"), which shall be effective only after the consummation of the Merger, attached hereto as Exhibit 10.8. Pursuant to the PEDCO Guarantee, which is to be entered into at the Effective Time of the Merger PEDCO agreed to guaranty the full and punctual payment and collection when due of the principal, interest and other related fees due under the Promissory Notes, provided that the Lender must first foreclose on any collateral securing the Promissory Notes, and use reasonable efforts to collect from 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 $30,000 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. These debt obligations include: $281,500 of accrued compensation due to the members of Board of Directors, $6,150 of short term loans from members of the Board of Directors, $174,917 of accrued salaries and vacation pay owed to the Company's employees, and approximately $116,990 in accrued finders' fees, for a total amount of $579,557. These amounts will convert at $0.02 per share under debt conversion agreements ("Debt Conversion Agreements") into approximately 28,977,850 shares of the Company's pre-Reverse Split Common Stock on the Conversion Date.

Stock Issuances

Pursuant to the Merger Agreement, the Company has agreed to issue Common Stock to PEDCO upon the closing of the Merger equal to approximately 95% of the Company's issued and outstanding and fully diluted Common Stock at the closing of the Merger.

As described under BMC Debt Conversion, the Company has agreed to issue Common Stock to certain debt holders, including certain stockholders, Company employees, service providers, and members of the Company's Board of Directors, upon the conversion of certain outstanding loans and debts upon the Conversion Date, subject to the Termination Rights.

The Company has agreed to convert certain outstanding debt obligations owed to members of the Board of Directors and certain employees and service providers into Common Stock upon the Conversion Date, subject to the Termination Rights. Under the Debt Conversion Agreements, 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 $60,000, $60,000 and $48,000, respectively, of accrued and unpaid Board of Directors fees, into 3,000,000, 3,000,000 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 (total of $6,150) of loans made to the Company, which are currently due and outstanding, into 102,500 shares (total of 307,500 shares) 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 payroll and vacation into 3,607,950 shares and 7,690,000 shares, respectively, of Common Stock of the Company.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES
(UNAUDITED)

The following supplemental unaudited information regarding Blast Energy Services, Inc.'s oil and gas activities is presented pursuant to the disclosure requirements of ASC 932. The standardized measure of discounted future net cash flows is computed by applying constant prices of oil and gas to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on period-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on period-end statutory tax rates) to be incurred on pre-tax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows. All operations of Blast are located in the United States. All oil and gas producing properties were acquired in 2010.

(1) Capitalized costs relating to Oil and Gas producing activities:

	At December 31, 2011	At December 31, 2010
Proved leasehold costs	$ 1,181,098	$ 1,181,098
Costs of wells and development	-	-
Capitalized asset retirement costs	35,179	10,390
Total cost of oil and gas properties	$ 1,216,277	$ 1,191,488
Option on oil and gas properties	-	100,000
Accumulated depletion, amortization and impairment	(493,186)	(69,432)
Net capitalized costs	$ 723,091	$ 1,222,056

(2) Costs incurred in Oil and Gas Property acquisition and development activities:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010

Acquisition of properties:		
Proved	$ -	$ 1,191,488
Unproved	596,178	100,000
Exploration costs	1,294,311	-
Development costs	-	-
Total	$ 1,890,489	$ 1,291,488

(3) Results of operations for producing activities:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Sales	$ 446,526	$ 109,443
Production costs	(270,746)	(68,216)
Depletion, accretion and impairment	(432,263)	(69,904)
Income tax benefit	-	-
Results of operations for producing activities, (excluding corporate overhead and interest costs)	$ (256,483)	$ (28,677)

(4) Reserve quantity information

The following table sets forth proved oil reserves acquired in 2010. The acquired properties do not contain any proved undeveloped oil reserves or any proved developed or undeveloped natural gas reserves. Units of oil are in thousands of barrels (MBbls).

	2011	2010
Proved reserves:		
Beginning of period	75.1	-
Revisions	(25.5)	-
Extensions and discoveries	-	-
Sales of minerals-in-place	-	-
Purchases of minerals-in-place	-	76.5
Production	(5.0)	(1.5)
End of period	44.6	75.0
Proved developed reserves:		
Beginning of period	75.1	-
End of period	44.6	75.0

PV-10(1) at December 31	$ 925,230	$ 1,128,400

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by independent petroleum engineering consultants, which contain imprecise estimates of quantities and rates of future production of reserves. Revisions of previous year estimates can have a significant impact on these results. Therefore, the standardized measure of discounted future net cash flow is not necessarily indicative of the fair value of the Company's proved oil and natural gas properties.

Future income tax expense was computed by applying statutory rates, less the effects of tax credits for each period presented, to the difference between pre-tax net cash flows relating to the Company's proved reserves and the tax basis of proved properties, after consideration of available net operating loss and percentage depletion carryovers.

The following table sets forth the standardized measure of discounted future net cash flows (stated in thousands) relating to the proved reserves as of December 31, 2011 and 2010:

	2011	2010
Future cash inflows	$ 4,088	$ 5,777
Future costs:		
Production	(2,774)	(3,951)
Development	-	-
Income taxes	-	-
Future net cash inflows	1,314	1,826
10% discount factor	(389)	(698)
Standardized measure of discounted net cash flows	$ 925	$ 1,128

APPENDIX A

AGREEMENT AND PLAN OF REORGANIZATION

BY AND AMONG

BLAST ENERGY SERVICES, INC.,

BLAST ACQUISITION CORP.,

AND

PACIFIC ENERGY DEVELOPMENT CORP.

1.	Amendment of the Articles.
2.	Plan of Reorganization.
3.	Terms of Merger.
4.	Delivery of Common and Preferred Shares.
5.	Representations of PEDCO.
6.	Representations of BLAST and BLAST Sub.
7.	Closing.
8.	Actions Prior to Closing.
9.	Conditions Precedent to the Obligations of PEDCO.
10.	Conditions Precedent to the Obligations of BLAST and BLAST Sub.
11.	Survival and Indemnification.
12.	Nature of Representations.
13.	Documents at Closing.
14.	Closing Covenants.
15.	Miscellaneous.

Signature Page

Exhibit A	Amended and Restated Certificate of Formation
Exhibit B	Articles of Merger (Nevada)
Exhibit C	PEDCO Amended and Restated Articles of Incorporation and Bylaws
Exhibit D	Form of Voting Agreement

Exhibit 5(i) PEDCO Subsidiaries

Exhibit 6(c) BLAST Subsidiaries

AGREEMENT OF AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (hereinafter, this “Agreement”) effective as of this 13th day of January, 2012, by and among Blast Energy Services, Inc., a Texas corporation (hereinafter, “BLAST”); BLAST Acquisition Corp., a newly-formed Nevada corporation and wholly-owned subsidiary of BLAST(hereinafter, “BLAST Sub”), on one hand, and Pacific Energy Development Corp., a Nevada corporation (hereinafter, “PEDCO” or the “Surviving Corporation”) on the other hand, with reference to the facts set forth in the Recitals below.

RECITALS

A. Purpose. BLAST desires to acquire PEDCO as a wholly-owned subsidiary and to issue shares of BLAST Common Stock and BLAST Preferred Stock (defined below), as applicable, to the stockholders of PEDCO upon the terms and conditions set forth herein. BLAST Sub is a wholly-owned subsidiary corporation of BLAST that shall be merged with and into PEDCO, whereupon PEDCO shall be the surviving corporation of said merger and shall become a wholly-owned subsidiary of BLAST (BLAST Sub and PEDCO are sometimes collectively hereinafter referred to as the “Constituent Corporations”).

B. Amended and Restated Certificate of Formation. The Board of Directors of BLAST deems it advisable and in the best interests of the corporation and its stockholders that BLAST amend and restate its Certificate of Formation to read in their entirety as set forth on the attached Exhibit A (the “Restated Articles of Incorporation”). As soon as practical after the date hereof, but in any event prior to the closing of the Merger, the Board of Directors of BLAST shall seek to obtain, in compliance with the laws of the State of Texas and other applicable law, stockholder approval in order to duly authorize, effectuate and file the Restated Articles of Incorporation with the Secretary of State of the State of Texas (hereinafter the “Amendment of the Articles”).

C. Plan of Merger. The boards of directors of BLAST, BLAST Sub and PEDCO, respectively, deem it advisable and in the best interests of such corporations and their respective stockholders that immediately after the Amendment of the Articles described above, BLAST Sub be merged with and into PEDCO pursuant to this Agreement and the attached Articles of Merger (hereinafter “Articles of Merger”, in substantially the form attached hereto as Exhibit B) and pursuant to and in accordance with applicable provisions of law, including the Nevada Revised Statutes (“NRS”) (such transaction hereafter referred to as the “Merger”).

D. Capitalization of BLAST. As of the date hereof, BLAST has an authorized capitalization consisting of: (i) 180,000,000 shares of Common Stock, $0.001 par value, of which 70,275,095 shares are issued and outstanding as of the date hereof and 1,150,000 shares of common stock (the “Class Action Shares”) are approved but unissued, relating to a class action settlement from 2005 (collectively, the “BLAST Common Stock”), and (ii) 20,000,000 authorized shares of preferred stock (“BLAST Preferred Stock”), including (a) 8,000,000 authorized shares of Series A Convertible Preferred Stock, $0.001 par value, of which 6,000,0000 shares are issued and outstanding, and (b) one (1) authorized share of Series B Preferred Stock, $0.001 par value, of which one (1) share is issued and outstanding. Further, there are currently outstanding options to purchase 4,350,459 shares of BLAST Common Stock, warrants to purchase 25,095,459 shares of BLAST Common Stock, and outstanding convertible notes and other cash obligations which may convert into 110,261,517 shares of BLAST Common Stock (not including any accrued and unpaid interest thereon).

E. Capitalization of BLAST Sub. As of the date hereof, BLAST Sub has an authorized capitalization consisting of 1,000 shares of $0.001 par value common stock, of which 1,000 shares shall be issued and outstanding and owned by BLAST immediately prior to the closing of the Merger.

F. Capitalization of PEDCO. As of the date hereof, PEDCO has an authorized capitalization consisting of (i) 200,000,000 shares of common stock, $0.001 par value (“PEDCO Common Stock”), of which 16,202,261 shares are

issued and outstanding, and (ii) 100,000,000 shares of Preferred Stock, $0.001 par value, including: (a) 25,000,000 authorized shares of Series A Preferred Stock ("PEDCO Series A Preferred Stock"), of which 7,501,669 shares are issued and outstanding, and (b) 75,000,000 remaining undesignated authorized shares of preferred stock ("PEDCO Undesignated Preferred Stock"), none of which are issued or outstanding (the PEDCO Series A Preferred Stock and the PEDCO Undesignated Preferred Stock shall be collectively referred to herein as the "PEDCO Preferred Stock"). Further, as of the date hereof (i) options to purchase up to 530,000 shares of PEDCO Common Stock, and warrants to purchase up to 100,000 shares of PEDCO Common Stock are issued and outstanding, (ii) warrants to purchase up to 480,000 shares of PEDCO Series A Preferred Stock are issued and outstanding, and (iii) PEDCO has an obligation to issue up to 1,333,334 shares of Series A Preferred Stock to third party sellers of certain oil and gas interests located in the State of Colorado's Niobrara shale formation, pursuant to agreements previously provided to BLAST and its counsel (the "Niobrara Shares").

G. Additional PEDCO Equity Issuances. It is contemplated that prior to the closing of the Merger, PEDCO will issue additional shares of PEDCO Series A Preferred Stock to accredited and/or non-U.S. investors who subscribe for shares of PEDCO Series A Preferred Stock currently being offered to accredited and non-U.S. investors in the Private Placement (as defined below in Section 3), as well as PEDCO Series A Preferred Stock, and warrants exercisable therefore, to certain placement agents engaged by PEDCO in connection with the Private Placement as compensation in connection therewith, pursuant to agreements previously provided to BLAST and its counsel. Further, it is contemplated that prior to the closing of the Merger, PEDCO will issue approximately 1,666,667 additional shares of PEDCO Series A Preferred Stock (the “Eagle Ford Shares”) to certain third parties as partial consideration for PEDCO’s purchase of certain oil and gas interests located in the State of Texas’s Eagle Ford shale formation, pursuant to agreements previously provided to BLAST and its counsel. PEDCO shall also be entitled under this Agreement to issue additional securities prior to the closing of the Merger, subject to the PEDCO Share Limitation set forth in Section 10(c) below. Furthermore, it is contemplated that in the fourth quarter of 2012, following the closing of the Merger, PEDCO will be obligated to issue the Niobrara Shares to certain third party sellers as partial consideration for PEDCO’s purchase of certain oil and gas interests located in the State of Colorado’s Niobrara shale formation, pursuant to agreements previously provided to BLAST and its counsel. Any of the foregoing additional equity interests that are issued and outstanding prior to the Merger shall be exchanged for BLAST Series A Preferred Stock and warrants exercisable therefore, as applicable, in the Merger on the same basis as all other authorized and outstanding shares of PEDCO Preferred Stock, PEDCO Common Stock, options and warrants are exchanged and as set forth below. Further, in the event the Niobrara Shares are to be issued post-Merger, such obligation shall be assumed by BLAST in the Merger, and such shares shall be issued with identical terms and conditions as such Series A Preferred Stock would have been issuable by PEDCO, as BLAST Series A Preferred Stock (or BLAST Common Stock, in the event the BLAST Series A Preferred Stock has converted to BLAST Common Stock).

NOW THEREFORE, for the mutual consideration set out herein, and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1.Amendment of Articles. Subject to receipt of the requisite approvals detailed herein, the parties to this Agreement do hereby agree that BLAST shall amend and restate it articles of incorporation upon the terms and conditions set forth herein and in accordance with the provisions of the Business Organizations Code of the State of Texas (the “TBOC”). The ”Effective Time of Amendment” shall be that date on which the Restated Articles of Incorporation, substantially in the form attached as Exhibit A, which include a reverse stock split and a change of name of BLAST to “PEDEVCO Corp.,” and which is attached hereto and incorporated herein by reference for all purposes, are filed in the office of the Texas Secretary of State, all after satisfaction of the respective requirements of the applicable laws of said states prerequisite to such filings.

2.Plan of Reorganization. The parties to this Agreement do hereby agree that immediately after the Effective Time of Amendment, BLAST Sub shall be merged with and into PEDCO upon the terms and conditions set forth herein and in accordance with the NRS and TBOC. It is the intention of the parties hereto that this transaction shall qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, and related sections thereunder.

3.Terms of Merger. In accordance with the provisions of this Agreement and the requirements of applicable law, BLAST Sub shall be merged with and into PEDCO as of the Effective Merger Date (the terms "Closing" and "Effective Merger Date" are defined in Section 7 hereof). PEDCO shall be the Surviving Corporation and the separate existence of BLAST Sub shall cease when the Merger shall become effective. Consummation of the Merger shall be upon the following terms and subject to the conditions set forth herein:

(a)Corporate Existence.

(1)Commencing with the Effective Merger Date: which shall only occur after the Amendment of the Articles, the Surviving Corporation shall continue its corporate existence as a Nevada corporation and (i) it shall thereupon and thereafter possess all rights, privileges, powers, franchises and property (real, personal and mixed) of each of the Constituent Corporations; (ii) all debts due to either of the Constituent Corporations, on whatever account, all causes in action and all other things belonging to either of the Constituent Corporations shall be taken and deemed to be transferred to and shall be vested in the Surviving Corporation by virtue of the Merger without further act or deed; and (iii) all rights of creditors and all liens, if any, upon any property of any of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations shall thenceforth attach to the Surviving Corporation.

(2)At the Effective Merger Date: (i) the Certificate of Incorporation and the By-laws of PEDCO, in the forms attached hereto as Exhibit C which shall exist immediately prior to the Effective Merger Date, shall be and remain the Certificate of Incorporation and By-Laws of the Surviving Corporation; (ii) the members of the Board of Directors of PEDCO holding office immediately prior to the Effective Merger Date shall remain as the members of the Board of Directors of the Surviving Corporation (if on or after the Effective Merger Date a vacancy exists on the Board of Directors of the Surviving Corporation, such vacancy may thereafter be filled in a manner provided by applicable law and the By-laws of the Surviving Corporation); and (iii) until the Board of Directors of the Surviving Corporation shall otherwise determine, all persons who held offices of PEDCO at the Effective Merger Date shall continue to hold the same offices of the Surviving Corporation.

(b)Events Occurring Prior to the Closing.

(1) Prior to the Effective Merger Date, the Board of Directors and the stockholders of BLAST shall duly authorize, effect and consummate the filing of the Amendment of the Articles, whereby (i) all of the then outstanding shares of BLAST Series A and Series B Preferred Stock shall be converted into shares of BLAST Common Stock on a one-to-one basis, and immediately thereafter (ii) all of BLAST's then outstanding shares of BLAST Common Stock (including BLAST Common Stock from the newly converted BLAST Preferred Stock) shall be reverse split as described below. As a result of the Amendment of the Articles, the total number of issued and outstanding shares of BLAST Common Stock outstanding immediately after the Amendment of the Articles but immediately prior to the Effective Merger Date, shall not exceed 2,400,000 shares on a fully-diluted, as converted basis (including shares of BLAST Common Stock issuable upon exercise or conversion of all outstanding warrants, options and shares reserved for future issuance (including the Class Action Shares) and other convertible securities, but not including any unissued amounts reserved under any stock option pool) (2,400,000 shall hereinafter be referred to as the "BLAST Conversion Amount"), and BLAST shall not have any outstanding shares of preferred stock immediately prior to the Effective Merger Date. In connection with the Amendment to the Articles, each outstanding share of BLAST Common Stock will be converted automatically into that number of whole shares of BLAST Common Stock under the Restated Articles of Incorporation equal to such number of shares of BLAST Common Stock multiplied by a fraction (the "Blast Conversion Ratio") equal to (a) the BLAST Conversion Amount divided by (b) the total number of shares of Common Stock, Preferred Stock, options and warrants issued or issuable by BLAST immediately prior to the conversion (the "Conversion"), as further described in the Restated Articles of Incorporation. Each outstanding option, warrant and right to receive shares of BLAST prior to the Conversion shall by its terms automatically evidence an option, warrant or right to receive shares of BLAST as adjusted for the Blast Conversion Ratio (including the total number of shares

issuable in connection therewith and the exercise or conversion price of such security, as applicable), as further described in the Restated Articles of Incorporation. For clarification, all outstanding shares of BLAST Preferred Stock shall be converted into BLAST Common Stock under the Restated Articles of Incorporation at the consummation of the Amendment of the Articles, and then shall be subject to the reverse split. The BLAST Conversion Amount may be reduced as described in Section 14(l) below. No fractional shares will be issued in connection with the foregoing conversion and reverse split. Instead of issuing fractional shares, BLAST will issue one full share of the post-Amendment of the Articles BLAST Common Stock to any stockholder who otherwise would have received a fractional share as a result of the Amendment of the Articles. In connection with the Amendment of the Articles, upon receipt of the necessary stockholder approval, the Board of Directors of BLAST shall cause the Restated Articles of Incorporation to be filed with the Texas Secretary of State;

(2) Prior to the Effective Merger Date, and further in connection with the Amendment of the Articles above, the Board of Directors of BLAST shall duly authorize the Amendment of the Articles and the filing of the Restated Articles of Incorporation in substantially the form attached hereto as Exhibit A so that BLAST shall have an authorized capitalization consisting of 300,000,000 shares of capital stock, which shall consist of 200,000,000 shares of common stock, $0.001 par value per share ("Common Stock"), of which not more than 2,400,000 shares (including shares issuable upon exercise or conversion of convertible securities) will be issued and outstanding immediately prior to the Effective Merger Date; and 100,000,000 authorized shares of Preferred Stock, including (a) 25,000,000 authorized shares of Series A Preferred Stock, $0.001 par value per share ("Series A Preferred Stock"), of which no shares will be issued and outstanding as of immediately prior to the Effective Merger Date, and (b) 75,000,000 remaining undesignated authorized shares of preferred stock ("Undesignated Preferred Stock"), of which none will be issued and outstanding as of immediately prior to the Effective Merger Date (the Series A Preferred Stock and the Undesignated Preferred Stock shall be collectively referred to herein as the "Preferred Stock"); and

(3) It is currently contemplated that prior to the Effective Merger Date, PEDCO shall (i) close its Private Placement under Regulation D, Rule 506, and Regulation S, each as promulgated by the SEC under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to which it shall issue not less than 4,000,000 and not more than 25,000,000 shares of PEDCO Series A Preferred Stock (the "Private Placement"). All of the shares of PEDCO Series A Preferred Stock issued as part of the Private Placement shall be included in the shares of PEDCO that are outstanding at the time of the Merger and shall be converted or exchanged in the Merger in accordance with Section 3(c)(2) below.

(c)Conversion of Securities.

As of the Effective Merger Date and without any action on the part of BLAST, BLAST Sub, PEDCO or the holders of any of the securities of any of these corporations, each of the following shall occur:

(1)Each share of PEDCO Common Stock issued and outstanding immediately prior to the Effective Merger Date shall be converted into one (1) share of BLAST Common Stock. All such shares of PEDCO Common Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each certificate previously evidencing any such shares shall thereafter represent the right to receive, upon the surrender of such certificate in accordance with the provisions of Section 4 hereof, certificates evidencing such number of shares of BLAST Common Stock into which such shares of PEDCO Common Stock were converted. The holders of such certificates previously evidencing shares of PEDCO Common Stock outstanding immediately prior to the Effective Merger Date shall cease to have any rights with respect to such shares of PEDCO Common Stock except as otherwise provided herein or by law;

(2)Each share of PEDCO Series A Preferred Stock issued and outstanding immediately prior to the Effective Merger Date shall be converted into one (1) share of BLAST Series A Preferred Stock. All such shares of PEDCO Series A Preferred Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each certificate previously evidencing any such shares shall thereafter represent the right to receive, upon the surrender of such certificate in accordance with the provisions of Section 4 hereof, certificates evidencing such number of shares of BLAST Series A Preferred Stock into which such shares of PEDCO Series A Preferred Stock were converted. The holders of such certificates previously evidencing shares of PEDCO Series A Preferred Stock outstanding immediately prior to the Effective Merger Date shall cease to have any rights with respect to such shares of PEDCO Series A Preferred Stock except as otherwise provided herein or by law;

(3)Any shares of PEDCO capital stock held in the treasury of PEDCO immediately prior to the Effective Merger Date shall automatically be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto;

(4)At the Closing, each outstanding option, warrant and other right to acquire shares of PEDCO capital stock shall automatically become an option, warrant or right to acquire an equivalent number of shares of BLAST capital stock; and

(5)Each share of capital stock of BLAST Sub issued and outstanding immediately prior to the Effective Merger Date shall remain in existence as one (1) share of common stock of the Surviving Corporation, which shall be wholly-owned by BLAST.

(d)Merger.

(1)Immediately after the conversion of the securities above, upon the effectiveness of the Merger, (A) each outstanding option, warrant or right to purchase PEDCO Common Stock, whether or not then exercisable, shall be converted into an option, warrant or right to purchase (in substitution for each share of PEDCO Common Stock subject to an PEDCO option or warrant) one (1) share of BLAST Common Stock, and (B) each outstanding option, warrant or right to purchase, or PEDCO obligation to issue, PEDCO Series A Preferred Stock (including the obligation to issue the Niobrara Shares), whether or not then exercisable, shall be converted into an option, warrant or right to purchase, or right to receive (in substitution for each share of PEDCO Series A Preferred Stock subject to an PEDCO option or warrant or right to receive) one (1) share of BLAST Series A Preferred Stock, in each case at a price equal to the exercise price in effect immediately prior to the Merger. All other terms and conditions of each PEDCO option or warrant or issuance right shall remain the same.

(2)Immediately prior to the Closing, the number of directors of BLAST will be three (3). Effective as of the Closing, the then existing directors of BLAST shall nominate and elect to the Board of Directors Frank Ingriselli, Michael Peterson, and Jamie Tseng, and all of the persons serving as directors and officers of BLAST immediately prior to the Closing shall thereafter resign from all of their positions with BLAST effective immediately as of the Closing, and the newly designated directors shall commence at that time their respective terms (the “Director Change”).

(3)PEDCO, Blast and Blast Sub will take all such reasonable lawful action as may be necessary or appropriate in order to effect the Merger in accordance with this Agreement as promptly as practicable. If, at any time after the Closing, any such further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all the property, rights, privileges, power and franchises of PEDCO, the officers and directors of PEDCO immediately prior to the Closing are fully authorized in the name of their respective corporation or otherwise to take, and will take, all such lawful and necessary action.

(4)Shares of PEDCO Common Stock and PEDCO Preferred Stock which are issued and outstanding immediately prior to the Effective Merger Date and which are held by persons who are entitled to and have properly exercised, and not withdrawn or waived, appraisal rights with respect thereto in accordance with the NRS (the “Dissenting Shares”), will not be converted into the right to receive BLAST Common Stock or BLAST Preferred Stock, as applicable, and holders of such shares of PEDCO Common Stock and PEDCO Preferred Stock will be entitled, in lieu thereof, to receive payment of the appraised value of such shares in accordance with the provisions of the NRS unless and until such holders fail to perfect or effectively withdraw or lose their rights to appraisal and payment under the NRS. If, after the Closing, any such holder fails to perfect or effectively withdraws or loses such right, such shares of PEDCO Common Stock and PEDCO Preferred Stock will thereupon be treated as if they had been converted on the Effective Merger Date into the right to receive BLAST Common Stock or BLAST Preferred Stock, as applicable, without any interest thereon.

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4.Delivery of Common and Preferred Shares.

(a)On or as soon as practicable after the Effective Merger Date, PEDCO will use reasonable efforts to cause all holders of PEDCO Preferred and Common Stock, including the holders of Series A Preferred Stock acquired in the Private Placement (collectively, the “PEDCO Stockholders”) to surrender to Blast’s transfer agent for cancellation certificates representing their shares of PEDCO Common Stock and PEDCO Preferred Stock, as applicable, against delivery of certificates representing the shares of BLAST Common Stock and BLAST Preferred Stock, as applicable, for which the PEDCO shares are to be converted in the Merger. Until surrendered and exchanged as herein provided, each outstanding certificate which, prior to the Effective Merger Date, represented PEDCO Common Stock or PEDCO Preferred Stock shall be deemed for all corporate purposes to evidence ownership of the same number of shares of BLAST Common Stock or BLAST Preferred Stock, as applicable, into which the shares of PEDCO Common Stock and PEDCO Preferred Stock represented by such PEDCO certificate shall have been so converted.

(b)None of the BLAST Common Stock or BLAST Preferred Stock issued in the Merger may be sold, transferred, or otherwise disposed of without registration under the Act or an exemption there from. In the absence of an effective registration statement covering such shares or any available exemption from registration under the Act, such shares must be held indefinitely. The certificates representing such shares shall bear a legend to that effect. The BLAST Common Stock and BLAST Preferred Stock issued in the Merger may not be sold pursuant to Rule 144 promulgated under the Act unless all of the conditions of that Rule are met. Among the conditions for use of Rule 144 is the availability of current information to the public about BLAST.

5.Representations of PEDCO. PEDCO hereby represents and warrants as follows, which warranties and representations shall also be true as of the Effective Merger Date:

(a)As of the date hereof, the total number of shares of PEDCO Common Stock issued and outstanding is 16,202,261, and the total number of shares of PEDCO Series A Preferred Stock issued and outstanding is 7,501,669. Further, as of the date hereof there are outstanding (i) options to purchase 530,000 shares of PEDCO Common Stock, (ii) warrants to purchase 100,000 shares of PEDCO Common Stock, and (iii) warrants to purchase up to 480,000 shares of PEDCO Series A Preferred Stock, as set forth in greater detail on Schedule 5(a). Other than the shares of PEDCO Series A Preferred Stock that may be issued prior to the Closing pursuant to the Private Placement (which shall not exceed the PEDCO Share Limitation described in Section 10(c) below), the Eagle Ford Shares that are contemplated to be issued prior to the Effective Merger Date, and the Niobrara Shares that are contemplated to be issued in the fourth quarter of 2012, each as described in Recital G above, the foregoing shares, options and warrants represent all of the shares of PEDCO’s capital stock that will be issued and outstanding, or in the case of warrants and options, issuable, as of the Effective Merger Date.

(b)The PEDCO Common Stock and PEDCO Preferred Stock constitute duly authorized and validly issued shares of capital stock of PEDCO. All issued and outstanding shares of PEDCO Common Stock and PEDCO Preferred Stock are fully paid and nonassessable.

(c)The PEDCO audited financial statements from inception through September 30, 2011 (the “PEDCO Statement Date”), which have been made available to BLAST (hereinafter referred to as the “PEDCO Financial Statements”), to the best of PEDCO’s Knowledge, fairly present in all material respects the financial condition of PEDCO as of the dates thereof and the results of its operations for the periods covered in accordance with United States generally accepted accounting principles (“GAAP”). As used in this Agreement with respect to a particular party, the word “Knowledge” means the actual knowledge of any of the existing officers or directors of such party. Other than as set forth in Schedule 5(c) attached hereto, and except as may otherwise be set forth or referenced herein, there are no material liabilities or obligations, either fixed or contingent, not disclosed or referenced in the PEDCO Financial Statements or in any exhibit thereto or notes thereto other than contracts or obligations occurring in the ordinary course of business since the PEDCO Statement Date. No such contracts or obligations occurring in the ordinary course of business

constitute liens or other liabilities which materially alter the financial condition of PEDCO as reflected in the PEDCO Financial Statements. PEDCO has or will have at the Closing good title to all assets shown on the PEDCO Financial Statements subject only to dispositions and other transactions in the ordinary course of business, the disclosures set forth therein, and liens and encumbrances of record. The PEDCO Financial Statements have been prepared in accordance with generally accepted accounting principles (except as may be indicated therein or in the notes thereto and except for the absence of footnotes).

(d)Except as set forth in Schedule 5(d) or as otherwise disclosed in the “Subsequent Events” footnotes to the PEDCO Financial Statements, since the PEDCO Statement Date, there has not been any material adverse change in the financial position of PEDCO.

(e)PEDCO is not a party to any material pending litigation or any governmental investigation or proceeding not reflected in the PEDCO Financial Statements, and, to PEDCO’s Knowledge, no material litigation, claims, assessments or any governmental proceedings are threatened against PEDCO.

(f)PEDCO is in good standing in its state of incorporation, and is in good standing and duly qualified to do business in each state where required to be so qualified except where the failure to so qualify would not have a material adverse effect on PEDCO.

(g)PEDCO has, or by the Effective Merger Date will have, filed all material tax, governmental and/or related forms and reports (or extensions thereof) due or required to be filed in the ordinary course of business and has (or will have) paid or made adequate provisions for all taxes or assessments which have become due as of the Effective Merger Date, except where failure to do so would not have a material adverse effect on PEDCO.

(h)PEDCO has not materially breached any material agreement to which it is a party. PEDCO has made available to BLAST for review copies of or access to all material contracts, commitments or agreements to which PEDCO is a party, including all contracts covering relationships or dealings with related parties or affiliates.

(i)PEDCO has no subsidiaries except as listed on Exhibit 5(i) attached hereto.

(j)PEDCO has made its corporate financial records, minute books, and other corporate documents and records available for review to representatives of BLAST.

(k)PEDCO has (and at the Closing will have) disclosed in writing to BLAST on an Exhibit or Schedule hereto all events, conditions and facts materially affecting the business, financial conditions (including any liabilities, contingent or otherwise) or results of operations of PEDCO.

(l)Subject to the receipt of stockholder approval, PEDCO has the corporate power to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been or will prior to the Closing and the Effective Merger Date be duly authorized by the Board of Directors of PEDCO and by the stockholders of PEDCO. The execution of this Agreement does not violate or breach any agreement or contract to which PEDCO is a party, and PEDCO, to the extent required, has (or will have by Closing) obtained all necessary approvals or consents required by any agreement to which PEDCO is a party. The execution and performance of this Agreement will not violate or conflict with any provision of the Amended and Restated Articles of Incorporation or By-laws of PEDCO.

(m)Information regarding PEDCO which has been delivered by PEDCO to BLAST for use in connection with the Merger, is true and accurate in all material respects.

(n)To PEDCO's Knowledge, no representation or warranty by PEDCO contained in this Agreement and no statement contained in any certificate, schedule or other communication furnished pursuant to or in connection with the provisions hereof contains or shall contain any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein not misleading. There is no current or prior event or condition of any kind or character pertaining to PEDCO that may reasonably be expected to have a material adverse effect on PEDCO or its subsidiaries. Except as specifically indicated elsewhere in this Agreement, all documents delivered by PEDCO in connection herewith have been and will be complete originals, or exact copies thereof.

(o)To PEDCO's Knowledge, assuming all corporate and stockholder consents and approvals have been obtained and assuming the appropriate filings and mailings are made by PEDCO with the Secretary of State of Nevada and Texas, the execution and delivery by PEDCO of this Agreement and the closing documents and the consummation by PEDCO of the transactions contemplated hereby do not and will not (i) require the consent, approval or action of, or any filing or notice to, any corporation, firm, person or other entity or any public, governmental or judicial authority (except for such consents, approvals, actions, filing or notices the failure of which to make or obtain will not in the aggregate have a material adverse effect); or (ii) violate any order, writ, injunction, decree, judgment, ruling, law, rule or regulation of any federal, state, county, municipal, or foreign court or governmental authority applicable to PEDCO, or its business or assets. PEDCO is not subject to, or a party to, any mortgage, lien, lease, agreement, contract, instrument, order, judgment or decree or any other material restriction of any kind or character which would prevent, hinder or impair the continued operation of the business of PEDCO (or to the Knowledge of PEDCO, the continued operation of the business of PEDCO) after the Closing.

(p)PEDCO has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(q)To PEDCO's Knowledge, there is no material Legal Proceeding or Order (a) pending, threatened or anticipated against or affecting the business, assets or operations of PEDCO (the "PEDCO Business"); (b) that challenges or that may have the effect of preventing, making illegal, delaying or otherwise interfering with any of the transactions contemplated herein; or (c) related to the PEDCO Business. To the Knowledge of PEDCO, there is no reasonable basis for any such Legal Proceeding or Order. To the knowledge of PEDCO, no officer, director, partner, agent or employee of PEDCO is subject to any Order that prohibits such officer, director, partner, agent or employee from engaging in or continuing any conduct, activity, or practice relating to the PEDCO Business. The PEDCO Business is not subject to any Order of any Regulatory Authority and PEDCO is not engaged in any Legal Proceeding relating to the PEDCO Business to recover monies due to it or for damages sustained by it. PEDCO is not and has not been in default with respect to any Order relating to the PEDCO Business, and there are no unsatisfied judgments against PEDCO relating to the PEDCO Business. There are no Orders or agreements with, or Liens by, any Regulatory Authority or quasi-governmental entity relating to any environmental Law, which regulate, obligate, bind or in any way affect PEDCO or any property on which PEDCO operates the PEDCO Business. "Legal Proceeding" means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Regulatory Authority or arbitrator. "Order" means any writ, judgment, decree, ruling, injunction or similar order of any Regulatory Authority (in each such case whether preliminary or final). "Regulatory Authority" means: any (i) federal, state, local, municipal or foreign government; (ii) governmental or quasi-governmental authority of any nature (including without limitation any governmental agency, branch, department, official, instrumentality or entity and any court or other tribunal); (iii) multi-national organization or body; or (iv) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulation or taxing authority or power of any nature.

(r) To the Knowledge of PEDCO, the conduct of the PEDCO Business is and at all times has been in compliance with all Laws or Orders applicable to the conduct and operations of the PEDCO Business. PEDCO has not received any notice to the effect that, or otherwise been advised of (i) any actual, alleged, possible or potential violation of, or failure to comply with, any such Laws or Orders or (ii) any actual, alleged, possible or potential obligation on the part

of PEDCO to undertake, or to bear all or any portion of the cost of, any remedial action of any nature with respect to the PEDCO Business. No event has occurred or circumstance exists that (with or without notice or lapse of time) (i) may constitute or result in a violation by PEDCO of, or a failure on the part of PEDCO, any such Laws or Orders or (ii) may give rise to any obligation on the part of PEDCO to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except, in either case separately or the cases together, where such violation or failure to comply could not reasonably be expected to have a Material Adverse Effect on, the PEDCO Business. ”Laws” means any statute, ordinance, law, rule, regulation, code, injunction, judgment, order, decree, ruling, or other requirement enacted, adopted or applied by any Regulatory Authority, including judicial decisions applying common law or interpreting any other Law. “Material Adverse Effect” with respect to a Person means a material adverse effect on (i) the assets, liabilities, condition (financial or otherwise), properties, business or prospectus of such Person, (ii) the validity, binding effect or enforceability of this Agreement against such Person or (iii) the ability of such Person to perform its obligations under this Agreement. “Person” means any natural person, individual, firm, corporation, including a non-profit corporation, partnership, trust, unincorporated organization, association, limited liability company, labor union, Regulatory Authority or other entity.

(s) To PEDCO's Knowledge, none of PEDCO, or any of its directors, officers or any employee or other Person affiliated with or acting for or on behalf of PEDCO, has, directly or indirectly, (i) made any contribution, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or services (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, (C) to obtain special concessions or for special concessions already obtained, for or in respect of PEDCO or any of its Affiliates or (D) in violation of any Laws of the United States (including, without limitation, the Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. Sections 78dd-1 et seq.)) or any laws of any other country having jurisdiction; or (ii) established or maintained any fund or asset that has not been recorded in the books and records of PEDCO.

(t)There is no agreement, judgment, injunction, order or decree binding upon PEDCO which has the effect of prohibiting or materially impairing (a) any current or future business practice of PEDCO or (b) any acquisition of any Person or property by PEDCO, except in each of clauses (a) and (b) for any such prohibitions or impairments that would not reasonably be expected to have a Material Adverse Effect on PEDCO as it relates to the PEDCO Business.

(u)Except as set forth on Schedule 5(u), none of PEDCO, any Affiliate thereof, holders of the ownership interest of PEDCO or any Affiliate or family member thereof is presently or has, since December 31, 2010, borrowed any moneys from or has any outstanding debt or other obligations to PEDCO or is presently a party to any transaction with PEDCO relating to the PEDCO Business. Except as set forth on Schedule 5(u) of the PEDCO Disclosure Schedules, none of PEDCO or any Affiliate thereof, or any director, officer, partner or key employee of any such Persons (a) owns any direct or indirect interest of any kind in (except for ownership of less than 1% of any public company, provided, that such owner's role is that solely of a passive investor), or controls or is a director, officer, employee or partner of, consultant to, lender to or borrower from, or has the right to participate in the profits of, any Person which is (i) a competitor, supplier, customer, landlord, tenant, creditor or debtor of PEDCO, (ii) engaged in a business related to the PEDCO Business or (iii) a participant in any transaction to which PEDCO is a party, or (b) is a party to any Contract with PEDCO. Except as set forth on Schedule 5(u), PEDCO has no Contract or understanding with any officer, director or key employee of PEDCO or any of PEDCO's partners or any Affiliate or family member thereof with respect to the subject matter of this Agreement, the consideration payable hereunder or any other matter. Schedule 5(u) sets forth each transaction that PEDCO would be required to disclose for the past three years pursuant to Item 404 of Regulation S-K of the Securities Act, as if such Person were subject to such disclosure requirements. "Affiliate" means, with respect to any Person: (i) any Person directly or indirectly owning, controlling or holding with power to vote ten percent (10%) or more of the outstanding voting securities of such other Person (other than passive or institutional investors); (ii) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote, by such other Person; (iii) any Person directly or indirectly controlling, controlled by or under common control with such other Person; and (iv) any officer, director or partner of such other Person. "Control" for the foregoing purposes shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or voting interests, by contract or otherwise. "Contract" means any agreement, contract, note, loan, evidence of indebtedness, purchase order, letter of credit, indenture, security or pledge agreement, covenant not to compete, license, instrument, commitment, obligation, promise or undertaking (whether written or oral and whether express or implied).

(v)PEDCO shall assist BLAST and supply BLAST whatever information and disclosures that BLAST may deem reasonably necessary in connection with the preparation of a Schedule 14C or Schedule 14A (the "Proxy Statement") disclosing the terms of the Conversion and where applicable and/or required by the Securities and Exchange Commission, the terms and conditions of the Merger and operations and financial statements (as required) of PEDCO. All information supplied by PEDCO for inclusion in the Proxy Statement shall be accurate and shall comply in all respects with the requirements of the Securities and Exchange Commission's rules and regulations.

6.Representations of BLAST and BLAST Sub. BLAST and BLAST Sub, hereby jointly and severally represent and warrant to PEDCO as follows as of the date hereof, each of which representations and warranties shall continue to be true as of the Effective Merger Date:

(a)As of the Effective Merger Date, the shares of BLAST Common and Preferred Stock to be issued and delivered to the PEDCO Stockholders hereunder and in connection herewith will, when so issued and delivered, constitute duly authorized, validly and legally issued, fully-paid, and nonassessable shares of BLAST capital stock, free of all liens and encumbrances.

(b)Subject to the receipt of stockholder approval, BLAST and BLAST Sub have the corporate power to enter into this Agreement and to perform their obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been or will prior to the Closing and the Effective Merger Date be duly authorized by the respective Boards of Directors, and to the extent legally required, stockholders, of BLAST, and BLAST Sub. The execution and performance of this Agreement will not constitute a breach of any agreement, indenture, mortgage, license or other instrument or document to which BLAST or BLAST Sub is a party or to which it is otherwise subject and will not violate any judgment, decree, order, writ, law, rule, statute, or regulation applicable to BLAST or BLAST Sub or their respective properties. The execution and performance of this Agreement will not violate or conflict with any provision of the respective Articles or Certificate of Incorporation or by-laws of BLAST or BLAST Sub. This Agreement has been duly and validly executed and delivered by BLAST and BLAST Sub and constitutes a legal, valid and binding obligation of BLAST and BLAST Sub enforceable against BLAST and BLAST Sub in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and the general principles of equity, regardless of whether asserted in a proceeding in equity or at law.

(c)BLAST has delivered to PEDCO a true and complete copy of its audited financial statements for the fiscal years ended December 31, 2009 and 2010, and its reviewed financial statements for the nine months ended September 30, 2011 (the "BLAST Financial Statements"). The BLAST Financial Statements are complete, accurate and fairly present the financial condition of BLAST as of the dates thereof and the results of its operations for the periods then ended. There are no material liabilities or obligations either fixed or contingent not reflected therein. The BLAST Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of BLAST as of the dates thereof and the results of its operations and changes in financial position for the periods then ended. BLAST Sub has no financial statements because it was recently formed solely for the purpose of effectuating the Merger and it has been, is and will remain inactive except for purposes of the Merger, and it has no assets, liabilities, contracts or obligations of any kind other than as incurred in the ordinary course in connection with its incorporation in Nevada. BLAST has no subsidiaries except for BLAST Sub and the subsidiaries listed on Exhibit 6(c) attached hereto.

(d)BLAST maintains internal control over financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act). Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles ("GAAP") and includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and

dispositions of the assets of BLAST, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of BLAST are being made only in accordance with authorizations of management and directors of BLAST, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of BLAST's assets that could have a material effect on its financial statements.

(e)Since September 30, 2011 (the “BLAST Statement Date”), there have not been any material adverse changes in the financial condition of BLAST.

(f)Neither BLAST nor BLAST Sub is a party to, or the subject of, any pending litigation, claims, or governmental investigation or proceeding not reflected in the BLAST Financial Statements and the BLAST SEC Documents (defined in Section 6 below), and to the Knowledge of BLAST or BLAST Sub, there are no lawsuits, claims, assessments, investigations, or similar matters, threatened or contemplated against or affecting BLAST Sub, BLAST, or the management or properties of BLAST or BLAST Sub.

(g)BLAST and BLAST Sub are each duly organized, validly existing and in good standing under the laws of the jurisdiction of their incorporation; each has the corporate power to own its property and to carry on its business as now being conducted and is duly qualified to do business in any jurisdiction where so required except where the failure to so qualify would not have a material adverse effect on BLAST or BLAST Sub. Neither corporation is required to be qualified to do business in any state other than the states of Texas and California (for BLAST) and Nevada (for BLAST Sub).

(h)BLAST and BLAST Sub have filed all federal, state, county and local income, excise, property and other tax, governmental and other returns, forms, filings, or reports, which are due or required to be filed by it prior to the date hereof and have paid or made adequate provision in the BLAST Financial Statements for the payment of all taxes, fees, or assessments which have or may become due pursuant to such returns, filings or reports or pursuant to any assessments received, except where the absence or lack of such filing or payment would not result in a material adverse effect on BLAST or BLAST Sub. Neither BLAST nor BLAST Sub is delinquent or obligated for any material tax, penalty, interest, delinquency or charge and there are no tax liens or encumbrances applicable to either corporation.

(i)As of the date of this Agreement, BLAST’s authorized capital stock consists of 180,000,000 of shares of BLAST Common Stock, par value $0.001 per share, of which 70,275,905 shares are issued and outstanding as of the date hereof and 1,150,000 shares are reserved for issuance in connection with the Class Action Shares; and 20,000,000 authorized shares of BLAST Preferred Stock, (a) including (i) 8,000,000 authorized shares of BLAST Series A Preferred Stock, par value $0.001 per share, of which 6,000,000 shares are issued and outstanding as of the date hereof, and (ii) one (1) authorized share of BLAST Series B Preferred Stock, par value $0.001 per share, of which one (1) share is issued and outstanding as of the date hereof, and (b) and 11,999,999 remaining undesignated authorized shares of BLAST Preferred Stock, of which none are issued or outstanding as of the date hereof. Further, there are currently outstanding options to purchase 4,350,459 shares of BLAST Common Stock, warrants to purchase 25,095,089 shares of BLAST Common Stock, and outstanding convertible notes and other cash obligations which can convert into 110,261,517 shares of BLAST Common Stock (subject to additional amounts of interest incurred after December 31, 2011).

(j)Immediately after the Amendment of the Articles but prior to the Effective Merger Date, BLAST’s authorized capital stock shall consist of 200,000,000 shares of BLAST Common Stock, $0.001 par value, of which not more than 2,400,000 shares will be issued and outstanding as of the Effective Merger Date (including all outstanding options and warrants convertible into BLAST Common Stock), and 100,000,000 authorized shares of BLAST Preferred Stock, including (a) 25,000,000 authorized shares of BLAST Series A Preferred Stock, $0.001 par value, of which no shares shall be issued or outstanding, and (b) 75,000,000 remaining BLAST Undesignated Preferred Stock, of which none shall be issued or outstanding. BLAST Sub’s capitalization consists solely of 1,000 authorized shares of $0.001 par value common stock (“BLAST Sub’s Common Stock”), of which 1,000 shares are outstanding, all of which are owned by BLAST, free and clear of all liens, claims and encumbrances. All outstanding shares of capital stock of BLAST and BLAST Sub are, and shall be at Closing, validly issued, fully paid and nonassessable. There are no existing options, calls, claims, warrants, preemptive rights, registration rights or commitments of any character relating to the issued or unissued capital stock or other securities of BLAST Sub, other than as described on Schedule 6(i) hereto.

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(k)The financial records, minute books, and other documents and records of BLAST and BLAST Sub in the actual possession of the management of these entities have been made available to PEDCO prior to the Closing. The records and documents of BLAST and BLAST Sub that have been delivered to PEDCO constitute all of the records and documents of BLAST and BLAST Sub that are in the possession of BLAST or BLAST Sub.

(l)Except as disclosed in the BLAST SEC Documents, neither BLAST nor BLAST Sub has breached, nor is there any pending, existing, or to the Knowledge of BLAST or BLAST Sub, threatened claim that BLAST or BLAST Sub has breached, any of the terms or conditions of any agreements, contracts, commitments or other documents to which it is a party or by which its properties are bound. The execution and performance of this Agreement will not violate any provisions of applicable law or any agreement to which BLAST or BLAST Sub is subject. Each of BLAST and BLAST Sub confirm that all material contracts and commitments and all material existing relationships or dealings with related or controlling parties or affiliates have previously been disclosed in the BLAST SEC Documents or in writing to PEDCO.

(m)To the best of BLAST's Knowledge, BLAST has complied with all of the provisions relating to the issuance of shares, and for the registration thereof, under the Securities Act, other applicable securities laws, and all applicable blue sky laws in connection with any and all of its stock issuances. There are no outstanding, pending or threatened stop orders or other actions or investigations relating thereto involving federal and state securities laws. To the best of BLAST's Knowledge, all issued and outstanding shares of BLAST equity and other securities were offered and sold in compliance with federal and state securities laws.

(n)Except as disclosed in the BLAST SEC Documents, to the best of BLAST's knowledge, BLAST is and has been in compliance with, and BLAST has conducted any business previously owned or operated by it in compliance with, all applicable laws, orders, rules and regulations of all governmental bodies and agencies, including applicable securities laws and regulations (including, by way of example and not limitation the Sarbanes-Oxley Act of 2002 "SOX")) and environmental laws and regulations, except where such noncompliance did not and will not have, in the aggregate, a material adverse effect on BLAST. Without limiting the generality of the foregoing, BLAST maintains effective internal financial controls and procedures and disclosure controls in accordance with the requirements of SOX. BLAST is not currently subject to and has not received any outstanding notice of any noncompliance with the foregoing, nor is it aware of any outstanding claims or threatened claims in connection therewith.

(o)BLAST has filed or furnished, as applicable, on a timely basis (in each case except as otherwise disclosed therein), all forms, statements, certifications, reports and documents, together with any amendments required to be made with respect thereto, required to be filed or furnished by it with (i) the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933 (such forms, statements, reports and documents, the "BLAST SEC Documents"), (ii) FINRA, and (iii) any applicable state or regional securities regulators or authorities (collectively, the "Required Documents"). As of their respective dates, the Required Documents complied in all material respects with the requirements of the Securities Exchange Act of 1934, the Securities Act of 1933, the FINRA rules and regulations and state and regional securities laws and regulations, as the case may be, and, at the respective times they were filed, none of the Required Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(p)Except as disclosed in the BLAST SEC Documents, no aspect of BLAST's past or present business, operations or assets is of such a character as would restrict or otherwise hinder or impair BLAST from carrying on the business of BLAST as it is presently being conducted by BLAST.

(q)BLAST has no officers, directors, employees, consultants or independent contractors other than those listed on Schedule 6(p) hereto.

(r)To the best of BLAST's Knowledge, other than as disclosed in the BLAST SEC Documents, this Agreement and the transactions contemplated hereby, and as listed on Schedule 6(q), neither BLAST or BLAST Sub is party to any material contracts or commitments.

(s)Except as contemplated by this Agreement, or as disclosed in writing to PEDCO, the execution and delivery by BLAST and BLAST Sub of this Agreement and the closing documents and the consummation by BLAST and BLAST Sub of the transactions contemplated hereby and thereby do not and will not (i) require the consent, approval or action of, or any filing or notice to, any corporation, firm, person or other entity or any public, governmental or judicial authority (except for such consents, approvals, actions, filing or notices the failure of which to make or obtain will not in the aggregate have a material adverse effect on BLAST and BLAST Sub); or (ii) violate any order, writ, injunction, decree, judgment, ruling, law, rule or regulation of any federal, state, county, municipal, or foreign court or governmental authority applicable to BLAST, BLAST Sub, or their business or assets. Neither BLAST nor BLAST Sub is subject to, or a party to, any mortgage, lien, lease, agreement, contract, instrument, order, judgment or decree or any other material restriction of any kind or character which would prevent, hinder or impair the continued operation of the business of BLAST (or to the Knowledge of BLAST, the continued operation of the business of PEDCO) after the Closing.

(t)Brokers' Fees. Neither BLAST nor BLAST Sub has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

7.Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger and the Amendment of the Articles (the "Closing") will take place at the offices of TroyGould Professional Corporation located at 1801 Century Park East, 16th Floor, Los Angeles, California 90067, or at such other place as the parties mutually agree, at 10:00 a.m. local time on the second business day after the day on which the last of the closing conditions set forth in this Agreement have been satisfied or waived, or such other date as the parties mutually agree upon in writing (the "Closing Date"). The "Effective Merger Date" shall be that date and time specified in the Certificate of Merger as the date on which the Merger shall become effective, together with any other applicable requirements under FINRA.

8.Actions Prior to Closing.

(a)(1) Prior to the Closing, PEDCO on the one hand, and BLAST and BLAST Sub on the other hand, shall be entitled to make such investigations of the assets, properties, business and operations of the other party, and to examine the books, records, tax returns, financial statements and other materials of the other party as such investigating party deems necessary in connection with this Agreement and the transactions contemplated hereby. Any such investigation and examination shall be conducted at reasonable times and under reasonable circumstances, and the parties hereto shall cooperate fully therein. (2) Until the Closing, and if the Closing shall not occur, hereafter, each party shall keep confidential and shall not use in any manner inconsistent with the transactions contemplated by this Agreement, and shall not disclose, nor use for their own benefit, any information or documents obtained from the other party concerning the assets, properties, business and operations of such party, unless such information (i) is readily ascertainable from public or published information, (ii) is received from a third party not under any obligation to keep such information confidential, or (iii) is required to be disclosed by any law or order (in which case the disclosing party shall promptly provide notice thereof to the other party in order to enable the other party to seek a protective order or to otherwise prevent such disclosure). If this transaction is not consummated for any reason, each

party shall return to the other all such confidential information, including notes and compilations thereof, promptly after the date of such termination. The representations and warranties contained in this Agreement shall not be affected or deemed waived by reason of the fact that either party hereto discovered or should have discovered any representation or warranty is or might be inaccurate in any respect.

(b)Prior to the Closing, PEDCO, BLAST and BLAST Sub, agree not to issue any statement or communications to the public or the press regarding the transactions contemplated by this Agreement without the prior written consent of the other parties, other than a Press Release and Current Form 8-K issued by BLAST (the form and substance of which shall be reasonably satisfactory to PEDCO), and a similar disclosure to PEDCO Stockholders, advisors, consultants, partners and potential investors and partners (the form and substance of which shall be reasonably satisfactory to BLAST), and statements or communications regarding the same and contents thereof. Other than the foregoing, in the event that BLAST is required under federal securities law to either (i) file any document with the SEC that discloses this Agreement or the transactions contemplated hereby, or (ii) to make a public announcement regarding this Agreement or the transactions contemplated hereby, BLAST shall provide PEDCO with a copy of the proposed disclosure no less than 24 hours before such disclosure is made and shall incorporate into such disclosure any reasonable comments or changes that PEDCO may request.

(c)Other than as provided for in the Restated Articles of Incorporation referenced in Section 3(b)(2) herein, BLAST covenants to PEDCO that there shall be no stock dividend, stock split, recapitalization, or exchange of shares with respect to or rights, options or warrants issued in respect of BLAST's Common Stock or BLAST Preferred Stock after the date hereof and there shall be no dividends or other distributions paid on BLAST's Common Stock or BLAST Preferred Stock, after the date hereof, in each case through and including the Effective Merger Date. BLAST and BLAST Sub shall conduct no business, prior to the Closing, other than in the ordinary course of business or as may be necessary in order to consummate the transactions contemplated hereby. In the event BLAST desires to reprice any BLAST options or warrants, the terms and conditions of such repricing must be reasonably satisfactory to PEDCO.

(d)Prior to the Closing, the board of directors of each of BLAST and BLAST Sub shall cause the resignations of the officers and directors of BLAST and BLAST Subs of the Closing, and take such action as is necessary to appoint the PEDCO nominees to the BLAST Board of Directors.

(e)BLAST will not (and will not cause or permit any of its subsidiaries to) solicit, initiate, or encourage the submission of any proposal or offer from any person or entity relating to the acquisition of all or substantially all of the capital stock or assets of BLAST (including any acquisition structured as a merger, consolidation, or share exchange); provided, however, that BLAST, and its directors and officers, will remain free to participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any person or entity to do or seek any of the foregoing to the extent their fiduciary duties may require.

(f)As soon as practicable following the execution of this Agreement, the parties shall work together to prepare and file with the SEC a proxy statement in respect of the Merger, the Amendment of the Articles and the transactions contemplated hereby (the "Proxy Statement"), which Proxy Statement shall be used in respect of soliciting approval of the Merger, the Amendment of the Articles and this Agreement by BLAST's shareholders.

(g)As soon as practicable after execution of this Agreement, the parties shall use commercially reasonable efforts to obtain any necessary consents, approvals, authorizations or orders of, make any registrations or filings with or give any notices to, any regulatory authority or person as is required to be obtained, made or given by any party to consummate the transactions contemplated by this Agreement.

(h)Each party shall promptly notify the other parties of any material adverse change in the condition (financial or otherwise) of such party. Each party shall promptly notify the other parties of any fact, event, circumstance or action known to it that is reasonably likely to cause such party to be unable to perform any of its covenants contained herein or any condition precedent herein not to be satisfied, or that, if known on the date of this Agreement, would have been required to be disclosed to another party pursuant to this Agreement or the existence or occurrence of which would cause any of such party's representations or warranties under this Agreement not to be correct and/or complete. Each party shall give prompt written notice to the other parties of any adverse development causing a breach of any of the

representations and warranties herein as of the date made.

(i)Prior to the Closing, BLAST shall use commercially reasonable efforts to cause the holders of at least 51% of the issued and outstanding shares of each class of its capital stock to enter into a voting agreement in the form attached hereto as Exhibit D.

9.Conditions Precedent to the Obligations of PEDCO. All obligations of PEDCO under this Agreement are subject to the fulfillment, prior to or as of the Closing or the Effective Merger Date, as indicated below, of each of the following conditions:

(a)The representations and warranties by or on behalf of BLAST and BLAST Sub contained in this Agreement or in any certificate or document delivered pursuant to the provisions hereof or in connection herewith shall be true and correct in all material respects at and as of the Closing and Effective Merger Date as though such representations and warranties were made at and as of such time.

(b)BLAST and BLAST Sub shall have performed and complied with all covenants, agreements, and conditions set forth or otherwise contemplated in, and shall have executed and delivered all documents required by, this Agreement to be performed or complied with or executed and delivered by them prior to or at the Closing.

(c)On or before the Closing, the directors, and to the extent legally required, the stockholders of BLAST and BLAST Sub shall have approved in accordance with applicable state corporation law the execution and delivery of this Agreement, the Amendment of the Articles, and the Restated Articles of Incorporation and the consummation of the transactions contemplated herein in accordance with applicable Texas and Nevada law.

(d)On or before the Effective Merger Date, BLAST and BLAST Sub shall have delivered certified copies of resolutions of the sole stockholder and director of BLAST Sub and of the directors of BLAST approving and authorizing the execution, delivery and performance of this Agreement and authorizing all of the necessary and proper action to enable BLAST and BLAST Sub to comply with the terms of this Agreement, including the election of PEDCO’s nominees to the Board of Directors of BLAST and all matters outlined or contemplated herein.

(e)The Merger shall be permitted by applicable state law and otherwise and BLAST shall have sufficient shares of its capital stock authorized to complete the Merger and the transactions contemplated hereby.

(f)The capitalization of BLAST shall be as set forth in Section 6 herein.

(g)At Closing, all of the directors and officers of BLAST shall have resigned in writing from their positions as directors and officers of BLAST effective upon the election and appointment of the PEDCO nominees, and the directors of BLAST shall take such action as may be necessary or desirable regarding such election and appointment of PEDCO nominees.

(h)On or before the Closing, BLAST shall have received confirmation of a release or waiver of any liens on its working interest in a 2,500 acre lease of the Guijarral Hills Oil Field, which includes the Kreyenhagen Shale formation in the San Juan Valley, Fresno County, California, in a form reasonably acceptable to PEDCO.

(i)PEDCO shall have received the reasonable assurance, to the extent it deems necessary, that BLAST is current it its applicable SEC reporting requirements.

(j)PEDCO shall have received the reasonable assurance, to the extent it deems necessary, that the promissory notes listed on Schedule 9(j) have been fully satisfied, waived or converted into BLAST capital stock (subject to the restrictions herein) prior to the Closing.

(k)BLAST shall have obtained D&O “tail” insurance, and all other general commercial and other applicable insurance coverage extensions and/or assignments (including for environmental liabilities, as applicable) as reasonably acceptable to PEDCO.

(l)PEDCO shall have received the reasonable assurance of its certified public accountants, to the extent it deems necessary, that its financial audit shall be concluded at the proper time in order to be in full compliance will applicable SEC reporting requirements in connection with the Merger and the Closing of this transaction.

(m)The shares of restricted BLAST capital stock to be issued to PEDCO Stockholders at Closing will be validly issued, nonassessable and fully paid under Texas corporation law and will be issued in a nonpublic offering in compliance with all federal, state and applicable securities laws.

(n)PEDCO shall have received the advice of its tax advisor, to the extent it deems necessary, that this transaction shall be a tax free reorganization as to PEDCO and all of the PEDCO Stockholders.

(o)No event or conditions shall have occurred prior to the Closing Date or be reasonably likely to occur on or after the Closing Date which, individually or in the aggregate with any other events or conditions, has had or is reasonably likely to have a material adverse effect on BLAST, and PEDCO shall have received a certificate signed on behalf of BLAST by the Chief Executive Officer or the Chief Financial Officer of BLAST to such effect.

(p)PEDCO shall have received all necessary and required approvals and consents from required parties and from its stockholders.

(q)PEDCO has completed to its reasonable satisfaction its due diligence review of BLAST and its subsidiaries, finances, business and operations.

(r)The BLAST Common Stock continues to be quoted on the Over the Counter Bulleting Board, and BLAST has not received any notice of any pending removal therefrom.

10.Conditions Precedent to the Obligations of BLAST and BLAST Sub. All obligations of BLAST and BLAST Sub under this Agreement are subject to the fulfillment, prior to or at the Closing and the Effective Merger Date, of each of the following conditions:

(a)The representations and warranties by PEDCO contained in this Agreement or in any certificate or document delivered pursuant to the provisions hereof shall be true and correct in all material respects at and as of the Closing and the Effective Merger Date as though such representations and warranties were made at and as of such times.

(b)PEDCO shall have performed and complied with, in all material respects, all covenants, agreements, and conditions required by this Agreement to be performed or complied with prior to or at the Closing.

(c)The capitalization of PEDCO shall be as set forth in Section 5 herein, and, further, PEDCO shall have no more than an aggregate of 45 million shares issued and outstanding, or committed for future issuance, on a fully-diluted basis (including all issued and outstanding Common Stock, Preferred Stock, options, warrants, and issuance commitments, including, without limitation, the Niobrara Shares, and the Eagle Ford Shares) prior to the Closing, without the prior written consent of BLAST (the “PEDCO Share Limitation”).

(d)PEDCO shall have received all necessary and required approvals and consents from required parties and from its directors and stockholders.

(e)PEDCO shall have received at least $3 million in funds and subscriptions to purchase its Series A Preferred Stock in the Private Placement.

(f)As of the Effective Merger Date, there shall be no more than thirty-five (35) stockholders of PEDCO who are not "accredited investors," as that term is defined in Regulation D promulgated under the Securities Act, and the issuance of the securities to the PEDCO Stockholders in the Merger shall otherwise be exempt from registration under the Securities Act.

(g)The requisite number of BLAST's shareholders shall have duly approved the Amendment of the Articles and the Merger.

(h)Each PEDCO security holder shall have provided BLAST a representation and warranty in form and substance reasonably acceptable to BLAST and its counsel that such security holder is either (a) an "accredited investor" or a non-U.S. investor; or (b) has reviewed and familiarized themselves with BLAST's SEC filings and related disclosures (subject to not more than 35 of PEDCO's security holder's being non-"accredited investors"), and including such other representations, confirmations and warranties as BLAST and its counsel may deem reasonably necessary to confirm that the issuance of securities of BLAST to such PEDCO security holders is exempt from registration under Regulation D, Rule 506, and/or Regulation S of the Securities Act.

(i)No event or conditions shall have occurred prior to the Closing Date or be reasonably likely to occur on or after the Closing Date which, individually or in the aggregate with any other events or conditions, has had or is reasonably likely to have a material adverse effect on PEDCO, and BLAST shall have received a certificate signed on behalf of PEDCO by the Chief Executive Officer or the Chief Financial Officer of PEDCO to such effect.

(j)BLAST has completed to its reasonable satisfaction its due diligence review of PEDCO and its subsidiaries, finances, business and operations.

11.Survival. The representations, warranties, and agreements contained in this Agreement, and in any schedule, certificate, document or statement delivered pursuant hereto, shall survive (and not be affected in any respect by) the Closing.

12.Nature of Representations. All of the parties hereto are executing and carrying out the provisions of this Agreement in reliance solely on the representations, warranties and covenants and agreements contained in this Agreement and the other documents delivered at the Closing and not upon any representation, warranty, agreement, promise or information, written or oral, made by the other party or any other person other than as specifically set forth herein.

13.Documents at Closing. At the Closing, the following documents shall be delivered:

(a)PEDCO will deliver, or will cause to be delivered, to BLAST the following:

(1) a certificate executed by the President of PEDCO to the effect that all representations and warranties made by PEDCO under this Agreement are true and correct as of the Closing and as of the Effective Merger Date, the same as though originally given to BLAST or BLAST Sub on said date;

(2)a certificate from the state of PEDCO's incorporation dated within five business days of the Closing to the effect that PEDCO is in good standing under the laws of said state;

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(3)such other instruments, documents and certificates, if any, as are required to be delivered pursuant to the provisions of this Agreement;

(4)executed copy of the Articles of Merger for filing in Nevada;

(5)certified copies of resolutions adopted by the stockholders and directors of PEDCO authorizing the Merger; and

(6)all other items, the delivery of which is a condition precedent to the obligations of BLAST and BLAST Sub, as set forth herein; and

(b)BLAST and BLAST Sub will deliver or cause to be delivered to PEDCO:

(1)stock certificates representing those securities of BLAST to be issued as a part of the Merger as described in Section 3 hereof;

(2)a certificate of the President of BLAST and BLAST Sub, respectively, to the effect that all representations and warranties of BLAST and BLAST Sub made under this Agreement are true and correct as of the Closing, the same as though originally given to PEDCO on said date;

(3)certified copies of resolutions adopted by BLAST's and BLAST Sub's Board of Directors and BLAST Sub's stockholder authorizing the Amendment of the Articles and the Merger and all related matters;

(4)a certificate from the Nevada and Texas Secretary of State, as applicable, dated within five business days of the Closing Date that the Articles of Merger and the Restated Articles of Incorporation have been accepted for filing;

(5)certificates from the jurisdiction of incorporation of BLAST and BLAST Sub dated within five business days of the Closing Date that each of said corporations is in good standing under the laws of said state;

(6)such other instruments and documents as are required to be delivered pursuant to the provisions of this Agreement;

(7)written resignation of all of the officers and directors of BLAST and BLAST Sub as of the Closing and written appointment of the PEDCO nominees as directors and officers; and

(8)all other items, the delivery of which is a condition precedent to the obligations of PEDCO, as set forth herein.

14.Miscellaneous.

(a)Further Assurances. At any time, and from time to time, after the Effective Merger Date, each party will execute such additional instruments and take such action as may be reasonably requested by the other party to confirm or perfect title to any property transferred hereunder or otherwise to carry out the intent and purposes of this Agreement.

(b)Waiver. Any failure on the part of any party hereto to comply with any of its obligations, agreements or conditions hereunder may be waived in writing by the party (in its sole discretion) to whom such compliance is owed.

(c)Termination. This Agreement and all obligations hereunder (other than those under Sections 14 (c) and (l)) may be terminated (i) after June 1, 2012 at the discretion of either party if the Closing has not occurred by June 1, 2012 (unless the Closing date is extended with the consent of both PEDCO and BLAST) for any reason other than the default hereunder by the terminating party, (ii) at any time by the non-breaching party if any of the representations and warranties made herein by the other party have been materially breached, (iii) by any party at any time by giving written notice to the other party in the event that either party's board of directors concludes that termination would be in the best interests of said corporation's stockholders, or in the event that either party fails to receive the requisite stockholder vote. If any party terminates this Agreement as described above, then all rights and obligations of the parties hereunder shall terminate any further liability of any party to any other party; provided however, that:(1) the provisions of Section 8(a)(2) shall remain binding hereunder, (2) the prior confidentially agreement, executed by the parties on or about October 20, 2011, shall remain in effect, and (3) the initial deposit of $30,000 (the "Initial Deposit") paid by PEDCO to BLAST under the Term Sheet, dated on or about October 20, 2011 between the Parties, and any Fee Advances made by PEDCO to BLAST under Section 14(l), shall be repaid by BLAST to PEDCO no later than ten (10) business days following the date of termination.

(d)Amendment. This Agreement may be amended only in writing as agreed to by all parties hereto.

(e)Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given if delivered in person or sent by prepaid first class registered or certified mail, return receipt requested, or when sent via nationally recognized overnight courier, to the intended recipient as set forth below:

If to BLAST or BLAST Sub:

Blast Energy Services, Inc.
14550 Torrey Chase Blvd, Suite 330
Houston, Texas 77014
Attn: John MacDonald, Chief Financial Officer

With a copy to:

David M. Loev
The Loev Law Firm, PC
6300 West Loop South
Suite 280
Bellaire, Texas 77401

If to PEDCO:
Pacific Energy Development Corp.
4125 Blackhawk Plaza Circle, Suite 201A
Danville, CA 94506
Attn: Chief Executive Officer
With cc to: General Counsel

(f)Headings. The section and subsection headings in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g)Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h)Binding Effect. This Agreement shall be binding upon the parties hereto and inure to the benefit of the parties, their respective heirs, administrators, executors, successors and assigns.

(i)Entire Agreement. This Agreement and the attached Exhibits, is the entire agreement of the parties covering everything agreed upon or understood in the transaction. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof.

(j)Time. Time is of the essence.

(k)Severability. If any part of this Agreement is deemed to be unenforceable, the balance of the Agreement shall remain in full force and effect.

(l)Responsibility and Costs. In the event that the Merger is not consummated, all fees, expenses and out-of-pocket costs, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred by the parties hereto shall be borne solely and entirely by the party that has incurred such costs and expenses, unless the failure to consummate the Merger constitutes a breach of the terms hereof, in which event the breaching party shall be responsible for all costs of all parties hereto. Further, PEDCO agrees to reimburse BLAST for BLAST's reasonable professional fees and services related to the consummation of the transaction contemplated hereby ("Fee Advances"), provided that such Fee Advances are approved by PEDCO in advance. BLAST may reduce any outstanding Fee Advances by paying such amounts to PEDCO. In the event this Agreement is terminated for any reason prior to the consummation of the Merger, the Fee Advances shall be repaid by BLAST to PEDCO no later than ten (10) business days following the date of termination. Further, in the event that the Merger is consummated, any Fee Advances which remain outstanding shall reduce the BLAST Conversion Amount on a one dollar per share basis. For example, if upon the Effective Merger Date, PEDCO has paid BLAST $100,000 in Fee Advances, the BLAST Conversion Amount shall be reduced by 100,000, and would be 2,300,000.

(m)Applicable Law. This Agreement shall be construed and governed by the internal laws of the State of California without reference to principles of conflicts of laws.

(n)Jurisdiction and Venue. Each party hereto irrevocably consents to the jurisdiction and venue of the state or federal courts located in San Francisco County, State of California, in connection with any action, suit, proceeding or claim to enforce the provisions of this Agreement, to recover damages for breach of or default under this Agreement, or otherwise arising under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

BLAST ACQUISITION CORP.

By: /s/ Roger P. Herbert

Roger P. (Pat) Herbert, President

BLAST ENERGY SERVICES, INC.

By: /s/ Roger P. Herbert

Roger P. (Pat) Herbert, President

PACIFIC ENERGY DEVELOPMENT CORP.

By: /s/ Frank Ingriselli
Frank Ingriselli, President

Schedule 5(a)

PEDCO Capitalization Table

Shareholder	Common Stock
Founder Common Stock	14,520,000
Common Stock (Restricted Stock Grants - Non-Plan)	1,682,261
Outstanding Shares Total	16,202,261
Series A Preferred	7,501,669
Preferred Stock	7,501,669
Warrants-Investors	480,000
Warrants - Compensation (Employees)	100,000
Incentive Option Grants (Standalone Plan)	530,000
Warrants/Options	1,110,000
Grand Total - Fully Diluted	24,813,930

Schedule 5(c)

PEDCO Undisclosed Liabilities

a.PEDCO has entered into a Consulting Agreement with Liviakis Financial Communications, Inc., dated December 5, 2011, pursuant to which PEDCO issued an aggregate of 696,666 shares of Common Stock to Liviakis Financial Communications, Inc., and an affiliate thereof. These shares are reflected in PEDCO's capitalization representations disclosed in the Agreement.

b.PEDCO has entered into the Condor Energy Technology LLC ("Condor") Operating Agreement, dated October 31, 2011, with MIE Jurassic Energy Corporation ("MIE Jurassic"), pursuant to which MIE Jurassic owns 80% of Condor, and PEDCO owns 20% of Condor, and, further, PEDCO has committed to transfer and assign, and effective October 31, 2011 has transferred and assigned, 62.50% of its interest in those certain oil and gas interests located in the State of Colorado's Niobrara shale formation to Condor.

c.PEDCO has entered into a Stock Purchase Agreement, dated December 16, 2011, with the shareholders of Excellong E&P-2, Inc. and Excellong Inc., pursuant to which the Company plans to acquire Excellong E&P-2, Inc., a Texas entity holding certain oil and gas interests located in the State of Texas's Eagle Ford shale formation, in exchange for the payment by PEDCO of $2.5 million in cash, and the issuance of the Eagle Ford Shares.

d.PEDCO and its former Chief Financial Officer, Lawrence Davis, terminated their relationship effective December 23, 2011. PEDCO paid $13,000 to Mr. Davis as a cash bonus award due in accordance with the consulting agreement PEDCO entered into with Mr. Davis and, in exchange for a release signed by Mr. Davis, PEDCO paid to Mr. Davis an additional $5,000 in cash severance. Upon the effective date of termination of Mr. Davis' engagement on December 23, 2011, all 300,000 shares of PEDCO restricted Common Stock previously issued to Mr. Davis were forfeited to PEDCO and are no longer issued and outstanding.

e.In connection with PEDCO's Private Placement, PEDCO is obligated to pay to certain placement agents engaged by PEDCO the following compensation in connection with investments originated by such placement agents: (i) eight percent (8%) of the investment amount with respect to investments originated by the placement agents in the Private Placement; (ii) a warrant to purchase shares of Series A Preferred Stock of PEDCO equal to ten percent (10%) of the total shares of Series A Preferred Stock purchased by investors in the Private Placement introduced by the placement agents, at an exercise price equal to $0.75 per share; and (iii) shares of Series A Preferred Stock of PEDCO equal to an aggregate of two percent (2%) of the total shares purchased by investors introduced by the placement agents in the Private Placement. As of the hereof, PEDCO is not obligated to pay any compensation to the placement agents with respect to Series A Preferred Stock previously issued in the Private Placement.

Schedule 5(d)

PEDCO Subsequent Events

a.PEDCO and its former Chief Financial Officer, Lawrence Davis, terminated their relationship effective December 23, 2011. PEDCO paid $13,000 to Mr. Davis as a cash bonus award due in accordance with the consulting agreement PEDCO entered into with Mr. Davis and, in exchange for a release signed by Mr. Davis, PEDCO paid to Mr. Davis an additional $5,000 in cash severance. Upon the effective date of termination of Mr. Davis' engagement on December 23, 2011, all 300,000 shares of PEDCO restricted Common Stock previously issued to Mr. Davis were forfeited to PEDCO and are no longer issued and outstanding.

b. PEDCO has entered into a Stock Purchase Agreement, dated December 16, 2011, with the shareholders of Excellong E&P-2, Inc. and Excellong Inc., pursuant to which the Company plans to acquire Excellong E&P-2, Inc., a Texas entity holding certain oil and gas interests located in the State of Texas's Eagle Ford shale formation, in exchange for the payment by PEDCO of $2.5 million in cash, and the issuance of the Eagle Ford Shares.

Exhibit 5(i)

PEDCO Subsidiaries

Condor Energy Technology LLC, a Nevada limited liability company

Pacific Energy & Rare Earth Limited, a HK limited company

Blackhawk Energy Limited, a BVI limited company

PEDCO has entered into a Stock Purchase Agreement, dated December 16, 2011, with the shareholders of Excellong E&P-2, Inc. and Excellong Inc., pursuant to which the Company plans to acquire Excellong E&P-2, Inc., a Texas entity holding certain oil and gas interests located in the State of Texas's Eagle Ford shale formation, in exchange for the payment by PEDCO of $2.5 million in cash, and the issuance of the Eagle Ford Shares.

Schedule 5(u)

PEDCO Affiliate Transactions

a.PEDCO has entered into the Condor Energy Technology LLC ("Condor") Operating Agreement, dated October 31, 2011, with MIE Jurassic Energy Corporation ("MIE Jurassic"), an Affiliate of MIE Holdings Corporation ("MIE"), pursuant to which MIE Jurassic owns 80% of Condor, and PEDCO owns 20% of Condor, and, further, PEDCO has committed to transfer and assign, and effective October 31, 2011 has transferred and assigned, 62.50% of its interest in those certain oil and gas interests located in the State of Colorado's Niobrara shale formation to Condor. MIE, a leading independent upstream onshore oil company operating in China and abroad, is an Affiliate of PEDCO due to its beneficial ownership of 4,000,000 shares of PEDCO Series A Preferred Stock it acquired from PEDCO on October 31, 2011 in the Private Placement at a price of $0.75 per share, pursuant to a Subscription Agreement entered into with PEDCO.

b.Since the founding of PEDCO, an aggregate of 14,520,000 shares of PEDCO Common Stock have been directly and indirectly purchased by various parties as founder's shares for nominal value, including: 7,600,000 shares currently beneficially owned by PEDCO director, President and Chief Executive Officer Mr. Frank C. Ingriselli (including the shares issued to Global Venture Investments LLC ("GVEST"), an entity wholly owned and controlled by Mr. Ingriselli; 2,000,000 shares currently beneficially owned by PEDCO director, Senior Vice President and Managing Director, Mr. Jamie Tseng; and 1,875,000 shares currently beneficially owned by PEDCO Executive Vice President, General Counsel and Secretary, Mr. Clark R. Moore.

c.GVEST and PEDCO entered into a Subscription Agreement, dated April 30, 2011, pursuant to which GVEST contributed the rare earth JV interest to PEDCO in exchange for 4,100,000 shares of PEDCO Common Stock.

d.Mr. Michael L. Peterson, the Executive Vice President of PEDCO, and Mr. Lawrence Davis, the former Chief Financial Officer of PEDCO, acquired 700,000 and 300,000 shares of PEDCO restricted Common Stock, respectively, from PEDCO at a price of $0.08 per share, which shares are subject to repurchase in the event certain vesting milestones are not achieved. Mr. Peterson has also been granted an option to purchase 300,000 shares of PEDCO Common Stock, at an exercise price of $0.08 per share, subject to certain vesting milestones. Effective December 23, 2011, as a result of Mr. Davis' separation from PEDCO, all 300,000 shares of PEDCO restricted Common Stock held by Mr. Davis were forfeited to PEDCO.

e.GVEST loaned PEDCO $900,000, as evidenced by a secured convertible promissory note (the "GVEST Note"), dated July 6, 2011. The GVEST Note accrued interest at a rate of 3% per annum, compounded annually. Pursuant to the terms of the GVEST Note, all principal under the GVEST Note was converted into 2,400,000 shares of PEDCO Series A Preferred Stock on October 31, 2011, all accrued interest was paid in cash, and the GVEST Note was cancelled. In addition, in accordance with the terms of the GVEST Note, upon conversion of the GVEST Note principal effective October 31, 2011, PEDCO issued to GVEST a 3-year warrant to purchase an additional 480,000 shares of PEDCO Series A Preferred Stock with an exercise price equal to $0.75 per Share. The warrants may be exercised on a cashless basis.

f.GVEST purchased 266,667 shares of PEDCO Series A Preferred Stock at a price of $0.75 per share in the Private Placement on October 31, 2011, pursuant to a Subscription Agreement entered into with PEDCO.

g.Mr. Ingriselli loaned PEDCO $200,000 pursuant to a Secured Promissory Note, dated February 14, 2011 (the "Ingriselli Note"). The Ingriselli Note accrued interest at a rate of 3% per annum, compounded annually. All principal and accrued interest under the Ingriselli Note was paid in full on October 31, 2011, and the Ingriselli Note was cancelled.

h.PEDCO has entered into an employment agreement with Frank Ingriselli, its President and Chief Executive Officer, pursuant to which, effective June 15, 2011, Mr. Ingriselli has been employed by PEDCO with a base annual salary of $200,000 ($350,000 commencing November 1, 2011), and a target annual cash bonus of between 20% and 40% of his base salary, awardable by the Board in its discretion. In addition, Mr. Ingriselli's employment agreement includes, among other things, severance payment provisions that would require PEDCO to make lump sum payments equal to 36 months' salary and target bonus to Mr. Ingriselli in the event his employment is terminated without "cause" or if he voluntarily resigns for "good reason" (48 months in connection with a "change of control"), and continuation of benefits for up to 48 months, as such terms are defined in the employment agreement. The employment agreement also prohibits Mr. Ingriselli from engaging in competitive activities during and following termination of his employment that would result in disclosure of PEDCO's confidential information, but does not contain a general restriction on engaging in competitive activities.

i.PEDCO has entered into an employment agreement with Clark Moore, its Executive Vice President and General Counsel, pursuant to which, effective June 1, 2011, Mr. Moore has been employed by PEDCO with a base annual salary of $150,000 ($250,000 commencing November 1, 2011), and a target annual cash bonus of between 20% and 40% of his base salary, awardable by the Board in its discretion. In addition, Mr. Moore's employment agreement includes, among other things, severance payment provisions that would require PEDCO to make lump sum payments equal to 18 months' salary and target bonus to Mr. Moore in the event his employment is terminated without "cause" or if he voluntarily resigns for "good reason" (36 months in connection with a "change of control"), and continuation of benefits for up to 36 months, as such terms are defined in the employment agreement. The employment agreement also prohibits Mr. Moore from engaging in competitive activities during and following termination of his employment that would result in disclosure of PEDCO's confidential information, but does not contain a general restriction on engaging in competitive activities.

j.On August 16, 2011, PEDCO entered into a Consulting Agreement engaging Lawrence M. Davis to serve as PEDCO's Chief Financial Officer. Pursuant to the agreement, Mr. Davis provides financial and accounting services to PEDCO. This agreement was terminated effective December 23, 2011.

k.On September 1, 2011, PEDCO entered into a Consulting Agreement engaging Michael L. Peterson to serve as PEDCO's Executive Vice President. Pursuant to the agreement, Mr. Peterson serves as PEDCO's Executive Vice President for an initial monthly fee of $10,000 per month. Upon PEDCO funding at least $3 million in PEDCO's Private Placement (excluding MIE's investment and conversion of the GVEST convertible promissory note), the monthly fee shall increase to $15,000 per month, and upon the funding of at least $6 million in the Private Placement (excluding MIE's investment and conversion of the GVEST convertible promissory note), the monthly fee shall increase to $20,000 per month. In addition, PEDCO issued to Mr. Peterson an option to purchase 300,000 shares of PEDCO Common Stock and 700,000 shares of PEDCO restricted Common Stock, subject to vesting upon PEDCO's achievement of milestones tied to financing and going public through the effectiveness of the registration of a class of its securities or a merger with a public company ("gone public"). Furthermore, in the event PEDCO has raised at least $5 million in the Private Placement (excluding MIE's investment and conversion of the GVEST convertible promissory note), or PEDCO has "gone public," then if PEDCO terminates his engagement without "Cause" (as defined in the agreement), then 50% of the options and restricted stock granted to Mr. Peterson shall automatically vest, and PEDCO must pay to Mr. Peterson a cash amount equal to six times (6x) his then-current monthly fee. In the event PEDCO has both raised at least $5 million in the Private Placement (excluding MIE's investment and conversion of the GVEST convertible promissory note), and PEDCO has "gone public," then if PEDCO terminates his engagement without "Cause" (as defined in the agreement), then 100% of the options and restricted stock granted to Mr. Peterson shall automatically vest, and PEDCO must pay to Mr. Peterson a cash amount equal to six times (6x) his then-current monthly fee. The agreement has an initial term of six (6) months, expiring March 31, 2012, and is terminable by either party thereafter upon thirty (30) days written notice. Mr. Peterson is the former Chief Executive Officer, former director, and current substantial shareholder of BLAST.

l.PEDCO has entered into a Consulting Agreement with Liviakis Financial Communications, Inc., dated December 5, 2011, for certain investor relations services, pursuant to which PEDCO issued an aggregate of 696,666 shares of PEDCO Common Stock to Liviakis Financial Communications, Inc., and an employee thereof. John Liviakis, the President and owner of Liviakis Financial Communications, Inc., beneficially owns an aggregate of 1,333,333 shares of PEDCO Common Stock (including shares held by Liviakis Financial Communications, Inc.).

Exhibit 6(c)

BLAST Subsidiaries

Eagle Domestic Drilling Operations LLC, – a Texas limited liability company, whose sole member is Blast Energy Services, Inc.

Blast AFJ, Inc., a Delaware corporation, wholly owned by Blast Energy Services, Inc.

Blast Acquisition Corp., a Nevada corporation, Blast Energy Services, Inc.

Exhibit 6(i)
Outstanding Convertible Securities

- Series A Preferred Stock convertible into 6,000,000 shares of Common Stock
- Series B Convertible Preferred Stock convertible into one (1) share of Common Stock
- There are outstanding options to purchase 4,350,459 shares common stock under the 2003 Stock Option Plan and 2009 Stock Incentive Plan.
- Warrant to purchase 25,095,089 shares of Common Stock
- Promissory Note to Berg McAfee Companies LLC convertible as of 12/12/11 into approximately 72,121,850 shares of Common Stock under the Debt Conversion Agreement of even date herewith
- Promissory Note to Clyde Berg convertible as of 12/12/11 into approximately 5,459,750 shares of Common Stock under the Debt Conversion Agreement of even date herewith
- 1,150,000 shares of Common Stock issuable and arising from the class action settlement from 2005.
- Accrued pay to Board of Directors converting into approximately 14,075,000 shares of Common stock at $0.02 per share.
- Short term notes from Board of Directors converting into approximately 307,500 shares of Common stock at $0.02 per share
- Accrued pay to Employees converting into approximately 8,745,834 shares of Common stock at $0.02 per share.
- Accrued vacation to Employees converting into approximately 2,552,083 shares of Common stock at $0.02 per share.
- Accrued Finders' Fees to affiliates of Trident Partners converting into approximately 5,849,500 shares of Common stock at $0.02 per share

Total outstanding convertible securities:	145,707,066
Total outstanding Common Stock:	70,275,905

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Exhibit 6(p)

BLAST Officers, Directors, Employees, Consultants and Independent Contractors

- Roger P. (Pat) Herbert interim President, CEO and Chairman of the Board of Directors
- John MacDonald, Chief Financial Officer and Corporate Secretary
- Donald E. Boyd, Director
- Andrew Wilson, Non-executive VP of Business Development (resigned on 12/31/11)
- The Loev Law Firm, PC
- Steven D. Lee, attorney-at-law
- GBH CPAs, PC
- Sandy and Kurt Mire, the company's oil and gas engineer
- Sandy Livney, CPA
- Mire & Associates Inc.
- Hannah Loev, Loev Corporate Filings, Inc.
- J. Jan Jircik, PC

Exhibit 6(q)

Other BLAST Material Contracts and Commitments

- The Note Purchase Agreement, Warrant and related documents by and between Blast and a third party lender, as reported in the Current Report on Form 8-K filed March 2, 2011, and as amended in Current Report on Form 8-K filed October 13, 2011, and further amended in current report filed December 27, 2011.

- The Farmout Agreement by and between Blast, Solimar Energy LLC and Neon Energy Corporation (the "Farmout Agreement"), as amended, and as reported in the Current Report on Form 8-K filed March 2, 2011, and amended in the Current Report on Form 8-K filed December 27, 2011

- The Promissory Notes with Berg McAfee Companies, LLC and Clyde Berg, originally dated February 27, 2008, and amended January 5, 2011 and as further in connection with Debt Conversion and Voting Agreement executed contemporaneously with this Merger Agreement.

- Sugar Valley Purchase Agreement between Blast and Sun Resources as reported in the Current Report on Form 8-K filed September 23, 2010, and as amended in Current Report on Form 8-K filed December 7, 2010

- Finders Fee Agreement between Blast and Trident Partners as reported in the Current Report on Form 8-K filed March 2, 2011

- Contracts listed in Exhibit 9(j)

Exhibit 9(j)

BLAST Fully Satisfied, Waived or Converted Promissory Notes

- Secured Promissory Note with Berg McAfee Companies, LLC, a California limited liability company, dated February 27, 2008, and as amended on January 5, 2011, and as further amended under the Debt Conversion Agreement of even date herewith, in the aggregate principal amount of $1,120,000.

- Promissory Note with Clyde Berg, dated May 19, 2011, and as amended under the Debt Conversion Agreement of even date herewith, in the aggregate principal amount of $100,000.

- The Company intends to convert various outstanding obligations (as of 12/31/11) owing to its Board of Directors, various executives, and its placement agent, as detailed in the Exhibit 6(i).

EXHIBIT A TO AGREEMENT AND PLAN OF REORGANIZATION

CERTIFICATE OF FORMATION AND CERTIFICATE OF DESIGNATION

AMENDED AND RESTATED
CERTIFICATE OF FORMATION
OF
PEDEVCO CORP.

ARTICLE I

The name of this corporation is PEDEVCO CORP. (the "Corporation").

ARTICLE II

The address of the registered office of the Corporation in the State of Texas is 211 E. 7TH STREET, SUITE 620, AUSTIN, TX 78701. The name of its registered agent at that address is CORPORATION SERVICE COMPANY DBA CSC - LAWYERS INCO.

ARTICLE III

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the laws of the state of Texas.

ARTICLE IV

Effective as of the effective date set forth under Effectiveness of Filing on this Amended and Restated Certificate of Formation (or in the absence of such date, on the date such Amended and Restated Certificate of Formation is filed with the Secretary of State of Texas) ("Effective Time"), the Corporation shall have three hundred million (300,000,000) shares of capital stock authorized. The Corporation is authorized to issue two (2) classes of shares, designated "Common Stock" and "Preferred Stock." The total number of shares of Common Stock authorized to be issued is two hundred million (200,000,000) shares, $0.001 par value per share. The total number of shares of Preferred Stock authorized to be issued is one hundred million (100,000,000) shares, $0.001 par value per share. Further, at the Effective Time, every one hundred and ten shares of each series of the Corporation's capital stock, including Series A Convertible Preferred Stock, $0.001 par value, Series B Preferred Stock, $0.001 par value, and Common Stock, $0.001 par value, issued and outstanding immediately prior to the Effective Time, or held in treasury prior to the Effective Time (collectively the "Old Capital Stock"), shall be automatically reclassified and combined into One (1) share of Common Stock of the Corporation (the "Reverse Stock Split and Conversion"). Any stock certificate that, immediately prior to the Effective Time, represented shares of Old Capital Stock will, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent the number of shares of Common Stock as equals the quotient obtained by dividing the number of shares of Old Capital Stock represented by such certificate immediately prior to the Effective Time by one hundred and ten; provided, however, that each person holding of record a stock certificate or certificates that represented shares of Old Capital Stock shall receive, upon surrender of such certificate or certificates, a new certificate or certificates evidencing and representing the number of shares of Common Stock to which such person is entitled under the foregoing reclassification. No fractional shares of Common Stock shall be issued as a result of the Reverse Stock Split and Conversion. In lieu of any fractional share of Common Stock to which a stockholder would otherwise be entitled, the Corporation shall, issue that number of shares of Common Stock as rounded up to the nearest whole share of Common Stock.

The undesignated Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, subject to any prohibitions set forth in any series of Preferred Stock of the Corporation, to fix or alter the rights, preferences, privileges and restrictions of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series or the designation thereof and to increase or decrease the number of shares of any such series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall so be decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of such series.

ARTICLE V

Subject to the limitations contained in this Amended and Restated Certificate of Formation, the Board of Directors of the Corporation shall have the power to adopt, amend or repeal the Bylaws of the Corporation.

ARTICLE VI

Election of the members of the Board of Directors need not be by written ballot unless the Bylaws of the Corporation shall so provide. The number of directors of the Corporation may be increased or decreased in the manner provided in the Bylaws of the Corporation; provided, that the number of directors shall never be less than one. In the interim between elections of directors by stockholders entitled to vote, all vacancies, including vacancies caused by an increase in the number of directors and including vacancies resulting from the removal of directors by the stockholders entitled to vote which are not filled by said stockholders, may be filled by the remaining directors, though less than a quorum.

ARTICLE VII

A director of the Corporation shall, to the fullest extent permitted by the Texas Business Organizations Code, as revised, as they now exist or as they may hereafter be amended, not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exception from liability is not permitted under the Texas Business Organizations Code, as revised, as the same exist or may hereafter be amended.

Any amendment, repeal or modification of the foregoing provisions of this Article VII, or the adoption of any provision in an amended or restated Articles of Incorporation inconsistent with this Article VII, by the stockholders of the Corporation shall not apply to, or adversely affect, any right or protection of a director of the Corporation existing at the time of such amendment, repeal, modification or adoption.

ARTICLE VIII

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of, and advancement of expenses to, such agents of the Corporation (and any other persons to which the Texas Business Organizations Code, permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by the Texas Business Organizations Code, as revised, subject only to limits created by applicable Texas Business Organizations Code (statutory or non-statutory), with respect to actions for breach of duty to the Corporation, its stockholders and others.

Any amendment, repeal or modification of any of the foregoing provisions of this Article VIII shall not adversely affect any right or protection of a director, officer, agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer or agent occurring

prior to such amendment, repeal or modification.

ARTICLE IX

Except as otherwise provided in this Amended and Restated Certificate of Formation, whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, the meeting and vote of stockholders may be dispensed with and such action may be taken with the written consent of stockholders having not less than the minimum percentage of the vote required by the Texas Business Organizations Code, as revised, for the proposed corporate action, provided that prompt notice shall be given to all stockholders of the taking of corporate action without a meeting and by less than unanimous consent.

ARTICLE X

Shareholders of the Corporation shall not have cumulative voting rights nor preemptive rights. No fully paid shares of any class of stock of the Corporation shall be subject to any further call or assessment in any manner or for any cause. The good faith determination of the Board of Directors of the Corporation shall be final as to the value received in consideration of the issuance of fully paid shares.

ARTICLE XI

In addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Amended and Restated Certificate of Formation, the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal the provisions of this Amended and Restated Certificate of Formation or to approve a Fundamental Action pursuant to Section 21.264 of the Texas Business Organizations Code, except to the extent a greater vote is required by this Amended and Restated Certificate of Formation or any provision of law. Notwithstanding any other provisions of this Amended and Restated Certificate of Formation or any provision of law that might otherwise permit a lesser or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by this Amended and Restated Certificate of Formation, the affirmative vote of the holders of not less than a majority of the outstanding shares of capital stock of the Corporation then entitled to vote upon the election of directors, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with, Article V, Article IX, Article X, or this Article XI of this Amended and Restated Certificate of Formation.

AMENDED AND RESTATED
CERTIFICATE OF DESIGNATIONS
OF
PEDEVCO CORP.
ESTABLISHING THE DESIGNATIONS, PREFERENCES,
LIMITATIONS AND RELATIVE RIGHTS OF ITS
SERIES A CONVERTIBLE PREFERRED STOCK

Pursuant to Section 21.155 of the Texas Business Organizations Code, PEDEVCO CORP., a company organized and existing under the State of Texas (the "Corporation"),

DOES HEREBY CERTIFY that pursuant to the authority conferred upon the Board of Directors by the Certificate of Formation of the Corporation, and pursuant to Section 21.155 of the Texas Business Organizations Code, the Board of Directors, by unanimous consent of all members of the Board of Directors on __________, 2012, duly adopted a resolution providing for the issuance of an amended and restated series of twenty five million (25,000,000) shares of Series A Convertible Preferred Stock, which shall amend, replace and supersede the Amended and Restated Series A Convertible Preferred Stock Designation previously filed by the Company on February 2, 2011 (the "Prior Preferred Stock"), which resolution is and reads as follows:

RESOLVED, that no shares of Prior Preferred Stock are currently outstanding; and it is further

RESOLVED, that pursuant to the authority expressly granted to and invested in the Board of Directors by the provisions of the Certificate of Formation of the Corporation, as amended, a series of the preferred stock, par value $0.001 per share, of the Corporation be, and it hereby is, established; and

FURTHER RESOLVED, that the series of preferred stock of the Corporation be, and it hereby is, given the distinctive designation of "Series A Convertible Preferred Stock"; and

FURTHER RESOLVED, that the Series A Convertible Preferred Stock shall consist of twenty five million (25,000,000) shares; and

FURTHER RESOLVED, that the Series A Convertible Preferred Stock shall have the powers and preferences, and the relative, participating, optional and other rights, and the qualifications, limitations, and restrictions thereon set forth below, which shall amend, replace and supersede the Prior Preferred Stock (the "Designation"):

1. Definitions. For purposes of this Designation, the following definitions shall apply:

1.1 "Distribution" shall mean the transfer of cash or other property without consideration whether by way of dividend or otherwise (other than dividends on Common Stock payable in Common Stock), or the purchase or redemption of shares of the Corporation for cash or property other than: (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, (iii) repurchase of capital stock of the Corporation in connection with the settlement of disputes with any stockholder, or (iv) any other repurchase or redemption of capital stock of the Corporation approved by the holders of (a) a majority of the outstanding shares of Common Stock and (b) a majority of the outstanding shares of Series A Convertible Preferred Stock voting as separate classes.

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1.2 “Common Stock” shall mean the common stock, $0.001 par value per share of the Corporation.

1.3 “Dividend Rate” shall mean an annual rate of 6% of the Original Issue Price.

1.4 “Liquidation Preference” shall equal the Original Issue Price per share.

1.5 “Original Issue Date” shall mean the date upon which the first shares of Series A Convertible Preferred Stock are issued.

1.6 “Original Issue Price” shall mean Seventy-Five Cents ($0.75) per share (as appropriately adjusted for any Recapitalizations).

1.7 “Recapitalization” shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event.

1.8 “Securities Act” means the Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

2. Dividends.

2.1 Series A Convertible Preferred Stock. In any calendar year, the holders of outstanding shares of Series A Convertible Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate payable in preference and priority to any declaration or payment of any Distribution on Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Common Stock until all declared dividends on the Series A Convertible Preferred Stock have been paid or set aside for payment to the Series A Convertible Preferred Stock holders. The right to receive dividends on shares of Series A Convertible Preferred Stock shall not be cumulative, and no right to such dividends shall accrue to holders of Series A Convertible Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any calendar year.

2.2 Common Stock. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2.3 Non-Cash Distributions. Whenever a Distribution provided for in this Section 2 shall be payable in property other than cash, the value of such Distribution shall be deemed to be the fair market value of such property as determined in good faith by the Board of Directors.

3. Liquidation Rights.

3.1 Liquidation Preference.

(a) Series A Convertible Preferred Stock. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of Series A Convertible Preferred Stock shall be entitled to receive prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership of such stock, an amount per share for each share of Series A Convertible Preferred Stock held by them equal to the sum of (i) the Liquidation Preference, and (ii) all declared but unpaid dividends on such share of Series A Convertible Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the

Series A Convertible Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3.1, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A Convertible Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3.1.

3.2 Remaining Assets. After the payment to the holders of Series A Convertible Preferred Stock of the full preferential amounts specified above, the entire remaining assets of the Corporation legally available for distribution by the Corporation shall be distributed with equal priority and pro rata among the holders of Common Stock in proportion to the number of shares of Common Stock held by them.

3.3 Reorganization. For purposes of this Section 3, a liquidation, dissolution or winding up of the Corporation shall be deemed to occur upon (a) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions to which the Corporation is party (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) that results in the voting securities of the Corporation outstanding immediately prior thereto failing to represent immediately after such transaction or series of transactions (either by remaining outstanding or by being converted into voting securities of the surviving entity or the entity that controls such surviving entity) a majority of the total voting power represented by the outstanding voting securities of the Corporation, such surviving entity or the entity that controls such surviving entity, or (b) a sale, lease or other conveyance of all or substantially all of the assets of the Corporation.

3.4 Valuation of Non-Cash Consideration. If any assets of the Corporation distributed to stockholders in connection with any liquidation, dissolution, or winding up of the Corporation are other than cash, then the value of such assets shall be their fair market value as determined in good faith by the Board of Directors. In the event of a merger or other acquisition of the Corporation by another entity, the Distribution date shall be deemed to be the date such transaction closes.

4. Conversion. The holders of the Series A Convertible Preferred Stock shall have conversion rights as follows (the “Conversion Rights”):

4.1 Optional Conversion. Each share of Series A Convertible Preferred Stock shall be convertible, at the option of the holder thereof (“Optional Conversion”), at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Series A Convertible Preferred Stock, into that number of fully-paid, nonassessable shares of Common Stock determined by dividing the Original Issue Price for the Series A Convertible Preferred Stock by the Conversion Price. In order to effectuate the Optional Conversion under this Paragraph 4.1, the holder must provide the Corporation a written notice of conversion (“Notice of Conversion”). The initial Conversion Price per share of Series A Convertible Preferred Stock shall be the Original Issue Price and shall be subject to adjustment as provided herein (the “Conversion Price”). The number of shares of Common Stock into which each share of Series A Convertible Preferred Stock may be converted is hereinafter referred to as the “Conversion Rate”. Upon any decrease or increase in the Conversion Price for the Series A Convertible Preferred Stock, as described in this Section 4, the Conversion Rate shall be appropriately increased or decreased.

4.2 Automatic Conversion. Each issued and outstanding share of Series A Convertible Preferred Stock shall be automatically converted into a number of fully paid and nonassessable shares of Common Stock determined in accordance with the formula set forth in Paragraph 4.1 of this Designation (an "Automatic Conversion"), unless otherwise prohibited by any law, rule or regulation applicable to the Corporation, immediately prior to the first to occur of:

(a) the date on which the shares of Series A Convertible Preferred Stock issued on the Original Issuance Date to holders who are not affiliates of the Corporation may be re-sold by such holders without registration in reliance on Rule 144 promulgated under the Securities Act or another similar exemption under the Securities Act is available for such resale; or

(b) the holders of a majority of the then outstanding shares of Series A Convertible Preferred Stock elect to convert all of their shares of Series A Convertible Preferred Stock into shares of Common Stock.

(a) Thereafter, the Corporation and the holders shall follow the applicable conversion procedures set forth in this Paragraph 4 (including the requirement that the holders deliver the Series A Convertible Preferred Stock Certificates representing the Series A Convertible Preferred Stock being converted to the Corporation); provided, however, the holders of Series A Convertible Preferred Stock subject to Automatic Conversion shall not be required to deliver a Notice of Conversion to the Corporation. Nothing set forth in this Paragraph 4.2 shall prevent any holder of Series A Convertible Preferred Stock from exercising its right to convert pursuant to Paragraph 4.1. In the event of the occurrence of an Automatic Conversion as set forth herein, all securities convertible into or exchangeable for shares of Series A Convertible Preferred Stock as of the occurrence of such Automatic Conversion shall automatically and without any action required on the part of the holder thereof, be deemed to thereafter be convertible into or exchangeable for that number of shares of Common Stock of the Corporation as would have been issued to such holders had they converted or exercised their convertible securities immediately prior to such Automatic Conversion. In the event that any shares of Series A Convertible Preferred Stock are issued following the occurrence of the Automatic Conversion, such shares shall, immediately following their issuance, be deemed to have been automatically converted into shares of Common Stock of the Corporation in accordance with the foregoing conversion provisions.

4.3 Mechanics of Conversion. In order to effect an Optional Conversion, a holder shall: (i) fax (or otherwise deliver) a copy of the fully executed Notice of Conversion to the Corporation (Attention: Secretary) and (ii) surrender or cause to be surrendered the original certificates representing the Series A Convertible Preferred Stock being converted (the "Preferred Stock Certificates"), duly endorsed, along with a copy of the Notice of Conversion as soon as practicable thereafter to the Corporation. Upon receipt by the Corporation of a facsimile copy of a Notice of Conversion from a holder, the Corporation shall promptly send, via facsimile, a confirmation to such holder stating that the Notice of Conversion has been received, the date upon which the Corporation expects to deliver the Common Stock issuable upon such conversion and the name and telephone number of a contact person at the Corporation regarding the conversion. The Corporation shall not be obligated to issue shares of Common Stock upon a conversion unless either the Preferred Stock Certificates are delivered to the Corporation as provided above, or the holder notifies the Corporation that such Preferred Stock Certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

4.4 Delivery of Common Stock Upon Conversion. Upon the surrender of Preferred Stock Certificates accompanied by a Notice of Conversion, the Corporation (itself, or through its transfer agent) shall, no later than the tenth business day following the date of such surrender (or, in the case of lost, stolen or destroyed certificates, after provision of indemnity pursuant to Section 4.3 above) (the "Delivery Period"), issue and deliver (i.e., deposit with a nationally recognized overnight courier service postage prepaid) to the holder or its nominee (x) a certificate representing that number of shares of Common Stock issuable upon conversion of such shares of Preferred Stock being converted and (y) a certificate representing the number of shares of Series A Convertible Preferred Stock not being converted, if any.

Notwithstanding the foregoing, if the Corporation's transfer agent is participating in the Depository Trust Corporation ("DTC") Fast Automated Securities Transfer program, and so long as the certificates therefor do not bear a legend and the holder thereof is not then required to return such certificate for the placement of a legend thereon, the Corporation shall cause its transfer agent to promptly electronically transmit the Common Stock issuable upon conversion to the holder by crediting the account of the holder or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DTC Transfer"). If the aforementioned conditions to a DTC Transfer are not satisfied, the Corporation shall deliver as provided above to the holder physical certificates representing the Common Stock issuable upon conversion. Further, a holder may instruct the Corporation to deliver to the holder physical certificates representing the Common Stock issuable upon conversion in lieu of delivering such shares by way of DTC Transfer.

4.5 Fractional Shares. If any conversion of Series A Convertible Preferred Stock would result in the issuance of a fractional share of Common Stock (aggregating all shares of Series A Convertible Preferred Stock being converted pursuant to a given Notice of Conversion), such fractional share shall be payable in cash based upon the market value of the Common Stock prior to the date of conversion (as determined in good faith by the Board of Directors) and the number of shares of Common Stock issuable upon conversion of the Series A Convertible Preferred Stock shall be the next lower whole number of shares. If the Corporation elects not to, or is unable to, make such a cash payment, the holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

4.6 Adjustments for Subdivisions or Combinations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Common Stock, without a corresponding subdivision of the Series A Convertible Preferred Stock, the applicable Conversion Price in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Common Stock, without a corresponding combination of the Series A Convertible Preferred Stock, the Conversion Price in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

4.7 Adjustments for Subdivisions or Combinations of Preferred Stock. In the event the outstanding shares of Series A Convertible Preferred Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Series A Convertible Preferred Stock, the applicable Original Issue Price and Conversion Price in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Series A Convertible Preferred Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Series A Convertible Preferred Stock, the applicable Original Issue Price and Conversion Price in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

4.8 Adjustments for Reclassification, Exchange and Substitution. Subject to Section 3 above ("Liquidation Rights"), if the Common Stock issuable upon conversion of the Series A Convertible Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then, in any such event, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, each holder of such Series A Convertible Preferred Stock shall have the right thereafter to convert such shares of Series A Convertible Preferred Stock into a number of shares of such other class or classes of stock which a holder of the number of shares of Common Stock deliverable upon conversion of such Series A Convertible Preferred Stock immediately before that change would have been entitled to receive in such reorganization or reclassification, all subject to further adjustment as provided herein with respect to such other shares.

4.9 No Impairment. The Corporation will not through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Series A Convertible Preferred Stock against impairment. Notwithstanding the foregoing, nothing in this Section 4.9 shall prohibit the Corporation from amending its Articles of Incorporation with the requisite consent of its stockholders and the Board of Directors.

4.10 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Convertible Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Convertible Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of the Series A Convertible Preferred Stock.

4.11 Waiver of Adjustment of Conversion Price. Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of a majority of the outstanding shares of the Series A Convertible Preferred Stock. Any such waiver shall bind all future holders of shares of Series A Convertible Preferred Stock.

4.12 Notices of Record Date. In the event that the Corporation shall propose at any time:

(a) to declare any Distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(b) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(c) to voluntarily liquidate or dissolve;

then, in connection with each such event, the Corporation shall send to the holders of the Series A Convertible Preferred Stock at least ten business days' prior written notice of the date on which a record shall be taken for such Distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto and, if applicable, the amount and character of such Distribution) or for determining rights to vote in respect of the matters referred to in (b) and (c) above.

Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Series A Convertible Preferred Stock at the address for each such holder as shown on the books of the Corporation and shall be deemed given on the date such notice is mailed.

The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the vote or written consent of the holders of a majority of the Series A Convertible Preferred Stock, voting together as a single class.

(d) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Convertible Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of the Series A Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Convertible Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5. Voting.

5.1 Restricted Class Voting. Except as otherwise expressly provided herein or as required by law, the holders of Series A Convertible Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

5.2 No Series Voting. Other than as provided herein or required by law, there shall be no series voting.

5.3 Common Stock. Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held.

5.4 Series A Convertible Preferred Stock. Each holder of Series A Convertible Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of the Series A Convertible Preferred Stock held by such holder could be converted as of the record date. The holders of shares of the Series A Convertible Preferred Stock shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote. Holders of Series A Convertible Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Series A Convertible Preferred Stock held by each holder could be converted), shall be disregarded.

5.5 Adjustment in Authorized Common Stock. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by an affirmative vote of the holders of a majority of the outstanding shares of Common Stock and Series A Convertible Preferred Stock voting together as a single class.

6. Protective Provisions.

6.1 Subject to the rights of series of other Preferred Stock which may from time to time come into existence, so long as any shares of Series A Convertible Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval (by written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A Convertible Preferred Stock, voting together as a single class:

(a) Increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A Convertible Preferred Stock;

(b) Effect an exchange, reclassification, or cancellation of all or a part of the Series A Convertible Preferred Stock, including a reverse stock split, but excluding a stock forward split;

(c) Effect an exchange, or create a right of exchange, of all or part of the shares of another class of shares into shares of Series A Convertible Preferred Stock;

(d) Alter or change the rights, preferences or privileges of the shares of Series A Convertible Preferred Stock so as to affect adversely the shares of such series;

(e) Authorize or issue, or obligate itself to issue, any other equity security, including any other security convertible into or exercisable for any equity security having a preference over (or on parity with) the Series A Convertible Preferred Stock with respect to voting, dividends or upon liquidation; or

(f) Amend or waive any provision of the Corporation's Amended and Restated Articles of Incorporation or Bylaws relative to the Series A Convertible Preferred Stock so as to affect adversely the shares of Series A Convertible Preferred Stock.

For clarification, neither the issuances of additional authorized shares of Series A Convertible Preferred Stock nor the creation or issuance of shares of preferred stock with rights and preferences on a parity with the rights and preferences of the shares of Series A Convertible Preferred Stock, shall require the authorization or approval of the holders of the Series A Convertible Preferred Stock.

7. Redemption. The Corporation shall have no obligation to redeem the Common Stock or Series A Convertible Preferred Stock.

8. Notices. Any notice required by the provisions of this Designation to be given to the holders of Series A Convertible Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appearing on the books of the Corporation.

9. Preemptive Rights. No stockholder of the Corporation shall have the right to repurchase shares of capital stock of the Corporation sold or issued by the Corporation except to the extent that such right may from time to time be set forth in a written agreement between the Corporation and such stockholder.

NOW THEREFORE BE IT RESOLVED, that the Designation is hereby approved, affirmed, confirmed, and ratified; and it is further

RESOLVED, that each officer of the Corporation be and hereby is authorized, empowered and directed to execute and deliver, in the name of and on behalf of the Corporation, any and all documents, and to perform any and all acts necessary to reflect the Board of Directors approval and ratification of the resolutions set forth above; and it is further

RESOLVED, that in addition to and without limiting the foregoing, each officer of the Corporation and the Corporation's attorney be and hereby is authorized to take, or cause to be taken, such further action, and to execute and deliver, or cause to be delivered, for and in the name and on behalf of the Corporation, all such instruments and documents as he may deem appropriate in order to effect the purpose or intent of the foregoing resolutions (as conclusively evidenced by the taking of such action or the execution and delivery of such instruments, as the case may be) and all action heretofore taken by such officer in connection with the subject of the foregoing recitals and resolutions be, and it hereby is approved, ratified and confirmed in all respects as the act and deed of the Corporation; and it is further

RESOLVED, that this Designation may be executed in several counterparts, each of which is an original; that it shall not be necessary in making proof of this Designation or any counterpart hereof to produce or account for any of the other counterparts.

IN WITNESS WHEREOF, the Board of Directors of the Corporation has unanimously approved and caused this "Amended And Restated Certificate Of Designations of PEDEVCO CORP. Establishing The Designations, Preferences, Limitations and Relative Rights of its Series A Convertible Preferred Stock" to be duly executed and approved this ___th day of ____________ 2012.

DIRECTORS:

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Director

____

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Director

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Director

BLAST ENERGY SERVICES, INC.

2012 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. Blast Energy Services, Inc., a Texas corporation (the "Company") hereby establishes the BLAST ENERGY SERVICES, INC. 2012 EQUITY INCENTIVE PLAN (the "Plan"). The purposes of this Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants, and to promote the long-term growth and profitability of the Company. The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares as the Administrator may determine.

2. Definitions. The following definitions will apply to the terms in the Plan:

"Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4.

"Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

"Award" means, individually or collectively, a grant under the Plan of Options, SARs, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

"Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

"Board" means the Board of Directors of the Company.

"Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; provided however, that for purposes of this subsection (i) any acquisition of securities directly from the Company shall not constitute a Change in Control;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" means directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

For avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

"Code" means the Internal Revenue Code of 1986, as amended. Any reference in the Plan to a section of the Code will be a reference to any successor or amended section of the Code.

"Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

"Common Stock" means the common stock of the Company.

"Company" means Blast Energy Services, Inc., a Texas corporation, or any successor thereto.

"Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

"Director" means a member of the Board.

"Disability" means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, and that either (1) renders a Participant unable to engage in any substantial gainful activity or (2) results in a Participant receiving income replacement benefits for a period of not less than three months under an employee accident and health plan covering the Participant.

"Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation any division or subdivision of the Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, including without limitation quotation through the over the counter bulletin board ("OTCQB®") quotation service administered by the Financial Industry Regulatory Authority ("FINRA"), the Fair Market Value of a Share will be the closing price for the Common Stock on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator, and to the extent Section 15 applies (a) with respect to ISOs, the Fair Market Value shall be determined in a manner consistent with Code section 422 or (b) with respect to NSOs or SARs, the Fair Market Value shall be determined in a manner consistent with Code section 409A.

"Fiscal Year" means the fiscal year of the Company.

"Grant Date" means, for all purposes, the date on which the Administrator determines to grant an Award, or such other later date as is determined by the Administrator, provided that the Administrator cannot grant an Award prior to the date the material terms of the Award are established. Notice of the Administrator's determination to grant an Award will be provided to each Participant within a reasonable time after the Grant Date.

"Incentive Stock Option" or "ISO" means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

"Nonstatutory Stock Option" or "NSO" means an Option that by its terms does not qualify or is not intended to qualify as an ISO.

"Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

"Option" means a stock option granted pursuant to the Plan.

"Optioned Shares" means the Common Stock subject to an Option.

"Optionee" means the holder of an outstanding Option.

"Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

"Participant" means the holder of an outstanding Award.

"Performance Share" means an Award denominated in Shares which may vest in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.

"Performance Unit" means an Award which may vest in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.

"Period of Restriction" means the period during which Shares of Restricted Stock are subject to forfeiture or restrictions on transfer pursuant to Section 7.

"Plan" means this 2012 Equity Incentive Plan.

"Restricted Stock" means Shares awarded to a Participant which are subject to forfeiture and restrictions on transferability in accordance with Section 7.

"Restricted Stock Unit" means the right to receive one Share at the end of a specified period of time, which right is subject to forfeiture in accordance with Section 8 of the Plan.

"Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3.

"Section" means a paragraph or section of this Plan.

"Section 16(b)" means Section 16(b) of the Exchange Act.

"Service Provider" means an Employee, Director or Consultant.

"Share" means a share of the Common Stock, as adjusted in accordance with Section 13.

"Stock Appreciation Right" or "SAR" means the right to receive payment from the Company in an amount no greater than the excess of the Fair Market Value of a Share at the date the SAR is exercised over a specified price fixed by the Administrator in the Award Agreement, which shall not be less than the Fair Market Value of a Share on the Grant Date. In the case of a SAR which is granted in connection with an Option, the specified price shall be the Option exercise price.

"Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

"Ten Percent Owner" means any Service Provider who is, on the grant date of an ISO, the owner of Shares (determined with application of ownership attribution rules of Code Section 424(d)) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 13, the maximum aggregate number of Shares that may be issued under the Plan is six million (6,000,000) Shares, which number of shares shall not be reduced in connection with or affected whatsoever in connection with the Company's planned Agreement and Plan Of Reorganization, dated as of January 13, 2012, as amended from time to time, or the transactions contemplated therein, by and among the Company, Blast Acquisition Corp., a newly formed wholly-owned Nevada subsidiary of Blast ("MergerCo"), and Pacific Energy Development Corp., a 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. The Shares may be authorized but unissued, or reacquired Common Stock.

(a) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full or, with respect to Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units, is forfeited in whole or in part to the Company, the unpurchased Shares (or for Awards other than Options and SARs, the forfeited or unissued Shares) which were subject to the Award will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to SARs, only Shares actually issued pursuant to a SAR will cease to be available under the Plan; all remaining Shares subject to the SARs will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares withheld by the Company to pay the exercise price of an Award or to satisfy tax withholding obligations with respect to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(b) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure. The Plan shall be administered by the Board or a Committee (or Committees) appointed by the Board, which Committee shall be constituted to comply with Applicable Laws. If and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, the Board shall consider in selecting the Administrator and the membership of any committee acting as Administrator the requirements regarding: (i) “nonemployee directors” within the meaning of Rule 16b-3 under the Exchange Act; (ii) “independent directors” as described in the listing requirements for any stock exchange on which Shares are listed; and (iii) Section 15(b)(i) of the Plan, if the Company pays salaries for which it claims deductions that are subject to the Code section 162(m) limitation on its U.S. tax returns. The Board may delegate the responsibility for administering the Plan with respect to designated classes of eligible Participants to different committees consisting of two or more members of the Board, subject to such limitations as the Board or the Administrator deems appropriate. Committee members shall serve for such term as the Board may determine, subject to removal by the Board at any time.

(b) Powers of the Administrator. Subject to the provisions of the Plan and the approval of any relevant authorities, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on continued employment, continued service or performance criteria), any vesting acceleration (whether by reason of a Change of Control or otherwise) or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, will determine;

(vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan, including the right to construe disputed or doubtful Plan and Award provisions;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan;

(viii) to modify or amend each Award (subject to Section 19(c)) to the extent any modification or amendment is consistent with the terms of the Plan. The Administrator shall have the discretion to extend the exercise period of Options generally provided the exercise period is not extended beyond the earlier of the original term of the Option or 10 years from the original grant date, or specifically (1) if the exercise period of an Option is extended (but to no more than 10 years from the original grant date) at a time when the exercise price equals or exceeds the fair market value of the Optioned Shares or (2) an Option cannot be exercised because such exercise would violate Applicable Laws, provided that the exercise period is not extended more than 30 days after the exercise of the Option would no longer violate Applicable Laws.

(ix) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 14;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to delay issuance of Shares or suspend Participant’s right to exercise an Award as deemed necessary to comply with Applicable Laws; and

(xii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator’s Decision. The Administrator’s decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards. Any decision or action taken or to be taken by the Administrator, arising out of or in connection with the construction, administration, interpretation and effect of the Plan and of its rules and regulations, shall, to the maximum extent permitted by Applicable Laws, be within its absolute discretion (except as otherwise specifically provided in the Plan) and shall be final, binding and conclusive upon the Company, all Participants and any person claiming under or through any Participant.

5. Eligibility. NSOs, Restricted Stock, Restricted Stock Units, SARs, Performance Units and Performance Shares may be granted to Service Providers. ISOs may be granted as specified in Section 15(a).

6. Stock Options.

(a) Grant of Options. Subject to the terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Options to Service Providers in such amounts as the Administrator will determine in its sole discretion. For purposes of the foregoing sentence, Service Providers shall include prospective employees or consultants to whom Options are granted in connection with written offers of employment or engagement of services, respectively, with the Company; provided that no Option granted to a prospective employee or consultant may be exercised prior to the commencement of employment or services with the Company. The Administrator may grant NSOs, ISOs, or any combination of the two. ISOs shall be granted in accordance with Section 15(a) of the Plan.

(b) Option Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the type of Option granted, the Option price, the exercise date, the term of the Option, the number of Shares to which the Option pertains, and such other terms and conditions (which need not be identical among Participants) as the Administrator shall determine in its sole discretion. If the Award Agreement does not specify that the Option is to be treated as an ISO, the Option shall be deemed a NSO.

(c) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option will be no less than the Fair Market Value per Share on the Grant Date.

(d) Term of Options. The term of each Option will be stated in the Award Agreement. Unless terminated sooner in accordance with the remaining provisions of this Section 6, each Option shall expire either ten (10) years after the Grant Date, or after a shorter term as may be fixed by the Board.

(e) Time and Form of Payment.

(i) Exercise Date. Each Award Agreement shall specify how and when Shares covered by an Option may be purchased. The Award Agreement may specify waiting periods, the dates on which Options become exercisable or "vested" and, subject to the termination provisions of this section, exercise periods. The Administrator may accelerate the exercisability of any Option or portion thereof.

(ii) Exercise of Option. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (1) notice of exercise (in such form as the Administrator shall specify from time to time) from the person entitled to exercise the Option, and (2) full payment for the Shares with respect to which the Option is exercised (together with all applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan (together with all applicable withholding taxes). Shares issued upon exercise of an Option will be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Optioned Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.

(iii) Payment. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of:

(1) cash;

(2) check;

(3) to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, a promissory note;

(4) other Shares, provided Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised;

(5) to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, in accordance with any broker-assisted cashless exercise procedures approved by the Company and as in effect from time to time;

(6) by asking the Company to withhold Shares from the total Shares to be delivered upon exercise equal to the number of Shares having a value equal to the aggregate Exercise Price of the Shares being acquired;

(7) any combination of the foregoing methods of payment; or

(8) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(f) Forfeiture of Options. All unexercised Options shall be forfeited to the Company in accordance with the terms and conditions set forth in the Award Agreement and again will become available for grant under the Plan.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator will determine in its sole discretion.

(b) Restricted Stock Award Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions (which need not be identical among Participants) as the Administrator will determine in its sole discretion. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Vesting Conditions and Other Terms.

(i) Vesting Conditions. The Administrator, in its sole discretion, may impose such conditions on the vesting of Shares of Restricted Stock as it may deem advisable or appropriate, including but not limited to, achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed. The Administrator may, in its discretion, also provide for such complete or partial exceptions to an employment or service restriction as it deems equitable.

(ii) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(iii) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator determines otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(iv) Transferability. Except as provided in this Section, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Removal of Restrictions. All restrictions imposed on Shares of Restricted Stock shall lapse and the Period of Restriction shall end upon the satisfaction of the vesting conditions imposed by the Administrator. Vested Shares of Restricted Stock will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine, but in no event later than the 30th day following the date on which vesting occurred.

(e) Forfeiture of Restricted Stock. On the date set forth in the Award Agreement, the Shares of Restricted Stock for which restrictions have not lapsed will be forfeited and revert to the Company and again will become available for grant under the Plan.

8. Restricted Stock Units.

(a) Grant of Restricted Stock Units. Subject to the terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Restricted Stock Units to Service Providers in such amounts as the Administrator will determine in its sole discretion.

(b) Restricted Stock Units Award Agreement. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the number of Restricted Stock Units granted, vesting criteria, form of payout, and such other terms and conditions (which need not be identical among Participants) as the Administrator will determine in its sole discretion.

(c) Vesting Conditions. The Administrator shall set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion. At any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Time and Form of Payment. Upon satisfaction of the applicable vesting conditions, payment of vested Restricted Stock Units shall occur in the manner and at the time provided in the Award Agreement, but in no event later than the 15th day of the third month following the end of the year in which vesting occurred. Except as otherwise provided in the Award Agreement, Restricted Stock Units may be paid in cash, Shares, or a combination thereof at the sole discretion of the Administrator. Restricted Stock Units that are fully paid in cash will not reduce the number of Shares available for issuance under the Plan.

(e) Forfeiture of Restricted Stock Units. All unvested Restricted Stock Units shall be forfeited to the Company on the date set forth in the Award Agreement and again will become available for grant under the Plan.

9. Stock Appreciation Rights.

(a) Grant of SARs. Subject to the terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant SARs to Service Providers in such amounts as the Administrator will determine in its sole discretion.

(b) Award Agreement. Each SAR grant will be evidenced by an Award Agreement that will specify the exercise price, the number of Shares underlying the SAR grant, the term of the SAR, the conditions of exercise, and such other terms and conditions (which need not be identical among Participants) as the Administrator will determine in its sole discretion.

(c) Exercise Price and Other Terms. The per Share exercise price for the exercise of an SAR will be no less than the Fair Market Value per Share on the Grant Date.

(d) Time and Form of Payment of SAR Amount. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount no greater than: (i) the difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times (ii) the number of Shares with respect to which the SAR is exercised. An Award Agreement may provide for a SAR to be paid in cash, Shares of equivalent value, or a combination thereof.

(e) Forfeiture of SARs. All unexercised SARs shall be forfeited to the Company in accordance with the terms and conditions set forth in the Award Agreement and again will become available for grant under the Plan.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units and Performance Shares. Performance Units or Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Award Agreement. Each Award of Performance Units and Shares will be evidenced by an Award Agreement that will specify the initial value, the Performance Period, the number of Performance Units or Performance Shares granted, and such other terms and conditions (which need not be identical among Participants) as the Administrator will determine in its sole discretion.

(c) Value of Performance Units and Performance Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the Grant Date. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the Grant Date.

(d) Vesting Conditions and Performance Period. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the “Performance Period.” The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, or individual goals or any other basis determined by the Administrator in its discretion.

(e) Time and Form of Payment. After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares will be entitled to receive a payout of the number of vested Performance Units or Performance Shares by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. Vested Performance Units or

Performance Shares will be paid as soon as practicable after the expiration of the applicable Performance Period, but in no event later than the 15th day of the third month following the end of the year the applicable Performance Period expired. An Award Agreement may provide for the satisfaction of Performance Unit or Performance Share Awards in cash or Shares (which have an aggregate Fair Market Value equal to the value of the vested Performance Units or Performance Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Forfeiture of Performance Units and Performance Shares. All unvested Performance Units or Performance Shares will be forfeited to the Company on the date set forth in the Award Agreement, and again will become available for grant under the Plan.

11. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise or as required by Applicable Laws, vesting of Awards will be suspended during any unpaid leave of absence. An Employee will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary.

12. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, shall appropriately adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a merger or Change in Control, any or all outstanding Awards may be assumed by the successor corporation, which assumption shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to vesting requirements and repurchase restrictions no less favorable to the Participant than those in effect prior to the merger or Change in Control.

In the event that the successor corporation does not assume or substitute for the Award, unless the Administrator provides otherwise, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and SARs, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Performance Shares and Performance Units, all Performance Goals or other vesting criteria will be deemed achieved at target levels and all other terms and conditions met. In addition, if an Option or SAR is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or SAR will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or SAR will terminate upon the expiration of such period.

For the purposes of this Section 13(c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a SAR upon the exercise of which the Administrator determines to pay cash or a Performance Share or Performance Unit which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or SAR or upon the payout of a Restricted Stock Unit, Performance Share or Performance Unit, for each Share subject to such Award (or in the case of Restricted Stock Units and Performance Units, the number of implied shares determined by dividing the value of the Restricted Stock Units and Performance Units, as applicable, by the per share consideration received by holders of Common Stock in the Change in Control), to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

14. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes required by Applicable Laws to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the amount required to be withheld, or (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15. Provisions Applicable In the Event the Company or the Service Provider is Subject to U.S. Taxation.

(a) Grant of Incentive Stock Options. If the Administrator grants Options to Employees subject to U.S. taxation, the Administrator may grant such Employee an ISO and the following terms shall also apply:

(i) Maximum Amount. Subject to the provisions of Section 13, to the extent consistent with Section 422 of the Code, not more than an aggregate of six million (6,000,000) Shares may be issued as ISOs under the Plan.

(ii) General Rule. Only Employees shall be eligible for the grant of ISOs.

(iii) Continuous Employment. The Optionee must remain in the continuous employ of the Company or its Subsidiaries from the date the ISO is granted until not more than three months before the date on which it is exercised. A leave of absence approved by the Company may exceed ninety (90) days if reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the ninety-first (91st) day of such leave any ISO held by the Optionee will cease to be treated as an ISO.

(iv) Award Agreement.

(1) The Administrator shall designate Options granted as ISOs in the Award Agreement. Notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which ISOs are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), Options will not qualify as an ISO. For purposes of this section, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(2) The Award Agreement shall specify the term of the ISO. The term shall not exceed ten (10) years from the Grant Date or five (5) years from the Grant Date for Ten Percent Owners.

(3) The Award Agreement shall specify an exercise price of not less than the Fair Market Value per Share on the Grant Date or one hundred ten percent (110%) of the Fair Market Value per Share on the Grant Date for Ten Percent Owners.

(4) The Award Agreement shall specify that an ISO is not transferable except by will, beneficiary designation or the laws of descent and distribution.

(v) Form of Payment. The consideration to be paid for the Shares to be issued upon exercise of an ISO, including the method of payment, shall be determined by the Administrator at the time of grant in accordance with Section 6(e)(iii).

(vi) “Disability,” for purposes of an ISO, means total and permanent disability as defined in Section 22(e)(3) of the Code.

(vii) Notice. In the event of any disposition of the Shares acquired pursuant to the exercise of an ISO within two years from the Grant Date or one year from the exercise date, the Optionee will notify the Company thereof in writing within thirty (30) days after such disposition. In addition, the Optionee shall provide the Company with such information as the Company shall reasonably request in connection with determining the amount and character of Optionee's income, the Company's deduction, and the Company's obligation to withhold taxes or other amounts incurred by reason of a disqualifying disposition, including the amount thereof.

(b) Performance-based Compensation. If the Company pays salaries for which it claims deductions that are subject to the Code section 162(m) limitation on its U.S. tax returns, then the following terms shall be applied in a manner consistent with the requirements of, and only to the extent required for compliance with, the exclusion from the limitation on deductibility of compensation under Code Section 162(m):

(i) Outside Directors. The Board shall consider in selecting the Administrator and the membership of any committee acting as Administrator the provisions regarding "outside directors" within the meaning of Code Section 162(m).

(ii) Maximum Amount.

(1) Subject to the provisions of Section 13, the maximum number of Shares that can be awarded to any individual Participant in the aggregate in any one fiscal year of the Company is six million (6,000,000) Shares;

(2) For Awards denominated in Shares and satisfied in cash, the maximum Award to any individual Participant in the aggregate in any one fiscal year of the Company is the Fair Market Value of six million (6,000,000) Shares on the Grant Date; and

(3) The maximum amount payable pursuant to any cash Awards to any individual Participant in the aggregate in any one fiscal year of the Company is the Fair Market Value of six million (6,000,000) Shares on the Grant Date.

(iii) Performance Criteria. All performance criteria must be objective and be established in writing prior to the beginning of the performance period or at later time as permitted by Code Section 162(m). Performance criteria may include alternative and multiple performance goals and may be based on one or more business and/or financial criteria. In establishing the performance goals, the Committee in its discretion may include one or any combination of the following criteria in either absolute or relative terms, for the Company or any Subsidiary:

(1) Increased revenue;

(2) Net income measures (including but not limited to income after capital costs and income before or after taxes);

(3) Stock price measures (including but not limited to growth measures and total stockholder return);

(4) Market share;

(5) Earnings per Share (actual or targeted growth);

(6) Earnings before interest, taxes, depreciation, and amortization ("EBITDA");

(7) Cash flow measures (including but not limited to net cash flow and net cash flow before financing activities);

(8) Return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity);

(9) Operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency);

(10) Expense measures (including but not limited to overhead cost and general and administrative expense);

(11) Margins;

(12) Stockholder value;

(13) Total stockholder return;

(14) Proceeds from dispositions;

(15) Production volumes;

(16) Total market value; and

(17) Corporate values measures (including but not limited to ethics compliance, environmental, and safety).

(c) Stock Options and SARs Exempt from Code section 409A. If the Administrator grants Options or SARs to Employees subject to U.S. taxation the Administrator may not modify or amend the Options or SARs to the extent that the modification or amendment adds a feature allowing for additional deferral within the meaning of Code section 409A.

16. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon any Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company or any Parent or Subsidiary of the Company, nor will they interfere in any way with the Participant's right or the Company's or its Parent's or Subsidiary's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

17. Effective Date. The Plan's effective date is the date on which it is adopted by the Board, so long as it is approved by the Company's stockholders at any time within twelve (12) months of such adoption. Upon approval of the Plan by the stockholders of the Company, all Awards issued pursuant to the Plan on or after the Effective Date shall be fully effective as if the stockholders of the Company had approved the Plan on the Effective Date. If the stockholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

18. Term of Plan. The Plan will terminate 10 years following the earlier of (i) the date it was adopted by the Board or (ii) the date it became effective upon approval by stockholders of the Company, unless sooner terminated by the Board pursuant to Section 19.

19. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. The Administrator may delay or suspend the issuance and delivery of Shares, suspend the exercise of Options or SARs, or suspend the Plan as necessary to comply with Applicable Laws. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

22. Repricing Prohibited; Exchange And Buyout of Awards. The repricing of Options or SARs is prohibited without prior stockholder approval. The Administrator may authorize the Company, with prior stockholder approval and the consent of the respective Participants, to issue new Option or SAR Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Administrator may at any time repurchase Options with payment in cash, Shares or other consideration, based on such terms and conditions as the Administrator and the Participant shall agree.

23. Substitution and Assumption of Awards. The Administrator may make Awards under the Plan by assumption, substitution or replacement of performance shares, phantom shares, stock awards, stock options, stock appreciation rights or similar awards granted by another entity (including a Parent or Subsidiary), if such assumption, substitution or replacement is in connection with an asset acquisition, stock acquisition, merger, consolidation or similar transaction involving the Company (and/or its Parent or Subsidiary) and such other entity (and/or its affiliate). The Administrator may also make Awards under the Plan by assumption, substitution or replacement of a similar type of award granted by the Company prior to the adoption and approval of the Plan. Notwithstanding any provision of the Plan (other than the maximum number of shares of Common Stock that may be issued under the Plan), the terms of

such assumed, substituted or replaced Awards shall be as the Administrator, in its discretion, determines is appropriate.

24. Governing Law. The Plan and all Agreements shall be construed in accordance with and governed by the laws of the State of Texas.

Adopted by the Board of Directors on April __, 2012.

BLAST ENERGY SERVICES, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
SPECIAL MEETING OF STOCKHOLDERS
_________, 2012 AT ___________
CONTROL ID:
PROXY ID:
PASSWORD:

The undersigned, having received notice of the Special Meeting of Shareholders of Blast Energy Services, Inc. (the "Company") to be held at 9:00 A.M. local time on Monday, [_______], 2012, hereby designates and appoints Roger P. (Pat) Herbert, as attorney and proxy for the undersigned (the "Proxy"), with full power of substitution, to vote all shares of common stock and preferred stock of the Company that the undersigned is entitled to vote at such meeting or at any adjournment or postponement thereof, with all the powers the undersigned would possess if personally present, such proxies being directed to vote as specified below and in their discretion on any other business that may properly come before the meeting.

ISSUER SERVICES – PROXY DEPT.
201 Shannon Oaks Circle
Suite 105
Cary, NC 27511-5570

(CONTINUED AND
TO BE SIGNED ON REVERSE SIDE.)

VOTING INSTRUCTIONS
If you vote by fax or internet,
please DO NOT mail your proxy card.

MAIL:	Please mark, sign, date, and return this Proxy Card promptly using the enclosed envelope.
FAX:	Complete the reverse portion of this Proxy Card and Fax to 202-521-3464.
INTERNET:	https://www.iproxydirect.com/BESV
PHONE:	Call toll free 1-866-752-8683

ABC HOLDER
400 MY STREET
CHICAGO, IL 60605

SPECIAL MEETING OF THE SHAREHOLDERS OF BLAST ENERGY SERVICES, INC.	PLEASE COMPLETE, DATE, SIGN AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ý

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE PROPOSALS BELOW

Proposal 1	TO APPROVE THE AGREEMENT AND PLAN OF REORGANIZATION, DATED JANUARY 13, 2012, WHEREBY BLAST ACQUISITION CORP., OUR WHOLLY-OWNED SUBSIDIARY WILL BE MERGED WITH PACIFIC ENERGY DEVELOPMENT CORP.	à	FOR	AGAINST	ABSTAIN
			¨	¨	¨

CONTROL ID:
PROXY ID:
PASSWORD:

Proposal 2	TO APPROVE THE AMENDED AND RESTATED CERTIFICATE OF FORMATION AND DESIGNATION	à	FOR	AGAINST	ABSTAIN
			¨	¨	¨
Proposal 3	TO APPROVE THE 2012 EQUITY INCENTIVE PLAN	à	FOR	AGAINST	ABSTAIN
			¨	¨	¨

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING: ¨

MARK HERE FOR ADDRESS CHANGE ¨ New Address (if applicable):

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This Proxy, when properly executed will be voted as provided above, or if no contrary direction is indicated, it will be voted "For" Proposals 1, 2 and 3 above and all such other business as may properly come before the meeting in the sole determination of the Proxy.

IMPORTANT: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Dated: _________________________, _____

(Print Name of Stockholder and/or Joint Tenant)

(Signature of Stockholder)

(Second Signature if held jointly)

The Proxy may be revoked by delivering a signed revocation to Blast Energy Services, Inc. at any time prior to the Special Meeting, by submitting a later-dated Proxy, or by attending the Special Meeting in person and casting a ballot. Any proxy previously given to vote such shares at the Special Meeting is hereby revoked.