BLAST ENERGY SERVICES, INC.
Form PRER14A
June 04, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
AMENDMENT NO. 1

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant ý
Filed by a Party other than the Registrant ¨
Check the appropriate box:

ý Preliminary Proxy Statement
¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Materials Under Rule 14a-12

BLAST ENERGY SERVICES, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: common stock and new Series A preferred stock of Blast Energy Services, Inc., a Texas corporation ("Blast").

(2) Aggregate number of securities to which transaction applies: 17,857,261 shares of common stock of Blast proposed to be issued in the merger in consideration for the outstanding shares of common stock of Pacific Energy Development Corp., a Nevada corporation ("PEDCO") as of May 30, 2012; 11,984,208 shares of new Series A Preferred Stock of Blast proposed to be issued in the merger in consideration for the outstanding shares of PEDCO's Series A Preferred Stock as of May 30, 2012; warrants to

purchase 1,100,000 shares of Blast's common stock proposed to be issued in the merger in consideration for the outstanding warrants to purchase shares of PEDCO's common stock as of May 30, 2012; warrants to purchase 549,167 shares of new Series A Preferred Stock of Blast proposed to be issued in the merger in consideration for the outstanding warrants to purchase shares of PEDCO's Series A Preferred Stock as of May 30, 2012; and options to purchase 895,000 shares of common stock of Blast proposed to be issued in the merger in consideration for the outstanding options to purchase shares of PEDCO's common stock as of May 30, 2012, as each is adjusted in connection with Blast's 1:112 reverse stock split as proposed below.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): Calculated solely for the purposes of determining the filing fee. The transaction value was determined by adding (a) $0.672, the last sale reported of Blast's common stock on the Over-The-Counter Bulletin Board on May 30, 2012 (as adjusted for the 1:112 reverse split) multiplied by 17,857,261 shares of common stock of Blast (the merger consideration issuable to the holders of PEDCO's common stock), plus (b) $0.672 the value attributed to the newly designated shares of Series A Preferred Stock of Blast, due to the fact that such new Series A Preferred Stock convert into common stock on a one-for-one basis, multiplied by 11,984,208 shares of new Series A Preferred Stock (the merger consideration issuable to the holders of PEDCO's Series A Preferred Stock), plus (c) $0 (as the difference between the $0.672 per share value of the common stock and the weighted average exercise price per share of PEDCO's outstanding warrants to purchase shares of common stock ($1.26) is negative) multiplied by 1,100,000 warrants to purchase shares of Blast's common stock (post 1:112 reverse stock split), plus (d) $0 (as the difference between the $0.672 per share value of new Series A Preferred Stock and the weighted average exercise price per share of PEDCO's outstanding warrants to purchase shares of Series A Preferred Stock ($0.75) is negative) multiplied by 549,167 warrants to purchase shares of Blast's newly designated Series A Preferred Stock; plus (e) $0.572 (which is the difference between the $0.672 per share of the common stock and the weighted average exercise price per share of PEDCO's outstanding options to purchase shares of common stock) multiplied by 895,000 options to purchase shares of Blast's common stock (post 1:112 reverse split).

(4) Proposed maximum aggregate value of transaction: $20,565,407, based upon the maximum number of shares to be issued in the merger described in this Proxy Statement multiplied by the per share price specified in the preceding paragraph

(5) Total fee paid: $2,357

¨ Fee paid previously with preliminary materials.

ý Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)Amount Previously Paid: $1,134

(2)Form, Schedule or Registration Statement No.: Preliminary Schedule 14A

(3)Filing Party: Blast Energy Services, Inc.

(4)Date Filed: April 23, 2012

PRELIMINARY COPY, SUBJECT TO COMPLETION, JUNE 1, 2012

BLAST ENERGY SERVICES, INC.

PO Box 710152

Houston, Texas 77271-0152

[________ ____], 2012

Dear Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Blast Energy Services, Inc. to be held at 9:00 A.M. local time on [_____________________], at The Loev Law Firm, P.C., 6300 West Loop South, Suite 280, Bellaire, Texas 77401.

(1) Approve an amendment and restatement of our certificate of formation, which will result in the conversion of all of our outstanding shares of Series A and Series B preferred stock into shares of our common stock on a one-for-one basis (immediately prior to the reverse stock split described below);

(2) Approve an amendment and restatement of our certificate of formation, which will result in between a one-for-one hundred (1:100) and one-for-one hundred and twelve (1:112) reverse stock split of our outstanding common stock pursuant to which each of our shareholders will receive one share of our common stock for every one hundred (110) or every one hundred and twelve (112) shares of common stock of our company that they own (subject to adjustment as provided in the agreement and plan of reorganization described below).

(3) Approve an amendment and restatement of our certificate of formation, which will result in the change in the name of our company to "PEDEVCO CORP.".

(4) Approve an amendment and restatement of our certificate of formation, which will result in an increase in our authorized capital stock from 200,000,000 shares to 300,000,000 shares (the number of authorized shares of common stock to be increased from 180,000,000 to 200,000,000 shares and the number of shares of authorized preferred stock to be increased from 20,000,000 shares to 100,000,000 shares).

(5) Approve an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty.

(6) Approve an amendment and restatement of our certificate of formation, which will result in the adoption of a change in our certificate of formation to clarify that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification.

(7) Approve an amendment and restatement of our certificate of formation, which will result in a decrease in the amount of voting power required to be obtained by our stockholders to amend our certificate of formation and affect a Fundamental Action (as defined in the Texas Business Organizations Code) from not less than two-thirds of such voting power to not less than a majority of such voting power.

(8) Approve an amendment and restatement of our certificate of formation, which will result in, the creation of a new series of preferred stock to be called "Series A Preferred Stock," and the designation of 25,000,000 shares of the new Series A Preferred Stock.

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(9) Approve an amendment and restatement of our certificate of formation to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect certain other non-material changes to our certificate of formation.

(10) Approve an agreement and plan of reorganization, dated as of January 13, 2012, by and among Blast Energy Services, Inc. ("Blast"), 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 Blast.

(11) Approve the adoption of the Blast Energy Services, Inc. 2012 Equity Incentive Plan.

(12) Transact such other business that may properly come before the special meeting or any adjournment of the special meeting.

Each of Proposals one through nine are separate Proposals relating to our amended and restated certificate of formation, and the approval of each such Proposal is conditioned upon the approval of each of the other Proposals set forth herein, including Proposal ten. Proposal eleven is a standalone Proposal and we will move forward with the adoption of Proposal eleven, assuming it is approved by the shareholders, regardless of their approval of any of the other Proposals described in the proxy statement.

If the proposed merger is completed, (1) each outstanding share of PEDCO common stock will be converted into one share of our common stock, (2) each outstanding share of PEDCO Series A preferred stock will be converted into one share of our new Series A preferred stock, and (3) each outstanding option or warrant to purchase shares of PEDCO common stock or preferred stock will be exchanged for an option or warrant to purchase the same number of shares of our common stock or preferred stock, as applicable, on the same terms. Immediately following the merger, PEDCO's existing shareholders will own an estimated approximately 91% of our outstanding common stock, 94% of our voting stock (common stock and Series A preferred stock, which votes one-for-one with the common stock) and 100% of our outstanding preferred stock after the merger.

As explained in the attached proxy statement, following the completion of the merger, we will continue to be engaged in the oil and gas exploration, development and production business. We will hold all of the equity interests of the surviving company of the merger, which will hold all of the assets and liabilities of PEDCO.

Completion of the merger is subject to the satisfaction of a number of important closing conditions, including the approval of the merger agreement and each Proposal relating to the amended and restated certificate of formation and designation by our shareholders at the special meeting.

Eric A. McAfee and Clyde Berg, who beneficially own a total of 57% of our outstanding common stock and 100% of our outstanding Series A preferred stock and Centurion Credit Funding, LLC ("Centurion"), which owns our one outstanding Series B preferred stock share, entered into voting agreements with us on January 13, 2012. Under the voting agreement, Mr. McAfee, Mr. Berg and Centurion agreed, on behalf of themselves and their affiliates, to vote the outstanding capital stock they beneficially own in favor of the merger agreement and the approval of the amended and restated certificate of formation and designation.

After careful consideration, the Blast board of directors has unanimously determined that the approval of the merger agreement, each Proposal relating to the amended and restated certificate of formation and designation, and the 2012 Equity Incentive Plan are advisable, and that such documents are fair to, and in the best interests of our shareholders, and has resolved to recommend the approval and adoption of the merger agreement, each Proposal relating to the amended and restated certificate of formation and designation, and the 2012 Equity Incentive Plan by our

shareholders. Our board of directors unanimously recommends that you vote "FOR" the approval of (1) the merger agreement, (2) the conversion of our Series A and Series B preferred stock into shares of our common stock, (3) a reverse stock split of our common stock of between 1:100 and 1:112, (4) a name change of Blast to "PEDEVCO CORP.", (5) an increase in our authorized shares of common stock from 180 million shares to 200 million shares and preferred stock from 20 million shares to 100 million shares, (6) the adoption of an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty, (7) the adoption of an amendment to our certificate of formation to clarify that that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification, (8) the adoption of an amendment to our certificate of formation to reduce the shareholder vote required to amend our certificate of formation and undertake certain other Fundamental Actions from two-thirds of such voting shares to a majority of our voting shares, (9) to approve the creation of a new series of preferred stock called "Series A Preferred Stock" and the designation of 25 million shares of such new Series A Preferred Stock, (10) to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect certain other non-material changes to our certificate of formation and (11) the 2012 Equity Incentive Plan. The attached proxy statement provides you with detailed information about the merger agreement, the amended and restated certificate of formation and designation, the 2012 Equity Incentive Plan and the special meeting. Please carefully review the proxy statement, including its appendices. In particular, you should carefully review the section entitled "Risk Factors" beginning on page 19, which describes risk factors relating to the merger and to the post-merger operation of our business.

We would like you to attend the special meeting. However, whether or not you plan to attend the special meeting, it is important for your shares to be represented at the meeting. Please sign, date, and return the enclosed proxy card in the enclosed envelope. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. If your shares are held in "street name," you must instruct your broker, bank, or other nominee in order to vote. Remember, failing to vote has the same effect as a vote against the approval of the merger agreement and the amended and restated certificate of formation and designation.

These proxy materials are first being mailed to shareholders of our company on or about _________________, 2012.

Sincerely,
Roger P. (Pat) Herbert, Chairman, President and
Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to be held on ________________, 2012.

In accordance with the rules issued by the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

Our proxy materials are also available at www.iproxydirect.com/BESV.

The Securities and Exchange Commission has not determined if the attached proxy statement is accurate or complete. Any representation to the contrary is a criminal offense.

BLAST ENERGY SERVICES, INC.
PO Box 710152
Houston, Texas 77271-0152

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [________ __], 2012

Notice is hereby given that a special meeting of the shareholders of Blast Energy Services, Inc. is to be held at 9:00 A.M. local time on [______, ________ ____], 2012, at The Loev Law Firm, P.C., 6300 West Loop South, Suite 280, Bellaire, Texas 77401, for the following purposes:

(1) Approve an amendment and restatement of our certificate of formation, which will result in, the conversion of all of our outstanding shares of Series A and Series B preferred stock into shares of our common stock on a one-for-one basis (immediately prior to the reverse stock split described below);

(2) Approve an amendment and restatement of our certificate of formation, which will result in, between a one-for-one hundred (1:100) and one-for-one hundred and twelve (1:112) reverse stock split of our outstanding common stock pursuant to which each of our shareholders will receive one share of our common stock for every one hundred (110) or every one hundred and twelve (112) shares of common stock of our company that they own (subject to adjustment as provided in the agreement and plan of reorganization described below).

(3) Approve an amendment and restatement of our certificate of formation, which will result in, the change in the name of our company to “PEDEVCO CORP.”.

(4) Approve an amendment and restatement of our certificate of formation, which will result in, an increase in our authorized capital stock from 200,000,000 shares to 300,000,000 shares (the number of authorized shares of common stock to be increased from 180,000,000 to 200,000,000 shares and the number of shares of authorized preferred stock to be increased from 20,000,000 shares to 100,000,000 shares).

(5) Approve an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty.

(6) Approve an amendment and restatement of our certificate of formation, which will result in, the adoption of a change in our certificate of formation to clarify that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification.

(7) Approve an amendment and restatement of our certificate of formation, which will result in, a decrease in the amount of voting power required to be obtained by our stockholders to amend our certificate of formation and affect a Fundamental Action (as defined in the Texas Business Organizations Code) from not less than two-thirds of such voting power to not less than a majority of such voting power.

(8) Approve an amendment and restatement of our certificate of formation, which will result in, the creation of a new series of preferred stock to be called “Series A Preferred Stock,” and the designation of 25,000,000 shares of the new Series A Preferred Stock.

(9) Approve an amendment and restatement of our certificate of formation to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect

certain other non-material changes to our certificate of formation.

(10) Approve an agreement and plan of reorganization, dated as of January 13, 2012, by and among Blast Energy Services, Inc. (“Blast”), 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 Blast.

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(11) Approve the adoption of the Blast Energy Services, Inc. 2012 Equity Incentive Plan.

(12) Transact such other business that may properly come before the special meeting or any adjournment of the special meeting.

The merger agreement, the amended and restated certificate of formation and designation and the 2012 Equity Incentive Plan are described more fully in the attached proxy statement. You are encouraged to review the entire proxy statement carefully, including the appendices that are attached to the proxy statement. A copy of the merger agreement and amendment thereto are attached as Appendix A to the proxy statement. A copy of the amended and restated certificate of formation and designation is attached as Appendix B to the proxy statement. A copy of the 2012 Equity Incentive Plan is attached as Appendix C to the proxy statement.

The Blast board of directors has unanimously approved (1) the amended and restated certificate of formation and designation, (2) the merger agreement, and (3) the 2012 Equity Incentive Plan, and unanimously recommends that Blast stockholders vote "FOR" (1) the merger agreement, (2) the conversion of our Series A and Series B preferred stock into shares of our common stock, (3) a reverse stock split of our common stock of between 1:100 and 1:112, (4) a name change of Blast to "PEDEVCO CORP.", (5) an increase in our authorized shares of common stock from 180 million shares to 200 million shares and preferred stock from 20 million shares to 100 million shares, (6) the adoption of an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty, (7) the adoption of an amendment to our certificate of formation to clarify that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification, (8) the adoption of an amendment to our certificate of formation to reduce the shareholder vote required to amend our certificate of formation and undertake certain other Fundamental Actions from two-thirds of such voting shares to a majority of our voting shares, (9) to approve the creation of a new series of preferred stock called "Series A Preferred Stock" and the designation of 25 million shares of such new Series A Preferred Stock, (10) to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect certain other non-material changes to our certificate of formation, and (11) the 2012 Equity Incentive Plan.

Only shareholders of record of our common stock and preferred stock at the close of business on [________ __], 2012 are entitled to notice of and to vote at the special meeting and at any adjournment of the special meeting. All shareholders of record are invited to attend the special meeting in person. We anticipate that the members of our board of directors and our executive officers, who beneficially own a total of approximately 2.5% of our outstanding common stock, will vote in favor of the merger agreement, each of the Proposals relating to our amended and restated certificate of formation and designation and the 2012 Equity Incentive Plan. Eric A. McAfee and Clyde Berg, who beneficially own a total of 62.9% of our outstanding common stock and 100% of our outstanding Series A preferred stock and Centurion Credit Funding, LLC ("Centurion"), which owns our one outstanding Series B preferred stock share, entered into voting agreements with us on January 13, 2012. Under the voting agreement, Mr. McAfee, Mr. Berg and Centurion agreed, on behalf of themselves and their affiliates, to vote the outstanding capital stock they beneficially own in favor of the merger agreement and the approval of the amended and restated certificate of formation and designation (including Proposals one through nine, above).

Approval of the merger agreement and each Proposal relating to our amended and restated certificate of formation and designation requires the approval of the holders, as of the close of business on the record date, of: (i) at least two-thirds of the outstanding shares of our common stock and preferred stock (voting as a single class on an as-converted to common stock basis), (ii) at least two-thirds of the outstanding shares of our Series A preferred stock, voting as a separate class, and (iii) our single outstanding share of Series B preferred stock, voting as a separate class. Blast Energy Services, Inc., as the sole shareholder of MergerCo, approved the merger, the merger agreement and the amended and restated certificate of formation and designation on January 13, 2012. The Proposal to approve

the adoption of our 2012 Equity Incentive Plan will be approved if the votes cast in favor of the Proposal exceed those cast against it.

Regardless of whether or not you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date, and return the accompanying proxy card in the enclosed envelope. If you hold your stock in “street name” through a broker, bank, or other nominee, please direct the broker, bank, or other nominee how to vote your shares in accordance with the instructions that you have received, or will receive, from that person.

If you sign, date, and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval of the merger agreement, each of the Proposals relating to the approval of the amended and restated certificate of formation and designation, and the approval of the 2012 Equity Incentive Plan. If you fail to return your proxy card and do not vote in person at the special meeting, it will have the same effect as a vote against the approval of the merger agreement and the amended and restated certificate of formation and designation. Any shareholder attending the special meeting may vote in person even if he or she has returned a proxy card. Such a vote at the special meeting will revoke any proxy previously submitted.

By Order of the Board of Directors,
Roger P. (Pat) Herbert, Chairman, President and Chief Executive Officer
[ ], 2012

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. IN ORDER TO ENSURE THAT YOUR SHARES ARE VOTED, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE. IF GIVEN, YOU MAY REVOKE YOUR PROXY BY FOLLOWING THE INSTRUCTIONS IN THE PROXY STATEMENT.

BLAST ENERGY SERVICES, INC.
PO Box 710152
Houston, Texas 77271-0152

PROXY STATEMENT

Special Meeting Of Shareholders To Be Held On [________ __], 2012

This proxy statement is being furnished to the shareholders of Blast Energy Services, Inc. in connection with the solicitation of proxies by our board of directors for use at the special meeting of our shareholders to be held on [___________, ________ __], 2012, and at any adjournments or postponements thereof.

This proxy statement and the accompanying proxy card are first being mailed to our shareholders on or about [________ __], 2012.

The purpose of the special meeting is to consider and vote upon the following:

(1) Approve an amendment and restatement of our certificate of formation, which will result in the conversion of all of our outstanding shares of Series A and Series B preferred stock into shares of our common stock on a one-for-one basis (immediately prior to the reverse stock split described below);

(2) Approve an amendment and restatement of our certificate of formation, which will result in between a one-for-one hundred (1:100) and one-for-one hundred and twelve (1:112) reverse stock split of our outstanding common stock pursuant to which each of our shareholders will receive one share of our common stock for every one hundred (110) or every one hundred and twelve (112) shares of common stock of our company that they own (subject to adjustment as provided in the agreement and plan of reorganization described below).

(3) Approve an amendment and restatement of our certificate of formation, which will result in, the change in the name of our company to “PEDEVCO CORP.”.

(4) Approve an amendment and restatement of our certificate of formation, which will result in an increase in our authorized capital stock from 200,000,000 shares to 300,000,000 shares (the number of authorized shares of common stock to be increased from 180,000,000 to 200,000,000 shares and the number of shares of authorized preferred stock to be increased from 20,000,000 shares to 100,000,000 shares).

(5) Approve an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty.

(6) Approve an amendment and restatement of our certificate of formation, which will result in the adoption of a change in our certificate of formation to clarify that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification.

(7) Approve an amendment and restatement of our certificate of formation, which will result in a decrease in the amount of voting power required to be obtained by our stockholders to amend our certificate of formation and affect a Fundamental Action (as defined in the Texas Business Organizations Code) from not less than two-thirds of such voting power to not less than a majority of such voting power.

(8) Approve an amendment and restatement of our certificate of formation, which will result in, the creation of a new series of preferred stock to be called "Series A Preferred Stock," and the designation of 25,000,000 shares of the new Series A Preferred Stock.

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(9) Approve an amendment and restatement of our certificate of formation to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect certain other non-material changes to our certificate of formation.

(10) Approve an agreement and plan of reorganization, dated as of January 13, 2012, by and among Blast Energy Services, Inc. ("Blast"), 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 Blast.

(11) Approve the adoption of the Blast Energy Services, Inc. 2012 Equity Incentive Plan.

(12) Transact such other business that may properly come before the special meeting or any adjournment of the special meeting.

Record Date; Shares Entitled To Vote; Vote Required To Approve The Transaction

Our Board of Directors has fixed the close of business on [________ __], 2012, as the date for the determination of shareholders entitled to vote at the special meeting. On the record date, [__________] shares of our common stock were outstanding, each entitled to one vote per share, 6,000,000 shares of our Series A preferred stock were outstanding, each entitled to 2.5 votes per share, and one share of our Series B preferred stock was outstanding.

The presence at the special meeting, in person or by proxy, of the holders of shares of voting stock representing at least a majority of the total voting power of the shares of voting stock which are eligible to be voted on the record date is necessary to constitute a quorum for the transaction of business at the special meeting. In the absence of a quorum, the special meeting may be postponed from time to time until shareholders holding the requisite number of shares of our common stock and preferred stock are represented in person or by proxy. Broker non-votes and abstentions will be counted towards a quorum at the special meeting and will be treated as votes against the Proposals. If you return the attached proxy card with no voting decision indicated, the proxy will be voted "FOR" the approval of all Proposals made at the meeting. Each holder of record of shares of our common stock and Series B preferred stock is entitled to cast, for each share registered in his, her or its name, one vote on each Proposal as well as on each other matter presented to a vote of shareholders at the special meeting. Each holder of our Series A preferred stock is entitled to cast, for each share registered in his, her or its name, 2.5 votes on each Proposal, as well as on each other matter presented to a vote of shareholders at the special meeting.

Eric A. McAfee and Clyde Berg, who beneficially own a total of 57% of our outstanding common stock and 100% of our outstanding Series A preferred stock and Centurion Credit Funding, LLC ("Centurion"), which owns our one outstanding Series B preferred stock share, entered into voting agreements with us on January 13, 2012. Under the voting agreement, Mr. McAfee, Mr. Berg and Centurion agreed, on behalf of themselves and their affiliates, to vote the outstanding capital stock they beneficially own in favor of the merger agreement and the approval of the amended and restated certificate of formation and designation.

Solicitation, Voting and Revocation of Proxies

This solicitation of proxies is being made by our board of directors, and we will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communications by directors, officers and employees of our company, who will not receive any additional compensation for such solicitation activities. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for

their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Shares of our common stock and preferred stock represented by a proxy properly signed and received at or prior to the special meeting, unless properly revoked, will be voted in accordance with the instructions on the proxy. If a proxy is signed and returned without any voting instructions, shares of our common stock and preferred stock represented by the proxy will be voted "FOR" each Proposal and, in accordance with the determination of our Chief Executive Officer, Roger P. (Pat) Herbert, as to any other matter which may properly come before the special meeting, including any adjournment or postponement thereof. A shareholder may revoke any proxy given pursuant to this solicitation by: (i) delivering to our corporate secretary, prior to or at the special meeting, a written notice revoking the proxy; (ii) delivering to our corporate secretary, at or prior to the special meeting, a duly executed proxy relating to the same shares and bearing a later date; or (iii) voting in person at the special meeting. Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communications with respect to the revocation of a proxy should be addressed to:

Blast Energy Services, Inc.
PO Box 710152
Houston, Texas 77271-0152

Our board of directors is not aware of any business to be acted upon at the special meeting other than consideration of the Proposals described herein.

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SUMMARY OF THE PROXY STATEMENT

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger agreement, the amended and restated certificate of formation and designations, and the 2012 Equity Incentive Plan more fully, you should carefully read this entire proxy statement, including its appendixes. A copy of the merger agreement and amendment thereto are attached as Appendix A to this proxy statement. A copy of the amended and restated certificate of formation and designations is attached as Appendix B to this proxy statement. A copy of the 2012 Equity Incentive Plan is attached as Appendix C to this proxy statement. We encourage you to read the merger agreement, the amended and restated certificate of formation and designations, and the 2012 Equity Incentive Plan completely, as those documents, and not this summary, are the legal documents that govern the merger and your rights as a shareholder. Each item in this summary includes a page reference directing you to a more complete description in this proxy statement of that topic.

The Parties to the Merger (page 49)

Blast Energy Services, Inc. ("Blast") is an independent oil and gas producer with additional revenue potential from its applied fluid jetting technology. Blast has grown operations through investment and acquisition of oil producing properties. Currently Blast holds an interest in certain oil and gas properties, including the Sugar Valley Oil Field, a producing oil field in Texas, and a working interest in a lease comprising 2,500 acres which includes the Kreyenhagen Shale formation in the Guijarral Hills area of the San Juan Valley, Fresno County, California.

Our common stock is traded on the OTCBB under the symbol "BESV.OB."

Blast is a Texas corporation. We have three wholly-owned subsidiaries: Eagle Domestic Drilling Operations LLC, a Texas limited liability company that holds no assets, Blast AFJ, Inc., a Delaware corporation, that holds Blast's applied fluid jetting technology and assets, and Blast Acquisition Corp., a Nevada corporation that was formed for the specific purpose of entering into the merger and has not engaged in any business activities other than activities incidental to its formation and the transactions contemplated by the merger agreement. Blast Energy Services, Inc. and its subsidiaries have an address for notices located at PO Box 710152, Houston, Texas 77271-0152. The telephone number of Blast and its subsidiaries is (281) 453-2888. Additional information about Blast and its subsidiaries is included in the documents described in "Where You Can Find More Information" on page 135.

Pacific Energy Development Corp. ("PEDCO") is a development stage Nevada corporation formed for the purpose of (i) engaging in the business of oil and gas exploration, development and production of primarily shale oil and gas and secondarily conventional oil and gas opportunities in the United States, and (ii) subsequently utilizing its strategic relationships for exploration, development and production in the Pacific Rim countries, with a particular focus in China. PEDCO also holds a 6% joint venture interest in Rare Earth Ovonic Metal Hydride JV Co. Ltd. Joint Venture, a Chinese rare earth metal manufacturing and production company (the "Rare Earth JV"). PEDCO was formed in February 2011. PEDCO's principal executive offices are located at 4125 Blackhawk Plaza Circle, Suite 201A, Danville, California 94506. The phone number for PEDCO is (925) 203-5699.

There is no established public trading market for any of PEDCO's securities.

If the merger is completed, PEDCO will become a wholly-owned subsidiary of Blast, and Blast and PEDCO will combine their respective business operations.

Summary of the Merger (page 50)

The merger agreement provides that MergerCo (a wholly owned subsidiary of Blast) will be merged with and into PEDCO, which will continue as the surviving corporation. Blast will then continue after the merger under the name "PEDEVCO CORP." In the merger, (1) each outstanding share of PEDCO common stock will be exchanged for one share of our common stock, (2) each outstanding share of PEDCO Series A preferred stock will be exchanged for one share of our Series A preferred stock, and (3) each outstanding option or warrant to purchase shares of common stock or preferred stock of PEDCO will be exchanged for an option or warrant to purchase the same number of shares of our common stock or preferred stock, as applicable, on the same terms, each after affecting the reverse stock split described below. After the merger, PEDCO will become our wholly-owned subsidiary. In the merger, and after taking into account a reverse stock split in a ratio of between one-for-one hundred and one-for one hundred and twelve, we currently anticipate issuing 17,857,261 shares of our common stock to existing holders of common stock of PEDCO, 11,984,208 shares of our new Series A preferred stock to existing holders of Series A preferred stock of PEDCO, and warrants to purchase 1,100,000 shares of our common stock and 549,167 shares of new Series A preferred stock to existing holders of warrants to purchase common and preferred stock of PEDCO, respectively, and options to purchase 895,000 shares of our common stock to existing holders of options to purchase common stock of PEDCO. Further, up to an additional 8,082,459 shares of PEDCO Series A preferred stock and three-year warrants to purchase up to 808,246 shares of PEDCO Series A preferred stock exercisable at $0.75 per share may be issued to placement agents in connection with the additional sale by PEDCO in private transactions to "accredited investors" of approximately $6.0 million of Series A preferred stock of PEDCO prior to the merger, and additional shares of PEDCO common stock and preferred stock, and convertible securities exercisable therefor, may be issued by PEDCO prior to the merger, subject to a maximum aggregate total of no more than 45 million shares of PEDCO capital stock being 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) prior to the merger, without the prior written consent of Blast.

Immediately following the merger (and taking into account the reverse stock split and other transactions contemplated by our amended and restated certificate of formation), PEDCO's existing shareholders will own an estimated approximately 91% of our outstanding common stock, 94% of our voting stock (common stock and Series A preferred stock, which votes one-for-one with the common stock) and 100% of our outstanding preferred stock after the merger.. Immediately following the merger, PEDCO's existing common shareholders will receive approximately 17.9 million shares of Blast in exchange for their PEDCO shares, and PEDCO's existing preferred stockholders will receive approximately 12 million shares of the newly issued Blast Series A Preferred Stock in exchange for their PEDCO preferred stock. For more detailed information, see: – "Increase of Authorized Common and Preferred Stock" and "Reverse Stock Split." Since the execution of the merger agreement, PEDCO has advanced Blast approximately $345,000 to cover Blast's operating and merger expenses and an additional $30,000 in the form of a deposit. The merger agreement provides for an automatic adjustment in the reverse stock split ratio (and therefore a reduction in the percentage of shares to be retained by Blast shareholders in the merger) based on the total amount of unpaid advances at closing. The share numbers and percentages used throughout this proxy statement assume that the total of such unpaid advances, at closing will equal approximately $500,000, resulting in a reverse split ratio of one-for-112. Our Board of Directors has previously determined not to move forward with the merger transaction and approval of the amended and restated certificate of formation in the event the total reverse split required to be effected pursuant to the terms of the merger (as summarized above) would be greater than 1:112. See "Adjustment of Reverse Stock Split Ratio" below on page 101.

The Special Meeting of Our Shareholders (page 44)

Time, Date, and Place. The special meeting will be held on [_______________], 2012, beginning at 9:00 a.m., local time, at The Loev Law Firm, P.C., 6300 West Loop South, Suite 280, Bellaire, Texas 77401, and at any adjournment or postponement of the special meeting.

Purpose. The purpose of the special meeting is to consider and vote upon Proposals to approve the merger agreement, the Proposals relating to the amended and restated certificate of formation and designations, including the reverse stock split, the name change, the increase in the number of authorized shares of our preferred stock, the creation of our new Series A preferred stock, and, and the 2012 Equity Incentive Plan.

Record Date and Quorum. We have fixed the close of business on [______________], 2012 as the record date for the special meeting, and only shareholders of record on the record date are entitled to vote at the special meeting. You may vote all shares of our common stock and preferred stock that you owned of record at the close of business on the record date. The presence at the special meeting, in person or by proxy, of the holders of shares of voting stock representing at least a majority of the total voting power of the shares of voting stock which are eligible to be voted on the record date is necessary to constitute a quorum for the transaction of business at the special meeting.

Vote Required. Approval of the merger agreement and the Proposals relating to our amended and restated certificate of formation and designations require the approval of the holders, as of the record date, of two-thirds of the outstanding shares of our common stock and preferred stock (voting as a single class on an as-converted to common stock basis), two-thirds of our outstanding Series A preferred stock voting separately as a class, and the single share of our outstanding Series B preferred stock. The Proposal to approve the adoption of our 2012 Equity Incentive Plan will be approved if the votes cast in favor of the Proposal exceed those cast against it.

Voting and Proxies. If you hold stock in your name as a shareholder of record, you may vote in person at the meeting, by returning the accompanying proxy card in the enclosed envelope. If you hold your stock in “street name” through a broker, bank, or other nominee, you must direct the broker, bank, or other nominee how to vote your shares in accordance with the instructions that you have received, or will receive, from that person.

Right to Revoke Proxies. If you hold stock in your name as a shareholder of record, you have the right to change or revoke your proxy at any time before the vote is taken at the special meeting by: (1) attending the special meeting in person and voting; (2) submitting a later-dated proxy card; or (3) notifying us that you are revoking your proxy by delivering a later-dated written statement to that effect to us at Blast Energy Services, Inc., PO Box 710152, Houston, Texas 77271-0152, Attention: Chief Financial Officer.

Risk Factors (page 19)

In evaluating the merger, the merger agreement, our amended and restated certificate of formation and designations and the 2012 Equity Incentive Plan, and before deciding how to vote your shares, you should carefully review the section of this proxy statement entitled “Risk Factors,” which describes risk factors relating to the merger and to the post-merger operations of PEDCO’s business.

Background of the Merger and Reasons for the Merger (page 50)

Over the past 12 months, we have pursued a variety of capital raising alternatives to supplement anticipated income from our oil and gas investments in order to meet our operational capital requirements and service our outstanding debt. In particular, due to the higher than expected drilling costs experienced by our operating partner in connection with the Guijarral Hills well, the lack of economic oil production in the first zones tested, and the need for additional capital for additional testing, we were unable to raise the funds necessary to proceed with the testing of our well at our Guijarral Hills site. Although we do currently have a working interest in a producing field located in Texas, the cash flow generated by the wells in this field has not been sufficient to satisfy our ongoing working capital and other financial commitments, including the need to service and repay approximately $4.0 million of outstanding debt. Accordingly, we pursued a business combination transaction with an existing private enterprise operating in a similar line of business that was willing to acquire our oil and gas assets and assume our liabilities, in part so as to benefit from our status as a public company.

Given that the fact that PEDCO had been selling shares of its Series A preferred stock at $0.75 per share while the public market value of our shares was approximately $0.01 per share during the time period the merger was negotiated and agreed to (i.e., December 2011 through January 2012), we felt that the merger was an attractive alternative for our shareholders. We did not obtain a third-party fairness opinion for the merger due to the fact that our Board of

Directors believed that the merger was fair to its shareholders based on the criteria below and because we did not have sufficient working capital to pay for the costs associated with a fairness opinion. In evaluating the merger transaction, some of the important factors in our decision included: (i) the assumption and extension of $1.33 million of our senior secured debt (to take effect upon consummation of the merger); (ii) the willingness of our creditors to convert $1.45 million of our outstanding secured debt into common stock at a price of $0.02 per share (prior to the reverse stock split), (iii) the willingness of our existing holders of preferred stock to convert 6,000,000 shares of our preferred stock, with cumulative dividend rights and preferential liquidation preferences, into our common stock on a one-for-one basis (instead of a 2.5-for-one basis as provided for currently); (iv) the willingness of our Series B preferred stock shareholder to convert its outstanding share of preferred stock, which included the right to approve certain fundamental company transactions, into one share of common stock upon consummation of the merger; and (v) the combination of our existing assets with PEDCO, a company that has agreed to manage our assets and assume our debts. See also, “Background of the Merger and Reasons for the Merger”, below.

Based on these and other factors, our board of directors unanimously concluded that the merger represents the best available option for our company to continue as a going concern, and that the merger provides the best existing alternative for our shareholders to receive value on their investment. See "Unanimous Recommendation of Our Board of Directors" (page 44).

Our Board of Directors has unanimously determined that the adoption of the merger, the merger agreement and the amended and restated certificate of formation and designations are advisable, and that such documents are fair to, and in the best interests of our shareholders, has approved and authorized in all respects the merger agreement and the amended and restated certificate of formation and designations, and recommends that you vote "FOR" the approval of (1) the merger agreement, (2) the conversion of our Series A and Series B preferred stock into shares of our common stock, (3) a reverse stock split of our common stock of between 1:100 and 1:112, (4) a name change of Blast to "PEDEVCO CORP.", (5) an increase in our authorized shares of common stock from 180 million shares to 200 million shares and preferred stock from 20 million shares to 100 million shares, (6) the adoption of an amendment to our certificate of formation to limit the liability of our directors for monetary damages in connection with the breach of their fiduciary duty, (7) the adoption of an amendment to our certificate of formation to clarify that that any amendment or modification of the provision of our certificate of amendment which provides for us to indemnify our agents, will not adversely affect any right or protection of agents occurring prior to the date of such amendment or modification, (8) the adoption of an amendment to our certificate of formation to reduce the shareholder vote required to amend our certificate of formation and undertake certain other Fundamental Actions from two-thirds of such voting shares to a majority of our voting shares, (9) to approve the creation of a new series of preferred stock called "Series A Preferred Stock" and the designation of 25 million shares of such new Series A Preferred Stock, (10) to update certain outdated provisions and remove certain redundant provisions of our certificate of formation and to further reword, clarify and affect certain other non-material changes to our certificate of formation, and (11) the 2012 Equity Incentive Plan.

Interests in the Merger of Our Board of Directors and Executive Officers and Other Related Persons (page 57)

As of the record date, our two directors and our executive officers collectively beneficially owned approximately 2.5% of our outstanding common stock. Other than their interests as shareholders and as described below, our current directors and officers have no direct or indirect interest in the merger, the merger agreement or the amended and restated certificate of formation and designations.

Michael L. Peterson served on our board of directors from May 2008 until December 2011. He also served as interim President and CEO from June 2009 until December 2011. Mr. Peterson beneficially owns 2,950,000 shares of our common stock, totaling 1.5% of our outstanding common stock. In September 2011, Mr. Peterson entered into a consulting agreement with PEDCO to serve as PEDCO's Executive Vice President. In February 2012, Mr. Peterson entered into an employment agreement with PEDCO to serve as PEDCO's Executive Vice President at an annual base salary of $250,000. Mr. Peterson beneficially owns 5.3% of PEDCO's outstanding common stock, and will own 5.2% of the outstanding stock of Blast after the merger with PEDCO.

Eric A. McAfee and Clyde Berg, who beneficially own a total of 57% of our outstanding common stock and 100% of our outstanding Series A preferred stock and Centurion, which owns our one outstanding Series B preferred stock share, entered into voting agreements with us on January 13, 2012. Under the voting agreement, Mr. McAfee, Mr. Berg and Centurion agreed, on behalf of themselves and their affiliates, to vote the outstanding capital stock they beneficially own in favor of the merger agreement and the approval of the amended and restated certificate of formation and designations. These voting agreements currently terminate on August 1, 2012. Further information on these stockholders is provided under "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters" on page 119.

Members of our board of directors and some of our officers have agreed to convert amounts owed to them into shares of our common stock. See "Officer, Director and Other Debt Conversions" below.

Certain of PEDCO's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of PEDCO stockholders generally.

As detailed below under "The Merger — Management and Operations After the Merger," it is anticipated that all of our current officers and directors will resign and Frank C. Ingriselli will serve as our Executive Chairman of the Board, President and Chief Executive Officer, Jamie Tseng will serve as our Chief Financial Officer, Senior Vice President and Managing Director, Michael L. Peterson will serve as our Executive Vice President, and Clark R. Moore will serve as our Executive Vice President, General Counsel and Secretary, and all of the members of PEDCO's board of directors immediately prior to the merger will continue to serve as directors of Blast upon completion of the merger. No payments or benefits will be triggered as a result of the merger under the outstanding stock option, stock purchase, and employment agreements that PEDCO has entered into with its executive officers.

Material United States Federal Income Tax Consequences of the Merger (page 102)

The merger will constitute a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended, and our shareholders generally will not recognize any gain or loss for U.S. federal income tax purposes by reason of the merger or the reverse stock split described in this proxy statement.

The federal income tax consequences summarized above may not apply to all of our shareholders. Your tax consequences will depend upon your individual situation. Therefore, we strongly encourage you to consult with your tax advisor for a full understanding of the particular tax consequences of the merger and the reverse stock split to you.

Effects of the Merger and Amended and Restated Certificate of Formation and Designations on our Current Shareholders (pages 48, 99-100, and 104-112)

While the merger itself will not affect any of our currently outstanding shares of stock, the issuance of our shares in the merger will decrease our existing shareholders' percentage equity ownership in our company. Furthermore, the amended and restated certificate of formation and designations, the filing of which is a condition to closing the merger, will affect the rights of our shareholders. When the amended and restated certificate of formation and designations is filed, all outstanding shares of our Series A and Series B preferred stock will convert into shares of our common stock on a one-to-one basis, immediately followed by a 1-for-112 reverse stock split of our common stock (subject to adjustment as described below under "Adjustment of Reverse Stock Split Ratio"). The reverse stock split will not immediately affect any of our shareholder's proportional equity interests in our company, nor will it change any of the rights of the existing holders of our common stock. However, after the reverse stock split is effectuated, our current shareholders will own fewer shares than they presently own (a number equal to one-one hundred and twelfth (1/112th) the number of shares owned immediately prior to the reverse stock split). Furthermore, the number of shares of our common stock authorized for issuance will increase from 180,000,000 shares to 200,000,000 shares. The future issuance of any such shares (including, but not limited to shares issued in the merger) will decrease

our existing shareholders' percentage equity ownership in our company and, depending on the price at which they are issued, would be dilutive to our existing shareholders.

The filing of the amended and restated certificate of formation and designations will also result in an increase in the number of authorized shares of preferred stock from 20,000,000 shares to 100,000,000 shares and result in the creation of a new series of Series A preferred stock, described in greater detail below under "Proposal V – Approval Of An Increase In Our Authorized Shares Of Common Stock From 180 Million Shares To 200 Million Shares And Preferred Stock From 20 Million Shares To 100 Million Shares" and "Proposal X – Approval Of The Amended And Restated Certificate Of Designations Of Our Series A Preferred Stock". Future issuances of these shares of preferred stock (including, but not limited to shares issued in the merger) will decrease our existing shareholders' percentage equity ownership in our company and could be dilutive. Furthermore, the designation of the new Series A preferred stock will create a series of preferred stock with certain preferences and priorities over the holders of our common stock, including with respect to rights to dividends and distributions upon liquidation.

Conditions to Closing the Merger (page 95)

Before the merger can be completed, a number of closing conditions must be satisfied by both parties, including the approval of the merger agreement and the amended and restated certificate of formation and designations by our shareholders.

Changes in Directors and Management (page 85)

Upon the closing of the merger, the board of directors of PEDCO will become the board of directors of the surviving company, our board of directors will be increased from two to three, and three persons designated by PEDCO will serve on our board of directors. PEDCO has advised us that immediately prior to the merger, the board of directors of PEDCO will consist of Frank C. Ingriselli, Michael L. Peterson, and Jamie Tseng, and that it intends to designate the same individuals to our board of directors.

SUMMARY PRO FORMA INFORMATION

The unaudited pro forma information of the Company set forth below gives effect to the merger of Pacific Energy Development Corporation as if it had been consummated as of the beginning of the applicable periods. The unaudited pro forma information has been derived from the historical Consolidated Financial Statements of Blast Energy Services, Inc. and Pacific Energy Development Corporation. The unaudited pro forma information is for illustrative purposes only. You should not rely on the unaudited pro forma financial information as being indicative of the historical results that would have been achieved had the acquisition occurred in the past or the future financial results that the Company will achieve after the acquisition.

PEDEVCO CORP.
(formerly Blast Energy Services, Inc.)
Pro forma Consolidated Balance Sheets
(Unaudited)

	Blast Energy Services, Inc. 03/31/12	Pacific Energy Development Corporation 03/31/12		Pro forma Adjustments	Pro forma Consolidated 03/31/12
Assets					
Current assets:					
Cash	$3,097	$ 250,884			$ 253,981
Accounts receivable, net	20,742	58,292			79,034
Deferred costs	-	309,635			309,635
Prepaid expenses and other current assets	68,655	20,170			88,825
Total current assets	92,494	638,981			731,475
Oil and gas properties - full cost method					
Proved oil and gas properties	1,212,824	-			1,212,824
Unproved oil and gas properties	696,178	-			696,178
Less: accumulated depletion	(512,973)	-			(512,973)
Total oil and gas properties, net	1,396,029	-			1,396,029
Oil and gas properties– successful efforts					
Proved oil and gas properties	-	3,750,000			3,750,000
Unproven oil and gas properties	-	1,729,989			1,729,989
Equity method investment	-	560,882			560,882
Total oil and gas properties	-	6,040,871			6,040,871
Other investment	-	4,100			4,100
Equipment, net	381,421	-			381,421
Goodwill	-	-	(1)	2,091,000	2,091,000
Total assets	$1,869,944	$ 6,683,952		2,091,000	$ 10,644,896
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$82,437	$ 74,513			$ 156,950
Accrued expenses	672,197	2,756,009			3,428,206
Accrued expenses – related parties	396,413	-	(6)	(344,997)	51,416
Note payable – related parties	106,150	-			106,150
Notes payable – other	1,561,589	-			1,561,589

Total current liabilities	2,818,786	2,830,522			5,304,311
Long-term liabilities:					
Notes payable – related party	1,120,000	-	(6)	(1,120,000)	-
Asset retirement obligations	41,712	-			41,712
Total liabilities	3,980,498	2,830,522			5,346,023

Stockholders' equity:					
Series A Preferred Stock, $.001 par value, 20,000,000 shares authorized, 6,000,000 shares issued and outstanding	6,000	-	(2)	(6,000)	11,984
			(5)	11,984	
Series A Preferred Stock, $.001 par value, 100,000,000 shares authorized, 6,666,667 shares issued and outstanding	-	11,224	(5)	(6,667)	4,557
Series B Preferred Stock, $.001 par value, 1 share authorized 1 and 0 share issued and outstanding, respectively	-	-	(2)	-	-
Common Stock, $.001 par value, 180,000,000 shares authorized; 71,425,905 shares and 19,202,580 shares issued and outstanding, respectively	71,426	-	(2)	6,000	19,203
			(3)	(76,734)	
			(4)	17,857	
			(6)	654	
Common stock, $0.001 par value, 200,000,000 shares authorized; 15,502,261 shares issued and outstanding	-	15,503	(4)	(15,503)	-
Subscription receivable	-	(69,667)	(4)	69,667	-
Additional paid-in capital	76,389,124	5,056,697	(1)	2,091,000	6,789,091
			(3)	76,734	
			(4)	(78,283,490)	
			(5)	(5,317)	
			(6)	1,464,343	
Accumulated deficit	(78,577,104)	(1,160,327)	(4)	78,211,469	(1,525,962)
Total stockholders' equity	(2,110,554)	3,853,430			5,298,873
Total Liabilities and stockholders' equity	$1,869,944	$6,683,952		$2,091,000	$10,644,896

Pro forma footnotes:

(1) To record goodwill for the difference between the fair value of consideration transferred and the fair value of assets acquired and liabilities assumed (which valuation and allocation is not final, is not based on any valuation and is subject to change).
(2) To convert all outstanding Series A and Series B preferred stock into shares of the Company's common stock on a one-for-one basis.
(3) To adjust common stock par value and the additional paid-in capital to reflect one-for-one hundred and twelve (1:112) reverse stock split.
(4) To record the issuance of 17,857,261 shares of the Company's common stock to existing holders of common stock of PEDCO.

(5) To record the issuance of 11,984,208 shares of the Company's Series A preferred stock to existing holders of Series A preferred stock of PEDCO.
(6) To record the conversion of $1.465 million of Blast related party secured debt converted into common stock of PEDCO.

PEDEVCO CORP.
(formerly Blast Energy Services, Inc.)
Pro forma Consolidated Statements of Operations
(Unaudited)

	Blast Energy Services, Inc. for Quarter Ended 3/31/2012	Pacific Energy Development Corporation for Quarter Ended 3/31/2012	Pro forma Adjustments	Pro forma Consolidated for Quarter Ended 3/31/2012
Revenues:	$ 118,214	$ -		$ 118,214
				-
Cost of revenues				
Services	-	-		-
Lease operating costs	67,353	-		67,353
Total cost of revenues	67,353	-		67,353
Operating expenses				-
Selling, general and administrative expense	190,981	438,746		629,727
Depreciation, depletion and amortization	36,124	-		36,124
Total operating expenses	227,105	438,746		665,851
Operating loss	(176,244)	(438,746)		(614,990)
Other income (expense):				
Interest expense	(189,391)	-		(189,391)
Equity in loss of equity method investment	-	(27,571)		(27,571)
Other income (expense)	-	-		-
Total other expense	(189,391)	(27,571)		(216,962)
				-
Loss from continuing operations	(365,635)	(466,317)		(831,952)
Net Loss	(365,635)	(466,317)		(831,952)
Preferred dividends	(59,836)	-		(59,836)
Net loss attributable to common shareholders	$ (425,471)	$ (466,317)		$ (891,788)
Net loss per common share - Basic :				
Continuing operations	$ (0.01)			$ (0.05)

Discontinued operations	(0.00)			-
Total	$(0.01)			$(0.05)
Net loss per common share - Diluted:				
Continuing operations	$(0.01)			$(0.05)
Discontinued operations	(0.00)			-
Total	$(0.01)			$(0.05)
Weighted average common shares outstanding - basic and diluted	71,425,905	(1)(2)	(52,223,325)	19,202,580

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Pro forma footnotes:

(1) The weighted average common shares outstanding - basic and diluted is adjusted to reflect the following:
- The conversion of all outstanding Series A and Series B preferred stock into shares of the Company's common stock on a one-for-one basis;
- The one-for-one hundred and twelve (1:112) reverse stock split;
- The issuance of 17,857,261 shares of the Company's common stock to existing holders of common stock of PEDCO;
- The issuance of 11,984,208 shares of the Company's Series A preferred stock to existing holders of Series A preferred stock of PEDCO;
- The conversion of $1.465 million of Blast related party secured debt converted into common stock of PEDCO.

(2) The weighted average common shares outstanding do not include the following potentially dilutive securities:
- The grant of warrants to purchase 1,100,000 of the Company's common stock to existing warrant holders of PEDCO;
- The grant of options to purchase 895,000 of the Company's common stock to existing option holders of PEDCO; and
- The issuance of 11,984,208 shares of the Company's Series A preferred stock to existing holders of Series A preferred stock of PEDCO.

PEDEVCO CORP.
(formerly Blast Energy Services, Inc.)
Pro forma Consolidated Statements of Operations
(Unaudited)

	Blast Energy Services, Inc. for Year Ended 12/31/2011	Pacific Energy Development Corporation for Year Ended 12/31/2011	Pro forma Adjustments	Pro forma Consolidated for Year Ended 12/31/2011
Revenues:	$ 446,526	$ -		$ 446,526
				-
Cost of revenues				
Services	8,069	-		8,069
Lease operating costs	270,746	-		270,746
Total cost of revenues	278,815	-		278,815
Operating expenses				-
Selling, general and administrative expense	1,469,061	648,125		2,117,186
Depreciation, depletion and amortization	147,591	-		147,591
Impairment loss	1,640,489	-		1,640,489
Total operating expenses	3,257,141	648,125		3,905,266
Operating loss	(3,089,430)	(648,125)		(3,737,555)
Other income (expense):				
Interest expense	(1,057,331)	(12,912)		(1,070,243)
Equity in loss of equity method investment	-	(25,875)		(25,875)
Other income (expense)	1,407	(7,098)		(5,691)
Total other expense	(1,055,924)	(45,885)		(1,088,897)
				-
Loss from continuing operations	(4,145,354)	(694,010)		(4,826,452)
Loss from discontinued operations	(3,686)	-		(3,686)
Net Loss	(4,149,040)	(694,010)		(4,830,138)
Preferred dividends	(240,000)	-		(240,000)
Net loss attributable to common shareholders	$ (4,389,040)	$ (694,010)		$ (5,070,138)
Net loss per common share - Basic :				
Continuing operations	$ (0.06)			$ (0.26)
Discontinued operations	(0.00)			-

Total	$ (0.06)				$ (0.26)
Net loss per common share - Diluted :					
Continuing operations	$ (0.06)				$ (0.26)
Discontinued operations	(0.00)				-
Total	$ (0.06)				$ (0.26)
Weighted average common shares outstanding - basic and diluted	71,059,786		(1)	(51,837,195)	19,222,591

Pro forma footnotes:

(1) The weighted average common shares outstanding - basic and diluted is adjusted to reflect the following:
- The conversion of all outstanding Series A and Series B preferred stock into shares of the Company's common stock on a one-for-one basis;
- The one-for-one hundred and twelve (1:112) reverse stock split;
- The issuance of 17,857,261 shares of the Company's common stock to existing holders of common stock of PEDCO;
- The issuance of 11,984,208 shares of the Company's Series A preferred stock to existing holders of Series A preferred stock of PEDCO; and
- The conversion of $1.465 million of Blast related party secured debt converted into common stock of PEDCO.

(2) The weighted average common shares outstanding do not include the following potentially dilutive securities:
- The grant of warrants to purchase 1,100,000 of the Company's common stock to existing warrant holders of PEDCO;
- The grant of options to purchase 895,000 of the Company's common stock to existing option holders of PEDCO; and
- The issuance of 11,984,208 shares of the Company's Series A preferred stock to existing holders of Series A preferred stock of PEDCO.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the special meeting, the proposed merger and the proposed amended and restated certificate of formation and designations. These questions and answers may not address all questions that may be important to you as a shareholder of our company. Please refer to the more detailed information contained elsewhere in this proxy statement, including the appendices to this proxy statement.

Q: Why am I receiving this proxy statement and the proxy card?

A: You are being asked to approve the merger agreement between our company and MergerCo, on the one hand, and PEDCO, on the other hand, as well as the adoption of the 2012 Equity Incentive Plan. In connection with the transactions contemplated by the merger agreement, you are also being asked to approve the Proposals relating to our amended and restated certificate of formation and designations, which will effectuate a 1-for-112 reverse stock split (subject to adjustment as described below under "Adjustment of Reverse Stock Split Ratio"), a change in our name, an increase in the number of shares of authorized common and preferred stock, the immediate conversion of our outstanding Series A and B preferred stock into shares of common stock on a one-for-one basis, the creation of a new series of preferred stock, "Series A Preferred Stock," and certain other changes in our company's voting and amendment procedures. You have been sent this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at the special meeting of shareholders called for the purpose of voting on the foregoing matters.

Q: What is the proposed transaction?

A: The proposed transaction is the filing of the amended and restated certificate of formation and designations, followed by the merger of MergerCo into PEDCO. As a result of the merger, our company (through its ownership of MergerCo) will succeed to all of the rights, assets, and liabilities of PEDCO, and PEDCO will become our wholly-owned subsidiary.

Q: Why is our Board of Directors proposing the merger with PEDCO?

A: Over the past 12 months, we have pursued a variety of capital raising alternatives to supplement anticipated income from our oil and gas investments in order to meet our operational capital requirements and service our outstanding debt. In particular, due to the higher than expected drilling costs experienced by our operating partner in connection with the Guijarral Hills well, the lack of economic oil production in the first zones tested, and the need for additional capital for additional testing, we were unable to raise the funds necessary to proceed with the testing of our well at our Guijarral Hills site. Although we do currently have a working interest in a producing field located in Texas, the cash flow generated by the wells in this field has not been sufficient to satisfy our ongoing working capital and other financial commitments, including the need to service and repay approximately

$4.0 million of outstanding debt. Accordingly, we pursued a business combination transaction with an existing private enterprise operating in a similar line of business that was willing to acquire our oil and gas assets and assume our liabilities, in part so as to benefit from our status as a public company.

Given that the fact that PEDCO had been selling shares of its Series A preferred stock at $0.75 per share while the public market value of our shares was approximately $0.01 per share during the time period the merger was negotiated and agreed to (i.e., December 2011 through January 2012), we felt that the merger was an attractive alternative for our shareholders. We did not obtain a third-party fairness opinion for the merger due to the fact that our Board of Directors believed that the merger was fair to its shareholders based on the criteria below and because we did not have sufficient working capital to pay for the costs associated with a fairness opinion. In evaluating the merger transaction, some of the important factors in our decision included: (i) the assumption and extension of $1.33 million of our senior secured debt (to take effect upon consummation of the merger); (ii) the willingness of our creditors to convert $1.45 million of our outstanding secured debt plus interest into common stock at a price of $0.02 per share (prior to the reverse stock split), (iii) the willingness of our existing holders of preferred stock to convert 6,000,000 shares of our preferred stock, with cumulative dividend rights and preferential liquidation preferences, into our common stock on a one-for-one basis (instead of a 2.5-for-one basis as provided for currently); (iv) the willingness of our Series B preferred stock shareholder to convert its outstanding share of preferred stock, which included the right to approve certain fundamental company transactions, into one share of common stock upon consummation of the merger; and (v) the combination of our existing assets with PEDCO, a company that has agreed to manage our assets and assume our debts.

Q: Why is our Board of Directors proposing the changes contained in the amended and restated certificate of formation and designations?

A: The proposed changes to our certificate of formation and designations are necessary for us to comply with the terms of the merger agreement. If the Proposals relating to our amended and restated certificate of formation and designations, all of which are conditioned upon the approval of each of the other Proposals set forth herein (other than our 2012 Stock Incentive Plan, which is a standalone Proposal), are not approved, the amended and restated certificate of formation and designations will not be approved and the merger will not be completed. Similarly, since our certificate of formation and designations is being amended and restated to facilitate the merger, if the merger is not approved, we will not proceed with the amended and restated certificate of formation and designations.

Q: Are there any conditions to the completion of the merger?

A: Yes. The merger agreement specifies various important closing conditions, including, but not limited to (1) approval of the merger agreement by both our shareholders and PEDCO's shareholders, and (2) approval of the amended and restated certificate of formation by our shareholders, and (3) approval of the amended and restated certificate of designations by our shareholders. These are described in greater detail below under "Closing Conditions."

Q: What will happen if our shareholders approve the Proposals?

A: If our shareholders approve the transaction with PEDCO and the Proposals relating to the amended and restated certificate of formation and designations, then shortly following the special meeting, we will file the amended and restated certificate of formation and designations with the Secretary of State of the State of Texas to effectuate the reverse stock split, the name change, the increase in the number of authorized shares of common and preferred stock, the immediate conversion of our outstanding Series A and B preferred stock into shares of common stock on a one-for-one basis, the creation of our new Series A preferred stock, and certain other changes as described in greater detail in Proposals I through IX, below. Immediately thereafter, subject to the satisfaction of certain conditions set out in the merger agreement, we will file a certificate of merger with the Secretary of State of the State of Nevada and issue shares of our common stock and new Series A preferred stock to the shareholders of PEDCO in exchange for all of the outstanding shares of common stock and preferred stock of PEDCO, as a result of which PEDCO will become our wholly-owned subsidiary. Additionally, concurrently therewith or shortly thereafter, we anticipate our trading symbol on the Over-The-Counter Bulletin Board changing in connection with the name change affected pursuant to the merger. Finally, if approved the 2012 Equity Incentive Plan will provide for such rights as are described below under "Proposal XI – Approval of Adoption of the 2012 Equity Incentive Plan", below. While we will not move forward with the amended and restated certificate of formation or the transaction with

PEDCO, unless each such Proposal set forth herein relating to such transactions are approved by the shareholders, in the event the 2012 Equity Incentive Plan is approved by the shareholders, and regardless of whether or not the other Proposals set forth herein are approved, the 2012 Equity Incentive Plan will still become effective.

Q: What will happen if our shareholders do not approve the merger or the Proposals relating to our amended and restated certificate of formation?

A: If the merger or the Proposals relating to our amended and restated certificate of formation are not approved by our shareholders, the merger agreement will be terminated, and we will continue to seek additional capital and/or pursue a business combination transaction with an existing private business enterprise. If we do not consummate the merger, we also will not proceed with the amended and restated certificate of formation and designations, regardless of whether or not it has been approved by our shareholders. Any amounts owing to PEDCO, which as of the date of this proxy statement total $30,000 as an initial deposit for the merger agreement and approximately $345,000 of our operation costs and expenses related to the merger that were paid by PEDCO, must be repaid within ten days following the termination of the merger agreement. In addition, all amounts outstanding under our secured promissory notes with Centurion Credit Funding, LLC, which as of the date of this proxy statement totaled approximately $1.2 million (which were originally due February 2, 2012 but which Centurion Credit Funding, LLC, in order to accommodate this merger, agreed to extend the maturity of for approximately six months), must be repaid within 30 days following the termination of the merger agreement, or August 1, 2012 if the merger agreement is not closed by that time. We do not have sufficient cash available to repay these amounts. As such, we may be forced to curtail or abandon our operations, liquidate our assets, seek bankruptcy protection (if available) and/or be forced to cease filing reports with the SEC. In the event of the above, an investment in our company will likely decline in value or become worthless and shareholders of our company may lose their entire investment.

Q: How will my shares of stock be affected by the merger and the amended and restated certificate of formation and designations?

A: If the merger and the Proposals relating to our amended and restated certificate of formation and designations are approved, the amended and restated certificate of formation and designations will be filed and become effective immediately prior to the closing of the merger. When the amended and restated certificate of formation and designations become effective, all outstanding shares of our Series A and Series B preferred stock will automatically convert into shares of our common stock on a one-to-one basis, and our common stock (including common stock issued in connection with the preferred stock conversion) will undergo a 1-for-112 reverse stock split (subject to adjustment as described below under "Adjustment of Reverse Stock Split Ratio"). The reverse stock split will not affect any of our shareholder's proportional equity interests in our company, nor will it change any of the rights of the existing holders of our common stock. Shareholders should recognize, however, that after the reverse stock split is effectuated, they will own fewer shares than they presently own (a number equal to the number of shares owned immediately prior to the reverse stock split divided by

one-hundred and twelve (112)). Furthermore, upon filing of the amended and restated certificate of designations, the number of authorized shares of our common stock available for issuance will be increased from 180,000,000 shares to 200,000,000 shares. The issuance of such shares would decrease our existing shareholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to our existing shareholders.

Upon effectiveness, the amended and restated certificate of formation and designations will also result in an increase in the number of authorized shares of preferred stock from 20,000,000 to 100,000,000, the termination of our existing Series A and Series B preferred stock, and the creation of a new series of preferred stock called "Series A preferred stock." Future issuances of our preferred stock will decrease our existing shareholders' percentage equity ownership in our company and could be dilutive. Furthermore, the designation of the new Series A preferred stock will create a series of preferred stock with certain preferences and priorities over the holders of our common stock, including with respect to rights to dividends and distributions upon liquidation, and reduce the voting power of the current holders of our common stock, described in greater detail below under "Proposal V – Approval Of An Increase In Our Authorized Shares Of Common Stock From 180 Million Shares To 200 Million Shares And Preferred Stock From 20 Million Shares To 100 Million Shares" and "Proposal X – Approval Of The Amended And Restated Certificate Of Designations Of Our Series A Preferred Stock".

Q: How will my shares of stock be affected by the merger?

A: The shares of common stock held by our existing common shareholders will not be affected by the merger other than the dilutive effects of the issuance of additional shares of our company to the shareholders of PEDCO and the effects of the amended and restated certificate of formation and designations as previously described. Shares held by our existing preferred stockholders will be converted into shares of our common stock prior to the merger. If the proposed merger is completed, (1) each outstanding share of common stock of PEDCO will be exchanged for one share of our common stock, (2) each outstanding share of Series A preferred stock of PEDCO will be exchanged for one share of our new Series A preferred stock, and (3) each outstanding option or warrant to purchase shares of common stock or preferred stock of PEDCO will be exchanged for an option or warrant to purchase the same number of shares of our common stock or preferred stock, as applicable, on the same terms.

Q: Will I have dissenters' rights as a result of the merger or the amended and restated certificate of formation and designations?

A: No. Under Texas law, dissenters' rights only apply in limited circumstances or as otherwise provided in a corporation's governing documents. Since these circumstances are not applicable to the merger or the amended and restated certificate of formation and designations, no dissenters' rights are applicable to the currently contemplated transactions.

Q: What type of business will our company conduct after the merger?

A: After the merger, PEDCO will be our wholly-owned subsidiary. Blast currently intends to continue to operate its business with the new executives of PEDCO, but its business will also include the business of PEDCO. PEDCO is a privately-held development stage energy company formed to engage, acquire and develop strategic, high growth energy projects, including shale oil and gas, in the United States and Pacific Rim countries. PEDCO's portfolio includes (i) interests and operatorship of approximately 7,450 gross acres located in the Niobrara shale formation in Colorado, (ii) 50% ownership of an approximate 8% working interest in producing oil and gas leases covering 1,650 gross acres in the Leighton Eagle Ford shale formation in McMullen County, Texas, and (iii) a joint venture interest in a Rare Earth minerals manufacturing plant in China. PEDCO was founded in early 2011 by a group of former senior executives from Texaco, Inc. and CAMAC Energy Inc. (formerly Pacific Asia Petroleum, Inc.), and is led by its President and CEO, Frank C. Ingriselli. PEDCO is headquartered in Danville, California.

Q: What is the purpose of the Blast Energy 2012 Equity Incentive Plan?

A: Our board of directors adopted the 2012 Equity Incentive Plan (the "2012 Plan") because there are a limited number of shares available for grants of

awards under our existing stock option plan, the 2009 Stock Incentive Plan (the "Prior Plan"). Management believes that granting options is an important incentive tool for our company's directors and employees. As a result, our board adopted the 2012 Plan to continue to provide a means by which employees, directors and consultants of our company may be given an opportunity to benefit from increases in the value of our common stock, and to attract and retain the services of such persons. If the 2012 Plan is adopted, we will not grant any additional awards under the Prior Plan. The 2012 Plan is attached to this proxy statement as Appendix B.

Q: Where and when is the special meeting?

A: The special meeting of shareholders will be held on [____________], 2012, beginning at 9:00 a.m., local time at The Loev Law Firm, P.C., 6300 West Loop South, Suite 280, Bellaire, Texas 77401.

Q: Are all shareholders as of the record date entitled to vote at the special meeting?

A: Yes. All shareholders who own our common or preferred stock at the close of business on [_________], 2012, the record date for the special meeting, are entitled to receive notice of the special meeting and to vote the shares of our common and/or preferred stock that they hold on the record date at the special meeting, or at any adjournment or postponement of the special meeting.

Q: Are all shareholders as of the record date entitled to attend the special meeting?

A: Yes. All of our shareholders as of the record date, or their legally authorized proxies named in the proxy card, may attend the special meeting. Cameras, recording devices, and other electronic devices will not be permitted at the meeting. If your shares are held in the name of a broker, bank, or other nominee, you should bring a proxy or letter from the broker, bank, or other nominee confirming your beneficial ownership of the shares and authorizing you to vote such shares at the meeting.

Q: What vote of our shareholders is required to approve the merger agreement and the amended and restated certificate of formation and designations?

A: Approval of the merger agreement and each of the Proposals relating to our amended and restated certificate of formation and the amended and restated certificate of designations requires the approval of the holders, as of the record date of __________, 2012, of two thirds of the outstanding shares of our common and preferred stock (voting as a single class on an as-converted to common stock basis), two thirds of the outstanding Series A preferred stock (voting separately as a class), and the affirmative vote from the holder of our one share of Series B preferred stock. Failure to vote or abstaining from voting will have the same effect as a vote against approval of the merger agreement, the amended and restated certificate of formation and the amended and restated certificate of designations. Blast Energy Services, Inc., as the sole shareholder of MergerCo, approved the merger and merger agreement on January 13, 2012.

Q: Does our board of directors unanimously recommend that our shareholders vote "FOR" the approval of the merger agreement, the Proposals relating to the amended and restated certificate of formation, and the amended and restated certificate of designations?

A: Yes. After careful consideration, our board of directors unanimously recommends that you vote "FOR" the approval of the merger agreement, "FOR" each of the Proposals relating to the approval of the amended and restated certificate of formation, and "FOR" the approval of the amended and restated certificate of designations.

Q: What do I need to do now if I hold my shares in my name?

A: We urge you to read this proxy statement carefully, including its appendices. You can then ensure that your shares are voted at the special meeting by completing, signing, dating, and returning the accompanying proxy card in the enclosed postage-paid envelope. Alternatively, you may vote your shares at the meeting via Internet, fax or phone as disclosed on the attached proxy card.

Q: If my shares are held in "street name" by my broker, bank, or other nominee, will that person vote my shares for me?

A: Your broker, bank, or other nominee will not vote your shares on your behalf unless you provide instructions on how to vote. You should follow the directions provided by your broker, bank, or other nominee regarding how to provide voting instructions. Without those instructions, your shares will not be voted, which will have the same effect as voting against approval of the merger agreement and the amended and restated certificate of formation and designations.

Q: How can I revoke or change my vote?

A: You have the right to change or revoke your proxy at any time before the vote is taken at the special meeting by: (1) attending the special meeting in person and voting; (2) submitting a later-dated proxy card; or (3) notifying us that you are revoking your proxy by delivering a later-dated written statement to that effect to us at Blast Energy Services, Inc., PO Box 710152, Houston, Texas 77271-0152, which must be received at least one day prior to the date of the meeting. Simply attending the special meeting, however, will not be sufficient to revoke your proxy. Furthermore, if you have instructed a broker, bank, or other nominee to vote your shares, these options for changing your vote do not apply, and instead you must follow the instructions received from your broker, bank, or other nominee to change your vote.

Q: What does it mean if I get more than one proxy card or vote instruction card?

A: If your shares are registered differently and are in more than one account, you will receive more than one proxy card or, if your shares are held in street name, more than one vote instruction card from your broker, bank, or other nominee. Please sign, date, and return all of the proxy cards and vote instruction cards that you receive to ensure that all of your shares are voted.

Q: What happens if I sell my shares before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and is earlier than the date that the merger, if approved, will be completed. If you transfer your shares of stock after the record date but before the special meeting, you will retain your right to vote those shares.

Q: When do you expect the merger to be completed and the amended and restated certificate of formation and the amended and restated certificate of designations to become effective?

A: We are working toward completing the merger as quickly as possible, and we anticipate that the amended and restated certificate of formation and the amended and restated certificate of designations will become effective and the merger will be completed promptly after the special meeting, assuming satisfaction or waiver of all of the conditions to the merger that are specified in the merger agreement. Because the merger is subject to certain conditions, the exact timing of the completion of the merger and the likelihood of the consummation of the merger cannot be predicted with certainty. If any of the conditions in the merger agreement are not satisfied or waived, the merger agreement will terminate. In addition, if the merger is not completed by August 1, 2012, various outstanding voting agreements, debt conversion agreements, and amended debt agreements will expire. See Risk Factors: “Risks Related to Blast and Its Business,” and “Risks Associated with the Merger.”

Q: Who will bear the cost of this proxy solicitation?

A: The expenses of preparing, printing, and mailing this proxy statement and the proxies solicited by this proxy statement will be borne by us. Upon request, we will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, need assistance in submitting your proxy or voting your shares, or need additional copies of the proxy statement or the enclosed proxy card, you can call John MacDonald, our Chief Financial Officer, at (281) 453-2888 or follow the directions at www.iproxydirect.com/BESV. If your broker, bank, or other nominee holds your shares, you should call that person for additional information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We caution you that this proxy statement contains forward-looking statements regarding, among other things, the proposed merger and the anticipated consequences and benefits of such transaction, and other financial, business, and operational items relating to the parties to the merger agreement.

Forward-looking statements involve known and unknown risks, assumptions, uncertainties, and other factors. Statements made in the future tense, and statements using words such as “may,” “can,” “will,” “could,” “should,” “predict,” “aim’” “potential,” “continue,” “opportunity,” “intend,” “goal,” “estimate,” “expect,” “expectations,” “project,” “pro “anticipates,” “believe,” “think,” “confident” “scheduled” or similar expressions are intended to identify forward-looking statements. Forward-looking statements are not a guarantee of performance and are subject to a number of risks and uncertainties, many of which are difficult to predict and are beyond our control. These risks and uncertainties could cause actual results to differ materially from those expressed in or implied by the forward-looking statements, and therefore should be carefully considered. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement. We disclaim any obligation to update any of these forward-looking statements as a result of new information, future events, or otherwise, except as expressly required by law.

You should review the section of this proxy statement entitled “Risk Factors” for a discussion of the factors that could cause actual results to differ materially from those discussed in the forward-looking statements.

RISK FACTORS

In addition to the other information included in this proxy statement, including the matters addressed in the section entitled “Cautionary Statement Regarding Forward-Looking Information,” you should carefully consider the following risks before deciding whether to vote for the Proposal to approve the merger, the Proposals to approve and adopt the amended and restated certificate of formation and the amended and restated certificate of designations and the Proposal to approve the 2012 Equity Incentive Plan. In addition, you should read and consider the risks associated with each of the businesses of Blast and PEDCO because these risks will also affect the combined company following the merger. You should also read and consider the other information in this proxy statement.

RISKS ASSOCIATED WITH THE MERGER

If the merger is not completed, we may be forced to discontinue our operations.

The merger is subject to a number of conditions that are outside of our control. We cannot assure you that these conditions will be satisfied or waived. Any amounts owing to PEDCO, which as of the date of this proxy statement totaled approximately $375,000, must be repaid within ten days following the termination of the merger agreement. In addition, all amounts outstanding under our secured promissory notes with Centurion Credit Funding, LLC, which as of the day of this proxy statement total and approximately $1.2 million, must be repaid on August 1, 2012. Accordingly, if the merger is terminated, we will need to identify and consummate another strategic transaction or financing opportunity. Failure to do so in a timely manner would likely cause us to discontinue our operations.

If the costs associated with the merger exceed the benefits, the post-merger company may experience adverse financial results, including increased losses.

Our company and PEDCO will incur significant transaction costs as a result of the merger, including legal and accounting fees. Actual transaction costs may substantially exceed our current estimates and may adversely affect the

post-merger company’s financial condition and operating results. If the benefits of the merger do not exceed the costs associated with the merger, the post-merger company’s financial results could be adversely affected, resulting in, among other things, increased losses.

Consummation of the merger will result in significant dilution to our existing shareholders.

Upon consummation of the merger, our existing shareholders will hold, in total, only approximately 5% of the total number of outstanding shares of our capital stock. Furthermore, shares of our newly designated Series A preferred stock will be issued in the merger. The holders of the Series A preferred stock will have significant priorities in dividends, distributions, and voting, described in greater detail below under "Proposal X – Approval Of The Amended And Restated Certificate Of Designations Of Our Series A Preferred Stock" After the merger, we may need to issue additional shares of capital stock to fund our business, which could lead to further dilution of our existing shareholders' ownership interests.

Following the merger, the existing shareholders of PEDCO will control our company.

Following the merger, PEDCO's existing shareholders will own an estimated approximately 91% of our outstanding common stock, 94% of our voting stock (common stock and Series A preferred stock, which votes one-for-one with the common stock) and 100% of our outstanding preferred stock. In addition, pursuant to the merger agreement, the current PEDCO board of directors will remain as the board of directors of the surviving company and PEDCO will appoint all of the members of our newly formed three-member board of directors. This means that the existing management and shareholders of PEDCO will have the right, if they were to act together, to exercise control over us, including making decisions with respect to issuing additional shares, entering into mergers, asset sales, and other fundamental transactions, and further amending the terms of our amended and restated certificate of formation and the amended and restated certificate of designations.

The existing holders of our Series A and B preferred stock will lose significant rights and privileges if the merger is consummated.

Upon the filing of the amended and restated certificate of formation and the amended and restated certificate of designations, all of our outstanding shares of Series A and B preferred stock will convert into shares of our common stock on a one-for-one basis. Upon such conversion, our existing holders of preferred stock will therefore lose the rights, preferences, privileges and rights associated with such shares. These rights include, with respect to the Series A preferred stock, the right to accrued dividends at the rate of 8% per annum and, in the event we receive a "Cash Settlement" (defined as an aggregate total cash settlement received by us, net of legal fees and expenses, in connection with our previously settled litigation proceedings in excess of $4 million), the right to receive payment on all outstanding dividends in cash or stock, at the holder's option. Holders of our Series A preferred stock are also entitled to convert their shares into common stock at the rate of 2.5 shares of common stock for each share of Series A preferred stock converted. Holders of our Series B preferred stock have the right 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.

We cannot assure you that a market will exist for our common stock after the merger.

Although our common stock is quoted on the OTC markets, a regular trading market for our securities may not be sustained in the future. Quotes for stocks listed on the OTC markets are not listed in the financial sections of newspapers and newspapers generally have very little coverage of stocks quoted solely on the OTC markets. Accordingly, prices for and coverage of securities quoted solely on the OTC markets may be difficult to obtain. In addition, stock quoted solely on the OTC markets tend to have a limited number of market makers and a larger spread between the bid and ask prices than those listed on the NYSE, AMEX or NASDAQ exchanges. All of these factors may cause holders of our common stock to be unable to resell their securities at or near their original offering price or at any price. Market prices for our common stock will be influenced by a number of factors, including:

- changes in interest rates and the price of oil and natural gas;

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- competitive developments, including announcements by competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- variations in quarterly operating results;

- changes in financial estimates by securities analysts;

- the depth and liquidity of the market for our common stock;

- investor perceptions of our company after the merger with PEDCO; and

- general economic and other national and international conditions.

In the event the merger does not close, an alternative to the merger may not be available to us and, if available and completed, may be less attractive to our equity holders than the merger. The company may be forced to file for bankruptcy or cease filing reports with the SEC.

We believe that the completion of the merger is critical to our continuing viability. If the merger is not completed, an alternative transaction or restructuring arrangement may not be available, or if available, may not be on terms as favorable to our equity holders as the terms of the merger. If the merger is not effectuated, we will owe approximately $500,000 to PEDCO (payable within ten days of termination of the merger agreement) and approximately $1.2 million to Centurion Credit Funding, LLC, payable on August 1, 2012. If the merger is not completed, we will not have sufficient cash available to repay such amounts. As such, we may be forced to curtail or abandon our operations, liquidate our assets (notwithstanding the fact that Centurion Credit Funding, LLC holds a first priority security interest over substantially all of our assets), seek bankruptcy protection (if available) and/or cease filing reports with the SEC. In such case, an investment in our company will likely decline in value or become worthless and shareholders of our company may lose their entire investment.

The current officers and directors of PEDCO exercise significant voting control over PEDCO and will therefore exercise significant voting control over Blast subsequent to the merger, including all corporate decisions and the appointment of directors.

Following the merger, the officers and directors of PEDCO will be able to vote an aggregate of approximately 13 million voting shares, equal to approximately 41% of our then outstanding voting stock. The officers and directors of PEDCO will therefore exercise significant control in determining the outcome of all corporate transactions or other matters, including the election of directors, mergers, consolidations, the sale of all or substantially all of our assets, as well as the power to effectively prevent or cause a change in control. Any investor who purchases shares in our company will be a minority shareholder and as such will have little to no say in the direction of our company and the election of directors. Additionally, it will be difficult if not impossible for investors to remove our directors, which will enable such directors to control who serves as officers of our company as well as any changes in our board of directors.

If approved, the amended and restated certificate of formation will reduce the number of votes needed to amend our certificate of formation or implement certain fundamental transactions, from two-thirds of all voting shares to a majority of such voting shares.

Pursuant to Texas law and our existing certificate of formation, the approval of at least two-thirds of our outstanding voting shares is required to amend our certificate of formation or to undertake certain other fundamental transactions, including, but not limited to winding up our company. The amended and restated certificate of formation will, among other things, change the vote required to amend the certificate of formation and/or to effect such fundamental transactions to a majority of the voting shares. Such amendments could include increasing the number of authorized shares of common and preferred stock and/or implementing a forward or reverse stock split. The reduction in the total voting shares needed to effect an amendment to the certificate of formation and/or a fundamental transaction may also allow shareholders who have voting control over the company to more easily maintain such control or affect corporate actions which would not otherwise be approved.

The final reverse split amount affected pursuant to the amended and restated certificate of formation will vary depending on the total amount of funds loaned to Blast by PEDCO prior to the effective date of the merger.

Pursuant to the merger agreement, PEDCO has agreed to advance funds to Blast to enable Blast to fund certain approved transaction costs incurred by Blast in connection with the merger. The merger agreement further provides that if any such advances remain outstanding as of the closing of the merger, the number of shares to be retained by the existing Blast shareholders will be reduced by one share for each one dollar of unreimbursed advances. Such reduction would be accomplished through a corresponding change in the reverse stock split ratio. The parties currently estimate that the unreimbursed advances will total approximately $500,000 at closing (comprised of total advances of approximately $375,000 made to date plus an estimated additional $125,000 to be advanced through the closing). The reverse stock split ratio of 1-for-112 used throughout this proxy statement and described in connection with the amended and restated certificate of formation is based on such total of anticipated unreimbursed advances. If the total unreimbursed advances at closing is more or less than this amount, the reverse stock split ratio will be appropriately adjusted, provided that our Board of Directors has determined not to move forward with the merger transaction and approval of the amended and restated certificate of formation in the event the total reverse split required to be effected pursuant to the terms of the merger (as summarized above) would be greater than 1:112. By approving the amended and restated certificate of formation and the merger, as described herein, shareholders will provide our board of directors the ability, in their sole discretion, without further shareholder approval, to adjust the amount of the reverse stock split, based on the criteria set forth above.

RISKS RELATED TO BLAST

Shareholders may be diluted significantly through our efforts to obtain financing, satisfy obligations and/or complete acquisitions through the issuance of additional shares of our common stock or other securities.

We have no committed source of financing. We may seek to use non-cash consideration to satisfy our obligations, including restricted shares of our common stock or other securities. Additionally, we may make acquisitions using our common stock or other securities as a means of payment for such acquisitions. Our board of directors has the authority, without action or vote of our shareholders (other than, where applicable, following the merger, the approval of the holders of our Series A preferred stock), to issue all or part of our authorized but unissued shares of common stock and preferred stock with various preferences and other rights. These actions may result in substantial dilution of the ownership interests of existing shareholders, and dilute the book value of our common stock.

We will need additional capital to conduct our operations and fund our business and our ability to obtain the necessary funding is uncertain.

We may need to raise additional funds through public or private debt or equity financing or other various means to fund our business or operations, including our Farmout Agreement with Solimar Energy LLC (as described below). Adequate funds may not be available when needed or may not be available on favorable terms. If we need to raise additional funds in the future by issuing equity securities, dilution to existing stockholders will result, and such securities may have rights, preferences and privileges senior to those of our common stock. We may be unable to raise additional funds by issuing debt securities due to our high leverage and due to restrictive covenants contained in our senior debt, which may restrict our ability to expend or raise capital in the future. If outside funding is unavailable and we are unable to generate sufficient revenue from new business arrangements, we will be unable to continue in our current form and will be forced to restructure or seek creditor protection. If this were to happen, our results of operations and the value of our securities would be adversely affected.

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We have a limited operating history and our planned business and marketing strategies are not yet proven, which makes it difficult to evaluate our business performance.

We have not yet been able to commercialize the capabilities of our applied jetting technology and are not conducting operations with the abrasive technology. We have no established basis to assure investors that our business or marketing strategies will be successful. Because we have a limited operating history, there is little historical financial data upon which to evaluate our business performance. You should consider the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies with limited capital in a rapidly evolving market. These risks and difficulties include our ability to meet our debt service and capital obligations, develop a commercial milling or jetting process with our AFJ technology, attract and maintain a base of customers, provide customer support, personnel, and facilities to support our business, and respond effectively to competitive and technological developments. Our business strategy may not be successful or may not successfully address any of these risks or difficulties and we may not be able to generate future revenues.

Significant amounts of our outstanding shares of common stock are restricted from immediate resale but will be available for resale into the market in the near future, which could potentially cause the market price of our common stock to drop significantly, even if our business is doing well.

Many of our outstanding shares of our common stock are “restricted securities” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”). As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Act and as required under applicable state securities laws. A sale under Rule 144 or under any other exemption from the Act, if available, or pursuant to registration of shares of common stock, may have a depressive effect upon the price of our common stock in any market that may develop. An excessive sale of our shares may result in a substantial decline in the price of our common stock, and limit our ability to raise capital, even if our business is doing well. Furthermore, the sale of a significant amount of securities into the market could cause the value of our securities to decline in value.

One principal stockholder can influence our corporate and management policies.

Berg McAfee Companies with its affiliates (“BMC”), effectively control approximately 57% of our outstanding voting shares as of the record date. Therefore, BMC has the ability to substantially influence all decisions made by us. Additionally, BMC’s control could have a negative impact on any future takeover attempts or other acquisition transactions. Because our officers and directors do not exercise majority voting control over us, our shareholders who are not officers and directors may be able to obtain a sufficient number of votes to choose who serves as our directors. Because of this, the current composition of our board may change in the future, which could in turn have an effect on those individuals who currently serve in management positions with us. If that were to happen, our new management could affect a change in our business focus and/or curtail or abandon our business operations, which in turn could cause the value of our securities, if any, to decline.

Michael L. Peterson, Blast’s former Interim President and CEO and former board member, is also a director of Aemetis, Inc. (formerly AE Biofuels Inc.), a California-based vertically integrated biofuels company. The Chairman and CEO of Aemetis, Inc. is Eric McAfee. Mr. McAfee is also the managing partner for McAfee Capital, LLC and president of Berg McAfee Companies, LLC, both of which are significant shareholders of Blast. The fact that certain of our directors are also directors of entities affiliated with BMC could cause actual or perceived conflicts of interest between us and BMC and could cause the value for our securities to become devalued or worthless.

If we are late in filing our Quarterly or Annual Reports with the Securities and Exchange Commission or a market maker fails to quote our common stock on the Over-The-Counter Bulletin Board for a period of more than four days, we may be de-listed from the Over-The-Counter Bulletin Board.

Pursuant to Over-The-Counter Bulletin Board ("OTCBB") rules relating to the timely filing of periodic reports with the Securities and Exchange Commission ("SEC"), any OTCBB issuer which fails to file a periodic report (Form 10-Q or 10-K) by the due date of such report three times during any 24 month period is automatically de-listed from the OTCBB. Such removed issuer would not be re-eligible to be listed on the OTCBB for a period of one year, during which time any subsequent late filing would reset the one-year period of de-listing. Additionally, if a market maker fails to quote our common stock on the OTCBB for a period of more than four consecutive days, we will be automatically delisted from the OTCBB (similar as to how we were automatically delisted from the OTCBB in February 2011, which forced us to take actions to requote our common stock on the OTCBB in March 2011). If our shares are de-listed, our securities may become worthless and we may be forced to curtail or abandon our business plan.

Because our common stock is considered a "penny stock," certain rules may impede the development of increased trading activity and could affect the liquidity for stockholders.

Our common stock is subject to the SEC "penny stock rules." These rules impose additional sales practice requirements on broker-dealers who sell penny stock securities to persons other than established customers and accredited investors. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of penny stock securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the "penny stock rules" require the delivery, prior to the transaction, of a disclosure schedule relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities, and, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These rules may restrict the ability of broker-dealers to sell our securities and may have the effect of reducing the level of trading activity of our common stock in the secondary market. In addition, the penny-stock rules could have an adverse effect on our ability to raise capital in the future from offerings of our common stock.

On July 7, 2005, the SEC approved amendments to the penny stock rules. The amendments provide that broker-dealers are required to enhance their disclosure schedule to investors who purchase penny stocks, and that those investors have an explicit "cooling-off period" to rescind the transaction. These amendments could place further constraints on broker-dealers' ability to sell our securities.

We have incurred, and expect to continue to incur, increased costs and risks as a result of being a public company.

As a public company, we are required to comply with the Sarbanes-Oxley Act of 2002, or SOX, as well as rules and regulations implemented by the SEC. Changes in the laws and regulations affecting public companies, including the provisions of SOX and rules adopted by the SEC, have resulted in, and will continue to result in, increased costs to us as we respond to these requirements. Given the risks inherent in the design and operation of internal controls over financial reporting, the effectiveness of our internal controls over financial reporting is uncertain. If our internal controls are not designed or operating effectively, we may not be able to issue an evaluation of our internal control over financial reporting as required or we or our independent registered public accounting firm may determine that our internal control over financial reporting was not effective. In addition, our registered public accounting firm may either disclaim an opinion as it relates to management's assessment of the effectiveness of our internal controls or may issue an adverse opinion on the effectiveness of our internal controls over financial reporting. Investors may lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and which could affect our ability to run our business as we otherwise would like to. New rules could also

make it more difficult or more costly for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the coverage that is the same or similar to our current coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, and as executive officers. We cannot predict or estimate the total amount of the costs we may incur or the timing of such costs to comply with these rules and regulations.

Compliance with Section 404 of the Sarbanes-Oxley Act will continue to strain our limited financial and management resources.

We incur significant legal, accounting and other expenses in connection with our status as a fully reporting public company. The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have imposed various new requirements on public companies, including requiring changes in corporate governance practices. As such, our management and other personnel need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and made some activities more time-consuming and costly. In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

We do not intend to pay cash dividends on our common stock in the foreseeable future, and therefore only appreciation of the price of our common stock will provide a return to our stockholders.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. In addition, the terms of our senior credit facility prohibit us from paying dividends and making other distributions. As a result, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

We currently have a sporadic, illiquid, volatile market for our common stock, and the market for our common stock may remain sporadic, illiquid, and volatile in the future.

We currently have a highly sporadic, illiquid and volatile market for our common stock, which market is anticipated to remain sporadic, illiquid and volatile in the future and will likely be subject to wide fluctuations in response to several factors, including, but not limited to:

- actual or anticipated variations in our results of operations;
- our ability or inability to generate revenues;
- the number of shares in our public float;
- increased competition; and
- conditions and trends in the market for oil and gas and down-hole services.

Furthermore, because our common stock is traded on the OTCBB, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely

affect the market price of our common stock. Shareholders and potential investors in our common stock should exercise caution before making an investment in our company, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in our public reports, industry information, and those business valuation methods commonly used to value private companies.

Our management chose to change the direction of our company toward a new strategy of investing in oil producing properties.

We are not an experienced oil and gas producer and will rely on the operational expertise of operators of the properties in which we invest. There may be inherent risks in such operations that we may not be able to predict or anticipate and therefore we cannot assure you that production volume, crude oil prices and operating expense assumptions used in our acquisition analysis will be achieved.

RISKS RELATED TO BLAST'S OIL AND GAS PROPERTIES

Government regulation and liability for environmental matters may adversely affect our business and results of operations.

Crude oil and natural gas operations are subject to extensive federal, state and local government regulations, which may be changed from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of crude oil and natural gas wells below actual production capacity in order to conserve supplies of crude oil and natural gas. There are federal, state and local laws and regulations primarily relating to protection of human health and the environment applicable to the development, production, handling, storage, transportation and disposal of crude oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with crude oil and natural gas operations. In addition, we may inherit liability for environmental damages caused by previous owners of property we purchase or lease. As a result, we may incur substantial liabilities to third parties or governmental entities. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. The implementation of new, or the modification of existing, laws or regulations could have a material adverse effect on us.

The crude oil and natural gas reserves we will report in our SEC filings are estimates and may prove to be inaccurate.

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their estimated values. The reserves we will report in our filings with the SEC will only be estimates and such estimates may prove to be inaccurate because of these uncertainties. Reservoir engineering is a subjective and inexact process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Estimates of economically recoverable crude oil and natural gas reserves depend upon a number of variable factors, such as historical production from the area compared with production from other producing areas and assumptions concerning effects of regulations by governmental agencies, future crude oil and natural gas prices, future operating costs, severance and excise taxes, development costs and work-over and remedial costs. Some or all of these assumptions may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected there from prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserve estimates may be subject to downward or upward adjustment. Actual production, revenue and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

Crude oil and natural gas development, production and drilling and completing new wells are speculative activities and involve numerous risks and substantial and uncertain costs.

Our growth will be materially dependent upon the success of our planned future development program. Drilling for crude oil and natural gas and reworking existing wells involves numerous risks, including the risk that no commercially productive crude oil or natural gas reservoirs will be encountered. The cost of drilling, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond our control, including:

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- inability to obtain leases on economic terms, where applicable;
- adverse weather conditions and natural disasters;
- compliance with governmental requirements; and
- shortages or delays in the availability of drilling rigs or crews and the delivery of equipment.

Drilling or reworking is a highly speculative activity. Hydraulic fracturing involves pumping a fluid with or without particulates into a formation at high pressure, thereby creating fractures in the rock and leaving the particulates in the fractures to ensure that the fractures remain open, thereby potentially increasing the ability of the reservoir to produce oil or gas. Horizontal drilling involves drilling horizontally out from an existing vertical well bore, thereby potentially increasing the area and reach of the well bore that is in contact with the reservoir. Our future drilling activities, if any, may not be successful and, if unsuccessful, such failure would have an adverse effect on our future results of operations and financial condition. The drilling and results for our future prospects may be particularly uncertain. We cannot assure you that our future projects, if any, can be successfully developed or that the wells will, if drilled, encounter reservoirs of commercially productive crude oil or natural gas. There are numerous uncertainties in estimating quantities of proved reserves, including many factors beyond our control.

Crude oil and natural gas prices are highly volatile in general and low prices will negatively affect our financial results.

Our future revenues, operating results, profitability, cash flow, future rate of growth and ability to borrow funds or obtain additional capital, as well as the carrying value of our properties, will be substantially dependent upon prevailing prices of crude oil and natural gas. Lower crude oil and natural gas prices also may reduce the amount of crude oil and natural gas that our properties can produce economically. Historically, the markets for crude oil and natural gas have been very volatile, and such markets are likely to continue to be volatile in the future. Prices for crude oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, including:

- worldwide and domestic supplies of crude oil and natural gas;

- the level of consumer product demand;
- weather conditions and natural disasters;
- domestic and foreign governmental regulations;

·the price and availability of alternative fuels;

·political instability or armed conflict in oil producing regions;

·the price and level of foreign imports; and

·overall domestic and global economic conditions.

It is extremely difficult to predict future crude oil and natural gas price movements with any certainty. Declines in crude oil and natural gas prices may materially adversely affect our financial condition, liquidity, ability to finance planned capital expenditures and results of operations. Further, oil and gas prices do not move in tandem.

Because of the inherent dangers involved in oil and gas exploration, there is a risk that we may incur liability or damages as we conduct our business operations, which could force us to expend a substantial amount of money in connection with litigation and/or a settlement.

The oil and natural gas business involves a variety of operating hazards and risks such as well blowouts, pipe failures, casing collapse, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, spills, pollution, releases of toxic gas and other environmental hazards and risks. These hazards and risks could result in substantial losses to us from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. In addition, we may be liable for environmental damages caused by previous owners of property purchased and/or leased by us. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate the funds available for the purchase of properties and/or property interests, exploration, development or acquisitions or result in the loss of properties and/or force us to expend substantial monies in connection with litigation or settlements. As such, there can be no assurance that any insurance obtained by us in the future will be adequate to cover any losses or liabilities. We cannot predict the availability of insurance or the availability of insurance at premium levels that justify our purchase. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect our financial condition and operations. We may elect to self-insure if management believes that the cost of insurance, although available, is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on our financial condition and results of operations, which could lead to any investment in us becoming worthless.

The market for oil and gas is intensely competitive, and as such, competitive pressures could force us to abandon or curtail our business plan.

The market for oil and gas exploration and production services is highly competitive, and we only expect competition to intensify in the future. Numerous well-established companies are focusing significant resources on exploration and are currently competing with us for oil and gas opportunities. Additionally, there are numerous companies focusing their resources on creating fuels and/or materials which serve the same purpose as oil and gas, but are manufactured from renewable resources. As a result, there can be no assurance that we will be able to compete successfully or that competitive pressures will not adversely affect our business, results of operations and financial condition. If we are not able to successfully compete in the marketplace, we could be forced to curtail or even abandon our current business plan, which could cause the value of our securities to decline in value or become worthless.

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RISKS RELATED TO BLAST'S DOWN-HOLE SOLUTIONS BUSINESS

One of our longer-term business strategies relies on the successful deployment of a new generation coiled tubing unit utilizing applied fluid jetting, which has not been well established in the energy service industry.

Since we believe that we are among the first to apply the applied jetting techniques to the energy producing business, we cannot guarantee that our custom drilling rig design based on the applied fluid jetting ("AFJ") concept will be adequate or that the applied jetting technology will stimulate additional oil and gas production. Accordingly, we may not achieve the desired results from application of this technology, which could cause a negative impact on the development of our business, including the possible impairment and write down of our AFJ assets.

We may not realize the expected benefits of enhanced production or lower costs from our applied jetting technology.

Many of the wells on which our AFJ technology might be used have been abandoned for some time due to low production volumes or other reasons. In some cases, we could experience difficulty in having the enhanced production reach the market due to the gathering field pipeline system's disrepair resulting from the age of the fields, significant amounts of deterioration of the reservoirs in the abandoned wells or the reliability of the milling process. Our AFJ technology may not achieve enhanced production from every well drilled, or, if enhanced production is achieved initially, it may not continue for the duration necessary to achieve payout or reach the market on a timely basis. The failure to screen adequately and achieve projected enhancements could result in making the application of the technology uneconomic for us. Failure to achieve an economic benefit in the provision of this service would significantly impair the future application of this technology.

Geological uncertainties may negatively impact the effectiveness of our applied jetting services.

Oil and gas fields may be depleted and zones may not be capable of stimulation by our applied jetting technology due to geological uncertainties such as lack of reservoir drive or adequate well pressure. Such shortcomings may not be identifiable. The failure to avoid such shortcomings could have a material adverse effect on our results of operations and financial condition.

We have no issued patents for our technology and although we have recently filed a pending patent application, such patent application has not been approved to date. As a result, companies with products similar to ours may sue us in the future claiming our activities infringe on their patent rights.

While we have recently filed a patent for our AFJ technology, such patent has not been approved or granted to date. In the event the patent application for our AFJ technology is not granted, we will not be able to stop other companies from lawfully practicing technology identical or similar to ours. If we are sued by another company claiming our activities infringe on their patent, and we are not able to prove the prior use of such technology, we could be forced to abandon our technology and/or expend substantial expenses in defending against another company's claims. This could have a severely adverse effect on our revenues and could cause any investment in our company to decline in value and/or become worthless.

RISKS RELATED TO BLAST AND ITS BUSINESS OPERATIONS POST-MERGER

We have an immediate need for additional capital.

Based on current cash reserves of approximately $[________] (as of June [__], 2012) and anticipated cash flow from operations, we currently anticipate that available funds will not be sufficient to meet our anticipated needs for working capital, capital expenditures and business expansion. In anticipation of the merger, our operational expenses have been funded by advances from PEDCO since December 2011, which loans totaled approximately $345,000 as of the

date of this proxy, and which total funding provided by PEDCO totaled $375,000 when including a $30,000 deposit. PEDCO is under no obligation to fund additional advances and there can be no guaranty that additional funds will be available when, and if, needed, on favorable terms, if all. If the post-merger company is unable to obtain such financing, or if the terms thereof are too costly, we may be forced to cease or curtail proposed expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our planned operations after the merger.

We are required to make payments to our lenders.

We owe Centurion approximately $1.2 million pursuant to loans represented by senior secured convertible promissory notes. These notes were originally due in February 2, 2012, but Centurion extended the term for up to four months in order to accommodate the proposed merger with PEDCO. Centurion has the option, exercisable any time after June 9, 2012, to convert up to 50% of the outstanding amount into shares of our common stock at $0.75 per share (on a post-merger and reverse split basis) (i.e. up to approximately 800,000 shares). The notes mature on the earlier of (i) August 1,2012 or (ii) the date all obligations and indebtedness under such notes are accelerated in accordance the terms and conditions of such notes.

In addition, in certain instances the failure to comply with the representations, warranties, and covenants under the notes and related agreements may be considered a default under the notes. In the event of such default, Centurion would have the right to accelerate the maturity of the notes. Our failure to repay the notes might trigger cross-default provisions in future financing agreements into which we may enter. The redemption of the notes issued to Centurion, or the repayment of the resulting defaults and acceleration of debt under other financing arrangements we may secure, would require significant funds, which may not be available. Even if available, such funds may have to be diverted from operations, which would have a material adverse effect on our post-merger business. In addition, the post-merger company would need to find replacement funding, which may not be available on commercially acceptable terms, or at all. If the post-merger company is unable to obtain such financing, or if the terms thereof are too costly, it may be forced to cease or curtail proposed expansion of operations until such time as financing may be arranged, which could have a materially adverse impact on our planned operations after the merger.

We expect to continue to incur operating losses, and the post-merger company will need to raise additional funds to cover its costs of operation. If the post-merger company is not able to raise necessary additional funds, it may have to reduce or stop operations.

We have had limited operating revenues to date and cannot predict with certainty when we will begin to generate meaningful revenue, if ever. We cannot be certain that the post-merger company will achieve or sustain profitability in the future. Until the post-merger company begins generating significant revenue, it will be required to obtain third-party funding. Such additional funding may not be available on commercially acceptable terms, or at all. If the post-merger company is unable to obtain adequate financing on a timely basis, it may be required to delay, reduce or stop operations, any of which could have a material adverse effect on its business.

For the foreseeable future, the post-merger company’s success will be dependent upon the management of PEDCO.

The post-merger company’s success is dependent upon the decision making of the PEDCO directors and executive officers, the continued service of its key employees, and its ability to hire additional key employees, when and as needed. Although we currently intend to retain PEDCO’s existing management after the merger, we cannot assure you that such individuals will remain with Blast. Although PEDCO has obtained a $3 million key man life insurance policy on the life of Frank Ingriselli, PEDCO’s Chief Executive Officer, President and Director, the unexpected loss of the services of one or more of the key executives, and the ability to find suitable replacements within a reasonable period of time thereafter, could have a material adverse effect on the financial condition and results of operations of our company.

Subsequent to the merger, the post-merger company will have a limited number of shares in its public float, which may cause the post-merger company's common stock to be highly illiquid and volatile.

Following the merger, the post-merger company will have a public float of only approximately 700,000 shares of common stock, because all of the shares issued to PEDCO shareholders in connection with the merger will be issued as "restricted securities". As a result, there could be extreme fluctuations and price swings in the trading value of our common stock, even if such common stock has limited liquidity. Furthermore, due to the anticipated limited trading volume of our shares following the merger and the limited public float, we believe that the post-merger company stock prices (bid, ask and closing prices) may not reflect the actual value of the post-merger company. Shareholders and potential investors should exercise caution before making an investment in Blast or the post-merger company.

RISKS RELATED TO PEDCO AND ITS BUSINESS

Risks Related to Short Operating History

PEDCO has not conducted any significant business operations and has a short operating history. As a result, PEDCO can provide very little information to evaluate its financial position and its business plan, and there is no assurance that PEDCO will become profitable.

PEDCO is a development stage company formed in February 2011 that has not conducted any significant business operations, has only generated nominal revenues to date, and anticipates that it will operate at a loss for at least the next 12 months. Since PEDCO has a short operating and financial history, it has minimal financial results upon which you may judge its potential. We cannot assure you that PEDCO will ever become profitable. In the future, PEDCO may experience under-capitalization, shortages, setbacks, and many of the problems, delays and expenses encountered by any early stage business, many of which are beyond PEDCO's control. These include, but are not limited to:

- inability to identify suitable oil and gas prospects for acquisition on terms acceptable to PEDCO;
- substantial delays and expenses related to exploration and development of acquired prospects; and
- competition from larger and more established oil and gas companies.

Because PEDCO's history is limited and it is subject to intense competition, any investment in PEDCO would be inherently risky.

Because PEDCO is a company with limited operational history and no profitability, its business activity can be expected to be extremely competitive and subject to numerous risks. The oil and gas exploration, development and production business is highly competitive with many companies having access to the same market and prospects. Substantially all of them have greater financial resources and longer operating histories than PEDCO has and can be expected to compete within the business in which PEDCO engages and intends to engage. We cannot assure you that PEDCO will have the necessary resources to become or remain competitive. PEDCO is subject to the risks which are common to all companies with a limited history of operations and profitability. Therefore, investors should consider an investment in PEDCO to be an extremely risky venture.

PEDCO will require additional financing.

PEDCO expects to rely on the proceeds from future debt and equity fund-raisings for working capital and to finance acquisitions. There can be no guaranty that additional funds will be available when, and if, needed. If PEDCO is

unable to obtain such financing, or if the terms thereof are too costly, PEDCO may be forced to curtail current or proposed expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on its planned operations. PEDCO currently anticipates that it will seek to raise additional equity and/or debt capital in the second quarter of 2012 in connection with the possible acquisition of additional shale oil and gas assets and/or exploration and production of assets previously acquired. The receipt of such financing cannot be guaranteed.

PEDCO may not be able to obtain the funds necessary to develop its assets.

In order for PEDCO to further the development of its existing and pending projects, it will need to raise a significant amount of additional capital. In particular, PEDCO may be required to fund a contingent obligation of up to $1.0 million payable to the sellers of the Niobrara Asset in November 2012. In addition, in connection with PEDCO's acquisition of the Eagle Ford Asset which occurred on March 29, 2012, PEDCO will need to potentially fund a contingent obligation of up to $1.25 million payable to the sellers of this asset in March 2013. If PEDCO is unable to secure this financing, or any additional financing it may require in order to fully exploit these assets, it may not be able to execute its current business strategy.

PEDCO's audited financial statements express substantial doubt about its ability to continue as a going concern.

PEDCO's audited financial statements for the period ended December 31, 2011, have been prepared assuming that it will continue as a going concern. However, PEDCO's auditors have expressed doubt about PEDCO's ability to continue as a going concern. PEDCO's ability to continue as a going concern is subject to its ability to finance its operations by generating and sustaining profits and/or obtaining necessary funding from outside sources. PEDCO only recently commenced operations, and expects to continue to experience significant losses in the foreseeable future. We cannot assure you that PEDCO will ever achieve (or sustain) profitability, or successfully secure outside financing. Accordingly, we cannot assure you that PEDCO will be able to continue as a going concern.

PEDCO remains at risk regarding its ability to conduct successful operations.

The results of PEDCO's operations will depend, among other things, upon its ability to identify and acquire oil and gas prospects, and explore, develop and produce oil and gas from acquired prospects. Further, it is possible that its operations will not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain itself. PEDCO's operations may be affected by many factors, some known by it, some unknown, and some which are beyond PEDCO's control. Any of these problems, or a combination thereof, could have a materially adverse effect on PEDCO's viability as a going concern. PEDCO is currently actively seeking to identify potential oil and gas prospects for possible acquisition. However, PEDCO may be unsuccessful in identifying and acquiring oil and gas interests on terms and conditions acceptable to it. The identification and acquisition of oil and gas interests may take longer than anticipated and could be additionally delayed. Therefore, there can be no assurance of timely acquisition of oil and gas interests on a cost-effective basis, or that such interests, if acquired, will produce sufficient quantities of oil and gas to sustain PEDCO or allow it to achieve profitable operations.

For the foreseeable future, PEDCO's success will be dependent upon its management.

PEDCO believes that its success depends on the continued service of its key employees and its ability to hire additional key employees, when and as needed. Although PEDCO currently intends to retain its existing management, it cannot assure you that such individuals will remain with PEDCO. PEDCO has no fixed term employment agreement with any individuals, and has obtained key man life insurance only on the life of Frank C. Ingriselli, its Chief Executive Officer, President and Director. The unexpected loss of the services of one or more of PEDCO's key executives, and the inability to find suitable replacements, within a reasonable period of time thereafter, could have a material adverse effect on the financial condition and results of operations of PEDCO.

Risks Related to PEDCO's Business

PEDCO is a development stage company with limited operating history and it expects to continue to incur losses for an indeterminable period of time.

PEDCO is a recently formed company, in the developmental stage, and with only nominal revenues to date. PEDCO expects to continue to incur significant expenses relating to its identification of new ventures and investment costs relating to these ventures. Additionally, fixed commitments, including salaries and fees for employees and consultants, rent and other contractual commitments may be substantial and are likely to increase as additional ventures are entered into and personnel are retained. Since energy ventures, such as oil well drilling projects, generally require significant periods of time before they produce resources and in turn generate profits, PEDCO expects to experience losses and negative cash flows for at least twelve months and possibly longer. We cannot assure you that PEDCO will ever achieve profitability or, if PEDCO does achieve profitability, that it can sustain or increase profitability on a quarterly or annual basis in the future.

Oil and natural gas investments are highly risky.

The selection of prospects, projects and joint venture opportunities for oil and natural gas exploration, development and drilling is highly speculative. PEDCO cannot predict whether any prospect, project or joint venture opportunity will produce oil or natural gas or commercial quantities of oil or natural gas, nor can PEDCO predict the amount of time it will take to recover any oil or natural gas it does produce. Drilling activities may be unprofitable, not only from non-productive wells, but from wells that do not produce oil or natural gas in sufficient quantities or quality to return a profit. Delays and added expenses may also be caused by poor weather conditions affecting, among other things, the ability to lay pipelines. In addition, ground water, various clays, lack of porosity and permeability may hinder, restrict or even make production impracticable or impossible.

PEDCO will require substantial funds and may need to raise additional capital in the future.

PEDCO estimates that it has sufficient cash to meet its general and administrative cash requirements for the next 6 months. However, if PEDCO is successful in moving forward with the development of one or more planned oil and gas development projects, including the development of its Niobrara Asset or Eagle Ford Asset, or if its general and administrative expenses are greater than PEDCO anticipates, PEDCO shall require additional funding sooner. In any event, PEDCO will require substantial additional funds for exploration, development, production, and expansion of its prospects and business. PEDCO has no current binding arrangements with respect to sources of additional financing and any needed additional financing may not be available on commercially reasonable terms, or at all. The inability to obtain additional financing, when needed, would have a negative effect on PEDCO, including possibly requiring PEDCO to curtail or cease operations. If any future financing involves the sale of our equity securities, our stockholders could be substantially diluted. If PEDCO borrows money or issues debt securities, PEDCO will be subject to the risks associated with indebtedness, including the risk that interest rates may fluctuate and the possibility that PEDCO may not be able to pay principal and interest on the indebtedness when due. Additionally, if additional funds are raised by issuing equity securities, further dilution to investors will result and future investors may be granted rights superior to those of PEDCO's current investors.

Insufficient funds may prevent PEDCO from implementing its business plan or may require it to delay, scale back, or eliminate certain of its programs or to license to third parties rights to commercialize rights in fields that PEDCO would otherwise seek to develop itself.

PEDCO's ability to finance its business activities will require it to generate substantial cash flow.

PEDCO's business activities are expected to require substantial capital. It is PEDCO's intention that assuming its initial business ventures begin to generate revenues, PEDCO will finance its capital expenditures in the future partially from cash flow from operations. Future cash flows and the availability of financing will be subject to a number of variables, such as:

- the level of production of existing wells;
- prices of oil and natural gas;
- the success and timing of development of proved undeveloped reserves;
- cost overruns;
- remedial work to improve a well's producing capability;
- direct costs and general and administrative expenses of operations;
- reserves, including a reserve for the estimated costs of eventually plugging and abandoning the wells;
- the indemnification by PEDCO and its affiliates for losses or liabilities incurred in connection with PEDCO's activities; and
- general economic, financial, competitive, legislative, regulatory and other factors beyond PEDCO's control.

PEDCO cannot be sure that its business will ever generate or continue to generate cash flow at sufficient levels to accomplish this and, in such case it will need to raise additional capital through equity or debt financing. PEDCO cannot be sure that any additional financing will be available to it on acceptable terms. The level of debt financing could also materially affect PEDCO's operations.

If PEDCO's anticipated future revenues were to decrease due to lower oil and natural gas prices, decreased production or other reasons, and if PEDCO cannot obtain capital through reasonable debt financing arrangements, such as a credit line, or otherwise, PEDCO's ability to execute its business plan could be limited.

PEDCO will not be profitable if it does not successfully develop resources.

PEDCO will be operating primarily in the petroleum extraction business; therefore, if it is not successful in finding crude oil and natural gas sources with good prospects for future production, its business will not be profitable and it may be forced to terminate its operations. Creating and maintaining an inventory of projects depends on many factors, including, among other things, obtaining rights to explore, develop and produce hydrocarbons in promising areas, drilling success, ability to bring long lead-time, capital intensive projects to completion on budget and schedule, and efficient and profitable operation of mature properties. PEDCO's inability to successfully implement its business plan would have a material adverse effect on its business and results of operations and would, in all likelihood, result in the cessation of its business operations.

PEDCO's exploration and development activities may not be commercially successful.

Exploration and development activities involve numerous risks, including the risk that no commercially productive quantities of oil or natural gas will be discovered. In addition, the future cost and timing of drilling, completing and producing wells is often uncertain. Furthermore, drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including:

- Reductions in oil and natural gas prices;

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- Unexpected drilling conditions;
- Pressure or irregularities in formations;
- Equipment failures or accidents;
- Adverse weather conditions;
- Compliance with environmental and other governmental regulations;
- Environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases;
- Unavailability or high cost of drilling rigs, equipment or labor;
- Possible federal, state, regional and municipal regulatory moratoriums on new permits, delays in securing new permits, changes to existing permitting requirements without "grandfathering" of existing permits and possible prohibition and limitations with regard to certain completion activities;
- Limitations in takeaway capacity or the market for oil and natural gas;
- Increase in severance taxes;
- Lost or damaged oil field development and services tools; and
- Inability to retain leases due to slow or unproductive drilling.

PEDCO's decisions to purchase, explore, develop and exploit prospects or properties depend, in part, on data obtained through geological and geophysical analyses, production data and engineering studies, the results of which are uncertain. Even when used and properly interpreted, 3-D seismic data and visualization techniques only assist geoscientists in identifying potentially productive hydrocarbon traps and geohazards. They do not allow the interpreter to know conclusively if hydrocarbons are present or producible economically. In addition, the use of 3-D seismic and other advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies. Because of these factors, PEDCO could incur losses as a result of exploratory drilling expenditures. Poor results from exploration activities could have a material adverse effect on PEDCO's future financial position, results of operations and cash flows.

Risks Related to the Oil and Gas Industry

Oil and natural gas exploration, development and production is a high risk business and we cannot assure you that PEDCO or any of its subsidiaries will be successful in finding petrochemical sources.

Exploring and exploiting oil and gas or other sources of petrochemical energy sources is a risky business that can only be partially mitigated by technology and experienced personnel. We cannot assure you that PEDCO or any of its subsidiaries that it may form or acquire in business combinations will be successful in finding petrochemical sources; or, if they are, that quantities will be sufficient to permit PEDCO to conduct profitable operations. PEDCO's future success will depend on the success of its drilling programs. In addition to the numerous operating risks described in

more detail herein, these activities involve the risk that no commercially productive oil or gas reservoirs will be discovered. In addition, there may be uncertainty as to the future cost or timing of drilling, completing and producing wells. Furthermore, PEDCO's drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- adverse weather conditions;

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- inability or failure to comply with governmental requirements;
- compliance with governmental requirements;
- shortages or delays in the availability of drilling rigs and the delivery of equipment; and
- shortages or unavailability of qualified labor to complete the drilling programs according to the business plan schedule.

An interruption in the supply of materials PEDCO plans to obtain from third party sources could cause a decline in revenue, if any.

PEDCO will require other materials and resources that it has not yet determined. There may be a limited number of suppliers of these materials and resources and PEDCO will rely on its ability to maintain good relationships with these manufacturers and suppliers. These manufacturers and suppliers may experience difficulty in supplying materials to PEDCO sufficient to meet its needs or may terminate or fail to renew contracts for supplying PEDCO these materials or resources on terms PEDCO finds acceptable including, without limitation, acceptable pricing terms. Any significant interruption in the supply of any of these materials or resources, or significant increases in the amounts PEDCO is required to pay for these materials or resources could result in a reduction in PEDCO’s revenues, if any, or the cessation of its operations, if PEDCO is unable to replace any material sources in a reasonable period of time.

PEDCO’s ability to diversify risks depends upon its ability to raise capital and the availability of suitable petroleum prospects, which PEDCO may not be able to accomplish and PEDCO’s petroleum business and results could suffer.

PEDCO intends to spread the risk of oil and natural gas exploration, development and drilling, and ownership of interests in oil and natural gas properties, by participating in multiple projects and joint ventures, often participating with major national, international, and government-owned oil and gas companies as joint venture partners. If PEDCO is unable to raise sufficient capital, PEDCO may be required to participate in a fewer number of such projects and joint ventures and/or participate in a smaller capacity, which could increase the risk to PEDCO. As the number of projects and joint ventures in which PEDCO participates increases, and the capacity in which PEDCO participates increases, PEDCO’s diversification should increase because it may be able to obtain interests in and participate in a greater number of projects and joint ventures. However, if PEDCO is unable to secure sufficient attractive projects and joint venture opportunities, it is possible that the average quality of the projects and joint venture opportunities may decline, and PEDCO’s business performance and results could suffer.

PEDCO's ability to successfully exploit its Niobrara Asset will depend in large part upon a third party.

PEDCO recently formed a strategic relationship with MIE Holdings, an independent upstream onshore oil company operating in China, to assist PEDCO with its plans to develop unconventional shale properties. As an initial step in implementing this strategy, in October 2011 PEDCO acquired a 50% interest in certain oil and gas interests located in Weld County, Colorado (the “Niobrara Asset”). Upon acquiring the Niobrara Asset, PEDCO transferred 62.5% of its

interest to a newly formed company ("Condor") owned 20% by PEDCO and 80% by an affiliate of MIE, resulting in PEDCO holding a net 25% interest in the Niobrara Asset, which interest has since increased to a net 31% interest. In connection with the planned drilling of the initial well on the Niobrara Asset, and in light of PEDCO's existing cash position, MIE has informed PEDCO that it would loan funds to Condor equal to all of PEDCO's proportional fees and expenses due in connection therewith. Accordingly, PEDCO's ability to realize its strategy with respect to the Niobrara Asset will depend in large part on MIE's ability and willingness to actually fund these amounts, of which there can be no assurance.

Competitive conditions in the oil and gas industry may negatively affect PEDCO's ability to conduct operations.

Competition in the oil and gas industry is intense, particularly with respect to access to drilling rigs and other services, the acquisition of properties and the hiring and retention of technical personnel. Recently, higher commodity prices and stiff competition for acquisitions has significantly increased the cost of available properties. Many of PEDCO's competitors, including large international and government-owned oil companies, have an established presence in the U.S. and the Pacific Rim countries and have longer operating histories, significantly greater financial, technical, marketing and/or other resources and greater name recognition than PEDCO does. As a result, they may be able to respond more quickly to new or emerging technologies, as well as large swings in oil and natural gas prices. Increased competition may harm PEDCO's ability to secure ventures on terms favorable to it and may lead to higher costs and reduced profitability, which may seriously harm PEDCO's business.

PEDCO's petroleum business may involve many operating risks that can cause substantial losses.

PEDCO expects to produce, transport and market materials with potential toxicity, and purchase, handle and dispose of other potentially toxic materials in the course of its business. PEDCO's operations will produce byproducts, which may be considered pollutants. Any of these activities could result in liability, either as a result of an accidental, unlawful discharge or as a result of new conclusions on the effects of PEDCO's operations on human health or the environment. Additionally, PEDCO's oil and gas operations may also involve one or more of the following risks:

- fires;
- explosions;
- blow-outs;
- uncontrollable flows of oil, gas, formation water or drilling fluids;
- natural disasters;
- pipe or cement failures;
- casing collapses;
- embedded oil field drilling and service tools;
- abnormally pressured formations;
- damages caused by vandalism and terrorist acts; and
- environmental hazards such as oil spills, natural gas leaks, pipeline ruptures and discharges of toxic gases.

In the event that any of the foregoing, or other unforeseen, events occur, PEDCO could incur substantial losses as a result of (i) injury or loss of life; (ii) severe damage or destruction of property, natural resources and equipment; (iii) pollution and other environmental damage; (iv) investigatory and clean-up responsibilities; (v) regulatory investigation and penalties; (vi) suspension or our operations; and (vii) repairs to resume operations. If PEDCO experiences any of these problems, its ability to conduct operations could be adversely affected.

PEDCO needs to expand its management systems and controls to support its anticipated growth.

PEDCO expects its operations and its numbers of employees to expand significantly as it grows its business. Managing its growth is likely to place significant demands on PEDCO's management, administrative, and operational personnel and on its financial resources. Additionally, PEDCO needs to enhance its operating systems and support to better manage its business. PEDCO's failure to expand these systems to support such growth could have a material adverse effect on its operations.

Oil and natural gas prices are volatile, and a decline in oil and natural gas prices would significantly affect PEDCO's financial results and impede its growth. Additionally, PEDCO's results will be subject to commodity price fluctuations related to seasonal and market conditions and reservoir and production risks.

PEDCO's revenue, profitability and cash flow will depend substantially upon the prices of and demand for oil and natural gas. The markets for these commodities are volatile, and even relatively modest drops in prices can significantly affect PEDCO's financial results and impede its growth. Prices for oil and natural gas fluctuate widely in response to a variety of factors beyond PEDCO's control, such as:

- Domestic and foreign supply of oil and natural gas;
- Price and quantity of foreign imports of oil and natural gas;
- Actions of the Organization of Petroleum Exporting Countries and state-controlled oil companies relating to oil price and production controls;
- Consumer demand;
- The impact of energy conservation efforts;
- Regional price differentials and quality differentials of oil and natural gas;
- Domestic and foreign governmental regulations, actions and taxes;
- Political conditions in or affecting other oil producing and natural gas producing countries, including the current conflicts in the Middle East and conditions in South America and Russia;
- The availability of refining capacity;
- Weather conditions and natural disasters;
- Technological advances affecting oil and natural gas production and consumption;
- Overall U.S. and global economic conditions;
- Price and availability of alternative fuels;
- Seasonal variations in oil and natural gas prices;

- Variations in levels of production; and
- The completion of exploration and production projects.

Further, oil and natural gas prices do not necessarily fluctuate in direct relation to each other. PEDCO's revenue, profitability, and cash flow will depend upon the prices of and demand for oil and natural gas, and a drop in prices can significantly affect PEDCO's financial results and impede its growth. In particular, declines in commodity prices will:

- Negatively impact the value of PEDCO's reserves, because declines in oil and natural gas prices would reduce the amount of oil and natural gas that PEDCO can produce economically;

- Reduce the amount of cash flow available for capital expenditures, repayment of indebtedness, and other corporate purposes; and

- Limit PEDCO's ability to borrow money or raise additional capital.

Broad industry or economic factors may adversely affect the timing of and extent to which PEDCO can effectively implement its strategy as an onshore unconventional oil and gas resource player.

Several factors could adversely impact PEDCO's ability to implement its strategy as an onshore unconventional oil and gas resource player, including: (i) a sustained downturn of commodity prices, (ii) a lack of inventory potential within existing resource opportunities, (iii) an inability to attract and retain the personnel necessary to implement an unconventional resource business model, and (iv) a lack of access to capital.

Adverse economic and capital market conditions may significantly affect PEDCO's ability to meet liquidity needs, access to capital and cost of capital.

2008 and 2009 were periods of severe volatility and disruption in the economy and capital markets. While there were signs in 2011 and 2010 that the economy may be improving, the potential remains for further volatility and disruption. During 2008 and 2009, the markets produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. If these levels of market disruption and volatility return, PEDCO's business, financial condition and results of operations, as well as its ability to access capital, may all be negatively impacted.

If PEDCO does not hedge its exposure to reductions in oil and gas prices, PEDCO may be subject to significant reductions in prices; alternatively, PEDCO may use oil and gas price hedging contracts, which involve credit risk and may limit future revenues from price increases and result in significant fluctuations in PEDCO's profitability.

In the event that PEDCO chooses not to hedge its exposure to reductions in oil and gas prices by purchasing futures and by using other hedging strategies, PEDCO may be subject to significant reduction in prices which could have a material negative impact on its profitability. Alternatively, PEDCO may elect to use hedging transactions with respect to a portion of its oil and gas production to achieve more predictable cash flow and to reduce its exposure to price fluctuations. While the use of hedging transactions limits the downside risk of price declines, their use also may limit future revenues from price increases. Hedging transactions also involve the risk that the counterparty may be unable to satisfy its obligations.

Compliance and enforcement of environmental laws and regulations may cause PEDCO to incur significant expenditures and require resources which it may not have.

Extensive national, regional and local environmental laws and regulations in the United States will affect PEDCO's operations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, which provide for user fees, penalties and other liabilities for the violation of these standards. As new environmental laws and regulations are enacted and existing laws are repealed, interpretation, application and

enforcement of the laws may become inconsistent. Compliance with applicable local laws in the future could require significant expenditures, which may adversely affect PEDCO's operations. The enactment of any such laws, rules or regulations in the future may have a negative impact on PEDCO's projected growth, which could in turn decrease PEDCO's projected revenues or increase PEDCO's cost of doing business.

PEDCO may be required to take non-cash asset write downs if oil and natural gas prices decline.

Under accounting rules, PEDCO may be required to write down the carrying value of oil and natural gas properties if oil and natural gas prices decline or if there are substantial downward adjustments to its estimated proved reserves, increases in its estimates of development costs or deterioration in its exploration results. Accounting standards require PEDCO to review its long-lived assets for possible impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable over time. In such cases, if the asset's estimated undiscounted future cash flows are less than its carrying amount, impairment exists. Any impairment write-down, which would equal the excess of the carrying amount of the assets being written down over their fair value, would have a negative impact on PEDCO's earnings, which could be material.

Government laws and regulations can change.

PEDCO's activities are subject to federal, state, regional and local laws and regulations. Extensive laws, regulations and rules regulate activities and operations in the oil and gas industry. Some of the laws, regulations and rules contain provisions for significant fines and penalties for non-compliance. Changes in laws and regulations could affect PEDCO's costs of operations, production levels, royalty obligations, price levels, environmental requirements, and other aspects of its business, including PEDCO's general profitability. PEDCO is unable to predict changes to existing laws and regulations. For example, in response to the April 2010 fire and explosion onboard the semisubmersible drilling rig Deepwater Horizon, leading to the oil spill in the Gulf of Mexico, the BOEMRE (Bureau of Ocean Energy Management, Regulation and Enforcement) limited certain drilling activities in the U.S. Gulf of Mexico. The BOEMRE may also issue new safety and environmental guidelines or regulations for drilling in the U.S. Gulf of Mexico, and potentially in other geographic regions, and may take other steps that could increase the costs of exploration and production. This incident could also result in drilling suspensions or other regulatory initiatives in other areas of the U.S. and abroad. Furthermore, the U.S. Environmental Protection Agency has recently focused on public concerns about the risk of water contamination and public health problems from drilling and hydraulic fracturing activities. This renewed focus could lead to additional federal and state regulations affecting the oil and gas industry. Additional regulations or other changes to existing laws and regulations could significantly impact PEDCO's business, results of operations, cash flows, financial position and future growth.

PEDCO's business requires a staff with technical expertise, specialized knowledge and training and a high degree of management experience.

PEDCO's success is largely dependent upon its ability to attract and retain personnel with the skills and experience required for its business. An inability to sufficiently staff PEDCO's operations or the loss of the services of one or more members of its senior management or of numerous employees with technical skills could have a negative effect on PEDCO's business, financial position, results of operations, cash flows and future growth.

Market conditions or transportation impediments may hinder PEDCO's access to oil and natural gas markets or delay PEDCO's production operations.

Market conditions, the unavailability of satisfactory oil and natural gas processing and transportation or the remote location of certain of PEDCO's drilling operations may hinder its access to oil and natural gas markets or delay PEDCO's production operations. The availability of a ready market for PEDCO's oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines or trucking and terminal facilities. Under interruptible or short term transportation agreements, the transportation of PEDCO's gas may be interrupted due to capacity constraints on the applicable system, for maintenance or repair of the system or for other reasons specified by the particular agreements. PEDCO may be required to shut in natural gas wells or delay initial production for lack of a market or because of inadequacy or unavailability of natural gas pipelines or gathering system capacity. PEDCO's anticipated concentration of operations

in certain geographic areas, such as the Niobrara and Eagle Ford shale, increases this risk and the potential impact upon PEDCO. If this also occurs, PEDCO may be unable to realize revenue from those wells until the production can be tied to a pipeline or gathering system. This could result in considerable delays from the initial discovery of a reservoir to the actual production of the oil and natural gas and realization of revenues.

Competition in the oil and natural gas industry is intense, and many of PEDCO's competitors have resources that are greater than PEDCO's.

PEDCO operates in a highly competitive environment for acquiring prospects and productive properties, marketing oil and natural gas and securing equipment and trained personnel. PEDCO's competitors include major and large independent oil and natural gas companies that possess financial, technical and personnel resources substantially greater than PEDCO's resources. Those companies may be able to develop and acquire more prospects and productive properties at a lower cost and more quickly than PEDCO's financial or personnel resources permit. PEDCO's ability to acquire additional prospects and discover reserves in the future will depend on its ability to evaluate and select suitable properties and consummate transactions in a highly competitive environment. Larger competitors may be better able to withstand sustained periods of unsuccessful drilling and absorb the burden of changes in laws and regulations more easily than PEDCO can, which would adversely affect PEDCO's competitive position. PEDCO may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital.

PEDCO's strategy as an onshore unconventional resource player may result in operations concentrated in certain geographic areas and may increase its exposure to many of the risks enumerated herein.

PEDCO currently anticipates that its initial operations will be concentrated in the Rocky Mountain Region of the United States and in the State of Texas. This anticipated concentration may increase the potential impact that many of the risks stated herein may have upon its ability to perform. For example, PEDCO may have greater exposure to regulatory actions impacting the Rocky Mountain Region or Texas, natural disasters in these geographic areas, competition for equipment, services and materials available in the areas and access to infrastructure and markets.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect PEDCO's ability to execute its exploration and development plans on a timely basis and within its budget.

PEDCO's industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies or qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, the demand for, and wage rates of, qualified drilling rig crews rise as the number of active rigs in service increases. If oil and natural gas prices increase in the future, increasing levels of exploration and production could result in response to these stronger prices, and as a result, the demand for oilfield services could rise, and the costs of these services could increase, while the quality of these services may suffer. If the unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel were particularly severe in Texas or the Rockies, PEDCO could be materially and adversely affected because its initial operations and properties are expected to be concentrated in these areas.

Operating hazards, natural disasters or other interruptions of PEDCO's operations could result in potential liabilities, which may not be fully covered by its insurance.

The oil and natural gas business involves certain operating hazards such as:

- Well blowouts;
- Cratering;
- Explosions;
- Uncontrollable flows of oil, natural gas, or well fluids;
- Fires;
- Hurricanes, tropical storms, earthquakes (particularly in California), mud slides, and flooding;
- Pollution; and
- Releases of toxic gas.

Any of these operating hazards could cause serious injuries, fatalities or property damage, which could expose PEDCO to liabilities. The payment of any of these liabilities could reduce, or even eliminate, the funds available for exploration, development, and acquisition or could result in a loss of PEDCO's properties. PEDCO is not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. In addition, PEDCO's insurance policies may provide limited coverage for losses or liabilities relating to sudden and accidental pollution, but not for other types of pollution. PEDCO's insurance might be inadequate to cover its liabilities. PEDCO expects that its energy insurance packages will be written on reasonably standard terms and conditions that are generally available to the exploration and production industry. The insurance market in general and the energy insurance market in particular have been difficult markets over the past several years. Insurance costs could increase in the future as the insurance industry adjusts to difficult exposures and PEDCO may decrease coverage and retain more risk to mitigate future cost increases. If PEDCO incurs substantial liability and the damages are not covered by insurance or are in excess of policy limits, or if PEDCO incurs a liability for a risk at a time when it does not have liability insurance, then its business, financial position, results of operations and cash flows could be materially adversely affected.

Competition and regulation of hydraulic fracturing services could impede PEDCO's ability to develop its shale opportunities.

The unavailability or high cost of high pressure pumping services (or hydraulic fracturing services), chemicals, proppant, water, and related services and equipment could limit PEDCO's ability to execute its exploration and development plans on a timely basis and within its budget. The oil and gas industry is experiencing a growing emphasis on the exploitation and development of shale gas and shale oil resource opportunities which are dependent on hydraulic fracturing for economically successful development. Hydraulic fracturing in shale opportunities requires high pressure pumping service crews. A shortage of service crews or proppant, chemical, or water, especially if this shortage occurred in South Texas or the Rockies, could materially and adversely affect PEDCO's operations and the timeliness of executing its development plans within its budget. There is significant regulatory uncertainty as some states have begun to regulate hydraulic fracturing and the United States Environmental Protection Agency and United States Congress are investigating the impact of hydraulic fracturing on drinking water sources, which could affect the current regulatory jurisdiction of the states and increase the cycle times and costs to receive permits, delay or possibly preclude receipt of permits in certain areas, impact water usage and waste water disposal and require chemical additives disclosures.

Environmental matters and costs can be significant.

The oil and natural gas business is subject to various federal, state, and local laws and regulations relating to discharge of materials into, and protection of, the environment. Such laws and regulations may impose liability on PEDCO for pollution clean-up, remediation, restoration and other liabilities arising from or related to its operations. Any noncompliance with these laws and regulations could subject PEDCO to material administrative, civil or criminal penalties or other liabilities. Additionally, PEDCO's compliance with these laws may, from time to time, result in increased costs to its operations or decreased production. PEDCO also may be liable for environmental damages caused by the previous owners or operators of properties it has purchased or is currently operating. The cost of future compliance is uncertain and is subject to various factors, including future changes to laws and regulations. PEDCO has no assurance that future changes in or additions to the environmental laws and regulations will not have a significant impact on its business, results of operations, cash flows, financial condition and future growth.

Possible regulations related to global warming and climate change could have an adverse effect on PEDCO's operations and the demand for oil and natural gas.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases," may be contributing to the warming of the Earth's atmosphere. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of refined oil products and natural gas, are examples of greenhouse gases. The U.S. Congress is considering climate-related legislation to reduce emissions of greenhouse gases. In addition, at least 20 states have developed measures to regulate emissions of greenhouse gases, primarily through the planned development of greenhouse gas emissions inventories and/or regional greenhouse gas cap and trade programs. The EPA has adopted regulations requiring reporting of greenhouse gas emissions from certain facilities and is considering additional regulation of greenhouse gases as "air pollutants" under the existing federal Clean Air Act. In November 2010, the EPA adopted rules expanding the industries subject to greenhouse gas reporting to include certain petroleum and natural gas facilities. These rules require data collection beginning in 2011 and reporting beginning in 2012. Some of PEDCO's facilities may be subject to these rules. Passage of climate change legislation or other regulatory initiatives by Congress or various states, or the adoption of other regulations by the EPA or analogous state agencies, that regulate or restrict emissions of greenhouse gases (including methane or carbon dioxide) in areas in which PEDCO may conduct business could have an adverse effect on its operations and the demand for oil and natural gas.

PEDCO's property acquisition strategy could fail or present unanticipated problems for PEDCO's business in the future, which could adversely affect its ability to make property acquisitions or realize anticipated benefits of those acquisitions.

PEDCO's growth strategy includes acquiring oil and natural gas properties. PEDCO may not be able to identify suitable acquisition opportunities or finance and complete any particular acquisition successfully. Furthermore, acquisitions involve a number of risks and challenges, including:

- Diversion of management's attention;
- Ability or impediments to conducting thorough due diligence activities;
- Potential lack of operating experience in the geographic market where the acquired properties are located;
- An increase in expenses and working capital requirements;
- The validity of PEDCO's assumptions about reserves, future production, revenues, capital expenditures, and operating costs, including synergies;
- A decrease in PEDCO's liquidity by using a significant portion of its available cash to finance acquisitions;
- A significant increase in PEDCO's interest expense or financial leverage if it incurs debt to finance acquisitions;
- The assumption of unknown liabilities, losses, or costs for which PEDCO is not indemnified or for which PEDCO's indemnity is inadequate; and

- The occurrence of other significant charges, such as impairment of oil and natural gas properties, asset devaluation, or restructuring charges.

PEDCO's decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses, and seismic and other information, the results of which are often inconclusive and subject to various interpretations.

Also, PEDCO's reviews of acquired properties will be inherently incomplete because it generally is not feasible to perform an in-depth review of the individual properties involved in each acquisition given time constraints imposed by sellers. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to fully access their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

THE SPECIAL MEETING OF OUR SHAREHOLDERS

Date, Time, and Place of the Special Meeting

The special meeting will be held on [_________], 2012, beginning at 9:00 a.m., local time, at The Loev Law Firm, P.C., 6300 West Loop South, Suite 280, Bellaire, Texas 77401, and at any adjournment or postponement of the special meeting.

Purpose of the Special Meeting

The purpose of the special meeting is to consider and vote upon a Proposal to approve the merger agreement, the Proposals relating to our amended and restated certificate of formation and the amended and restated certificate of designations, and the 2012 Equity Incentive Plan. This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by our board of directors for use at the special meeting. A copy of the merger agreement and amendment thereto are attached as Appendix A to this proxy statement. A copy of the amended and restated certificate of formation and designations is attached as Appendix B to this proxy statement. A copy of the 2012 Equity Incentive Plan is attached as Appendix C to this proxy statement.

Unanimous Recommendation of our Board of Directors

Our Board of Directors has unanimously determined that the adoption of the merger agreement, the Proposals relating to the amended and restated certificate of formation, the amended and restated certificate of designations, and the 2012 Equity Incentive Plan are advisable, and that such documents are fair to, and in the best interests of our shareholders, has approved and authorized in all respects the merger agreement, the amended and restated certificate of formation, the amended and restated certificate of designations and the 2012 Equity Incentive Plan, and recommends that you vote "FOR" the approval of the merger agreement, "FOR" the approval of each of the Proposals relating to the amended and restated certificate of formation and amended and restated certificate of designations, and "FOR" the approval of the 2012 Equity Incentive Plan. Blast Energy Services, Inc., as the sole shareholder of MergerCo, approved the merger on January 13, 2012. If our shareholders fail to approve the merger agreement, the merger will not occur. Because the approval of the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations are a condition to the closing of the merger, if our shareholders fail to approve all of the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations, the merger will not occur. Similarly, because the amended and restated certificate of formation and the amended and restated certificate of designations are being adopted to facilitate the merger, if the merger is not approved, we will not proceed with the amended and restated certificate of formation and the amended and restated certificate of designations. Regardless of whether the amended and restated certificate of formation, the amended and restated certificate of designations and merger have been approved by our shareholders, we will not allow such amended and restated certificate of formation and amended and restated certificate of designations to be declared effective until such time as we are certain that all of the conditions to the

closing of the merger have either been met or waived.

Record Date and Shares Entitled to Vote at the Special Meeting

We have fixed the close of business on [________], 2012 as the record date for the special meeting, and only shareholders of record on the record date are entitled to vote at the special meeting. You may vote all shares of common stock and Series A or Series B preferred stock that you owned of record at the close of business on the record date.

As of the record date, [__________] shares of our common stock, 6,000,000 shares of our Series A preferred stock, and one share of our Series B preferred stock were outstanding and entitled to vote at the special meeting.

If you beneficially own shares that are held in "street name" by your broker, bank, or other nominee, you must follow the directions that you have received, or will receive, from your broker, bank, or other nominee regarding how to provide voting instructions. You are not entitled to vote directly shares that are registered in someone else's name. Unless you instruct your broker, bank, or other nominee how to vote your shares, they will not be voted at the special meeting, which will have the same effect as a vote against approval of the merger agreement, and the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations.

Quorum; Abstentions and Broker Non-Votes

The holders of [_______] voting shares entitled to vote at the special meeting, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting.

Once a share of our common stock or preferred stock is represented at the special meeting, it will be counted for the purpose of determining a quorum and any adjournment of the special meeting unless the holder is present solely to object to the special meeting. However, if a new record date is set for an adjourned meeting, then a new quorum will need to be established.

Abstentions and "broker non-votes" will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists and will have the same effect as votes against approval of the merger agreement, the amended and restated certificate of formation and designations. A "broker non-vote" with respect to specified shares will result from a beneficial owner's failure to instruct a broker, bank, or other nominee how to vote the shares with respect to the Proposal to approve the merger agreement or the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations.

Attendance at the Special Meeting

All of our shareholders as of the record date, or their legally authorized proxies named in the proxy card, may attend the special meeting. Cameras, recording devices, and other electronic devices will not be permitted at the meeting. If your shares are held in the name of a broker, bank, or other nominee, you should bring a proxy or letter from the broker, bank, or nominee confirming your beneficial ownership of the shares. We reserve the right to refuse admittance to anyone not presenting proper proof of share ownership.

Vote Required for Approval of the Merger Agreement, the Proposals relating to the Amended and Restated Certificate of Formation and the Amended and Restated Certificate of Designations, and the 2012 Equity Incentive Plan

Approval of the merger agreement, the Proposals relating to the amended and restated certificate of formation, and the amended and restated certificate of designations require the approval of the holders, as of the record date of [_______], 2012, of two-thirds of the outstanding shares of our common and preferred stock (voting as a single class on an as-converted to common stock basis) and two-thirds of the outstanding shares of Series A preferred stock (voting separately as a class), as well as the approval of the single holder of our Series B preferred stock. You are entitled to one vote for each share of our common stock or Series B preferred stock that you own as of the record date. You are entitled to 2.5 votes for each share of Series A preferred stock that you own as of the record date. Blast Energy Services, Inc., as the sole shareholder of MergerCo, approved the original merger agreement on January 13, 2012. The Proposal to approve the adoption of our 2012 Equity Incentive Plan will be approved if the votes cast in favor of the Proposal exceed those cast against it.

Voting by Proxy

If you hold stock in your name as a shareholder of record, please complete, sign, date, and return the accompanying proxy card in the enclosed envelope. If you hold your stock in "street name" through a broker, bank, or other nominee, please direct the broker, bank, or other nominee how to vote your shares in accordance with the instructions that you have received, or will receive, from that person.

If you sign, date, and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval of the merger agreement, each of the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations, and the 2012 Equity Incentive Plan. If you fail to return your proxy card and do not vote in person at the special meeting, it will have the same effect as a vote against the approval of the merger agreement, the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations.

Alternatively, you may vote your shares at the meeting via Internet, fax or phone as disclosed on the attached proxy card.

Right to Revoke Proxies

You have the right to change or revoke your proxy at any time before the vote is taken at the special meeting by: (1) attending the special meeting in person and voting; (2) submitting a later-dated proxy card; or (3) notifying us that you are revoking your proxy by delivering a later-dated written statement to that effect to us at Blast Energy Services, Inc., PO Box 710152, Houston, Texas 77271-0152, Attention: Chief Financial Officer. Simply attending the special meeting, however, will not be sufficient to revoke your proxy. Furthermore, if you have instructed a broker, bank, or other nominee to vote your shares, these options for changing your vote do not apply, and instead you must follow the instructions received from your broker, bank, or other nominee to change your vote.

Other Business

Our management is not aware of any matters to be presented for action at the special meeting other than those set forth in this proxy statement. However, should any other business properly come before the special meeting, or any adjournment of the meeting, the enclosed proxy confers upon the persons entitled to vote the shares represented by such proxy discretionary authority to vote the same in respect of any such other business in accordance with their best judgment in the interest of our company.

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Adjournment

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies. Whether or not a quorum exists, a Proposal to adjourn the special meeting for the purpose of soliciting additional proxies will be approved upon the affirmative vote of the holders holding a majority of the voting power of the total voting shares entitled to vote at the special meeting and present in person or by proxy at the special meeting. The proxy holders will be authorized to vote any signed proxies received by us in which no voting instructions are provided on such matter in favor of an adjournment in these circumstances. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow our shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned.

Expenses of Proxy Solicitation

The expenses of preparing, printing, and mailing this proxy statement and the proxies solicited by this proxy statement will be borne by us. Upon request, we will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others.

In addition, our directors, officers, employees, and other agents may solicit proxies on our behalf from shareholders by telephone, by other electronic means, or in person, although such persons will not receive additional compensation from us for their proxy solicitation activities.

Questions and Additional Information

If you have more questions about the merger agreement, the amended and restated certificate of formation, the amended and restated certificate of designations, or the 2012 Equity Incentive Plan, need assistance in submitting your proxy or voting your shares, or need additional copies of the proxy statement or the enclosed proxy card, you can call (281) 453-2888. If your broker, bank, or other nominee holds your shares, you should call that person for additional information.

PROPOSAL I - APPROVAL OF THE MERGER AGREEMENT AND MERGER

General Description of the Merger

Pursuant to the merger, MergerCo will be merged with and into PEDCO, which will continue as the surviving corporation under the name "Pacific Energy Development Corp." In the merger, (1) each outstanding share of PEDCO common stock will be exchanged for one share of our common stock, (2) each outstanding share of Series A preferred stock of PEDCO stock will be converted into one share of our new Series A preferred stock, (3) each outstanding option or warrant to purchase shares of common stock of PEDCO will be exchanged for an option or warrant to purchase the same number of shares of our common stock on the same terms, and (4) each outstanding warrant to purchase shares of Series A preferred stock of PEDCO will be exchanged for a warrant to purchase the same number of shares of our new Series A preferred stock on the same terms. In the merger, and after taking into account a one-for-112 reverse stock split, we currently anticipate issuing 17,857,261 shares of our common stock to existing holders of common stock of PEDCO, 11,984,208 shares of our new Series A preferred stock to existing holders of Series A preferred stock of PEDCO, warrants to purchase 1,100,000 shares of our common stock and warrants to purchase 549,167 shares of our Series A preferred stock to existing holders of warrants to purchase common and preferred stock of PEDCO, and options to purchase 895,000 shares of our common stock to existing holders of options to purchase common stock of PEDCO. Further, an additional 8,082,459 shares of PEDCO Series A preferred stock and three-year warrants to purchase up 808,246 shares of PEDCO Series A preferred stock exercisable at $0.75 per share may be issued to placement agents in connection with the additional sale by PEDCO in private transactions to "accredited investors" of approximately $6.0 million of Series A preferred stock of PEDCO prior to the merger, which shares and warrants, if issued prior to the merger, will also be exchanged for our new Series A Preferred Stock and warrants in the merger.

After the merger, PEDCO will be the surviving company and will be our wholly-owned subsidiary. As consideration for the merger, we will be issuing our equity securities to the existing equity holders of PEDCO as outlined above. No cash consideration will be paid. As a condition to the merger, we also must adopt the amended and restated certificate of formation and the amended and restated certificate of designations, as discussed in greater detail under Proposals II through X, below.

Series A Preferred Stock

As a condition for closing the merger, we must adopt and file the amended and restated certificate designations, which among other actions, creates a new series of preferred stock, "Series A Preferred Stock." In the merger, the Series A preferred stock of PEDCO will be exchanged for this new Series A preferred stock. The holders of our new Series A preferred stock will be entitled to cumulative annual dividends of 6% of the "Original Issue Price" of $0.75 per share (subject to adjustments) and, in preference to the holders of our common stock and any other junior stock, will be entitled to an amount equal to such Original Issue Price, plus accumulated but unpaid dividends, upon our liquidation. No dividends may be paid on our common stock unless and until the declared dividends are paid on our Series A preferred stock. The holders of our Series A preferred stock will be permitted to convert each such share into that number of shares of common stock equal to the Original Issue Price divided by $0.75, subject to adjustments, which will initially be a one-to-one ratio. The holders of our Series A preferred stock are also entitled to vote with the common stock on an as-converted basis. Our Series A preferred stock is described in greater detail under "Proposal X – Approval Of The Amended And Restated Certificate Of Designations Of Our Series A Preferred Stock."

Warrants, Options and Derivatives

Prior to the merger, PEDCO is expected to have outstanding warrants to purchase up to 1,100,000 shares of common stock, outstanding options to purchase up to 895,000 shares of common stock, and outstanding warrants to purchase up to 549,167 shares of Series A Preferred stock of PEDCO. Additionally, the outstanding 11,984,208 shares of

PEDCO Series A preferred stock are convertible into 11,984,208 shares of PEDCO's common stock. If the merger is completed, these warrants and other convertible securities will convert into warrants and convertible securities to purchase, or to convert into, our common stock or Series A Preferred Stock, as applicable, on the same terms. The terms of PEDCO's warrants are as follows: (i) warrants to purchase 100,000 shares of common stock at an exercise price of $0.08 per share expiring in October 2021; (ii) warrants to purchase 500,000 shares of common stock at an exercise price of $1.25 per share expiring in May 2014; (iii) warrants to purchase 500,000 shares of common stock at an exercise price of $1.50 per share expiring in May 2014; and (iv) warrants to purchase an aggregate of 549,167 shares of Series A preferred stock at an exercise price of $0.75 per share expiring between October 2014 and May 17, 2015. Additionally, up to an additional 8,082,459 shares of PEDCO Series A preferred stock and three-year warrants to purchase up 808,246 shares of PEDCO Series A preferred stock exercisable at $0.75 per share may be issued to placement agents in connection with the additional sale of up to $6.0 million of Series A preferred stock of PEDCO prior to the merger, and additional shares of PEDCO common stock and preferred stock, and convertible securities exercisable therefor, may be issued by PEDCO prior to the merger, subject to a maximum aggregate total of no more than 45 million shares of PEDCO capital stock 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) prior to the merger, without the prior written consent of Blast, which shares and warrants, if issued prior to the merger, will also be exchanged for our common stock, Series A Preferred Stock, options and warrants in the merger. These warrants and options are subject to adjustments in the event of stock splits, recapitalization, dividends and similar events.

Contact Information of Material Parties to Merger

Pacific Energy Development Corp.
4125 Blackhawk Plaza Circle, Suite 201A
Danville, CA 94506
Telephone: (925) 203-5699

Blast Acquisition Corp./Blast Energy Services, Inc.
PO Box 710152
Houston, Texas 77271-0152
Telephone: (281) 453-2888

Background of Our Company

Blast Energy Services, Inc. is an independent oil and gas producer with additional revenue potential from its applied fluid jetting ("AFJ") technology. During 2010, our management chose to change our direction away from solely trying to commercialize the AFJ process, to also attempting to generate operating capital from investing in oil producing properties. Moving forward, we hope to acquire properties where the AFJ process can be applied on wells in which we own an interest. As a part of this shift in strategy, in September 2010, with an effective date of October 1, 2010, acquired oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas. In addition, in February 2011, we entered into a farmout agreement with Solimar Energy LLC, to participate in a drilling program in Fresno County, California. We also determined that our prior Satellite Services business was no longer a crucial part of our future business plan and this business unit was sold in December 2010.

On December 22, 2011, we entered into a Modification Agreement with Solimar Energy, LLC ("Solimar"). The Modification Agreement amended certain existing agreements, including the Guijarral Hills Farmout Agreement dated January 31, 2011 and the related Guijarral Hills Joint Operating Agreement with Solimar, which provided us the right to participate in a field extension drilling project to exploit an undeveloped acreage position in the Guijarral Hills Field located in the San Joaquin Basin of central California. Solimar is a wholly-owned subsidiary of Solimar Energy Limited, a publicly-traded company on the Australia Stock Exchange based in Melbourne, Australia. Under the terms of the Modification Agreement, Solimar forgave certain monies owed by us to Solimar, which totaled $311,872, in exchange for our assignment of 25% of the 100% working interest in the GH 76-33 Well (modifying the Farmout Agreement which provided for us to hold 50% of the 100% working interest), and we 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).

On January 13, 2012, we entered into an Amendment to Note Purchase Agreement (the "Note Purchase Amendment") with Centurion in connection with our debt obligations under certain secured notes with Centurion. The purpose of the Note Purchase Amendment was to (i) obtain Centurion's consent to the merger, (ii) waive, solely with respect to our company post-merger, certain loan covenants and restrictions as they relate to the assets of PEDCO and our operations post-merger, (iii) waive Centurion's right of first refusal to provide additional funding to us; and (iv) provide, effective upon the effective date of the merger, for the conversion of up to 50% of the amounts owed to Centurion into our common stock at $0.75 per share on a post-reverse split basis at the option of Centurion at any time after June 9, 2012. Additionally, the maturity dates of an aggregate of $2,522,111 in principal amount of promissory notes were extended to the first to occur of: (i) August 1, 2012, or (ii) the date all obligations and indebtedness under such promissory notes are accelerated in accordance the terms and conditions of such promissory notes. Additionally, commencing February 2, 2012, the interest rate on the promissory notes was increased from 10% to 18% per annum. Centurion is also a party to a voting agreement with us, pursuant to which Centurion agreed to vote the one outstanding share of Series B preferred stock which they hold in favor of the merger agreement, and the approval of each of the Proposals relating to the amended and restated certificate of formation and the amended and restated certificate of designations.

In the event the merger is not consummated, our management will continue to seek financial partners and/or business combinations to satisfy our liquidity concerns. Any such transaction will likely have a dilutive effect on the interests of our shareholders that will, in turn, reduce your proportionate ownership and voting power in our company.

In connection with the merger agreement, on January 13, 2012, we 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"). We 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"). We also entered into debt conversion agreements with our officers, directors and third parties (see "Officer, Director and Other Debt Conversions", below).

The BMC Debt Conversion Agreement modifies the Notes to provide that all principal and accrued interest under the Notes will be converted into shares of our common stock at a conversion price of two cents ($0.02) per share upon notice from us of the setting of the record date for the meeting to approve the Proposals set forth herein. On June [_______,] 2012, the outstanding principal and accrued interest under the Notes was converted into __________________ shares of common stock. As a result of the debt conversion, Eric A. McAfee and Clyde Berg, now beneficially own 49% and 51% respectively, and 57% collectively, of our outstanding common stock (which includes 100% of our outstanding Series A preferred stock, voting on an as-converted basis, i.e., 2.5 shares of common stock for each share of Series A preferred stock). All common and preferred stock held by Mr. McAfee and Mr. Berg, and affiliated parties, are subject to a voting agreement, dated January 13, 2012. Under the voting agreement, Mr. McAfee and Mr. Berg agreed to vote the outstanding capital stock they beneficially own in favor of the merger agreement and the approval of the amended and restated certificate of formation and the amended and restated certificate of designations.

Background of the Merger and Reasons for the Merger

In August 2006, we acquired Eagle Domestic Drilling Operations LLC ("Eagle"), a drilling contractor which owned three completed land rigs and three more under construction. The Eagle acquisition included five two-year term International Association of Drilling Contractors ("IADC") contracts with day rates of $18,500 per day and favorable cost sharing provisions. The assumptions used in the Eagle acquisition included a steady and high revenue stream and full utilization rate expectations based upon these five contracts. The subsequent cancellation of these contracts by Hallwood Petroleum, LLC and Hallwood Energy, LP (collectively, "Hallwood") and Quicksilver Resources, Inc.

(“Quicksilver”) in the fall of 2006 severely impacted our ability to service the note incurred with the acquisition of the drilling rig business. We subsequently filed suit for breach of those contracts and agreed to settlements with both Hallwood and Quicksilver.

In January 2007, Blast and Eagle filed voluntary petitions with the U.S. Bankruptcy Court for the Southern District of Texas – Houston Division (the "Court") under Chapter 11 of Title 11 of the U.S. Bankruptcy Code in order to dispose of burdensome and uneconomical assets and reorganize our financial obligations and capital structure. We operated our businesses as "debtors-in possession" under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court.

In May 2007, we executed an agreement with our lender on the terms of an asset purchase agreement intended to offset the full amount of our then outstanding $40.6 million senior note, including accrued interest and default penalties. Under the terms of this agreement, only the five land drilling rigs and associated spare parts were sold to repay the Note. As a result, our satellite communication business (which has since been sold) and our applied fluid jetting ("AFJ") technology remained with us subsequent to the sale of the rigs.

In February 2008, the Bankruptcy Court entered an order confirming our Second Amended Plan of Reorganization (the "Plan"). The overall impact of the confirmed Plan was for Blast to emerge with unsecured creditors fully paid, have no then existing debt service scheduled for at least two years, and keep equity shareholders' interests intact.

Under the terms of the Plan, Blast raised $4 million in cash proceeds from the sale of convertible preferred securities to two parties related to Blast's largest shareholder, Berg McAfee Companies. The proceeds from the sale of the securities were used to pay 100% of the unsecured creditor claims, all administrative claims, and all statutory priority claims, for a total amount of approximately $2.4 million. The remaining $1.6 million was used to execute an operational plan, including but not limited to, reinvesting in our applied fluid jetting technology and maintaining the Satellite Services business (which was subsequently sold as described below).

During the remainder of 2008 and through the first half of 2009, we further tested the AFJ process on wells in the Austin Chalk play in Central Texas operated by Reliance Oil & Gas, Inc. with some initial production success. Later we attempted to apply the process to third-party wells in West Texas and in Kentucky. Due to mechanical failures of the surface equipment we were not able to achieve any lateral jetting in the down-hole environment. Currently the AFJ rig and other support vehicles have been moved back to a storage yard in Hockley, Texas. Once sufficient funds are available we intend to seek to resolve the mechanical issues and once again take steps to try to commercialize this technology.

During 2010, our management chose to change the direction of our company away from solely trying to commercialize the AFJ process, to also attempting to generate operating capital from investing in oil producing properties. As a part of this shift in strategy, in September 2010, with an effective date of October 1, 2010, we acquired oil and gas interests in the North Sugar Valley Field located in Matagorda County, Texas and in February 2011, we entered into a farmout agreement with Solimar Energy LLC ("Solimar"), which provided us 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. We also determined that the Satellite Services business was no longer a crucial part of our future and steps were taken to divest this business unit.

On December 30, 2010, we entered into an Asset Purchase Agreement with GlobaLogix, Inc. ("GlobaLogix" and the "Purchase Agreement"). Pursuant to the Purchase Agreement, we sold all of our 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 our 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.

On February 24, 2011, we entered into a Note Purchase Agreement and related agreements (as described below) with Centurion Credit Funding, LLC (the "Investor") to fund our Guijarral Hills project and to repay an outstanding promissory note. Pursuant to the agreement, we agreed with the Investor to enter into Secured Promissory Notes in the aggregate principal amount of $2,522,111 (the "Notes"). The Notes originally accrued interest at the rate of ten percent (10%) per annum, payable on the first day of each month and originally had a maturity date of February 2, 2012. To accommodate the merger, Centurion agreed to extend the maturity of the Notes, which now must be repaid on August 1, 2012. We also agreed to increase the interest rate to 18% and pay the Investor an exit fee at such time as the Notes are paid in full of twelve percent (12%) of the amount of such repayment.

The repayment of the amounts loaned to us by the Investor under the Notes was guaranteed by Eagle and Blast AFJ, Inc. ("Blast AFJ"). Additionally, Blast, Eagle and Blast AFJ each entered into a Security Agreement in favor of the Investor, pursuant to which such parties provided the Investor a first priority security interest in all of their tangible and intangible assets, including equipment, intellectual property and personal and real property as collateral to secure the repayment of the Notes (the "Security Agreement").

We subsequently used all of the funds received in connection with the sale of the Notes to repay certain of our outstanding liabilities and to pay expenses incurred in connection with the drilling of the Solimar Energy 76-33 well in the Guijarral Hills Field Area located in Fresno County, California which reached its total drilling depth of 10,550 feet in March 2011. The well was subsequently flow tested and none of the zones tested resulted in an oil producing well.

Due to our inability to raise sufficient funds to pay our portion of the expenses due in connection with the farmout agreement, on December 22, 2011, we entered into a Modification Agreement ("Modification Agreement") with Solimar. The Modification Agreement amended certain existing agreements, including the farmout agreement and the related Guijarral Hills Joint Operating Agreement ("JOA"). Under the terms of the Modification Agreement, Solimar forgave certain monies owed by us to Solimar, which totaled $311,872, in exchange for our assignment of 25% of the 100% working interest in the Solimar Energy 76-33 Well (modifying the farmout agreement which provided for us to hold 50% of the 100% working interest), and we 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).

Over the past 12 months our operating expenses have exceeded our revenues and we have pursued a variety of capital raising alternatives to supplement anticipated income from our oil and gas investments in order to meet our operational capital requirements and service our outstanding debt. Due to our operating partner's higher than expected drilling costs to drill the well at the Guijarral Hills site and the need to put in additional funds to test the well, we were required to raise additional capital to move forward with that project, which we were unable to do and as such, we were forced to enter into the Modification Agreement, described above. We have interests in producing wells in Texas, but the cash flow from these wells was not sufficient to meet our corporate needs or fund payment of our debts. Accordingly, due to our current lack of liquidity, the returns on our existing assets, our operational capital needs, and our nearly $4 million of outstanding debt, much of which was to become due in February 2012 (which has since been extended or converted into common stock), we pursued a business combination transaction with an existing private enterprise in a business similar to ours that had a willingness to acquire our oil and gas assets, assume our liabilities, and take advantage of our status as a public corporation.

While serving as our interim CEO, President and member of our board, Michael L. Peterson began performing consulting services for PEDCO in September 2011. At that time, Mr. Peterson learned that PEDCO was seeking to merge with a public operating company in order to become a publicly-traded company. Given the failure of Blast's Solimar Energy 76-33 well and the likelihood that Blast would be required to liquidate its assets to repay the Notes due the Investor in February, 2012, in September 2011 Mr. Peterson introduced the idea to Mr. Ingriselli, CEO and President of PEDCO, that a merger of PEDCO with Blast could be mutually beneficial for both of the companies. In September, Mr. Peterson and Mr. Frank Ingriselli, CEO and President of PEDCO, began transaction discussions with

Blast for a possible merger.

In those September 2011 discussions, Mr. Ingriselli's primary concerns included the status of the repayment of the Notes to the Investor due in February 2012, as well as other debts to Solimar and the preferred Investors of Blast. After consulting with both internal and external counsel of PEDCO on the most probable time of such a merger, Mr. Ingriselli expressed that a February 2012 maturity of the Notes would most likely come before the merger could be finalized and would thus make the merger very difficult to accomplish. Mr. Ingriselli requested that Mr. Peterson approach the Investor to inquire whether it would be in favor of a merger with PEDCO and if the Investor would be willing to extend the maturity of the Notes. Mr. Ingriselli also made it clear that other debts of Blast would need to be paid off or converted into capital stock of Blast in, or prior to, the merger.

Mr. Peterson contacted the Investor in early September 2011, explained the Proposal, and discussed the opportunity the potential merger of Blast with PEDCO could offer to the Investor and the other shareholders of Blast. The Investor was willing to entertain the idea and a meeting was scheduled on September 12, 2011 in New York with Mr. Peterson, Mr. Ingriselli, and a representative of the Investor. At this meeting, Mr. Ingriselli explained the business plan of PEDCO and discussed how the Notes could be extended. Mr. Peterson also asked if the Investor would be willing to loan Blast an additional $30,000 to keep the Company moving forward, meet its public filing requirements, and allow the proposed transaction with PEDCO to move forward. The Investor indicated that it would consider the Proposal and let Mr. Peterson know the outcome at a later date.

During the subsequent weeks, a representative of the Investor and Mr. Peterson had several phone calls to discuss the Proposal, and Mr. Peterson spoke with Mr. Roger (Pat) Herbert, Chairman of Blast, regarding the progress. During the first week of October 2011, the Investor agreed to lend the Company $30,000 in consideration for lowering the strike price of the Blast warrants previously issued to the Investor in order to help move the transaction with PEDCO forward. On October 7, 2011, Blast held a board of directors meeting and Mr. Peterson summarized the discussions with the Investor and the board approved moving forward with putting together the terms of the merger transaction with PEDCO. Additionally, the exercise price of the Investor's warrants were lowered to $0.01 per share.

On September 24, 2011, Mr. Peterson sent an electronic mail message to the CEO of Solimar to discuss a meeting time when Mr. Peterson could discuss the merger and how Blast could clear its debts due to Solimar for additional cost overruns incurred with respect to the drilling of the Solimar Energy 76-33 well. On September 28, 2011, the CEO of Solimar replied to Mr. Peterson and told him that he would be traveling to the United States from his home office in Australia during the first week of October 2011, and could meet with him at their offices in Ventura, California on Monday, October 3, 2011. Mr. Peterson and the CEO of Solimar met on that date, and Solimar agreed to take a working interest in the Guijarall Hills prospect in lieu of payment of the overrun costs due, and definitive documents were signed between Blast and Solimar to effect the same in December 2011, which was memorialized by the Modification Agreement.

During October 2011, Mr. Peterson also met with Blast preferred stockholders Eric McAfee and Clyde Berg (the "Preferred Shareholders") to discuss the status of Blast as a going concern, its lack of financing, the failure of the Solimar Energy 76-33 well, and Blast's inability to fund additional testing. The Proposal was discussed as to merging Blast with PEDCO, and the proposed terms of the Preferred Shareholders' conversion of both their outstanding debt due from Blast and their Blast preferred shares were discussed. Mr. McAfee knew of Mr. Ingriselli, PEDCO's Chairman and CEO, and had a very favorable opinion of his business expertise and ability to make PEDCO successful. Mr. Berg asked Mr. McAfee to negotiate terms with respect to their possible conversion of their Blast debt and preferred stock. Valuation of Blast was discussed on several phone calls and meetings between Mr. McAfee and Messrs. Peterson and Ingriselli in an effort to find a value of Blast that the Preferred Shareholders would agree to as they would need to be in favor and approve of the final terms of the proposed Blast-PEDCO merger in order for the transaction to occur. The Preferred Shareholders, as well as Blast, ultimately agreed that they would support a Blast-PEDCO merger transaction pursuant to which all the shareholders of Blast would receive 2,400,000 shares of the post-merger entity, subject to downward adjustment for cash advanced by PEDCO to Blast prior to closing. The Preferred Shareholders arrived at this number based on the share of Blast common stock the Preferred Shareholders

would hold after conversion of their Blast preferred stock and Blast debt, and their perceived future value of the same in the post-merger entity. Prior and subsequent to all of the meetings described above between Blast and the Preferred Shareholders, Mr. Peterson kept Mr. Ingriselli fully-apprised of the Proposals being considered, and the terms, conditions and agreements that Blast was negotiating and seeking to enter into in order to position Blast to move forward with the potential merger with PEDCO. During October 2011, Mr. Peterson also met with Eric McAfee and Clyde Berg, the beneficial owners of Blast's Series A preferred stock (the "Preferred Shareholders"), to discuss the status of Blast as a going concern, its lack of financing, the failure of the Solimar Energy 76-33 well, and Blast's inability to fund additional testing of the well. The Proposal was discussed as to merging Blast with PEDCO, and the proposed terms of the Preferred Shareholders' conversion of both their outstanding debt due from Blast and their Blast preferred shares were discussed. Mr. McAfee knew of Mr. Ingriselli, PEDCO's Chairman and CEO, and had a very favorable opinion of his business expertise and had confidence of his ability to make PEDCO successful. Mr. Berg asked Mr. McAfee to negotiate terms with respect to their possible conversion of their Blast debt and preferred stock. The valuation of Blast was discussed on several phone calls and meetings between Mr. McAfee and Messrs. Peterson and Ingriselli in an effort to find a valuation of Blast that the Preferred Shareholders would agree to as they would need to be in favor and approve of the final terms of the proposed Blast-PEDCO merger in order for the transaction to occur. The Preferred Shareholders, as well as Blast, ultimately agreed that they would support a Blast-PEDCO merger transaction pursuant to which all the shareholders of Blast would receive 2,400,000 shares of the post-merger entity on a fully-diluted basis, subject to downward adjustment for cash advanced by PEDCO to Blast prior to closing. The Preferred Shareholders arrived at this number based on the share of Blast common stock the Preferred Shareholders would hold after conversion of their Blast preferred stock and Blast debt, and their perceived future value of the same in the post-merger entity. Prior and subsequent to all of the meetings described above between Blast and the Preferred Shareholders, Mr. Peterson kept Mr. Ingriselli fully-apprised of the Proposals being considered, and the terms, conditions and agreements that Blast was negotiating and seeking to enter into in order to position Blast to move forward with the potential merger with PEDCO.

Following a December 19, 2011 Blast board meeting, Mr. Herbert asked Blast's legal counsel to engage directly with PEDCO, the Investor, Solimar and the Preferred Shareholders to see if the parties could move their respective transactions forward and enter into definitive agreements. Mr. Peterson also informed the board that he wanted to pursue working full-time at PEDCO and, given the discussions between Blast and PEDCO regarding merging, Mr. Peterson felt it would be in the best of interest of Blast if he stepped down as interim CEO and resign as a director of Blast. The board accepted his resignation effective December 22, 2011, and thanked him for the work and efforts he had given to help move the proposed merger with PEDCO forward. Mr. Herbert, Chairman of the board of directors, was appointed as the interim Chief Executive Officer and President of Blast at the meeting.

Discussions between Blast and Mr. Ingriselli continued under Blast's new interim CEO and President, Mr. Herbert, and Blast's legal counsel during the balance of December 2011 and into the first week of January 2012. On January 9, 2012, the board of directors of Blast met and Blast's legal counsel presented the negotiated terms and proposed definitive agreements between Blast and each of Solimar, the Preferred Shareholders, the Investor, and PEDCO. The board reviewed, commented and then voted to approve or ratify, as applicable, the terms of each agreement, pending approval of the deal by the Investor and PEDCO, subject to shareholder approval. On January 13, 2012, Blast entered into the merger agreement with PEDCO, voting agreements with certain significant shareholders of Blast, the BMC Debt Conversion Agreement and the various other debt conversion agreements with its creditors (see "Officer, Director and Other Debt Conversions", below).

We did not obtain a fairness opinion from a third party regarding the merger, which would have provided our board of directors with independent support that the merger consideration to be given to PEDCO's shareholders is fair from a financial point of view to our shareholders. Such a fairness opinion is not required by law and given that the equivalent per-share value PEDCO will exchange its shares for shares of Blast in the merger was, at the time of the negotiation and signing the merger agreement, more than two times the value that the public market was offering us for our shares (approximately $0.01 per share, as described below), we felt the merger was an attractive alternative for our shareholders. In deciding not to obtain an opinion from a third party regarding the fairness of the merger to our shareholders, our board of directors also considered our lack of funds to pay for such an opinion and the relatively small size of the transaction.

During the December 2011 through January 2012 time period when the merger was being negotiated and approved by Blast's board of directors, Blast had a market capitalization of approximately $714,260, based on a trading price of approximately $0.01 per share and 71,425,905 shares of common stock issued and outstanding. PEDCO, on the other hand, was engaged at this same time in offering and selling shares of its Series A Preferred shares at a purchase price of $0.75 per share, which would result in a post-offering PEDCO valuation of approximately $30,000,000. PEDCO had issued its Series A Preferred shares at this price at closings occurring on October 31, 2011 (raising $3,200,000) and January 1, 2012 (raising $626,251), and was preparing for a third closing raising approximately $650,000 on January 25, 2012.

Accordingly, our board of directors determined that the 2,400,000 shares of post-reverse split common stock that the shareholders of Blast would retain in the merger on a fully-diluted basis (which number has since been reduced in connection with loans made by PEDCO to Blast, as described under "Adjustment of Reverse Stock Split Ratio," below) would provide the Blast shareholders approximately $1,800,000 of value (2,400,000 times $0.75 per share), which was more than two times the capitalization of Blast at and around the time the merger was negotiated and entered into (approximately $714,260, as described above).

The Blast board of directors believed that merging with PEDCO would give our shareholders an opportunity for share appreciation which would most likely be lost when the Investor foreclosed on all the pledged collateral of Blast per its debt agreement with Blast. We also noted that we were currently an operating company with assets, operations and revenues, and thus could be of more value in a merger today than we could be after having our assets taken upon our default of the Investor's Notes. Non-operating public shell companies trading on the Over-The-Counter Bulletin Board were selling for values much less than our current public market value. We strongly believed that the valuation we were receiving of approximately $1,800,000 in the PEDCO merger would be much more than we could receive for Blast post-default on our Notes to the Investor.

Though Blast had operating assets, the total sum of the valuation of these assets were felt by the Blast board of directors to be approximately equal to the amount due to the Investor under the Notes, which conclusion was also reached by the Investor less than one year earlier prior to entering into the Notes. We felt that the valuation was correct as we had only recently purchased the assets and felt the markets had not changed much since the transaction involving the Notes closed. That being said, we did believe that there was some additional upside that could come from these assets if they were in the right hands. We explained this belief to PEDCO, and PEDCO agreed that there could be some additional potential for upside to these assets for PEDCO if they were left in Blast. For example, upon merging, PEDCO would immediately be the operator of an oil asset and have revenue from oil production. Also, though the Solimar Energy 76-33 well had failed to be an economically viable well in the three zones tested, there was still an additional zone that showed hydrocarbons that had yet to be tested and which could prove to have economic potential. Also, during the drilling of the Solimar Energy 76-33 well, analysis of the Kreyenhagen Shale zone cuttings looked prospective and could also provide an opportunity for PEDCO to develop that shale zone. Developing unconventional shale oil assets is expensive and not something that Blast would be able to exploit. PEDCO, however, was looking for shale properties to develop and may have the expertise and financial ability to do so. Lastly, Blast believed, and PEDCO agreed, that the AFJ technology held by Blast could also prove to have some value. Given these opportunities, PEDCO was willing to give Blast a higher valuation than the market was currently giving Blast and take on the debt of the Notes against Blast's assets in order to have the option to develop these assets further.

Finally, our board of directors took into account our significant debt due in February 2012 (the maturity of which has since been extended), secured by substantially all of our assets, that we did not believe we would have the ability to repay, and the fact that our default thereon would have provided the Investor the right to take control of substantially all of our assets and would have likely forced us to cease our business operations.

In evaluating the merger transaction, some of the important factors in our decision included: (i) the assumption and extension of $1.33 million of our senior secured debt (to take effect upon consummation of the merger); (ii) the willingness of our creditors to convert $1.45 million of our outstanding secured debt into common stock at a price of $0.02 per share (prior to the reverse stock split); (iii) the willingness of our existing holders of preferred stock to convert 6,000,000 shares of our preferred stock, with cumulative dividend rig