

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

FORM 10-Q

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

For the quarterly period ended June 30, 2010

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

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

000-53725  
(Commission file number)

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

Texas  
(State or other jurisdiction of  
incorporation or organization)

22-3755993  
(IRS Employer  
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

Yes  No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

As of August 16, 2010, 61,909,238 shares of the registrant's common stock, \$.001 par value per share, were outstanding, including 1,150,000 approved but unissued shares arising from the class action settlement from 2005.

**Blast Energy Services, Inc.**

**For the Three and Six Months Ended June 30, 2010**

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**PART I – FINANCIAL INFORMATION**

Item 1. Financial Statements

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

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 22,638	\$ 261,164
Accounts receivable, net	61,421	58,281
Other assets	84,411	37,485
Current portion of long-term receivable	1,440,000	1,440,000
Total Current Assets	<u>1,608,470</u>	<u>1,796,930</u>
Equipment, net of accumulated depreciation of \$262,063 and \$190,327	1,030,223	1,101,959
Long-term accounts receivable	<u>1,440,000</u>	<u>1,440,000</u>
Total Assets	<u><u>\$ 4,078,693</u></u>	<u><u>\$ 4,338,889</u></u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current Liabilities:		
Accounts payable	\$ 123,842	\$ 73,846
Accrued expenses	357,014	295,772
Accrued expenses – related party	210,821	165,797
Deferred revenue	6,014	1,890
Notes payable – other	55,268	3,794
Notes payable – related party	1,120,000	-
Total Current Liabilities	<u>1,872,959</u>	<u>541,099</u>
Long Term Liabilities:		
Notes payable – related party	-	1,120,000
Notes payable – long-term portion	13,571	15,588
Total Liabilities	<u>1,886,530</u>	<u>1,676,687</u>
Stockholders' Equity (Deficit):		
Preferred stock, \$.001 par value, 20,000,000 shares authorized; 6,000,000 and 6,000,000 shares issued and outstanding	6,000	6,000
Common stock, \$.001 par value, 180,000,000 shares authorized; 61,909,238 and 61,819,904 shares issued and outstanding	61,909	61,820
Additional paid-in capital	75,157,080	75,136,853
Accumulated deficit	(73,032,826)	(72,542,471)
Total Stockholders' Equity	<u>2,192,163</u>	<u>2,662,202</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 4,078,693</u></u>	<u><u>\$ 4,338,889</u></u>

See accompanying notes to unaudited consolidated financial statements

**BLAST ENERGY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Three and Six Months Ended June 30, 2010 and 2009**  
**(unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue:	\$ 69,623	\$ 84,319	\$ 154,025	\$ 202,332
Operating expenses:				
Cost of sales	84,250	269,079	189,994	457,790
Selling, general and administrative expense	130,430	339,155	338,183	698,365
Depreciation and amortization	35,868	35,675	71,736	67,690
Bad debt expense	-	10,778	-	10,778
Loss on disposal of equipment	-	-	-	3,885
Total operating expenses	250,548	654,687	599,913	1,238,508
Operating loss	(180,925)	(570,368)	(445,888)	(1,036,176)
Other income (expense):				
Other income	2,073	-	2,073	-
Interest income	-	30	17	131
Interest expense	(23,332)	(23,344)	(46,557)	(46,378)
Net loss	\$ (202,184)	\$ (593,682)	\$ (490,355)	\$ (1,082,423)
Preferred dividends	59,178	59,836	119,014	119,014
Net loss attributable to common shareholders	\$ (261,362)	\$ (653,518)	\$ (609,369)	\$ (1,201,437)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average common shares outstanding – basic and diluted	61,909,238	61,782,404	61,881,105	61,245,387

See accompanying notes to unaudited consolidated financial statements.

**BLAST ENERGY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended June 30, 2010 and 2009**  
**(unaudited)**

	Six Months Ended June 30,	
	2010	2009
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (490,355)	\$ (1,082,423)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	71,736	67,690
Bad debt expense	-	10,778
Option and warrant expense	5,516	9,300
Loss on disposition of equipment	-	3,885
Changes in:		
Accounts receivable	(3,140)	30,130
Other current assets	22,809	16,949
Accounts payable	49,996	160,607
Accrued expenses	76,042	175,770
Accrued expenses – related party	45,024	-
Deferred revenue	4,124	(1,064)
Net Cash Used In Operating Activities	(218,248)	(608,378)
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of fixed assets	-	5,000
Cash paid for purchase of fixed assets	-	(77,520)
Cash paid for construction of equipment	-	(10,511)
Net Cash Used In Investing Activities	-	(83,031)
<b>Cash Flows From Financing Activities:</b>		
Payments on short term debt	(20,278)	(13,147)
Net Cash Used In Financing Activities	(20,278)	(13,147)
Net change in cash	(238,526)	(704,556)
Cash at beginning of period	261,164	731,631
Cash at end of period	\$ 22,638	\$ 27,075
Cash paid for:		
Interest	\$ 1,533	\$ 970
Income taxes	-	-
Non-Cash Transactions:		
Cashless exercise of warrants	-	1,350
Prepaid insurance financed with note payable	69,735	111,059
Property financed with note payable	-	21,455
Common stock issued for accrued liabilities	14,800	-

See accompanying notes to unaudited consolidated financial statements.

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

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying unaudited interim financial statements of Blast Energy Services, Inc. (“Blast” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with the audited financial statements and notes thereto contained in Blast’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate disclosures contained in the audited financial statements for the most recent fiscal year as reported in the Form 10-K, have been omitted.

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

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

**Use of Estimates in Financial Statement Preparation.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

**Fair Value of Financial Instruments.** The carrying amount of Blast’s cash, accounts receivables, accounts payables, and accrued expenses approximates their estimated fair values due to the short-term nature of those financial instruments. The fair value of related party transactions is not determinable due to their related party nature.

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

**Revenue Recognition.** All revenue is recognized when persuasive evidence of an arrangement exists, the service or sale is complete, the price is fixed or determinable and collectability is reasonably assured. Revenue is derived from sales of satellite hardware, satellite bandwidth, satellite service and lateral drilling services. Revenue from satellite hardware is recognized when the hardware is installed. Revenue from satellite bandwidth is recognized evenly over the term of the contract. Revenue from satellite service is recognized when the services are performed. Blast provides no warranty but sells commercially obtained three to twelve month warranties for satellite hardware. Blast has a 30-day return policy. Revenue for applied fluid jetting services is recognized when the services are performed and collectability is reasonably assured and when collection is uncertain, revenue is recognized when cash is collected.

**Allowance for Doubtful Accounts.** Blast does not require collateral from its customers with respect to accounts receivable but performs periodic credit evaluations of such customer’s financial condition. Blast determines any required allowance by considering a number of factors including length of time accounts receivable are past due and Blast’s previous loss history. Blast provides reserves for accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of June 30, 2010 and December 31, 2009, Blast has determined that no allowance for doubtful accounts is required.

**Earnings or Loss Per Share.** Basic earnings per share equal net earnings or loss divided by weighted average shares outstanding during the period. Diluted earnings per share include the impact on dilution from all contingently issuable shares, including options, warrants and convertible securities. The common stock equivalents from contingent shares are determined by the treasury stock method. Blast incurred a net loss for the three and six month periods ended June 30, 2010 and 2009 and therefore, basic and diluted earnings per share for those periods are the same as all potential common equivalent shares would be anti-dilutive.

**New Accounting Pronouncements.** We have adopted recently issued accounting pronouncements and have determined that they have no material effect on our financial position, results of operations, or cash flow. We do not expect any recently issued but not yet adopted accounting pronouncements to have a material effect on our financial position, results of operations or cash flow.

**NOTE 2 – GOING CONCERN**

Blast incurred a net loss of approximately \$490,000 for the six months ended June 30, 2010 and has an accumulated deficit of approximately \$73 million. The cash balance of approximately \$23,000 as of June 30, 2010 is not sufficient to fund the Company’s operations for the next twelve months. These conditions raise substantial doubt as to Blast’s ability to continue as a going concern. Management is trying to grow the existing businesses but may need to raise additional capital through sales of common stock or convertible instruments, as well as obtain financing from third parties. The consolidated financial statements do not include any adjustments that might be necessary if Blast is unable to continue as a going concern.

**NOTE 3 - EQUIPMENT**

Equipment consists of the following:

Description	Life	June 30, 2010	December 31, 2009
Computer equipment	3 years	\$ 22,313	\$ 22,313
Tractor/Trucks	4 years	98,974	98,974
Service Trailer	5 years	4,784	4,784
AFJ Rig	10 years	1,166,215	1,166,215
		1,292,286	1,292,286
Less: accumulated depreciation		(262,063)	(190,327)
		\$ 1,030,223	\$ 1,101,959

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

Management Furlough

On June 12, 2009, the Company’s board of directors implemented cost cutting measures to reduce overhead costs and conserve cash, including partial and full furloughs of management and staff with reduced or no pay, respectively. As such, John O’Keefe, our then President and CEO, was furloughed without pay, effective June 15, 2009. John MacDonald, CFO and Corporate Secretary, and Andrew Wilson, V.P. of Business Development (a non-executive position) were reduced to half pay until such time as funds are available to return to full pay. The Blast board of directors has appointed Michael L. Peterson, a current member of the board, to serve as interim President and CEO in the absence of Mr. O’Keefe. If Mr. O’Keefe is not retained after the furlough period, the Company will recognize a \$100,000 employment severance liability under the terms of Mr. O’Keefe’s employment contract.

Letter of Intent to Acquire Oil and Gas Properties

On April 26, 2010, Blast Energy Services, Inc. (“Blast”) entered into a letter of intent with Sun Resources Texas, Inc., a privately-held company based in Longview, Texas (“Sun”), to acquire Sun’s oil and gas interests in the Sugar Valley Field located in Matagorda County, Texas (the “Field”).

Under the terms proposed in the letter of intent, Blast will pay \$1.2 million in cash and common stock (as described below) for Sun’s approximately 66% working interest in three wells on the Field currently producing a total of approximately 40 gross barrels of oil per day from the Gravier Sand formation, with an estimate of more than 30,000 barrels of recoverable reserves net to the interest to be acquired by Blast, and approximately a 75% working interest in non-producing recoverable reserves estimated on the Field at over 78,000 barrels net to the interest to be acquired by Blast.

Following due diligence and the negotiation of a definitive agreement, the transaction is expected to close in September 2010, funding permitting, and subject to the approval of the Board of Directors of both companies and Sun's shareholders. There is no assurance that the transaction will be completed on these terms, if at all.

Blast intends to pay Sun in connection with the transaction with funds received from the \$1.44 million (net of associated legal fees) payable to Blast in September 2010 from Quicksilver in connection with the Compromise Settlement and Release Agreement entered into with Quicksilver in September 2008, as described in Note 9.

#### **NOTE 5 – NOTES PAYABLE – RELATED PARTY**

In February 2008, the Bankruptcy Court entered an order confirming our Second Amended Plan of Reorganization (the "Plan"). The maturity date of a pre-Plan, secured \$1.12 million note with Berg McAfee Companies, a major shareholder of Blast, was extended for an additional three years from the Plan effective date to February 27, 2011. The note bears interest at 8% and contains a lender option for the principal and interest to be convertible into Company stock at the rate of one share for each \$0.20 of the note outstanding. Blast had accrued interest payable under this note (reflected as Accrued expenses – related party in the accompanying balance sheet) of \$210,821 and \$165,797 at June 30, 2010 and December 31, 2009, respectively.

#### **NOTE 6 – PREFERRED STOCK – RELATED PARTIES**

##### ***Series A Convertible Preferred Stock***

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

The Series A Preferred Stock (the "Preferred Stock") accrue dividends at the rate of 8% per annum, in arrears for each month that the Preferred Stock is outstanding. Blast has the right to pay any or all of the accrued dividends at any time by providing the holders of the Preferred Stock at least five days written notice of their intent to pay such dividends. In the event Blast receives a "Cash Settlement," defined as an aggregate total cash settlement received by Blast, net of legal fees and expenses, in connection with Blast's litigation proceedings with Hallwood and Quicksilver (as defined below) in excess of \$4 million, Blast is required to pay outstanding dividends within thirty (30) days in cash or stock at the holder's option. If the dividends are not paid within thirty (30) days of the date the Cash Settlement is received, a "Dividend Default" occurs.

The Preferred Stock, and any accrued and unpaid dividends, have optional conversion rights into shares of Blast's common stock at a conversion price of \$0.50 per share. The Preferred Stock automatically converts if Blast's common stock trades for a period of more than twenty (20) consecutive trading days at a price greater than \$3.00 per share and if the average trading volume of Blast's common stock exceeds 50,000 shares per day. Six million preferred shares remain outstanding at June 30, 2010.

As of June 30, 2010, the aggregate and per share arrearages on the outstanding Preferred Stock were \$612,165 and \$0.10, respectively.

## NOTE 7 – COMMON STOCK

In February 2010, 89,334 shares of Blast's common stock were issued to a consultant in consideration for their services and were valued at \$14,800, based upon the price of Blast's common stock at the time the services were rendered.

In March 2009, the Company issued 1,350,000 shares to Laurus Master Fund Ltd. ("Laurus") pursuant to Laurus's cashless exercise of 1,508,824 common stock purchase warrants.

## NOTE 8 – OPTIONS AND WARRANTS

### Share-based Compensation:

The 2009 Stock Incentive Plan (the "Incentive Plan") authorizes the issuance of various forms of stock-based awards, including incentive or non-qualified options, restricted stock awards, performance shares and other securities as described in greater detail in the Incentive Plan, to the Company's employees, officers, directors and consultants. A total of 5,000,000 options are authorized to be issued under the Incentive Plan. As of June 30, 2010, no shares have been granted under this plan.

During the six month period ended June 30, 2010, the Company recognized share-based compensation expense of \$5,516. The remaining amount of unamortized options expense at June 30, 2010 is \$8,430. The intrinsic value of outstanding as well as exercisable options at June 30, 2010 was -0-.

Activity in options during the six month period ended June 30, 2010 and related balances outstanding as of that date are reflected below:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contract Term (# years)</b>
Outstanding at January 1, 2010	2,970,292	\$ 0.60	
Granted	-	-	
Exercised	-	-	
Forfeited and cancelled	355,500	0.61	
Outstanding at June 30, 2010	2,614,792	\$ 0.61	4.7
Exercisable at June 30, 2010	2,556,459	\$ 0.62	4.7

Activity in warrants during the six months ended June 30, 2010 and related balances outstanding as of that date are reflected below. There were 12,245,089 warrants outstanding at June 30, 2010. The intrinsic value of the exercisable warrants at June 30, 2010 was \$77,754.

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contract Term (# years)</b>
Outstanding at January 1, 2010	12,245,089	\$ 0.84	
Granted	-	-	
Exercised	-	-	
Forfeited and cancelled	-	-	
Outstanding at June 30, 2010	12,245,089	\$ 0.84	2.6
Exercisable at June 30, 2010	12,245,089	\$ 0.84	2.6

## NOTE 9 – LITIGATION

### Quicksilver Resources Lawsuit

In September 2008, Blast and Eagle Domestic Drilling Operations LLC, our wholly-owned subsidiary (“Eagle”), entered into a Compromise Settlement and Release Agreement with Quicksilver Resources, Inc. (“Quicksilver”) in the Court to resolve the pending litigation and the parties agreed to release all claims against one another and certain related parties. Quicksilver agreed to pay Eagle a total of \$10 million of which \$6 million has been received to date. The remaining amounts due from Quicksilver are (i) \$2 million (\$1.44 million net of associated legal fees) payable on or before September 2010, the second anniversary date of the execution of the settlement; and (ii) \$2 million (\$1.44 million net of associated legal fees) payable on or before September 2010, the third anniversary date of the execution of the settlement. In the event any fees are not paid on their due date and Quicksilver’s failure to pay is not cured within ten days after written notice, then all of the remaining payments immediately become due and payable. The remaining amounts due from Quicksilver are shown as a current and long-term receivable in the balance sheet, net of contingent legal fees.

### Alberta Energy Partners

During the course of Blast’s Chapter 11 bankruptcy proceedings in 2007 and 2008, Alberta Energy Partners (“Alberta”) took a number of legal actions adverse to Blast. Alberta filed a motion to deem rejected the 2005 Technology Purchase Agreement (the “Purchase Agreement”) between Alberta and Blast. That motion was denied, and Alberta appealed the bankruptcy court’s ruling. Additionally, Alberta objected to the confirmation of Blast’s plan of reorganization. That objection was overruled by the bankruptcy court, and Alberta appealed. The appeal was dismissed by the United District Court for the Southern District of Texas (the “District Court”) as moot (together with the prior denial of Alberta’s motions, the “Dismissal Orders”); however, Alberta filed a motion for reconsideration and rehearing of the District Court’s order.

On September 1, 2009, oral arguments on that matter were heard by the United States District Court of Appeals for the Fifth Circuit (the “Fifth Circuit”). On January 21, 2010, Blast was informed that the Fifth Circuit reversed the decision of the District Court, vacated the Dismissal Orders and remanded the matters to the District Court for further consideration.

Rather than enter into costly and lengthy hearings on this matter, Blast, Alberta and certain related parties of Alberta instead entered into a Settlement Agreement with an effective date of February 1, 2010, to end the legal dispute. Under the terms of the Settlement Agreement, the 50% of the Abrasive Fluid Jetting Technology owned by Blast that was sold to Blast pursuant to the Purchase Agreement was transferred and assigned back to Alberta. In consideration of the assignment provided for above, Alberta and the related parties of Alberta agreed to release Blast, its present and former officers, directors, employees, attorneys and agents of and from any and all commitments, actions, debts, claims, counterclaims, suits, causes of action, damages, demands, liabilities, obligations, costs, expenses, and compensation of every kind and nature whatsoever. All personal property (whether machinery, equipment or of any other type) that Blast developed and paid for in connection with the Purchase Agreement remained the property of Blast as a result of the Settlement Agreement, including, but not limited to, the coiled tubing rig and all parts, machinery and equipment associated with the operation and/or maintenance of such rig.

Upon the execution of the Settlement Agreement, Alberta filed with the District Court a motion to dismiss with prejudice its appeal of the prior District Court orders, which together with the Settlement Agreement, settles and ends the ongoing disputes and litigation between Blast and Alberta. This settlement has no bearing on the Applied Fluid Jetting technology the Company is continuing to develop.

### General

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

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

## NOTE 10 – BUSINESS SEGMENTS

Blast has two reportable segments: (1) Satellite Communications Services and (2) Down-hole Solutions. A reportable segment is a business unit that has a distinct type of business based upon the type and nature of services and products offered.

Blast evaluates performance and allocates resources based on profit or loss from operations before other income or expense and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The table below reports certain financial information by reportable segment for the three and six months ended June 30, 2010 and 2009:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues:				
Satellite Communications	\$ 69,623	\$ 84,319	\$ 154,025	\$ 182,332
Down-hole Solutions	-	-	-	20,000
Total Revenue	<u>\$ 69,623</u>	<u>\$ 84,319</u>	<u>\$ 154,025</u>	<u>\$ 202,332</u>
Costs of Goods Sold:				
Satellite Communications	\$ 62,487	\$ 74,370	\$ 140,106	\$ 163,365
Down-hole Solutions	21,763	194,709	49,888	294,425
Corporate	166,298	385,608	409,919	780,718
Total Costs of Goods Sold	<u>\$ 250,548</u>	<u>\$ 654,687</u>	<u>\$ 599,913</u>	<u>\$ 1,238,508</u>
Operating profit (loss):				
Satellite Communications	\$ 7,136	\$ 9,949	\$ 13,919	\$ 18,967
Down-hole Solutions	(21,763)	(194,709)	(49,888)	(274,425)
Corporate	(166,298)	(385,608)	(409,919)	(780,718)
Operating Loss	<u>\$ (180,925)</u>	<u>\$ (570,368)</u>	<u>\$ (445,888)</u>	<u>\$ (1,036,176)</u>

## NOTE 11 – SUBSEQUENT EVENTS

In July 2010, Blast sold a surplus service vehicle for \$45,000 in cash and also received approximately \$23,000 in cash resulting from a refund related to the cancellation of workers compensation insurance policies from 2009. This receivable amount is recorded as an other asset in the financial statements.

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

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

### **Forward-Looking Statements**

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

The following discussion and analysis of our financial condition is as of June 30, 2010. Our results of operations and cash flows should be read in conjunction with our unaudited financial statements and notes thereto included elsewhere in this report and the audited financial statements and the notes thereto included in our Form 10-K for the year ended December 31, 2009.

### **Business Overview**

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

Blast is an emerging technology company in the energy sector and strives to assist oil and gas companies in producing more economically. We seek to provide quality services to the energy industry through our two divisions (i) Satellite Communications services and (ii) Down-hole Solutions, such as our Applied Fluid Jetting ("AFJ") technology. Our mission is to substantially improve the economics of existing and evolving oil and gas operations through the application of Blast licensed and owned technologies. Our strategy is to grow our businesses by maximizing revenues from the communications and down-hole segments and controlling costs while analyzing potential acquisitions and new technology opportunities in the energy service sector. Additionally, Blast is considering the potential impact from applying our down-hole solutions business toward oil and gas assets that we own, thus exploiting the assets for our own benefit rather than for a third-party customer. To this end, we have begun exploring the opportunity to purchase oil and gas producing properties.

### **Other Opportunities**

During the next twelve months, the Company plans to acquire oil and gas assets and may explore the sale of the satellite business. Blast may choose to raise funds through the sale of debt and/or equity in order to support its operations. The sale of additional equity securities, if undertaken by Blast, and if accomplished, may result in dilution to our shareholders. Blast cannot assure you, however, that future financing will be available in amounts or on terms acceptable to Blast, or at all.

### **Management Changes**

On June 12, 2009, the Company's board of directors implemented cost cutting measures to reduce overhead costs and conserve cash, including partial and full furloughs of management and staff with reduced or no pay, respectively. As such, John O'Keefe, our then President and CEO, was furloughed without pay, effective June 15, 2009. John MacDonald, CFO and Corporate Secretary, and Andrew Wilson, V.P. of Business Development (a non-executive position) were reduced to half pay until such time as funds are available to return to full pay. The Blast board of directors has appointed Michael L. Peterson, a current member of the board, to serve as interim President and CEO in the absence of Mr. O'Keefe.

## Critical Accounting Policies

### General

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

### Stock-Based Compensation

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

We estimate volatility by considering historical stock volatility. We have opted to use the simplified method for estimating expected term, which is equal to the midpoint between the vesting period and the contractual term.

## Results of Operations and Financial Condition

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

### *Comparison of the Three Months Ended June 30, 2010 with the Three Months Ended June 30, 2009*

**Satellite Communications.** Satellite Communications Services’ revenues decreased by \$14,000 or 17% to \$70,000 for the three months ended June 30, 2010 compared to \$84,000 for the three months ended June 30, 2009. The operating margin from Satellite Communications Services decreased by \$3,000 to an operating profit of \$7,000 for the three months ended June 30, 2010, compared to \$10,000 for the three months ended June 30, 2009. Lower market prices for natural gas during 2010 have resulted in our customers reducing the number of active drilling rigs they employed during the three months ended June 30, 2010, as compared to the similar period in 2009, thereby reducing the demand for our satellite communications services. As a result, revenues and margin are lower for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009.

**Down-hole Solutions.** Down-hole Solutions’ revenues were \$-0- for the three months ended June 30, 2010 and 2009. The loss from Down-hole Solutions decreased by \$173,000 to \$22,000 for the three months ended June 30, 2010 compared to a loss of \$195,000 for the three months ended June 30, 2009. This decrease was due to the temporary suspension of field testing of this technology after unsuccessfully attempting to drill laterals on several wells.

**Depreciation and Amortization.** Depreciation and amortization expense was \$36,000 for the three months ended June 30, 2010 and 2009.

**Selling, General and Administrative.** Selling, general and administrative (“SG&A”) expenses decreased by \$209,000 to \$130,000 for the three months ended June 30, 2010 compared to \$339,000 for the three months ended June 30, 2009.

(in thousands)	For the Three Months Ended		Increase (Decrease)
	June 30,		
	2010	2009	
Payroll and related costs	\$ 47	\$ 111	\$ (64)
Option and warrant expense	3	1	2
Legal fees & settlements	5	62	(57)
External services	56	81	(25)
Insurance	3	50	(47)
Travel & entertainment	5	15	(10)
Office rent, communications, misc.	11	19	(8)
	<u>\$ 130</u>	<u>\$ 339</u>	<u>\$ (209)</u>

Significantly lower administrative costs were a result of reduced payroll costs associated with the furlough and reduction of salary of executive management in 2009, along with a reduction legal fees and the use of outside consultants, a reduction in insurance expenses due to cancellation of certain policies, and an approximate \$23,000 refund of 2009 workers compensation insurance expense accrued at June 30, 2010 and received by the Company in July 2010.

**Interest Expense.** Interest expense was \$23,000 for the three months ended June 30, 2010 and 2009. During the three months ended June 30, 2010 and 2009, interest expense included accrued interest on the \$1.1 million related party note related to the fabrication of the AFJ rig (described in greater detail below).

**Net Loss.** Net loss decreased by \$392,000 or 66% to a net loss of \$202,000 for the three months ended June 30, 2010 compared to a net loss of \$594,000 for the three months ended June 30, 2009. This decrease is primarily due to lower administrative costs and the reduction in Down-hole expenses as described above, offset by the decrease in revenues described above.

***Comparison of the Six Months Ended June 30, 2010 with the Six Months Ended June 30, 2009***

**Satellite Communications.** Satellite Communications Services' revenues decreased by \$28,000 or 15% to \$154,000 for the six months ended June 30, 2010 compared to \$182,000 for the six months ended June 30, 2009. The operating margin from Satellite Communications Services decreased by \$5,000 to an operating profit of \$14,000 for the six months ended June 30, 2010 compared to \$19,000 for the six months ended June 30, 2009. Lower market prices for natural gas during 2010 have resulted in our customers reducing the number of active drilling rigs they employed for the six months ended June 30, 2010, as compared to the similar period in 2009, thereby reducing the demand for our satellite communications services. As a result, revenues and margin are lower for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

**Down-hole Solutions.** Down-hole Solutions' revenues were \$-0- for the six months ended June 30, 2010 compared to \$20,000 for the six months ended June 30, 2009. The loss from Down-hole Solutions decreased by \$224,000 to \$50,000 for the six months ended June 30, 2010 compared to a loss of \$274,000 for the six months ended June 30, 2009. This decrease was due to the temporary suspension of field testing of this technology after unsuccessfully attempting to drill laterals on several wells.

**Depreciation and Amortization.** Depreciation and amortization expense was \$72,000 for the six months ended June 30, 2010 compared to \$68,000 for the six months ended June 30, 2009, which increase was mainly due to an increase in our depreciable asset base.

**Selling, General and Administrative.** Selling, general and administrative ("SG&A") expenses decreased by \$360,000 to \$338,000 for the six months ended June 30, 2010 compared to \$698,000 for the six months ended June 30, 2009.

(in thousands)	For the Six Months Ended		Increase (Decrease)
	June 30,		
	2010	2009	
Payroll and related costs	\$ 94	\$ 226	\$ (132)
Option and warrant expense	6	9	(3)
Legal fees & settlements	41	72	(31)
External services	136	240	(104)
Insurance	35	79	(44)
Travel & entertainment	9	33	(24)
Office rent, communications, misc.	17	39	(22)
	<u>\$ 338</u>	<u>\$ 698</u>	<u>\$ (360)</u>

Significantly lower administrative costs were a result of reduced payroll costs associated with the furlough and reduction of salary of executive management in 2009, along with a reduction in legal fees, a reduction in the use of outside consultants, a reduction in insurance expenses due to cancellation of certain policies, and an approximate \$23,000 refund of 2009 workers compensation insurance expense accrued at June 30, 2010 and received by the Company in July 2010.

**Interest Expense.** Interest expense was approximately \$47,000 for the six months ended June 30, 2010 and \$46,000 for the six months ended June 30, 2009. During the six months ended June 30, 2010 and 2009, interest expense included accrued interest on the \$1.1 million related party note related to the fabrication of the AFJ rig.

**Net Loss.** Net loss decreased by \$592,000 to a net loss of \$490,000 for the six months ended June 30, 2010 compared to a net loss of \$1,082,000 for the six months ended June 30, 2009. This decrease is primarily due to lower administrative costs and the reduction in Down-hole expenses as described above, offset by the decrease in revenues described above.

### Liquidity and Capital Resources

We have no current commitment from our officers and Directors or any of our shareholders to supplement our operations or provide us with financing in the future. In the future, we may be required to seek additional capital by selling debt or equity securities, selling assets, or otherwise be required to bring cash flows in balance when we approach a condition of cash insufficiency. The sale of additional equity or debt securities, if accomplished, may result in dilution to our then shareholders. We provide no assurance that financing will be available in amounts or on terms acceptable to us, or at all. As of June 30, 2010, we had cash of approximately \$23,000. However, in July 2010, Blast sold a surplus service vehicle for \$45,000 in cash and received approximately \$23,000 in cash resulting from the refund of premiums related to cancelled workers compensation policies from 2009. Cash on hand at August 16, 2010 was \$51,993. The Company anticipates receiving \$1.44 million in September 2010 pursuant to its Settlement Agreement with Quicksilver Resources. A portion of the proceeds are expected to be used to close its acquisition of oil and gas properties from Sun Resources Texas, Inc. pursuant to the letter of intent dated April 26, 2010.

Under the terms proposed in the letter of intent, Blast will pay \$1.2 million in cash and common stock (as described below) for Sun's approximately 66% working interest in three wells on the Field currently producing a total of approximately 40 gross barrels of oil per day from the Gravier Sand formation, with an estimate of more than 30,000 barrels of recoverable reserves net to the interest to be acquired by Blast, and approximately a 75% working interest in non-producing recoverable reserves estimated on the Field at over 78,000 barrels net to the interest to be acquired by Blast.

Blast had total current assets of \$1.6 million as of June 30, 2010, including the cash balance of \$23,000, compared to total current assets of \$1.8 million as of December 31, 2009, including a cash balance of \$261,000.

Blast had total assets as of June 30, 2010 of \$4.1 million compared to total assets of \$4.3 million as of December 31, 2009.

Blast had total liabilities of \$1.89 million as of June 30, 2010, including current liabilities of \$1.87 million compared to total liabilities of \$1.7 million as of December 31, 2009, including current liabilities of \$541,000.

Blast had negative net working capital of \$265,000, total stockholders' equity of \$2.2 million and a total accumulated deficit of \$73.0 million as of June 30, 2010 compared to net working capital of \$1.3 million, total stockholders' equity of \$2.7 million and a total accumulated deficit of \$72.5 million as of December 31, 2009. The reduction in equity is attributable to the net loss of \$490,000 for the six months ended June 30, 2010.

A secured \$1.12 million note with Berg McAfee Companies, LLC remains outstanding as of June 30, 2010. The note, which was extended for an additional three years from the effective date of the Plan (February 27, 2008) to February 27, 2011, bears interest at eight-percent (8%) per annum, and contains an option to convert into shares of the Company's common stock at the rate of one share of common stock for each \$0.20 of the note outstanding.

In December 2009, Blast, through its wholly-owned Delaware subsidiary, Blast AFJ, Inc., began a private placement offering of the Series A Preferred Stock of its subsidiary corporation to "accredited" investors and "non-U.S. persons" as such terms are defined under the Securities Act of 1933, as amended. The proposed terms of the offering have since changed however, and Blast AFJ, Inc. currently plans to offer, pursuant to the offering, up to 50 Convertible Subordinated Promissory Notes, each, with the principal value of \$500,000 (for \$25,000,000 in total possible funding)(the "Convertible Notes"). The Convertible Notes bear interest at the rate of 3% per annum, payable quarterly, with the principal amount of the Convertible Notes due five years from their issuance date. The Notes are convertible into shares of Blast's common stock at the option of the holders thereof, at any time after the fourth anniversary of their issuance, at a conversion price of \$2.50 per share. The Convertible Notes are unsecured and no Series A Preferred Stock or Convertible Notes have been sold to date. The offering is in connection with the United States Citizenship and Immigration Service ("USCIS") EB-5 Program, pursuant to which Blast's subsidiary was formed as a development stage fossil fuel extraction company, to manage the manufacturing and operation of well drilling units or rigs within the geographic area of a regional center designated by the USCIS pursuant to the EB-5 Immigrant Investor Program. To date no funds have been raised. Blast intends to include additional disclosure regarding the offering and the business plan of its wholly-owned subsidiary at such time as any securities have been sold in the offering.

**Cash Flows From Operating Activities.** Blast had net cash used in operating activities of approximately \$218,000 for the six months ended June 30, 2010 which was mainly due to \$490,000 of loss from continuing operations, partially offset by an increase in accrued expenses of \$76,000, an increase in accounts payable of \$50,000, an increase in accrued expenses-related party of \$45,000 and \$72,000 of depreciation and amortization expense.

**Cash Flows from Financing Activities.** Blast had net cash used in financing activities of \$20,000 for the six months ended June 30, 2010, primarily related to payments on short-term debt.

#### **Off-Balance Sheet Arrangements**

None.

#### **Recent Accounting Pronouncements**

For the period ended June 30, 2010, there were no other changes to our critical accounting policies as identified in our annual report on Form 10-K for the year ended December 31, 2009.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not Applicable.

## **Item 4T. Controls and Procedures**

### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms, and that information is accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our principal executive and principal financial officer, the effectiveness of our disclosure controls and procedures as of June 30, 2010, pursuant to Rule 13a-15(b) under the Securities Exchange Act. Based upon that evaluation, our principal executive and principal financial officer concluded that, as of June 30, 2010, our disclosure controls and procedures were effective.

### **Changes in Internal Control Over Financial Reporting**

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

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

Quicksilver Resources Lawsuit

In September 2008, Blast and Eagle entered into a Compromise Settlement and Release Agreement with Quicksilver Resources, Inc. (“Quicksilver”) in the Court to resolve the pending litigation and the parties agreed to release all claims against one another and certain related parties. Quicksilver agreed to pay Eagle a total of \$10 million of which \$6 million has been received to date. The remaining amounts due from Quicksilver are (i) \$2 million payable on or before the second anniversary date of the execution of the settlement; and (ii) \$2 million payable on or before the third anniversary date of the execution of the settlement. In the event any fees are not paid on their due date and Quicksilver’s failure to pay is not cured within ten days after written notice, then all of the remaining payments immediately become due and payable. The remaining amounts due from Quicksilver are shown as a current and long-term receivable in the balance sheet, net of contingent legal fees.

Alberta Energy Partners

During the course of Blast’s Chapter 11 bankruptcy proceedings in 2007 and 2008, Alberta Energy Partners (“Alberta”) took a number of legal actions adverse to Blast. Alberta filed a motion to deem rejected the 2005 Technology Purchase Agreement (the “Purchase Agreement”) between Alberta and Blast. That motion was denied, and Alberta appealed the bankruptcy court’s ruling. Additionally, Alberta objected to the confirmation of Blast’s plan of reorganization. That objection was overruled by the bankruptcy court, and Alberta appealed. The appeal was dismissed by the United District Court for the Southern District of Texas (the “District Court”) as moot (together with the prior denial of Alberta’s motions, the “Dismissal Orders”); however, Alberta filed a motion for reconsideration and rehearing of the District Court’s order.

On September 1, 2009, oral arguments on that matter were heard by the United States District Court of Appeals for the Fifth Circuit (the “Fifth Circuit”). On January 21, 2010, Blast was informed that the Fifth Circuit reversed the decision of the District Court, vacated the Dismissal Orders and remanded the matters to the District Court for further consideration.

Rather than enter into costly and lengthy hearings on this matter, Blast, Alberta and certain related parties of Alberta instead entered into a Settlement Agreement to end the legal dispute with an effective date of February 1, 2010. Under the terms of the Settlement Agreement, the 50% of the Abrasive Fluid Jetting Technology owned by Blast that was sold to Blast pursuant to the Purchase Agreement was transferred and assigned back to Alberta. In consideration of the assignment provided for above, Alberta and the related parties of Alberta agreed to release Blast, its present and former officers, directors, employees, attorneys and agents of and from any and all commitments, actions, debts, claims, counterclaims, suits, causes of action, damages, demands, liabilities, obligations, costs, expenses, and compensation of every kind and nature whatsoever. All personal property (whether machinery, equipment or of any other type) that Blast developed and paid for in connection with the Purchase Agreement shall also remain the property of Blast as a result of the Settlement Agreement, including, but not limited to, the coiled tubing rig and all parts, machinery and equipment associated with the operation and/or maintenance of such rig.

Upon the execution of the Settlement Agreement, Alberta agreed to file with the District Court a motion to dismiss with prejudice its appeal of the prior District Court orders, which together with the Settlement Agreement, settles and ends the ongoing disputes and litigation between Blast and Alberta. This settlement has no bearing on the Applied Fluid Jetting technology the Company is continuing to develop.

General

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

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

**Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in the registrant's Form 10-K for the fiscal year ended December 31, 2009, filed with the Commission on March 31, 2010.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. (Removed and Reserved)**

**Item 5. Other Information.**

None.

## Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Certification of Principal Executive Officer pursuant to Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Certification of Principal Accounting Officer pursuant to Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\*Filed herewith

### SIGNATURES

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

#### **Blast Energy Services, Inc.**

Date: August 16, 2010

By: /s/ Michael L. Peterson  
Michael L. Peterson  
Interim President and CEO  
(Principal Executive Officer)

Date: August 16, 2010

By: /s/ John MacDonald  
John MacDonald  
Chief Financial Officer  
(Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Michael L. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blast Energy Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 16, 2010

By: /s/ Michael L. Peterson  
Michael L. Peterson  
Interim President and CEO  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER**

I, John MacDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blast Energy Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 16, 2010

By: /s/ John MacDonald  
John MacDonald  
Chief Financial Officer  
(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Blast Energy Services, Inc. (the "Company") for the period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Peterson, Interim President and CEO and Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2010

By: /s/ Michael L. Peterson  
Michael L. Peterson  
Interim President and CEO  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Blast Energy Services, Inc. (the "Company") for the period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John MacDonald, Chief Financial Officer and Principal Accounting Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2010

By: /s/ John MacDonald  
John MacDonald  
Chief Financial Officer  
(Principal Accounting Officer)