

BLACKSANDS PETROLEUM, INC.  
Form 10-Q  
September 15, 2011

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended July 31, 2011

or

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-51427

BLACKSANDS PETROLEUM, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation  
or organization)

20-1740044  
(I.R.S. Employer Identification No.)

800 Bering, Suite 250  
Houston, Texas 77057  
(Address of principal executive offices) (zip code)

(713) 554-4490  
(Registrant's telephone number, including area code)

25025 I-45 N., Suite 410  
The Woodlands, Texas 77380  
(Former name, former address and former fiscal year, if changed since last report)

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 (§

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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, an 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a 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 .

As of September 12, 2011, there were 16,377,125 shares of the registrant's common stock outstanding.

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BLACKSANDS PETROLEUM, INC.

FORM 10-Q  
For the Quarter Ended July 31, 2011

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

Blacksands Petroleum, Inc. and Subsidiaries  
 Consolidated Balance Sheets  
 (Unaudited)

	July 31, 2011	October 31, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,064,426	\$ 1,609,961
Accounts receivable	872,045	210,180
Prepaid expenses and deposits	15,000	12,423
Total Current Assets	1,951,471	1,832,564
Oil and gas property costs (successful efforts method of accounting)		
Unproved	6,727,446	1,897,767
Proved, net of accumulated depletion of \$1,119,641 and \$691,002 respectively	1,800,707	1,786,997
Fixed assets, net	2,838	--
Other assets	230,000	50,000
<b>TOTAL ASSETS</b>	<b>\$ 10,712,462</b>	<b>\$ 5,567,328</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable	\$ 1,560,000	\$ --
Accounts payable and accrued expenses	1,114,111	729,360
Derivative liability	--	923,756
Total Current Liabilities	2,674,111	1,653,116
Note Payable	--	60,000
Asset Retirement obligation	732,817	523,060
Total Liabilities	3,406,928	2,236,176
Stockholders' Equity:		
Preferred stock - \$.01 par value; 10,000,000 shares authorized:	--	--
Series A - \$.001 par value, 310,000 shares authorized, 250,000 and nil shares issued and outstanding at July 31, 2011 and October 31, 2010, respectively	250	250
Common stock - \$.001 par value; 100,000,000 shares authorized; 16,377,068 and 14,951,567 shares issued and outstanding at July 31, 2011 and October 31, 2010, respectively	16,378	14,952
Additional paid-in capital	21,858,751	14,238,690
Accumulated deficit	(14,569,845)	(10,922,740)
Total Stockholders' Equity	7,305,534	3,331,152
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 10,712,462</b>	<b>\$ 5,567,328</b>

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



## Blacksands Petroleum, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss  
(Unaudited)

	Nine Months Ended July 31, 2011		Three Months Ended July 31, 2011	
	2010	2010	2011	2010
<b>Revenue:</b>				
Oil and gas revenue	\$1,408,718	\$851,371	\$515,955	\$357,279
<b>Expenses:</b>				
Selling, general and administrative	1,862,065	1,260,423	535,345	924,366
Depreciation and depletion	428,639	174,570	89,533	95,386
Accretion expense	44,480	4,421	13,945	1,997
Lease operating expenses	582,229	350,798	229,993	145,942
Impairment of oil and gas property interest	77,703	--	77,703	--
Oil and gas exploration	106,394	166,607	--	20,036
<b>Total expenses</b>	<b>3,101,510</b>	<b>1,956,819</b>	<b>946,519</b>	<b>1,187,727</b>
<b>Loss from operations</b>	<b>(1,692,792 )</b>	<b>(1,105,448 )</b>	<b>(430,564 )</b>	<b>(830,448 )</b>
<b>Other income and (expense):</b>				
Interest income	--	113,309	--	--
Interest expense	(1,901,588 )	(13,260 )	(68,139 )	(13,260 )
Change in value of derivative liability	(52,725 )	--	--	--
Loss on currency transactions	--	(203,828 )	--	(25,279 )
Gain on sale of Access	--	2,644,008	--	(71,122 )
<b>Total other income (expense)</b>	<b>(1,954,313 )</b>	<b>2,540,229</b>	<b>(68,139 )</b>	<b>(109,661 )</b>
(Loss) income before provision for income taxes	(3,647,105 )	1,434,781	(498,703 )	(940,109 )
Provision for income taxes	--	--	--	--
Net (loss) income	(3,647,105 )	1,434,781	(498,703 )	(940,109 )
Preferred stock dividends	150,000	--	50,000	--
Net (loss) income attributable to common shareholders	\$(3,797,105 )	\$1,434,781	\$(548,703 )	\$(940,109 )
<b>Comprehensive loss:</b>				
Net (loss) income	\$(3,647,105 )	\$1,434,781	\$(498,703 )	\$(940,109 )
Other comprehensive income, net of tax				
Currency translation adjustment	--	123,001	--	--
<b>Total comprehensive (loss) income</b>	<b>\$(3,647,105 )</b>	<b>\$1,557,782</b>	<b>\$(498,703 )</b>	<b>\$(940,109 )</b>
<b>(Loss) income per share attributable to common shareholders</b>				
Basic	\$(0.24 )	\$0.10	\$(0.03 )	\$(0.06 )

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Diluted	\$ (0.24	) \$ 0.09	\$ (0.03	) \$ (0.06	)
Weighted Average Shares Outstanding					
Basic	15,539,590	14,951,567	16,228,997	14,951,567	
Diluted	15,539,590	15,118,233	16,228,997	14,951,567	

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

Blacksands Petroleum, Inc. and Subsidiaries  
Consolidated Statement of Stockholders' Equity  
Year Ended October 31, 2010 and Nine Months Ended July 31, 2011  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, October 31, 2010	250,000	\$ 250	14,951,567	\$ 14,952	\$ 14,238,690	\$ (10,922,740)	\$ 3,331,152
Conversion of debt	--	--	564,667	565	1,693,435	--	1,694,000
Discount on debentures	--	--	--	--	1,745,300	--	1,745,300
Proceeds from Private Placement Offering, net of costs of \$118,101	--	--	860,834	861	2,463,539	--	2,464,400
Reclassification of derivative	--	--	--	--	976,481	--	976,481
Stock based compensation	--	--	--	--	741,306	--	741,306
Net loss	--	--	--	--	--	(3,647,105 )	(3,647,105)
Balance, July 31, 2011	250,000	\$ 250	16,377,068	\$ 16,378	\$ 21,858,751	\$ (14,569,845)	\$ 7,305,534

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



BLACKSANDS PETROLEUM, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(Unaudited)

	Nine months Ended July 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,647,105)	\$ 1,434,781
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Loss on derivative liability	52,725	--
Gain on sale of Access	--	(2,644,008)
Stock based compensation expense	741,306	634,879
Amortization of debt discount	1,745,300	--
Depreciation and depletion	429,988	174,570
Accretion	44,480	4,421
Impairment of oil and gas costs	77,703	--
Changes in operating assets and liabilities:		
Accounts receivable	(661,865)	(251,065)
Prepaid expense, deposits and other assets	(182,577)	(7,142)
Accounts payable and accrued expenses	384,751	284,113
Accounts payable related party	--	24,759
Net cash flows used in operating activities	(1,015,294)	(344,692)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of oil and gas properties	(5,184,454)	(2,612,160)
Acquisition of fixed assets	(4,187)	--
Payment on sale of Access	--	(75,000)
Investment in short-term investments	--	88,553
Net cash flows used in investing activities	(5,188,641)	(2,598,607)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sale of common stock	2,464,400	--
Proceeds from note payable	1,500,000	2,500,000
Net proceeds from bridge notes payable	1,745,300	--
Repayment of notes payable	(51,300)	--
Net cash flows provided by financing activities	5,658,400	2,500,000
Effects of exchange on cash	--	123,001
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(545,535)</b>	<b>(320,298)</b>
CASH AND CASH EQUIVALENTS - Beginning of period	1,609,961	2,797,690
CASH AND CASH EQUIVALENTS - End of period	\$ 1,064,426	\$ 2,477,392

## Supplemental Disclosures

Cash paid for interest	\$ 15,379	\$ --
Cash paid for income taxes	\$ --	\$ --

## Supplemental non-cash activities

Asset retirement obligation acquired in acquisition	\$ 165,277	\$ 96,426
Conversion of notes payable to common stock	\$ 1,694,000	--
Reclassification of derivative liability to equity	\$ 976,481	--
Discount on debenture for warrants and beneficial conversion feature	\$ 1,745,300	
Purchase of oil and gas properties with note payable	\$ --	\$ 500,000

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

Blacksands Petroleum, Inc.  
Notes to Consolidated Financial Statements  
(Unaudited)

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1. DESCRIPTION OF BUSINESS, AND SIGNIFICANT ACCOUNTING POLICIES

Blacksands Petroleum, Inc. (hereinafter referred to as the “Company”) was incorporated in the State of Nevada on October 12, 2004 as Lam Liang Corp. The Company changed its name to Blacksands Petroleum, Inc. on June 9, 2006. Since August 2007, the Company has been engaged in the exploration, development, exploitation and production of oil and natural gas. Until November 9, 2009 when the Company acquired its interest in the J.E. Pettus Gas Unit, the Company was considered an exploration stage company in accordance with Accounting Standards Codification (“ASC”) No. 915. The Company sells its oil and gas products primarily to domestic pipelines and refineries. Its operations are presently focused in the States of Texas and New Mexico.

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in annual report on Form 10-K for the year ended October 31, 2010 filed with the SEC on February 2, 2011. 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 consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements as reported in the 2010 annual report on Form 10-K have been omitted.

2. Oil and Gas Properties

AP Clark II Prospect Acquisition in November 2010

On November 29, 2010, the Company entered into a leasehold acquisition and participation agreement (the “LAPA”) with Westerly Exploration, Inc. (“Westerly”) pursuant to which (i) the Company acquired the leasehold interests and rights thereto in the AP Clark II Prospect (as defined in the LAPA) located in Borden County, Texas from Westerly for \$260,000 (ii) the Company paid Westerly \$119,000 as advance payment towards 70% of the actual third party costs to receive an extension of certain leasehold properties included in the AP Clark II Prospect (as defined in the LAPA) (the “Extension Monies”) and (iii) the Company and Westerly agreed to drill the W.D. Everett Well No. 3 located within the AP Clark II Prospect (as defined in the LAPA) whereby all costs of such drilling operation shall be borne 30% by Westerly and 70% by the Company. Upon execution of the LAPA, the Company paid Westerly \$163,590 for the sole purpose of acquisition of casing for the W.D. Everett Well No. 3.

The Company commenced drilling on the W.D. Everett Well No. 3 during the quarter ended April 30, 2011. Production commenced from this well during the quarter ended July 31, 2011. In addition, the Company commenced drilling on the BVR Well No. 1 in July 2011. The Company incurred \$1,745,221 in capitalized exploration costs through July 31, 2011 in connection with drilling these wells.

Copano Bay Acquisition in December 2010

On November 1, 2010, the Company purchased the Copano Bay Lease located in Aransas County, Texas for \$100,000. The Copano Bay Lease includes four (4) active wells and seven (7) non-producing wells located on 1,920 acres in Aransas County, Texas. The leases are currently held by production. The leasehold working interest acquired

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by Copano Bay Holdings LLC is 50% leasehold working interest (37.5% net revenue interest) from the surface to 8,000 feet below the surface. NRG Assets Management LLC, a Texas LLC and Texas registered operating company owned by the Company is the operator at all depths. In connection with the acquisition, the Company recorded an asset retirement obligation totaling \$188,758.

The preliminary purchase price allocation:

Total purchase price	\$ 100,000
Oil and gas properties	233,316
Pre-purchase production	55,442
Asset retirement obligations	(188,758 )
Total purchase price	\$ 100,000

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#### Pedregosa

During the quarter ended April 30, 2011, the Company began drilling on a test well. The Company incurred \$1,665,142 in capitalized exploration costs through July 31, 2011. The Company is evaluating the results of the testing on this test well to determine if completion work on the well is economically feasible at this time.

#### Del Norte

In September 2010, the Company acquired a 50% undivided leasehold working interest in approximately 3,200 acres of land in Rio Grande County in Colorado. In August 2011, leases covering approximately 1,240 of these acres expired. As a result, the Company reported an impairment charge of \$77,703 for the expired leases.

### 3. Note Payable

#### Promissory Note

On November 19, 2010, the Company borrowed \$1,500,000 from Silver Bullet Property Holdings pursuant to a promissory note agreement. The note bears interest at the rate of 10% per annum and is due on the earlier of the date the Company closes on an offering with gross proceeds of at least \$5 million or November 19, 2011.

In November 2009, the Company received an interest-free advance from an unrelated third party totaling \$60,000. In January 2011, the interest-free advances were converted into a note payable, which is due on January 11, 2012 and has a stated annual interest rate of 6%.

#### Bridge Loans

On February 2, 2011, the Company entered into a securities purchase agreement (the "Purchase Agreement") with six accredited investors (the "Investors"), providing for the sale by the Company to the Investors of an aggregate of (i) 8% debentures in the principal amount of \$1,745,300 (the "Debentures") and (ii) warrants to purchase 581,767 shares of common stock of the Company (the "Warrants").

The Debentures mature on the earlier of the (i) date the Company closes an offering that results in gross proceeds to the Company of at least \$1,000,000 or (ii) first anniversary of the date of issuance (the "Maturity Date") and bears interest at the annual rate of 8%. The Company is not required to make any payments until the Maturity Date. The Warrants are exercisable for a period of three years from the date of issuance and are exercisable into shares of common stock of the Company at an exercise price of \$4.50 per share. The Company is required to file the initial registration statement registering the shares underlying the warrants within 90 days of the final closing of the offering. These securities had not been registered as of July 31, 2011. There are no penalties for the securities not being registered.

On March 17, 2011, the bridge loans came due as a result of obtaining at least \$1,000,000 in gross proceeds from the private placement (Note 7). On that date, \$1,694,000 of the Bridge Loans were converted into 564,667 shares of the Company's common stock and an option to purchase 564,667 shares of the Company's common stock at an exercise price of \$4.50 per share. The remaining \$51,300 in Bridge Loans was repaid. The warrants to purchase 581,767 shares of the Company's common stock were not affected by the conversion or repayment.

In connection with the issuance of the Debentures, the Company reported a beneficial conversion feature of \$872,404 and a discount related to the issuance of the warrants of \$872,896. The beneficial conversion feature and discount were amortized to interest expense on the date of the conversion of the debentures to common stock. The relative fair

value of the warrants was calculated using the Black-scholes method using the following assumptions: Discount rate of 1.2% to 1.4%, volatility of 155% and expected term of 3 years. The Company evaluated the warrants and concluded they were not derivatives.

#### 4. Asset Retirement Obligation

The following table summarizes the change in the asset retirement obligation for the periods ended July 31,

	2011	2010
Beginning balance at November 1	\$ 523,060	\$ --
Liabilities settled	--	--
Liabilities incurred through acquisition of assets	167,277	92,006
Accretion expense	44,480	4,421
Ending balance at July 31	\$ 732,817	\$ 96,427

The ARO reflects the estimated present value of the amount of dismantlement, removal, site reclamation and similar activities associated with the Company's oil and gas properties. Inherent in the fair value calculation of the ARO are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance.

#### 5. Stockholders' Equity

##### Preferred Stock

In June 2006, the Company amended its certificate of incorporation to authorize 10,000,000 shares of preferred stock at a par value of \$.001.

In October 2010, the Board of Directors designated 310,000 shares of the Company's preferred stock as Series A Convertible Preferred Stock ("Series A Preferred"). The Series A Preferred are convertible into shares of common stock at a conversion price of \$1.25. The shares are entitled to dividends at a rate of 8% of the stated value per share per annum. The dividends are payable annually on December 31 in cash or additional shares of the Series A Preferred, at the option of the Company. The Series A Preferred and any accrued and unpaid dividends will mandatorily convert into common shares on October 29, 2013. The Company has reported the preferred dividends for the period on the statement of operations in the calculation of net income (loss) available for common stockholders. The Company has not accrued any dividends as no dividends have been declared. The accumulated undeclared preferred stock dividends totaled \$150,000 at July 31, 2011.

##### Stock Options

A summary of the Company's stock option activity and related information is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 1, 2010	1,033,333	\$3.00
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding at July 31, 2011	1,033,333	\$3.00

Exercisable at July 31, 2011

475,000      \$3.00

During the Fiscal year ended October 31, 2010, stock options were granted to certain directors, officers and consultants to the Company for options representing 1,033,333 common shares. The exercise price of the options is \$3, with a five to six year term, with vesting occurring at varying rates over the first three years. The fair value of the option grants were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected volatility of 188% to 158%, risk free interest rate of 1.76% to 2.74%; and expected lives of five to ten years.

During the nine months ended July 31, 2011 and 2010, the Company recorded stock-based compensation of \$741,306 and \$634,879, respectively, as general and administrative expenses. The unamortized amount of stock-based compensation at July 31, 2011 was \$790,767.



## Warrants

A summary of the Company's stock warrant activity and related information for the nine months ended July 31, 2011 is as follows:

	Warrants	Weighted Average Exercise Price
Outstanding at November 1, 2010	333,333	\$6.00
Granted	2,007,268	\$4.50
Exercised	--	--
Cancelled	--	--
Outstanding and Exercisable at July 31, 2011	2,340,601	\$4.71

In February 2011, the Company issued warrants to purchase 581,767 shares of the Company's common stock at an exercise price of \$4.50 per share in connection with the issuance of the Bridge Loans (Note 3). From March through June 2011, in connection with the Company's private placement financing, the Company issued warrants to purchase 860,834 shares of the Company's common stock at an exercise price of \$4.50 per share (Note 7). In addition, warrants to purchase 564,667 shares of the Company's common stock were issued upon conversion of Bridge loans totaling \$1,694,000 pursuant to the private placement financing.

## 1-For-3 Reverse Stock Split

On January 11, 2011, the Company effectuated a 1 for 3 split. On the date of the 1 for 3 split, the Company amended its articles of incorporation to reduce the number of authorized common shares from 300,000,000 to 100,000,000. The effect of the split has been reflective retroactively for all periods presented.

## 6. Derivative Instruments

The Company evaluated all of its financial instruments and determined that 333,333 warrants associated with an October 2010 exchange agreement qualified for derivative treatment under ASC 815-15 due to a full ratchet provision. The fair value of these warrants on the date of issue (\$923,756) was recorded as a derivative liability. On April 30, 2011, the warrant agreement was amended to remove the full ratchet provision. On that date, the warrant ceased to be considered a derivative liability. As a result, the derivative liability was marked-to-market through April 30, 2011 and reclassified to equity. We recorded a loss on derivatives of \$52,725.

The fair values of the warrants were estimated using the following assumptions:

	April 30, 2011		October 31, 2010	
Expected volatility	154	%	154	%
Expected term	2.5 years		3 years	
Risk free rate	.81	%	.51	%
Expected dividends	--		--	
Fair Value	976,481		\$923,756	



7. Private Placement

On March 1, 2011, the Company commenced a private placement offering of between 500,000 and 2,000,000 units at a price of \$3 per unit. Each unit is to consist of one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$4.50 per common share. The warrants may be exercised for a period of three years and can be called by the Company if the closing bid price of the common stock is at least \$6 per share for 10 consecutive trading days. The Company is required to file the initial registration statement registering the shares underlying the warrants within 90 days of the final closing of the offering (there are no monetary damages for non-compliance). In addition, the shares included in the units, if not previously registered, are to be included in such future registration statements, subject to SEC limitations. The Company sold 860,834 units for gross proceeds totaling \$2,582,501 (\$2,464,400 in net proceeds including costs of \$118,101). In addition, \$1,694,000 of the Bridge Loans were converted into 564,667 units (Note 3). The Company evaluated the warrants and concluded they were not derivatives.

8. Contingencies

The Company, as an owner or lessee and operator of oil and gas properties, is subject to various federal, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. The Company maintains insurance coverage, which it believes is customary in the industry, although the Company is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of July 31, 2011, which have not been provided for, covered by insurance or otherwise have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past noncompliance with environmental laws will not be discovered on the Company's properties.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to us could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

#### Overview

We currently focus our oil and natural gas exploration, exploitation and development operations on projects located in Colorado, New Mexico and Texas. The higher potential impact projects ("Core Focus Areas") are concentrated on (i) Spraberry, Wolfberry, Strawn and Mississippian formations in the Midland Basin in W. Texas, (ii) conventional reef structures in the Pedregosa Basin in S.W. New Mexico and (iii) conventional structure and stratigraphic formations and unconventional resource formations in Southern Colorado. In addition to the Core Focus Areas, our management team is pursuing producing conventional and unconventional properties which we anticipate will provide the company with immediate cash flow and additional upside through recompletion potential and new drilling opportunities.

As of July 31, 2011, we owned interests in (i) approximately 9,260 gross (4,900 net) acres in the Midland Basin, (ii) approximately 147,262 gross (73,631 net) acres in the Pedregosa Basin and (iii) approximately 3,300 gross (1,650 net) acres in Colorado. In August 2011, leases on approximately 1,240 gross acres in Colorado expired and were not renewed. Approximately, 125,115 gross acres (2,720 gross acres in Midland Basin, 118,607 gross acres in the Pedregosa Basin, and approximately 3,788 gross acres in the Non-Core Properties) are held by production or by continuous drilling operations.

We began oil and gas operations in the United States on November 1, 2009, with the purchase of a producing conventional oil and gas field, located in the Gulf Coast region of Texas, from Pioneer Natural Resources. Additionally, we acquired interests in one property located in the Gulf Coast region of Texas and one Core Focus Area property located in West Texas.

During the nine months ended July 31, 2011, we (i) acquired one operated, producing property in the Gulf Coast, (ii) drilled, set casing, perforated and fracture stimulated the Everett Well No. 3 which is currently producing, (iii) surveyed and acquired 37 linear miles of 2-D seismic data on the southern part of the Pedregosa Basin project, and

(iv) drilled a well in the northern part of the Pedregosa Project. In addition, we acquired additional term leasehold in our Core Focus Areas.

The Core Focus Areas provide us with the opportunity to grow reserves and cash flow by drilling and developing the properties. Our other properties currently provide cash flow for overhead and administrative costs, while we develop our Core Focus Areas.

We continue to pursue avenues to reduce or eliminate our financial exposure on a case by case basis for each project. Joint venture arrangements may be considered for others to participate for a disproportionate share of the initial leasing and/or drilling costs, further reducing our exposure.

Projects in the next 12 months, subject to raising the capital requirements:

Subject to obtaining additional financing, the following drilling, recompletion/work-over and leasing activity may be pursued. The projects and our share of the estimated costs are listed below:

Estimated cost based on expected participating working interest.

Project	Current WI%	No. Wells	Procedure	Est. Cost
Midland Basin	62.5-85%	3	New Drill	\$3.25 MM
Pedregosa Basin	50%	1	New Drill	\$1.8 MM
Colorado	50%	1	New Drill	\$0.9 MM
Other producing properties	100%	3	Recompletions	\$0.4 MM
Other producing properties	30%	1	New Drill	\$0.5 MM
All Properties	various		New Leases	\$2.4 MM
<b>Total</b>				<b>\$9.25 MM</b>

While our base case drilling, recompletion/workover and leasing activity would result in estimated costs of \$9.25 MM, we may expand drilling, recompletion/workover and leasing activity to as much as \$22 MM, if project economics and general economic conditions support the more aggressive drilling program. If we elect to expand drilling activities, we will need to access additional capital. During the current fiscal year to date, we obtained bridge loan financing totaling \$1.745 million and raised an additional \$2,583,000 in connection with a private placement offering.

We have not entered into any commodity derivative arrangements or hedging transactions. Although we have no current plans to do so, we may enter into commodity swap and/or hedging transactions in the future in conjunction with oil and gas production. We have no off-balance sheet arrangements.

In order to retain a strong balance sheet, we have sold equity and used joint venture agreements with other industry companies to limit or eliminate our financial exposure in early drilling.

#### Results of operations

Consolidated Results of Operations for the Three Months Ended July 31, 2011 Compared to the Three Months Ended July 31, 2010:

Revenues for the three months ended July 31, 2011 totaled \$515,955 as compared to revenues of \$357,279 in the three months ended July 31, 2010. The increase in revenues is directly related to the production from wells acquired after July 31, 2010. We acquired operating wells in West Texas in August 2010 and additional leases on several additional operating wells in November 2010.

Selling, general and administrative expenses decreased \$389,021, to \$535,345 in the three months ended July 31, 2011 as compared to \$924,366. The Stock Compensation totaled \$183,010 and \$63,879 for the three months ended July 31, 2011 and 2010, respectively, and related to stock options granted in June and August 2010 during the three months ended July 31, 2010. The decrease is primarily related to the stock based compensation granted to officers and directors during the third quarter of 2010.

Depreciation, depletion and accretion totaled \$103,478 during the three months ended July 31, 2011 compared to \$97,383 in the three months ended July 31, 2010. In addition, we incurred lease operating expenses totaling \$229,993 during the three months ended July 31, 2011 as compared to \$145,942 in the three months ended July 31, 2010. We

expect lease operating expenses to remain significant as many of our properties have older wells and will incur repairs and other age related costs. During the three months ended July 31, 2011, we also reflected an impairment of our oil and gas properties totaling \$77,703 as a result of the expiration of certain of our mineral leases.

There were no exploration costs during the three months ended July 31, 2011. Exploration costs totaled \$20,036 in the three months ended July 31, 2010 associated with maintaining our interest in the A10 Project.

We incurred interest expense totaling \$68,139 during the quarter ended July 31, 2011. The interest was incurred primarily on the promissory notes totaling \$1,560,000.

We incurred a net loss for the three months ended July 31, 2011 of \$498,703, compared to \$940,109 for the three months ended July 31, 2010.

Consolidated Results of Operations for the Nine Months Ended July 31, 2011 Compared to the Nine Months Ended July 31, 2010:

Revenues for the nine months ended July 31, 2011 and 2010 totaled \$1,408,718 and \$851,371, respectively. The increase in revenues is directly related to the full nine months production during fiscal 2011 from wells acquired throughout fiscal 2010 and the acquisition of additional leases on several additional operating wells in November 2010.

Selling, general and administrative expenses increased \$601,642, to \$1,862,065 in the nine months ended July 31, 2011 as compared to \$1,260,423 during the nine months ended July 31, 2010. The increase in selling general and administrative expenses during the nine months ended July 31, 2011 was primarily related to stock based compensation granted to officers and directors during 2010 \$74,312 and \$63,679 for the nine months ended July 31, 2011 and 2010, respectively and the hiring of several consultants for engineering and financials purposes (approx \$300,000 in fiscal 2011) later in 2010.

Depreciation, depletion and accretion totaled \$473,119 and \$178,991 during the nine months ended July 31, 2011 and 2010, respectively. The increase is primarily the result of the increase in production related to the properties acquired in August and November 2010. In addition, we incurred lease operating expenses totaling \$582,229 during the nine months ended July 31, 2011 as compared to \$350,798 during the nine months ended July 31, 2010. The increase is primarily a result of the number of producing wells.

Exploration costs totaled \$106,394 and \$166,607 in the nine months ended July 31, 2011 and 2010, respectively. We incurred exploration expenses in the current year related to the seismic work done on our property in the Pedregosa Basin. The exploration expenses during the comparable period included costs associated with maintaining our interest in the A10 Project.

We incurred interest expense totaling \$1,901,588 during the nine ended July 31, 2011. The interest was incurred on promissory notes totaling \$1,560,000 and bridge notes totaling \$1,745,300 as well as the discount and beneficial conversion feature on the bridge notes. In March 2011, \$1,694,000 of the bridge notes were converted into common stock and the remaining \$51,300 was repaid.

We earned total interest income of \$113,309 during the nine months ended July 31, 2010. The interest during the period was earned from the investment of proceeds of a private placement of our common stock and common stock purchase warrants on August 9, 2006, which remained in interest bearing instruments until needed, and which balance has been used toward the purchase of Access and with ongoing operations.

We incurred a net loss for the nine months ended July 31, 2011 of \$3,647,105, compared to net income of \$1,434,781 for nine months ended July 31, 2010. During the nine months ended July 31, 2010, we reported a gain of \$2,644,008 on the sale of our 55.2% interest in Access Energy, and our being relieved of its liability for funding the Access operations.





## Liquidity and Capital Resources

As of July 31, 2011, we had cash and cash equivalents on hand of \$1,064,426. These funds are being used primarily in the expansion of our production capacity. We have a working capital deficiency totaling \$722,640 on July 31, 2011 compared to working capital of \$179,448 at October 31, 2010. We do not have sufficient funds on hand in order to repay the notes payable due in the next twelve months, fund any capital expenditures for the drilling of new wells or the recompletion of existing wells and expect to need additional funds for general and administrative expenses. We expect to rely on external sources of capital in order to fund our capital expenditures. We do not have any firm commitments to raise additional capital nor is there any assurance sufficient capital will be available at acceptable terms, if at all.

On February 2, 2011, we entered into a securities purchase agreement (the "Purchase Agreement") with six accredited investors (the "Investors"), providing for the sale of an aggregate of (i) 8% debentures in the principal amount of \$1,745,300 (the "Debentures") and (ii) warrants to purchase 581,767 shares of our common stock (the "Bridge Warrants").

The Debentures mature on the earlier of the (i) date we close an offering that results in gross proceeds to us of at least \$1,000,000 or (ii) first anniversary of the date of issuance (the "Maturity Date") and bear interest at the annual rate of 8%. We are not required to make any payments until the Maturity Date. The Bridge Warrants are exercisable for a period of three years from the date of issuance and are exercisable into shares of our common stock at an exercise price of \$4.50 per share, which may be exercised on a cashless basis six months after issuance if there is not an effective registration statement for the resale of the shares issuable upon exercise of the Bridge Warrants.

On March 17, 2011, the Debentures came due as a result of obtaining at least \$1,000,000 in gross proceeds from the private placement (see below). On that date, \$1,694,000 of the Debentures were converted into (i) 564,667 shares of our common stock and (ii) warrants to purchase 564,667 shares of our common stock at an exercise price of \$4.50 per share. The remaining \$51,300 in Debentures was repaid. The Bridge Warrants were not affected by the conversion or repayment.

Between March and June 2011, we sold to certain investors units ("Units") for aggregate cash gross proceeds of \$2,582,501 at a price of \$3.00 per Unit and the exchange of \$1,694,000 in previously issued debentures that were converted into Units at a price of \$3.00 per Unit (the "Financing"). Each Unit consisted of (i) one (1) share of common stock ("Common Stock") and (ii) a warrant ("Warrant") to purchase one (1) share of Common Stock at an exercise price of \$4.50.

Pursuant to the Warrants, no holder may exercise such holder's Warrant if such exercise would result in the holder beneficially owning in excess of 4.99% of our then issued and outstanding common stock. A holder may, however, increase or decrease this limitation (but in no event exceed 9.99% of the number of shares of Common Stock issued and outstanding) by providing us with 61 days' notice that such holder wishes to increase or decrease this limitation.

We entered into a registration rights agreement with the investors, under which we agreed to prepare and file with the SEC and maintain the effectiveness of a "resale" registration statement providing for the resale of (i) all of the shares of Common Stock (ii) all of the shares of Common Stock issuable upon exercise of the Warrants, and (iii) any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing.

Under the terms of the registration rights agreement, we are required to have a registration statement filed with the SEC within 90 days after the final closing date of the Financing, and declared effective by the SEC not later than 120 days from the closing date (or 180 days in the event of a full review by the SEC).



A summary of our stock option activity and related information is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 1, 2010	1,033,333	\$3.00
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding at July 31, 2011	1,033,333	\$3.00
Exercisable at July 31, 2011	475,000	\$3.00

During the fiscal year ended October 31, 2010, stock options were granted to certain directors, officers and consultants for options representing 1,033,333 common shares. The exercise price of the options is \$3.00, with a five to six year term, with vesting occurring at varying rates over the first three years. The fair value of the option grants were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected volatility of 188% to 158%, risk free interest rate of 1.76% to 2.74%; and expected lives of five to ten years.

A summary of our stock warrant activity and related information for the nine months ended July 31, 2011 is as follows:

	Warrants	Weighted Average Exercise Price
Outstanding at November 1, 2010	333,333	\$6.00
Granted	2,007,268	\$4.50
Exercised	--	--
Cancelled	--	--
Outstanding and Exercisable at July 31, 2011	2,340,601	\$4.71

#### Net Cash Used In Operating Activities

Cash used in operating activities in the nine months ended July 31, 2011 was \$1,015,294, compared to \$344,692 used during the nine months ended July 31, 2010. The increase in the cash used in operating activities was from the net loss for the period, increases accounts receivable for the increased production and an additional deposit with the Texas Railroad Commission for the operation by NRG Management of the new wells acquired in Copano Bay.

#### Cash Flows Used In Investing Activities

Net cash used in investing activities for the nine months ended July 31, 2011 was \$5,188,641 compared to \$2,598,607 used during the nine months ended July 31, 2010. The cash flows from investing activities for the periods presented relate to costs incurred in the acquisition of oil and gas properties. During the nine months ended July 31, 2011, we acquired the Copano Bay property, drilled the W.D. Everett Well No. 3 and drilled the test well in the Pedregosa Basin.

Cash Flows from Financing Activities

Cash provided by financing activities for the nine months ended July 31, 2011 was \$5,658,400, from the proceeds of note payable financing of \$3,219,018 and the net proceeds from the private placement offering totaling \$2,490,684. Cash provided by financing activities for the nine months ended July 31, 2010 totaled \$2,500,000 for the proceeds of note payable financing.

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

## Contractual Obligations

	Total	2011	2012	2013	2014	2015	Thereafter
Notes Payable	\$ 1,560,000	\$ 1,560,000	\$ --	\$ --	\$ --	\$ --	\$ --
Abandonment obligations	732,817	--	18,099	17,369	--	--	697,349
Operating lease obligations	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Total	\$ 2,292,817	\$ 1,560,000	\$ 18,099	\$ 17,369	\$ --	\$ --	\$ 697,349

## Critical Accounting Policies

## Oil and Gas Accounting

Accounting for oil and gas exploratory activity is subject to special accounting rules unique to the oil and gas industry. The acquisition of geological and geophysical seismic information, prior to the discovery of proved reserves, is expensed as incurred, similar to accounting for research and development costs. However, leasehold acquisition costs and exploratory well costs are capitalized on the balance sheet pending determination of whether proved oil and gas reserves have been discovered on the prospect.

## Property Acquisition Costs

For individually significant leaseholds, management periodically assesses for impairment based on exploration and drilling efforts to date. For leasehold acquisition costs that individually are relatively small, management exercises judgment and determines a percentage probability that the prospect ultimately will fail to find proved oil and gas reserves and pools that leasehold information with others in the geographic area. For prospects in areas that have had limited, or no, previous exploratory drilling, the percentage probability of ultimate failure is normally judged to be quite high. This judgmental percentage is multiplied by the leasehold acquisition cost, and that product is divided by the contractual period of the leasehold to determine a periodic leasehold impairment charge that is reported in exploration expense.

This judgmental probability percentage is reassessed and adjusted throughout the contractual period of the leasehold based on favorable or unfavorable exploratory activity on the leasehold or on adjacent leaseholds, and leasehold impairment amortization expense is adjusted prospectively. Management periodically assesses individually significant leaseholds for impairment based on the results of exploration and drilling efforts and the outlook for project commercialization.

## Exploratory Costs

For exploratory wells, drilling costs are temporarily capitalized, or "suspended," on the balance sheet, pending a determination of whether potentially economic oil and gas reserves have been discovered by the drilling effort to justify completion of the find as a producing well. If exploratory wells encounter potentially economic quantities of oil and gas, the well costs remain capitalized on the balance sheet as long as sufficient progress assessing the reserves and the economic and operating viability of the project is being made. The accounting notion of "sufficient progress" is

a judgmental area, but the accounting rules do prohibit continued capitalization of suspended well costs on the mere chance that future market conditions will improve or new technologies will be found that would make the project's development economically profitable. Often, the ability to move the project into the development phase and record proved reserves is dependent on obtaining permits and government or co-venturer approvals, the timing of which is ultimately beyond our control. Exploratory well costs remain suspended as long as we are actively pursuing such approvals and permits, and believe they will be obtained. Once all required approvals and permits have been obtained, the projects are moved into the development phase, and the oil and gas reserves are designated as proved reserves. Once a determination is made the well did not encounter potentially economic oil and gas quantities, the well costs are expensed as a dry hole and reported in exploration expense.

Management reviews suspended well balances quarterly, continuously monitors the results of the additional appraisal drilling and seismic work, and expenses the suspended well costs as a dry hole when it determines the potential field does not warrant further investment in the near term. Criteria utilized in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected development costs, ability to apply existing technology to produce the reserves, fiscal terms, regulations or contract negotiations, and our required return on investment.

#### Proved Reserves

Engineering estimates of the quantities of proved reserves are inherently imprecise and represent only approximate amounts because of the judgments involved in developing such information. Reserve estimates are based on geological and engineering assessments of in-place hydrocarbon volumes, the production plan, historical extraction recovery and processing yield factors, installed plant operating capacity and operating approval limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting and processing the hydrocarbons.

Despite the inherent imprecision in these engineering estimates, accounting rules require disclosure of “proved” reserve estimates due to the importance of these estimates to better understand the perceived value and future cash flows of a company’s E&P operations. There are several authoritative guidelines regarding the engineering criteria that must be met before estimated reserves can be designated as “proved.” Our reservoir engineers have policies and procedures in place consistent with these authoritative guidelines.

Proved reserve estimates are adjusted annually and during the year if significant changes occur, and take into account recent production and subsurface information about each field. Also, as required by current authoritative guidelines, the estimated future date when a field will be permanently shut down for economic reasons is based on 12-month average prices and year-end costs. This estimated date when production will end affects the amount of estimated reserves. Therefore, as prices and cost levels change from year to year, the estimate of proved reserves also changes.

Our proved reserves include estimated quantities related to production sharing contracts, which are reported under the “economic interest” method and are subject to fluctuations in prices of crude oil, natural gas and natural gas liquids; recoverable operating expenses; and capital costs. The estimation of proved developed reserves also is important to the statement of operations because the proved developed reserve estimate for a field serves as the denominator in the unit-of-production calculation of depreciation, depletion and amortization of the capitalized costs for that asset.

#### Impairments

Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group and annually following updates to corporate planning assumptions. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Individual assets are grouped for impairment purposes based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets—generally on a field-by-field basis for exploration and production assets. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants, or based on a multiple of operating cash flow validated with historical market transactions of similar assets where possible. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future production volumes, commodity prices, operating costs, refining margins and capital project decisions, considering all available information at the date of review.





## Asset Retirement Obligations

Under various contracts, permits and regulations, we have material legal obligations to remove tangible equipment and plug wells at the end of operations at operational sites. The fair values of obligations for dismantling and removing these facilities are accrued at the installation of the asset based on estimated discounted costs. Estimating the future asset removal costs necessary for this accounting calculation is difficult. Most of these removal obligations are many years, or decades, in the future and the contracts and regulations often have vague descriptions of what removal practices and criteria must be met when the removal event actually occurs. Asset removal technologies and costs, regulatory and other compliance considerations, expenditure timing, and other inputs into valuation of the obligation, including discount and inflation rates, are also subject to change.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required under Regulation S-K for “smaller reporting companies.”

## ITEM 4. CONTROLS AND PROCEDURES.

### (a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of July 31, 2011. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that, as a result of the following material weaknesses in internal control over financial reporting, our disclosure controls and procedures are not designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure:

- i. We did not maintain sufficient internal personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of GAAP commensurate with our complexity and our financial accounting and reporting requirements. Because of our size, we continue to be dependent on outside consultants to meet some of our reporting requirements. Also, we do not have an independent audit committee. As a result, there is a lack of monitoring of the financial reporting process and there is a reasonable possibility that material misstatements of the consolidated financial statements, including disclosures, will not be prevented or detected on a timely basis.

### (b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal

control over financial reporting.

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### Management's Remediation Plans

We are committed to improving our financial organization. As part of this commitment, we will look to increase our personnel resources and technical accounting expertise within the accounting function by the end of 2011 to resolve non-routine or complex accounting matters. Toward this end, in October 2010, we hired a new CFO with significant public company financial reporting experience. In addition, when funds are available, which we expect to occur by the latter half of 2011, we will take the following action to enhance our internal controls: Hiring additional knowledgeable personnel with technical accounting expertise to further support our current accounting personnel, which management estimates will cost approximately \$100,000 per annum. We currently engage an outside accounting firm to assist us in the preparation of our consolidated financial statements. As necessary, we will engage consultants in the future in order to ensure proper accounting for our consolidated financial statements. In addition, we anticipate establishing an audit committee by the completion of our current fiscal year..

Management believes that hiring additional knowledgeable personnel with technical accounting expertise will remedy the following material weakness: insufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of GAAP commensurate with our complexity and our financial accounting and reporting requirements. Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have encountered in the past will result in both proper recording of these transactions and a much more knowledgeable finance department as a whole. We believe this will greatly decrease any control and procedure issues we may encounter in the future.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are currently not a party to any material legal proceedings or claims.

ITEM 1A. RISK FACTORS.

Not required under Regulation S-K for “smaller reporting companies.”

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

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|-------|---|
| 31.01 | Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended                  |
| 31.02 | Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended                  |
| 32.01 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

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

BLACKSANDS PETROLEUM, INC.

Date: September 15, 2011

By: /s/ David DeMarco  
Name: David DeMarco  
Title: Chief Executive  
Officer

Date: September 15, 2011

By: /s/ Donald Giannattasio  
Name: Donald Giannattasio  
Title: Chief Financial Officer  
(Principal Financial Officer  
and Principal Accounting  
Officer)

