BLACKSANDS PETROLEUM, INC.
Form 10-Q
March 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended January 31, 2015

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	**20-1740044**
(State or other jurisdiction of incorporation or organization)	(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)

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 x 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 x

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	¨	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x.

As of March 11, 2015, there were 18,872,832 shares of registrant's common stock outstanding.

BLACKSANDS PETROLEUM, INC.

FORM 10-Q

For the Quarter Ended January 31, 2015

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Blacksands Petroleum, Inc. and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	January 31, 2015	October 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 521,585	$ 678,940
Accounts receivable	47,934	210,577
Prepaid expenses	452,484	522,073
Total Current Assets	1,022,003	1,411,590
Oil and gas property costs (successful efforts method of accounting)		
Proved	452,705	735,756
Other assets	50,000	50,000
TOTAL ASSETS	$ 1,524,708	$ 2,197,346
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Note payable	$ 60,000	$ 60,000
Notes payable related party	3,220,000	--
Accounts payable	172,533	129,400
Accrued expenses	2,293,411	2,372,075
Total Current Liabilities	5,745,944	2,561,475
Notes Payable, net of discount of $1,281,429 and $1,312,873	2,818,571	2,787,127
Notes payable related party	--	3,220,000
Asset retirement obligation	92,842	91,707
Total Liabilities	8,657,357	8,660,309
Stockholders' Deficiency:		
Preferred stock - $0.01 par value; 10,000,000 shares authorized:		
Series A - $.001 par value, 310,000 shares authorized, nil shares issued and outstanding	--	--
Series B - $.001 par value; 2,217,281 shares authorized, 500,000 shares issued and outstanding	500	500
Series C - $.001 par value; 1,750,000 shares authorized, 1,000,000 shares issued and outstanding	1,000	1,000
Common stock - $0.001 par value; 100,000,000 shares authorized; 19,372,774 and 19,278,017 shares issued and outstanding at January 31, 2015 and October 31, 2014, respectively	19,373	19,278
Additional paid-in capital	28,570,437	28,440,320
Accumulated deficit	(35,723,959)	(34,924,061)
Total Stockholders' Deficiency	(7,132,649)	(6,462,963)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 1,524,708	$ 2,197,346

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

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Blacksands Petroleum, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three months ended January 31, 2015	Three months ended January 31, 2014
Revenue:		
Oil and gas revenue	$ 133,555	$ 328,297
Expenses:		
Selling, general and administrative	205,325	341,635
Depreciation and depletion	48,780	197,801
Accretion	1,135	8,444
Lease operating expenses	175,476	178,780
Gain on sale of oil and gas properties	--	(621,670)
Impairment of oil and gas property interest	269,906	2,219,813
Total expenses	700,622	2,324,803
Loss from Operations	(567,067)	(1,996,506)
Other income and expense:		
Interest expense	(232,831)	(508,457)
Total Other Income (Expense)	(232,831)	(508,457)
Loss before provision for income taxes	(799,898)	(2,504,963)
Provision for income taxes	--	--
Net Loss	(799,898)	(2,504,963)
Preferred stock dividends	11,250	--
Net loss attributable to common shareholders	$ (811,148)	$ (2,504,963)
Loss Per Share attributable to common shareholders		
Basic and diluted	$ (0.04)	$ (0.14)
Weighted Average Shares Outstanding		
Basic and diluted	19,324,366	17,719,530

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

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BLACKSANDS PETROLEUM, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three Months Ended January 31, 2015 and 2014

(Unaudited)

	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (799,898)	$ (2,504,963)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Impairment of oil and gas property costs	269,906	2,219,813
Equity compensation expense	--	15,024
Amortization of debt discount	31,444	325,177
Depreciation, depletion and accretion	49,915	206,245
Gain on sale of oil and gas properties	--	(621,670)
Changes in operating assets and liabilities:		
Accounts receivable	162,643	151,626
Prepaid expense and other current assets	69,589	(27,539)
Accounts payable	94,148	316,234
Net cash flows from operating activities	(122,253)	79,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Oil and gas property costs	(35,102)	(712,472)
Net cash flows from investing activities	(35,102)	(712,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,355)	(632,525)
CASH AND CASH EQUIVALENTS - Beginning of period	678,940	1,335,237
CASH AND CASH EQUIVALENTS - End of period	$ 521,585	$ 702,712
Supplemental Disclosures		
Cash paid for interest	$ 84,995	$ 85,004
Cash paid for income taxes	$ --	$ --
Supplemental non-cash activities:		
Payment of accrued interest to related party through issuance of common stock	$ 130,212	$ --
Oil and gas property costs in accounts payable	$ --	$ 1,680,897

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

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BLACKSANDS PETROLEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

1. The Company and Summary of Significant Accounting Policies

Blacksands Petroleum, Inc. (hereinafter referred to as the "Company") was incorporated in the State of Nevada on October 12, 2004. Since August 2007, the Company has been engaged in the exploration, development, exploitation and production of oil and natural gas. The Company sells its oil and gas products primarily to domestic pipelines and refineries. Its operations are presently focused in the States of Colorado, 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, 2014 filed with the SEC on February 11, 2015. 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 2014 annual report on Form 10-K have been omitted.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Oil and gas properties are periodically assessed to determine whether they have been impaired. Any impairment in value of unproved properties is charged to exploration expense. The costs of unproved properties, which are determined to be productive, are transferred to prove oil and gas properties and amortized on an equivalent unit-of-production basis. Exploratory expenses, including geological and geophysical expenses and delay rentals for unevaluated oil and gas properties, are charged to expense as incurred. Exploratory drilling costs are initially capitalized as unproved property but charged to expense if and when the well is determined not to have found proved oil and gas reserves. In accordance with ASC No. 935, exploratory drilling costs are evaluated within a one-year period after the completion of drilling. For proved properties, we compare expected undiscounted future cash flows at a producing field level to the unamortized capitalized cost of the asset. If the future undiscounted cash flows, based on our estimate of future natural gas and crude oil prices, operating costs, anticipated production from proved reserves and other relevant date, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value. Fair value is calculated by discounting the future cash flows at an appropriate risk-adjusted discount rate.

During the three months ended January 31, 2015 and 2014, the Company impaired its oil and gas properties by $269,906 and $2,219,813, respectively, which is reflected in the consolidated statements of operations.

Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred an accumulated deficit of $35,723,959 through January 31, 2015. In addition, the Company had a working capital deficit of $4,723,941 and cash and cash equivalents of $521,585 at January 31, 2015.

The current rate of cash usage raises substantial doubt about the Company's ability to continue as a going concern, absent the raising of additional capital and/or additional significant revenues from new oil production. The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue in existence.

Reclassifications

Certain amounts included in the information for the quarter ended January 31, 2014 have been reclassified to conform to the presentation in the quarterly information included in the Form 10-Q for the quarter ended January 31, 2015.

2. Asset Retirement Obligation

The following table summarizes the change in the asset retirement obligation ("ARO") for the periods ended January 31, 2015:

Beginning balance at November 1	$	91,707
Liabilities settled		--
Liabilities incurred through acquisition of assets		--
Liabilities settled through sale of assets		--
Accretion expense		1,135
Ending balance at January 31	$	92,842

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.

3. Commitments and 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 January 31, 2015, 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.

On January 26, 2015, David DeMarco, a former Chief Executive Officer and director of the Company, filed a complaint against the Company in the District Court of Harris County, Texas, alleging that pursuant to a contract for work performed and/or services rendered, Mr. DeMarco is due $151,000 in deferred compensation that accrued during his tenure as Chief Executive Officer of the Company. Mr. DeMarco is seeking between $200,000 and $1 million in damages. Service of process was effected on February 17, 2015. The Company has reported $151,000 in accrued expenses.

4. Stockholders' Equity

Issuance of Common Stock

In December 2014, 20,183 and 74,574 shares were issued to a related party for interest totaling $32,818 and $97,394 accruing for the month of July 2014 and for the quarter ended October 31, 2014, respectively. The Company has reported a gain on the issuance of these shares totaling $87,748, which because the shares were issued to a related party, is reflected as an increase in additional paid in capital.

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, 2014	66,667	$	3.00
Granted	-		-
Exercised	-		-
Cancelled	-		-
Outstanding at January 31, 2015	66,667	$	3.00
Exercisable at January 31, 2015	66,667	$	3.00

During the three months ended January 31, 2015 and 2014, the Company recorded stock-based compensation of nil and $15,024, respectively, as general and administrative expenses. At January 31, 2015, the weighted average remaining life of the stock options is 5.37 years. There were no unamortized amounts of stock-based compensation at January 31, 2015.

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 on 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, Cline, Strawn and Mississippian formations in the Permian Basin (Midland Basin) in W. Texas. We also have interests in (i) conventional reef structures in the Pedregosa Basin in S.W. New Mexico, (ii) conventional structure and stratigraphic formations and unconventional resource formations in Southern Colorado and (iii) Beech Creek Field in Hardin County, Texas ("Non-core Properties").

As of January 31, 2015, we owned interests in approximately (i) 7,700 gross (4,000 net) acres in the Midland Basin, (ii) 108,715 gross (54,357 net) acres in the Pedregosa Basin, and (iii) 3,300 gross (1,650 net) acres in Colorado.

We have approximately 112,793 gross acres (56,100 net acres) held by production and continuous drilling operations. This includes approximately 3,100 gross acres (1,150 net acres) in Midland Basin and 108,715 gross acres (54,357 net acres) in the Pedregosa Basin. We also own between a 24% and 30% working interest in two wells in the Beech Creek Field, which are operated by Gaither Petroleum Corp. The Corporation has no production in Colorado.

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 two (2) properties located in the Gulf Coast region of Texas and one property in our Core Focus Area located in the Midland Basin in West Texas.

The Core Focus Areas provide us with the opportunity to grow reserves and cash flow by drilling and developing the properties. The Core Focus Areas we currently plan to concentrate on developing are in the AP Clark Field. The three wells that we commenced drilling on in the AP Clark Field in November 2013 were completed and have been producing. These wells came online in the month of May 2014 with the Corporation’s portion of the production averaging approximately 18 barrels of oil per day. During August 2014, the wells were shut in for completion and fracking. The Corporation is still testing zones on the wells and is waiting for the formations to come back in. The Corporation will need to raise additional capital in order to drill any potential future wells.

We continue to pursue avenues to reduce or eliminate our financial exposure on a case by case basis for each project, including joint venture arrangements where others may participate in the well revenue, in exchange for a disproportionate share of the initial leasing and/or drilling costs, thus further reducing its economic exposure. In order to maintain our financial position, we have sold equity and used joint venture agreements with other industry companies to limit or eliminate its financial exposure in early drilling.

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.

Consolidated Results of Operations for the Three Months Ended January 31, 2015 Compared to the Three Months Ended January 31, 2014

Revenues for the three months ended January 31, 2015 totaled $133,555 as compared to $328,297 for the three months ended January 31, 2014. The decrease, totaling $194,742, resulted primarily from a decrease in oil production volume valued at approximately $96,840 and a drop in the average price of oil of $92,254. We anticipate that the production for the older wells will continue at low levels and expect that as the three wells completed during the fiscal year ended October 31, 2014 test additional formations, production from those wells may increase during 2015.

Selling, general and administrative expenses decreased $136,310 from $341,635 in the three months ended January 31, 2014 to $205,325 in the three months ended January 31, 2015. This decrease is primarily the result of a decrease of $119,621 in payroll and payroll related charges and a $12,500 decrease in director fees.

Depreciation, depletion and accretion decreased $156,330 from $206,245 in the three months ended January 31, 2014 to $49,915 for the period ended January 31, 2015. The decrease is the result of a decrease in production from the existing wells as well as the lower carrying value for the properties as a result of impairment changes in 2013 and 2014.

Lease operating expenses decreased by $3,304 from $178,780 in the three months ended January 31, 2014 to $175,476 in the three months ended January 31, 2015. The decrease was the result of lower production and partially offset by workover activities on the wells in the Beech Creek Fields.

During the three months ended January 31, 2015 and 2014, the Company tested and reported an impairment of our oil and gas properties costs in our AP Clark Field totaling $269,906 and $2,219,813, respectively.

Interest expense decreased by $275,626 from $508,457 in the three months ended January 31, 2014 to $232,831 in the three months ended January 31, 2015. This decrease is primarily related to a $325,177 decrease in the amortization of the discount on the amounts due to KP-Rahr Ventures III, LLC and partially offset by additional interest of $18,750 and the amortization of $31,444 on the convertible debenture to Pacific LNG Operations Ltd.

The gain on the sale of oil and gas properties of $621,670 in the three months ended January 31, 2014, was the result of selling our rights in the Cabeza Creek Field. In January 2014, we sold our interest in all of the wells in the Cabeza Creek Field for all depths from the surface to 8,500 feet below the surface in exchange for $50,000 and the assumption of $593,536 in current liabilities and all future liabilities associated with the plugging and abandoning of all wells in the Cabeza Creek Field. There were no sales of oil and gas properties in the three months ended January 31, 2015.

We incurred a net loss for the period ended January 31, 2015 of $799,898, compared to a net loss of $2,504,963 for the period ended January 31, 2014.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $521,585 as of January 31, 2015. The Company owes approximately $2.5 million in currently due accounts payable and accrued expenses, and $3.22 million in notes payable to Silver Bullet Property Holdings SDN BHD, which mature on December 31, 2015. As such, we currently do not have sufficient cash to engage in any further drilling or exploration activities. In addition, our cash balances are not sufficient to satisfy our anticipated cash requirements for normal operations, or to meet our immediate accounts payable and other obligations regarding our indebtedness or capital expenditures for the foreseeable future.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, as of January 31, 2015, we had $521,585 in cash and cash equivalents on hand, a working capital deficiency of approximately $4.7 million and an accumulated deficit of approximately $35.7 million.

We have incurred substantial losses since inception and we are not operating at cash flow breakeven. Our cash balance at January 31, 2015 is not sufficient to fully fund our business plan or to satisfy our cash requirements for normal operations, to meet our immediate accounts payable, accrued expenses and other obligations regarding our indebtedness or our anticipated development activities over the next twelve months. In view of our capital requirements, current cash resources, nondiscretionary expenses, debt and near term accounts payable and accrued expenses obligations, we may explore all strategic alternatives to maintain our business as a going concern including, but not limited to, a sale of assets of our company, or one or more other transactions that may include a comprehensive financial reorganization of our company.

In order to continue operations and engage in development of our properties, we will be dependent on raising capital, debt or equity, from outside sources to pay for further expansion, exploration and development of our business, and to meet current obligations. Such capital may not be available to us when we need it on terms acceptable to us if at all, particularly in the current global economic conditions. The issuance of additional equity securities by us will result in a dilution to our current stockholders which could depress the trading price of our common stock. Obtaining debt financing will increase our liabilities and future cash commitments. If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business and may be required to scale back, sell a portion of or cease our operations. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition. However, there is no assurance that we will be able to obtain sufficient funds on terms acceptable to us or at all. If adequate additional funding is not available, we may be forced to limit our activities.

If we are not able to obtain sufficient capital either from the sale of assets or external sources of capital to fund our immediate operating requirements, we may determine that it is in the Company’s best interests to seek relief through a pre-packaged, pre-negotiated or other type of filing under Chapter 11 of the U.S. Bankruptcy Code.

In the event we seek protection under Chapter 11 of the U.S. Bankruptcy Code, it may be necessary, in order to obtain the approval of our creditors and the Bankruptcy Court to a plan of reorganization for the Company, to eliminate and cancel all existing equity of the Company, including common stock, options, warrants and other securities that are linked to our equity, which will result in a loss of the entire investment of the holders of such securities, including our stockholders. Further, if we were unable to implement a plan of reorganization or if sufficient debtor-in-possession financing were not available, we could be forced to liquidate under Chapter 7 of the U.S. Bankruptcy Code, which would result in a loss of your entire investment.

Net Cash Used In Operating Activities

Cash used in operating activities in the period ended January 31, 2015 was $122,253, compared to $79,947 cash provided by operating activities in the period ended January 31, 2014. The increase in cash used in operating activities was primarily a result of a $293,733 decrease in the amortization of debt discounts, a $1,949,907 decrease in the impairment costs for oil and gas properties and a $ 222,086 decrease in accounts payable a $156,330 decrease in depletion and accretion and which was partially offset by a $1,705,065 decrease in the net loss, and a 2014 gain of $621,670 on the sale of the Cabeza Creek Field.

Cash Flows Used In Investing Activities

Net cash used in investing activities for the three months ended January 31, 2015 was $35,102 compared to $712,472 in the period ended January 31, 2014. The costs for both periods presented relate to our oil and gas acquisitions and development activity. The costs in the three months ended January 31, 2014 represent the costs paid to drill the three new, completed wells in the AP Clark Field. There were no acquisitions of additional leaseholds incurred in either quarter.

Cash Flows From Financing Activities

There was no cash provided by financing activities for the quarters ended January 31, 2015 and 2014.

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 exploration and production 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.

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 interim president 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 January 31, 2015. 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 management's evaluation, our interim president and chief financial officer concluded that, as of January 31, 2015 our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective 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 SEC 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. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

a) Due to our small size, we did not have sufficient personnel in our accounting and financial reporting functions nor do we have a proper segregation of duties. During the period ended January 31, 2015, we had limited staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the Securities and Exchange Commission. In addition, we have had an overreliance on consultants involved in our financial statement closing process. As a result we were not able to achieve adequate segregation of duties and were not able to provide for adequate reviewing of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis; and

b) Our executive officers only work for the Company on a part-time basis, have outside interests and are unable to devote all of their business time and effort to the Company. As a result, they may be unable to provide the level of oversight required.

Management's Remediation Plans

We are committed to improving our financial organization. When funds are available, we will look to increase our personnel resources and technical accounting expertise within the accounting function to resolve non-routine or complex accounting matters. As our operations are relatively small and we continue to have net cash losses each quarter, we do not anticipate being able to hire additional internal personnel until such time as our operations are profitable on a cash basis or until our operations are large enough to justify the hiring of additional accounting personnel. As necessary, we will engage consultants in the future in order to ensure proper accounting for our consolidated financial statements.

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. Due to the fact that our internal accounting staff consists of a Chief Financial Officer and a bookkeeper, additional personnel will also ensure the proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support us if personnel turn over issues within the department occur. We believe this will greatly increase our internal control procedures in the future.

In addition to the accounting personnel to be hired in the future, we are actively searching for a full time Chief Executive Officer to oversee our operations.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended January 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On January 26, 2015, David DeMarco, a former Chief Executive Officer and director of the Company, filed a complaint against the Company in the District Court of Harris County, Texas, alleging that pursuant to a contract for work performed and/or services rendered, Mr. DeMarco is due $151,000 in deferred compensation that accrued during his tenure as Chief Executive Officer of the Company. Mr. DeMarco is seeking between $200,000 and $1 million in damages. Service of process was effected on February 17, 2015.

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.

In December 2014, 20,183 and 74,575 shares were issued for interest accruing for the month of July 2014 and for the quarter ended October 31, 2014, respectively.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Principal 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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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: March 13, 2015	By: */s/ RHONDA ROSEN* Name: Rhonda Rosen Title: Interim President (Principal Executive Officer)
Date: March 13, 2015	By: */s/ DONALD GIANNATTASIO* Name: Donald Giannattasio Title: Chief Financial Officer