

BLACKSANDS PETROLEUM, INC.  
Form 10-Q  
March 16, 2012

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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 January 31, 2012

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)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

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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="radio"/>	Accelerated filer <input type="radio"/>
Non-accelerated filer <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>
(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 March 14, 2012, there were 16,384,318 shares of registrant’s common stock outstanding.

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BLACKSANDS PETROLEUM, INC.  
FORM 10-Q  
For the Quarter Ended January 31, 2012

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

	January 31, 2012	October 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 787,379	\$ 240,314
Accounts receivable	518,022	803,249
Total Current Assets	1,305,401	1,043,563
Oil and gas property costs (successful efforts method of accounting)		
Proved	5,179,484	5,360,478
Unproved	2,012,768	2,012,768
Other assets	232,168	202,434
TOTAL ASSETS	\$ 8,729,821	\$ 8,619,243
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Note payable	\$ 60,000	--
Accounts payable	348,143	\$ 492,051
Accrued expenses	434,255	439,516
Total Current Liabilities	842,398	931,567
Notes Payable	2,500,000	2,060,000
Asset Retirement obligation	692,333	677,318
Total Liabilities	4,034,731	3,668,885
Stockholders' Equity:		
Preferred stock - \$0.01 par value; 10,000,000 shares authorized:	--	--
Series A - \$.001 par value, 310,000 shares authorized, 250,000 and nil shares issued and outstanding, respectively	250	250
Common stock - \$0.001 par value; 100,000,000 shares authorized; 16,384,318 and 16,378,068 shares issued and outstanding at January 31, 2012 and October 31, 2011 respectively	16,384	16,378
Additional paid-in capital	22,117,164	21,949,403
Accumulated deficit	(17,438,708)	(17,015,673)
Total Stockholders' Equity	4,695,090	4,950,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,729,821	\$ 8,619,243

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

Blacksands Petroleum, Inc. and Subsidiaries  
Consolidated Statements of Operations  
(Unaudited)

	Three months ended January 31,	
	2012	2011
Revenue:		
Oil and gas revenue	\$468,300	\$394,186
Expenses:		
Selling, general and administrative	439,259	636,810
Depreciation and depletion	201,976	216,098
Accretion	15,015	13,999
Lease operating expenses	176,322	189,934
Oil and gas exploration	--	105,959
Total expenses	832,572	1,162,800
Loss from Operations	(364,272 )	(768,614 )
Other income and expense:		
Interest expense	(58,763 )	(30,597 )
Loss on change in derivative liability	--	(7,564 )
Total Other Income (Expense)	(58,763 )	(38,161 )
Loss before provision for income taxes	(423,035 )	(806,775 )
Provision for income taxes	--	--
Net Loss	(423,035 )	(806,775 )
Preferred stock dividends	50,000	50,000
Net loss attributable to common shareholders	\$(473,035 )	\$(856,775 )
Loss Per Share attributable to common shareholders		
Basic and diluted	\$(0.03 )	\$(0.06 )
Weighted Average Shares Outstanding		
Basic & diluted	16,378,426	14,951,567

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

BLACKSANDS PETROLEUM, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
For the Three Months Ended January 31, 2012 and 2011  
(Unaudited)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (423,035)	\$ (806,775)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on derivative liability	--	7,564
Equity compensation expense	167,767	294,804
Depreciation, depletion and accretion	216,991	230,097
Changes in operating assets and liabilities:		
Accounts receivable	285,227	(173,903)
Prepaid expense and other current assets	(30,000)	(177,888)
Accounts payable	(149,169)	(304,660)
Net cash flows from operating activities	67,781	(930,761)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Oil and gas property costs	(20,716)	(1,586,977)
Net cash flows from investing activities	(20,716)	(1,586,977)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	500,000	1,500,000
Net cash flows from financing activities	500,000	1,500,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	547,065	(1,017,738)
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	240,314	1,609,961
<b>CASH AND CASH EQUIVALENTS - End of period</b>	\$ 787,379	\$ 592,223
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$--	\$--
Cash paid for income taxes	\$--	\$--
<b>Supplemental non-cash activities</b>		
Asset retirement obligation acquired in acquisition	\$--	\$188,758

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

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. 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, 2011 filed with the SEC on February 14, 2012. 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 2011 annual report on Form 10-K have been omitted.

2. Debt

On November 19, 2010, the Company entered into a loan agreement with Silver Bullet Property Holdings for a promissory note totaling \$1,500,000. 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. On September 27, 2011, the Company entered into an amendment to the promissory note dated November 19, 2010 (the “Note”) issued by the Company to Silver Bullet Property Holdings SDN BHD (the “Investor”). Pursuant to the amendment, the maturity date of the Note was amended from November 19, 2011 to February 1, 2013. In addition, the Investor loaned the Company an additional \$1 million, with \$500,000 loaned prior to October 31, 2011 and the remaining \$500,000 received in two installments in November and December 2011. The Note was amended upon receipt of each of the additional loan amounts and is due and payable pursuant to the terms and conditions of the Note.

Pursuant to a security agreement, dated September 27, 2011, as security for the repayment of the Note, the Company granted the Investor a first priority lien on the Company’s oil and gas mineral leases in the Apclark Field.

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%. In January 2012, the parties amended the agreement to extend the due date to January 11, 2013. All other terms and conditions remained unchanged.

3. Asset Retirement Obligation

The following table summarizes the change in the asset retirement obligation (“ARO”) for the period ended January 31, 2012

Beginning balance at November 1	\$	677,318
Liabilities settled		--
Liabilities incurred through acquisition of assets		--
Accretion expense		15,015
Ending balance at January 31	\$	692,333



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.

#### 4. Stockholders' Equity

##### Stock compensation

In January 2012, the Company appointed a new director to the Board of Directors. In conjunction with this appointment, the Company entered into a compensation agreement with the director. Pursuant to this agreement, the director will receive cash compensation totaling \$20,000 (paid quarterly) along with payment for attendance at Board meetings. In addition, the director received 25,000 shares of restricted Common Stock of the Company, of which 6,250 shares vest immediately and the remaining shares vest in semi-annual amounts of 3,125 shares. The Company also granted the director an option to purchase up to 88,000 shares of the Company's common stock at an exercise price of \$4.50 per share. The options vest equally over four 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 134%, risk free interest rate of 0.77%; and expected lives of five years.

##### 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, 2011	1,033,333	\$3.00
Granted	88,000	4.50
Exercised	-	-
Cancelled	-	-
Outstanding at January 31, 2012	1,121,333	\$3.12
Exercisable at January 31, 2012	491,667	\$3.00

During the three months ended January 31, 2012 and 2011, the Company recorded stock-based compensation of \$142,767 and \$294,803, respectively, as general and administrative expenses. The unamortized amount of stock-based compensation at January 31, 2012 was \$810,368.

#### 5. 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, 2012, 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 Permian 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 ("Non-Core Properties"), which we anticipate will provide us with immediate cash flow and additional upside through recompletion potential and new drilling opportunities.

As of January 31, 2012, we owned interests in (i) approximately 8,900 gross (5,050 net) acres in the Midland Basin, (ii) approximately 108,715 gross (54,357 net) acres in the Pedregosa Basin and (iii) approximately 3,300 gross (1,650 net) acres in Colorado and 3,148 gross acres in Non-Core Properties. In August 2011, leases on approximately 1,240 gross acres in Colorado expired and were not renewed.

We have approximately, 117,776 (59,716 net acres) held by production. This includes approximately 4,000 gross acres (1,000 net acres) in Midland Basin, 108,715 gross acres (54,357 net acres) in the Pedregosa Basin, and approximately 5,061 gross acres (4,358 net acres) in the Non-Core Properties.

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 properties located in the Gulf Coast region of Texas and one property in our Core Focus Area located in West Texas.

During the three months ended January 31, 2012, we (i) completed and began production from our BVR Well No. 6-1, (ii) drilled and set casing for the Livestock Well 7-1, (iii) commenced drilling operations on the Livestock Well 18-1.

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%	6	New Drill	\$ 7.0MM
Pedregosa Basin	50%	1	New Drill	\$ 0.0 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	\$ 1.3MM
Total				\$ 10.10 MM

While our base case drilling, recompletion/workover and leasing activity would result in estimated costs of \$10.1 million, we may expand drilling, recompletion/workover and leasing activity to as much as \$22 million, 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 three months ended January 31, 2012, we obtained the balance of the additional million dollars from the amendment to our loan with Silver Bullet.

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.

#### Consolidated Results of Operations for the Three Months Ended January 31, 2012 Compared to the Three Months Ended January 31, 2011

Revenues for the three months ended January 31, 2012 totaled \$468,300 as compared to \$394,186 for the three months ended January 31, 2011. The increase totaling \$74,114 resulted from the completion and production from the BVR Well No. 6-1. During the quarter ended January 31, 2012, we saw a drop in production in one of our fields during December 2011 due to a weather equipment issues. The field resumed normal production in January 2012.

Selling general and administrative expenses decreased \$197,551 from \$636,810 in the fiscal period ended January 31, 2011 to \$439,259 in the fiscal period ended January 31, 2012. This decrease is primarily the result of a decrease of approximately \$150,000 in the stock based compensation recorded in the quarter ended January 31, 2011 as the result of stock option grants that did not occur during the quarter ended January 31, 2012.

Depreciation, depletion and accretion remained relatively flat and totaled \$216,991 in the period ended January 31, 2012 as compared to \$230,097 for the period ended January 31, 2011.

Lease operating expenses decreased \$13,612 from \$189,934 in the period ended January 31, 2011 to \$176,322 in the period ended January 31, 2012. The decrease in the lease operating expenses was related to completion of a number of repairs to our older wells which were completed prior to October 31, 2011.

During the period ended January 31, 2011, we incurred exploration expenses of \$105,959. These costs related primarily to the 2-D seismic work done on the Pedregosa property. There were no exploration costs in the period ended January 31, 2012.

We incurred a net loss for the period ended January 31, 2012 of \$423,035, compared to a net loss of \$806,775 for the period ended January 31, 2011.

#### Liquidity and Capital Resources

As of January 31, 2012, we had cash and cash equivalents on hand of \$787,379. We believe this amount, together with production from existing wells and wells drilled in February 2012 that are in the process of being completed, are sufficient to fund our general and administrative costs for the next twelve months. We do not have sufficient funds on hand in order to fund any capital expenditures for the drilling of new wells or the recompletion of existing wells. We expect to rely on external sources of capital in order to continue 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.

#### Net Cash Used In Operating Activities

Cash provided by operating activities in the period ended January 31, 2012 was \$67,781, compared to \$930,761 used for the comparative period. The increase in cash provided by operating activities was from the decrease in our net loss, reductions in accounts receivable and accounts payable.

#### Cash Flows Used In Investing Activities

Net cash used in investing activities for the year ended January 31, 2012 was \$20,716 compared to \$1,586,977 for the comparative period. The costs for both periods presented relate to our oil and gas acquisitions and development. During fiscal 2011, the costs relate primarily to the costs associated with the drilling of the test well on the Pedregosa property.

#### Cash Flows from Financing Activities

Cash provided by financing activities for the period ended January 31, 2012 was \$500,000, compared to \$1,500,000 for the comparative period. The financing for both periods was provided through a loan from Silver Bullet.

On November 19, 2010, we entered into a loan agreement with Silver Bullet Property Holdings for a promissory note totaling \$1,500,000. The note bears interest at the rate of 10% per annum and is due on the earlier of the date we close on an offering with gross proceeds of at least \$5 million or November 19, 2011. On September 27, 2011, Blacksands Petroleum, Inc. (the "Company") entered into an amendment to the promissory note dated November 19, 2010 (the "Note") issued by the Company to Silver Bullet Property Holdings SDN BHD (the "Investor"). Pursuant to the amendment, the maturity date of the Note was amended from November 19, 2011 to February 1, 2013. In addition, the Investor loaned the Company an additional \$1 million, with \$500,000 received prior to October 31, 2011 and the remaining \$500,000 received in two installments in November and December 2011. Pursuant to a security agreement, dated September 27, 2011, as security for the repayment of the Note, the Company granted the Investor a first priority lien on the Company's oil and gas mineral leases in the Apclark Field.

#### 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.

#### 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 January 31, 2012. 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. As a result of increased operations, we did not maintain a sufficient number of 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.

#### 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 2012 to resolve non-routine or complex accounting matters. When funds are available, which we expect to occur by the latter half of 2012, we will hire additional knowledgeable personnel with technical accounting expertise to further support our current accounting personnel, which management estimates will cost approximately \$100,000 per annum. 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 material weakness.

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

Other than the implementation of a new software system, there were no changes in our internal control over financial reporting that occurred during the quarter ended January 31, 2012 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.

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

In January 2012, the Company appointed a new director to the Board of Directors. In conjunction with this appointment, the director received 25,000 shares of Common Stock of the Company, of which 6,250 shares vested immediately and the remaining shares vest in semi-annual amounts of 3,125 shares. The Company also granted the director an option to purchase up to 88,000 shares of the Company’s common stock at an exercise price of \$4.50 per share. The options vest equally over four years.

### 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 Chief 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 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.

101.INS XBRL Instance Document\*

101.SCH XBRL Schema Document\*

101.CAL XBRL Calculation Linkbase Document\*

101.LAB XBRL Label Linkbase Document\*

101.PRE

XBRL Presentation Linkbase Document\*

101.DEF

XBRL Definition Linkbase Document\*

\* The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or 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 16, 2012

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

Date: March 16, 2012

By: /s/ DONALD GIANNATTASIO  
Name: Donald Giannattasio  
Title: Chief Financial Officer