



## U.S. Securities and Exchange Commission

### U.S. SECURITIES AND EXCHANGE COMMISSION

**Litigation Release No. 19786 / August 1, 2006**

**Accounting and Auditing Enforcement Release No. 2471 / August 1, 2006**

***SEC v. Blast Energy Services, Inc. f/k/a Verdisys, Inc., Daniel W. Williams and Andrew G. Wilson, Civil Action No. 4:06-CV-02441 (S.D. Texas) (July 24, 2006)***

**In the Matter of Eric A. McAfee, Exchange Act Rel. No. 34-54234 (July 28, 2006)**

**Securities and Exchange Commission v. Eric A. McAfee, Civil Action No. 4:06-CV- 02440 (S.D. Texas) (July 24, 2006)**

**SEC Brings Anti-Fraud Action Against Oil and Gas Services Company, Two Former Officers and a Director**

On July 24, 2006, the Securities and Exchange Commission filed a complaint in the United States District Court for the Southern District of Texas against Blast Energy Services, Inc. f/k/a Verdisys, Inc., alleging that Verdisys and former CEO Daniel W. Williams violated the anti-fraud provisions of the Securities Exchange Act of 1934 by making various misleading disclosures regarding the capabilities of Verdisys' lateral drilling technology, the status and success of its drilling operations, and its revenues, and that former Verdisys CFO Andrew G. Wilson aided and abetted the violations. Also on July 28, 2006, the Commission entered a cease-and-desist order against former Verdisys director Eric A. McAfee, finding that he caused Verdisys to make misleading disclosures regarding its expenses and revenues. The Commission also commenced a civil money penalty action against McAfee in United States District Court for the Southern District of Texas.

Verdisys, Williams and Wilson made offers of settlement, on a neither admit-nor-deny basis, by which they consent to the entry of permanent injunctions by the United States District Court, barring future violations of the Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Williams has also offered to pay a civil money penalty of \$125,000, and to be barred from serving as an officer or director of a public company. Wilson has offered to pay a penalty of \$25,000, and to be barred him from serving as

the officer or director of a public company for five years.

McAfee consented, on a neither admit-nor-deny basis, to the entry of the Commission's cease-and-desist order, which found that he caused violations Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. In the related penalty action filed in United States District Court, McAfee also offered to pay a civil money penalty of \$25,000.

The parties to the various proceedings are:

Blast Energy Services, Inc., f/k/a Verdisys at the time of the violations alleged in the Commission's complaint, a California corporation with corporate headquarters in Houston, Texas. Verdisys is engaged in reworking existing oil and gas wells to renew or enhance production, and its common stock currently is quoted on the OTC BB;

Daniel W. Williams, 47, of The Woodlands, Texas, Verdisys' president and CEO from March 2003 until his dismissal in December 2003;

Andrew G. Wilson, 50, of Alameda, California, Verdisys' CFO from March 2003 until January 2004; and,

Eric A. McAfee, 42, of Saratoga, California, Verdisys' CEO before it became publicly held, and a director from late 2000 until his resignation in March 2004.

Beginning in May 2003, according to the Commission's complaint, Verdisys issued misleading press releases which Wilson and Williams prepared and reviewed. The releases failed to disclose that the company's touted lateral drilling technology only consisted of two prototypes with no track record of substantial success and that its two major customers did not have the financial resources to support announced drilling contracts totaling \$19 million. Further, statements in a press release predicting that Verdisys' technology would rejuvenate a formerly prolific natural gas field in Louisiana lacked a reasonable basis in fact. In actual operations, Verdisys' drilling technology proved unreliable, and no significant production ever resulted from its use.

The Commission's complaint also alleges that various reports Verdisys filed with the Commission through late 2003, which Williams and Wilson prepared and signed, made misleading disclosures. Among other things, Verdisys' quarterly report for the period ended September 30, 2003, initially filed with the Commission on Form 10-QSB on November 19, 2003, overstated the company's revenues by nearly 100%. According to the complaint, Williams had wholly falsified reports of wells drilled, which resulted in false claims of revenue earned.

The Commission's cease-and-desist proceedings against McAfee found that he caused Verdisys to omit disclosure in financial statements filed with the Commission in its September 29, 2003 Form 8-K/A filing, that Verdisys had

incurred a \$500,000 expense in issuing stock to retain a stock promoter. The proceedings also found that McAfee caused Verdisys to file its misleading Form 10-QSB report on November 19, 2003, before Verdisys' auditor had reviewed the accompanying financial statements, and without disclosing an agreement that called for Verdisys to assume substantial liabilities and which compromised a material receivable.

*<http://www.sec.gov/litigation/litreleases/2006/lr19786.htm>*

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