UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54234 / July 28, 2006

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2468 / July 28, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12385

In the Matter of **Eric A. McAfee,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Eric A. McAfee ("McAfee" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings involve violations of the anti-fraud provisions of the federal securities laws from mid-2003 through early 2004 by a publicly-traded oil and gas field services company then known as Verdisys, Inc. ("Verdisys"). At that time, McAfee was the controlling shareholder and a director of Verdisys. McAfee, and others, caused Verdisys to make inaccurate disclosures regarding its revenues and expenses.[2]

Respondent

2. McAfee, 42, of Saratoga, California, was Verdisys' CEO for five months from November 2002 to March 2003 (before it became publicly held in mid-2003), and a Verdisys director from late 2000 until his resignation in March 2004. McAfee was and remains Verdisys' largest shareholder, owning approximately 28% of Verdisys' outstanding common stock, 2.8% directly and 25.6% beneficially through two venture capital firms and through family holdings.

Other Relevant Entity

3. Verdisys, a California corporation with corporate headquarters in Houston, Texas, is primarily engaged in reworking existing oil and gas wells to renew or enhance production. Verdisys also provides broadband satellite links for the remote control of oil and gas wells and related infrastructure. Verdisys filed periodic and other reports with the SEC pursuant to Section 15(d) of the Exchange Act, and at all times relevant herein, its common stock (or the stock of a corporate predecessor) was quoted on the NASD's OTC BB.[3]

Background

4. In late 2000, McAfee purchased a controlling interest in a privately-held corporate predecessor of Verdisys, then based in Fresno, California, which had attempted to establish an Internet-based exchange for the purchase and sale of agri-business goods and services. McAfee

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] *See SEC v. Blast Energy Services, Inc. (fka Verdisys, Inc.), et al*, Civ. Action No. 4:06-CV-02441 (U.S. Dist. Ct., Southern District of Texas) (filed July 24, 2006), regarding injunctive proceedings against Verdisys and others for, *inter alia*, making inaccurate disclosures regarding drilling work, expenses and revenues.

[3] References herein to Verdisys (the corporate name at the time of the violations discussed herein) shall mean and include Verdisys' predecessors and successors, including the privately-held corporate predecessor named Verdisys, Inc., and Reconstruction Data Group, Inc., a California corporation that had ceased business operations but which was still quoted on the OTC BB on May 2, 2003, when its pending reverse merger with the privately-held Verdisys was announced. The merger became effective July 18, 2003, at which time shares in the privately-held corporation were exchanged for shares in Reconstruction Data, Inc., which was renamed Verdisys. In June 2005, Verdisys changed its name to Blast Energy Services, Inc.

signed a consulting agreement to provide the company with fundraising services, and assumed a position on its board.

5. In January 2002, the company refocused its operations on providing satellite services to rural markets, including energy companies. In November 2002, the directors of the privately-held company, by then re-named Verdisys, installed McAfee as the CEO to revamp operations. McAfee narrowed Verdisys' activities to the business of oil and gas field services. In the Spring of 2003, the headquarters of the company was moved to Houston, Texas and a new CEO was installed in March 2003. In the Spring of 2003, in a transaction arranged by McAfee, then a director of the company, Verdisys issued two million shares of stock, purportedly as consideration for software represented to monitor conditions within oil and gas well bores. At that time, McAfee also negotiated Verdisys' acquisition of a license to use patented lateral drilling technology.[4] McAfee then negotiated Verdisys' reverse merger with a dormant, publicly traded shell company.

Misleading Disclosures Regarding Compensation Expense

6. On September 29, 2003, Verdisys filed a Form 8-K/A to announce the completion of its reverse merger, and included financial statements for the surviving entity. A footnote to the financial statements advised that in April 2003, Verdisys issued two million shares of common stock, valued at $1 million, ostensibly to acquire software, but that the software had been deemed not useful, and Verdisys was therefore recording an impairment expense of $1 million.

7. McAfee had convinced the Verdisys board to purchase the software by claiming it would allow the remote monitoring of oil and gas wells, which would complement Verdisys' sales of broadband satellite links to oil and gas companies. McAfee controlled the company selling the software, and he knew that the software only screened job applications and resumes of health care executives and did not monitor conditions in oil and gas wells. McAfee did not tell the company's directors that the transaction compensated a stock promoter, who received half of the two million shares.[5] As a result, McAfee caused Verdisys, essentially a start-up company, to not disclose that it had issued one million shares and incurred a compensation expense of $500,000, to retain the promoter, before it could claim significant assets, revenues or business operations.

Misleading Disclosures Regarding Revenues

8. Verdisys delayed the filing of its quarterly report for the quarter ended September 30, 2003 (the "3Q Form 10-QSB"), after its auditor raised revenue recognition issues concerning a material $1.5 million receivable related to the company's largest drilling contract. While the

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4 As described by Verdisys in periodic reports filed with the SEC, the technology pumped drilling fluids at high pressure through flexible hydraulic hoses and out a high-pressure nozzle, cutting new lateral channels from an original vertical well bore, to enhance the flow from previously tapped reservoirs of oil and gas or to reach new reservoirs.

5 McAfee beneficially received 230,000 restricted shares, and the other shareholders of the software corporation received the remaining 770,000 shares.

filing was in abeyance, McAfee caused Verdisys to issue an earnings release predicting the company would soon report record earnings.

9. McAfee participated in efforts to justify recognition of the $1.5 million receivable. On November 19, 2003, to meet the filing deadline and avoid any drop in the company's stock price, McAfee ordered Verdisys' accounting staff to file the 3Q Form 10-QSB, even though the auditor had yet to review the financial statements found in the filing. The 3Q Form 10-QSB filed as a result claimed Verdisys had earned total current period revenues of $2.09 million, including the questioned $1.5 million receivable. The 3Q Form 10-QSB did not disclose that McAfee's attempts to confirm recognition of the $1.5 million receivable involved a buy-out agreement, by which Verdisys would assume substantial liabilities and forego collecting upon the $1.5 million receivable to purchase the drilling project from which the receivable arose.

10. On December 3, 2003, after the auditor completed his review, Verdisys filed an amended 3Q Form 10-QSB. Verdisys still claimed approximately $2 million in revenues, but, as its auditor advised, it classified only the $500,000 actually paid as current period revenues. The remaining $1.5 million supposedly owed upon the receivable was re-classified as deferred revenues, because of collection and contract contingency issues.[6]

Violations

11. As a result of the conduct described above, McAfee caused Verdisys to violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent McAfee's Offer.

Accordingly, it is hereby ORDERED that Respondent McAfee cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

By the Commission.

Nancy M. Morris
Secretary

[6] Verdisys later determined it could not substantiate the delivery of any drilling services in the second and third quarters of 2003, and made disclosures and quarterly restatements that eliminated all unearned revenues, including the $1.5 million in deferred revenues.