

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

HOUSTON AMERICAN ENERGY CORP
Form 10KSB
March 26, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2003

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

For the transition period from _____ to _____

Commission File No. 0-33027

HOUSTON AMERICAN ENERGY CORP.

(Name of Small Business Issuer in its charter)

Delaware

76-0675953

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

801 Travis Street, Suite 2020
Houston, Texas 77002

(Address of principal executive offices) (Zip code)

Issuer's telephone number, including area code: (713) 222-6966

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which each is registered -----
None	None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 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

Check if disclosure of delinquent filers in response to Item 405 of
Regulation S-B is not contained in this form, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB.

The Issuer's revenues for the fiscal year ended December 31, 2003 were
\$220,600.

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

The number of shares of the registrant's common stock, \$.001 par value per share, outstanding as of March 22, 2004 was 19,513,089. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 22, 2004, based on the last sales price on the OTC Bulletin Board as of such date, was approximately \$6,648,354.

DOCUMENTS INCORPORATED BY REFERENCE

None

Transition Small Business Disclosure Format: Yes [] No [X]

TABLE OF CONTENTS

	Page

PART I	
ITEM 1. DESCRIPTION OF BUSINESS	3
ITEM 2. DESCRIPTION OF PROPERTY	12
ITEM 3. LEGAL PROCEEDINGS	12
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.	12
PART II	
ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	13
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS.	14
ITEM 7. FINANCIAL STATEMENTS.	19
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.	19
ITEM 8A. CONTROLS AND PROCEDURES	19
PART III	
ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT	19
ITEM 10. EXECUTIVE COMPENSATION.	19
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	19
ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.	19
ITEM 13. EXHIBITS AND REPORTS OF FORM 8-K.	20
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.	22

SIGNATURES

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-KSB contains forward-looking statements within the meaning of the federal securities laws. These forwarding-looking statements include without limitation statements regarding our expectations and beliefs about the market and industry, our goals, plans, and expectations regarding our

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

properties and drilling activities and results, our intentions and strategies regarding future acquisitions and sales of properties, our intentions and strategies regarding the formation of strategic relationships, our beliefs regarding the future success of our properties, our expectations and beliefs regarding competition, competitors, the basis of competition and our ability to compete, our beliefs and expectations regarding our ability to hire and retain personnel, our beliefs regarding period to period results of operations, our expectations regarding revenues, our expectations regarding future growth and financial performance, our beliefs and expectations regarding the adequacy of our facilities, and our beliefs and expectations regarding our financial position, ability to finance operations and growth and the amount of financing necessary to support operations. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this annual report on Form 10-KSB.

As used in this annual report on Form 10-KSB, unless the context otherwise requires, the terms "we," "us," "the Company," and "Houston American" refer to Houston American Energy Corp., a Delaware corporation.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

Houston American Energy Corp. is an oil and gas exploration and production company. In addition to seeking out oil and gas prospects using advanced seismic techniques, we utilize the contacts of John F. Terwilliger, our sole director and executive officer, to identify potential acquisition targets in the Onshore Texas Gulf Coast Region of the State of Texas, where Mr. Terwilliger has been involved in oil and gas exploration and production activities since 1983. Further, we have, through an interest in a limited liability company, interests in two concessions in the South American country of Colombia. As a result, we expect to be active in Colombia for the foreseeable future. Moreover, as well as our own drilling activities and acquisition strategy, we may also encourage others in the oil and gas industry to enter into partnerships or joint ventures with us for the purpose of acquiring properties and conducting drilling and exploration activities.

EXPLORATION PROJECTS

Our exploration projects are focused on existing property interests, and future acquisition of additional property interests, in the onshore Texas Gulf Coast region, Colombia and Louisiana.

Each of our exploration projects differs in scope and character and consists of one or more types of assets, such as 3-D seismic data, leasehold positions, lease options, working interests in leases, partnership or limited liability company interests or other mineral rights. Our percentage interest in each exploration project ("Project Interest") represents the portion of the interest in the exploration project we share with other project partners. Because each exploration project consists of a bundle of assets that may or may not include a working interest in the project, our Project Interest simply represents our proportional ownership in the bundle of assets that constitute the exploration project. Therefore, our Project Interest in an exploration project should not be confused with the working interest that we will own when a given well is drilled. Each exploration project represents a negotiated transaction between the project partners. Our working interest may be higher or lower than our Project Interest.

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

Our principal exploration projects as of December 31, 2003 consisted on the following:

LAVACA COUNTY, TEXAS. In Lavaca County, Texas, we hold two separate interests consisting of a 5% non-participating royalty interest in a 150 acre tract known as the Mavis Wharton Lease and a 38% working interest in a 65.645 acre tract known as the West Hardys Creek Prospect.

3

The Mavis Wharton #3 well was drilled on the Mavis Wharton Lease and, following completion, experienced production problems. The well was reworked and determined to be non-commercial and abandoned. We have been advised that a deep gas test is planned to include the Mavis Wharton Lease. Our royalty interest in the Mavis Wharton Lease does not bear any costs of well operations.

The Goyen #1 well was drilled on the West Hardys Creek Prospect in the third quarter of 2003. The Goyen #1 well tested the Frio and Miocene Sands to a depth of 3,000 feet. The Goyen #1 well was successfully completed in September 2003 and commenced production as a gas well with an initial production rate of 350MCF per day. We presently have no plans with respect to drilling additional wells on the West Hardys Creek Prospect.

MATAGORDA COUNTY, TEXAS. In Matagorda County, Texas, we hold two separate interests consisting of a 3.5% working interest with a 2.415% net revenue interest in a 779 acre tract known as the S.W. Pheasant Prospect and an option to participate, based on a 3.5% working interest with a 2.415% net revenue interest, in a 672 acre tract known as the Turtle Creek Prospect.

A well was successfully completed on the S.W. Pheasant Prospect in July 2003 with initial production rates from the Frio K Sand of 1400 MCF and 35 barrels of oil per day. Pursuant to our option covering the adjacent Turtle Creek Prospect, we anticipate participating in the drilling of a well on the Turtle Creek Prospect within the next year. Other than the anticipated well on the Turtle Creek Prospect, we presently have no plans with respect to drilling additional wells in Matagorda County.

JACKSON COUNTY, TEXAS. In Jackson County, Texas, we hold a 100% leasehold, subject to a 27% royalty, on an 80 acre tract known as the W. Harmon Prospect. At December 31, 2003, we had developed a plan with respect to drilling of the Miller #1 well on the W. Harmon Prospect and had engaged an operator to drill a 7,300 foot test well. Drilling of the Miller #1 is expected to begin in the third quarter of 2004 if we are successful in resolving certain location and gas line issues with the surface owner.

ST. JOHN THE BAPTIST PARISH, LOUISIANA. In St. John the Baptist Parish, Louisiana, we hold a 2% working interest with a 1.44% net revenue interest in a 726 acre leasehold known as the Bougere Estate and the Bougere Estate #1 well. The Bougere Estate #1 well was completed in June 2003 with initial production of 200 barrels of oil and 170 MCF of gas per day. Commercial production of the well commenced in December 2003 following installation of a gas sales pipeline. We presently have no additional plans with respect to drilling additional wells on the Bougere Estate.

LLANOS BASIN, COLOMBIA. In the Llanos Basin, Colombia, we hold an interest, through our ownership in Hupecol, LLC, in a 357,000 acre tract known as the Cara Cara concession. In conjunction with our acquisition of our interest in Hupecol, we also acquired, and hold, a 12.6% working interest, with an 11.31% net revenue interest, in the Tambaqui Association Contract covering 88,000 acres in the State of Casanare, Colombia.

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

The first well drilled in the Cara Cara concession, the Jaguar #1 well, was completed in April 2003 with initial production of 892 barrels of oil per day. In December 2003, Hupecol commenced drilling an additional three wells on the Cara Cara concession as offsets to, and to delineate, the Jaguar #1 well.

Included in our interest in the Tambaqui Association Contract is an interest in a producing well, the Tambaqui #1, and in two exploration wells. The first exploration well drilled as an offset to the Tambaqui #1, the Tambaqui #1Am, was dry. We expect to commence drilling another offset to the Tambaqui #1 well by April 2004.

In conjunction with the efforts to develop the Cara Cara concession, Hupecol has acquired 50 square miles of 3D seismic grid surrounding the Jaguar #1 well and two other prospect areas. That data is expected to be utilized to identify additional drill site opportunities to develop a field around the Jaguar #1 well and in other prospect areas within the grid.

Our working interest in our exploration projects in Colombia are subject to an escalating royalty of 8% on the first 5,000 barrels of oil per day to 20% at 125,000 barrels of oil per day. Our interest in the Tambaqui Association Contract is subject to reversionary interests of Ecopetrol, the state owned Colombian oil company, that could cause 50% of the working interest to revert to Ecopetrol after we have recouped four times our initial investment.

4

In December 2003, we exercised our right to participate in the acquisition, through Hupecol, of over 3,000 kilometers of seismic data in Colombia covering in excess of 20 million acres. The seismic data is expected to be utilized to map prospects in key areas with a view to delineating multiple drilling opportunities beginning in 2004. We will hold a 12.5% interest in all prospects developed by Hupecol arising from the acquired seismic data.

The following table sets forth certain information about each of our exploration projects:

	Acres Leased or Under Option at December 31, 2003 (1)			
Project Area	Project Gross	Project Net	Company Net	Project Interest
TEXAS:				
Lavaca County, Texas				
Mavis Wharton	300.00	150.00	7.50	5.00%
West Hardys Creek	65.65	65.65	24.95	38.00%
Jackson County, Texas				
W. Harmon Prospect	80.00	80.00	80.00	100.00%
San Patricio County, Texas				
St. Paul Prospect	380.00	380.00	19.00	5.00%

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10KSB

Matagorda County, Texas

S.W. Pheasant Prospect	779.00	779.00	27.27	3.50%
Turtle Creek Prospect.	672.00	672.00	23.52	3.50%
	-----	-----	-----	
Texas Sub-Total	2,276.65	2,126.65	182.24	

LOUISIANA:

St. John the Baptist Parish,

Louisiana	726.00	726.00	14.52	2.00%
	-----	-----	-----	
Louisiana Sub-Total	726.00	726.00	14.52	2.00%

OKLAHOMA

Jenny #1-14	160.00	160.00	3.78	2.36%
	-----	-----	-----	
Oklahoma Sub-Total.	160.00	160.00	3.78	

COLOMBIA

Cara Cara Concession	357,000.00	357,000.00	5,676.30	1.59%
Tambaqui Assoc. Contract (2)	88,000.00	88,000.00	11,088.00	12.6%
	-----	-----	-----	
Colombia Sub-Total.	445,000.00	445,000.00	16,764.30	
	-----	-----	-----	
Total	448,162.65	448,012.65	16,964.84	
	=====	=====	=====	