UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

RECEIVED
DEC 12 2014
OFFICE OF THE SECRETARY

ADMINISTRATIVE PROCEEDING
File No. 3-16000

In the Matter of,

HOUSTON AMERICAN ENERGY CORP.,
JOHN F. TERWILLIGER, JR.,
UNDISCOVERED EQUITIES INC., and
KEVIN T. McKNIGHT

Respondents.

MOTION FOR LEAVE AND MOTION FOR SUMMARY DISPOSITION BY RESPONDENTS HOUSTON AMERICAN ENERGY CORP. AND JOHN F. TERWILLIGER

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

Cases

Rules and Statutes

Other Authorities

Respondents Houston American Energy Corporation ("Houston American") and John Terwilliger ("Terwilliger") move for summary disposition on all claims as set forth below and request leave to file this motion under 17 C.F.R. § 201.250.[1]

INTRODUCTION

This case is based entirely on a highly generalized preliminary ***predrill*** estimate about ***potential*** future discoveries in an undrilled oil and gas exploration property (the "CPO-4 block")—an estimate that Houston American repeatedly said was subject to change based on future evaluation. While the Division's case fails for many reasons, the primary question is a simple one: Did Respondents have a reasonable basis for stating in a November 2009 presentation that the CPO-4 block "contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels"?[2] It is not enough for the Division to show simply that "reasonable minds can disagree" about an estimate to raise a fact issue. To demonstrate fraud, the Division must instead show that the estimate had ***no reasonable basis***.

The Division's own admissions and expert reports, as well as the undisputed evidence, conclusively establish that Respondents' estimates had a reasonable basis. As admitted in the Order Instituting Proceedings ("OIP"), the sole operator on the CPO-4 block was SK Energy, a large and well-respected South Korean oil and gas company, that used "standard analytical procedures for estimating quantities of potentially recoverable oil" on CPO-4, based its estimates for CPO-4 on an "extensive evaluation of the CPO-4 block," and "conformed to standard industry practices" when providing estimates for CPO-4. OIP § C, ¶¶ 3, 29, 32, 75. The

[1] Citations to "Ex." are to the exhibits attached to the Declaration of Mark Oakes filed contemporaneously with this motion as **Exhibit A**. This motion also relies on the reports of Jason Flemmons, Michael Wiggins, Lucy Allen, William Abington, and Kenneth Kiewra that were previously filed.

[2] The November 2009 presentation and a January 2010 facsimile to Phil McPherson that was clearly an expression of Terwilliger's opinion are ***the only written statements by Respondents that the Division challenges in this case***. The SEC also challenges various alleged oral statements by Houston American and statements by other parties, but those claims fail for similar (and additional) reasons as the November 2009 estimate.

undisputed evidence shows that SK Energy ***approved*** Houston American's November 2009 presentation, which contained the "1 to 4 billion" preliminary reserves estimate.[3] The evidence also shows that SK Energy's geophysical interpreter James Fluker agreed that "the recoverable reserves on this block, if you were going to express it in a range, ***could be between 1 billion and even 5 billion"*** barrels, substantiating Respondents' estimate.[4]

The Division cannot have it both ways. It cannot judicially admit[5] that SK Energy's estimates were based on an "extensive evaluation" and "conformed to standard industry practices," yet accuse Respondents of fraud for using estimates agreed to by SK Energy. While the Division bases its case on earlier SK Energy analyses that analyzed only three CPO-4 sands and used a lower 150 barrel-per-acre-foot (BAF) recovery rate, Fluker testified that CPO-4 contained additional productive sands and that recovery rates in the Llanos Basin were typically much higher, particularly in the western Llanos region where CPO-4 is located. The Division's own expert, Netherland, Sewell & Associates, Inc. ("NSAI"), likewise admitted that the recovery rates in the Deep Llanos province (where CPO-4 is located) can range from 230-500 BAF.[6] Fluker's testimony, coupled with SK's approval and the Division's admissions, establish that Houston American's estimate was at least reasonable, thus precluding the Division's claims.

The Division also faults Respondents for using the word "reserves" instead of "resources," given that the SEC and Petroleum Resources Management System ("PRMS") definitions of "reserves" only apply to "discovered," commercially producible petroleum from "known accumulations." OIP § C, ¶¶ 13, 41. The SEC's rules regarding the word "reserves,"

---

[3] Ex. 1, Nov. 6, 2009 Email from Seong Myeong. Houston American's disclosure counsel also approved the disclosure. Ex. 2, Nov. 6, 2009 Email from Mike Sanders.

[4] Ex. 3, Deposition of James Fluker 136:5-12, 147:10-15, 173:10-22 (Nov. 10, 2014) ("Fluker Dep.").

[5] Under 17 C.F.R. § 201.250(a), admissions in the OIP are "taken as true" against the Division on a motion for summary disposition and are thus judicially admitted.

[6] Ex. 4, NSAI Report ¶ 60(c).

however, apply only to "filed" SEC documents such as 10-Ks and 10-Qs. The November 2009 presentation was "furnished" with a Form 8-K but was not "filed" with the SEC.[7] None of the alleged misstatements were made in any documents filed with the SEC, and the Division does not challenge any of Respondents' SEC filings.

The SEC has made clear that companies can "furnish" investor presentations and other documents without exposing those documents to the SEC rules that govern formal SEC "filings":

> The information in a report furnished pursuant to . . . Item 7.01 (Regulation FD Disclosure) shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, unless the registrant specifically states that the information is to be considered "filed" under the Exchange Act or incorporates it by reference into a filing under the Securities Act or the Exchange Act.[8]

It is common for energy companies to use the term "estimated recoverable reserves" to refer to predrill estimates in non-SEC filings, as evidenced by the attached exhibit showing 88 examples of other companies using "reserves" informally in a preliminary predrill context.[9] The disclosures in the November 2009 presentation, as well as in Respondents' earlier and subsequent disclosures, made clear that Respondents were not using the SEC or PRMS definition of reserves (which by definition cannot be predrill).

In asserting that Houston American was bound to use the SEC/PRMS definitions of "reserves," "leads," and "prospects," the Division is improperly attempting to make new law regarding the use of these terms in non-filed documents and to single out Houston American for an improper retroactive application of this nonexistent requirement. Neither Congress nor the SEC has ever required oil companies to use the PRMS definitions in non-filed documents. Not only have the relevant regulations been expressly limited to SEC-filed documents, but the SEC

---

[7] *See* Ex. 5, Nov. 9, 2009 Houston American Form 8-K and Investor Presentation (stating that presentation "is furnished pursuant to Item 7.01 and shall not be deemed 'filed' for purposes of Section 18 of the [Exchange Act]").

[8] General Instruction B.2 to Form 8-K, https://www.sec.gov/about/forms/form8-k.pdf.

[9] Ex. 6, Chart of Industry Use of Reserves in Pre-Drill Context.

explicitly recognized in November 2000 that it had "seen in press releases and web sites disclosure language by oil and gas companies which would not be allowed in a document filed with the SEC," including "statements regarding 'probable,' 'possible,' or 'recoverable' reserves among others."[10] Rather than prohibit the use of non-PRMS terms such as "recoverable reserves" in non-filed documents (let alone engage in a proper rulemaking process to prohibit the practice), the SEC instead merely requested "that these disclosures be accompanied" by a disclaimer.[11] This non-prohibitive approach has been illustrated time and again in comment letters sent by the SEC to companies that were not using the SEC definition of reserves.[12]

Houston American's November 9, 2009 presentation contained a disclaimer virtually identical to the one proposed by the SEC.[13] It would be wholly improper and unprecedented to hold Houston American liable for not using the PRMS definitions when: (i) such definitions are not and have never been required in a non-filed document; (ii) many other companies use the same terminology in the same context; (iii) the SEC has acknowledged that companies use non-PRMS terms and merely requested the same disclosure language that Houston American used; and (iv) to the best of Respondents' knowledge, the Enforcement Division has never before filed an enforcement action asserting that PRMS definitions are required in non-filed documents.

Houston American's investors have overwhelmingly rejected the Division's argument that they were defrauded. On October 12, 2010, Houston American voluntarily disclosed an updated CPO-4 estimate with a ***much smaller range of 25-169 million barrels of "unrisked***

---

[10] Excerpt from Nov. 14, 2000 SEC Corp Fin Current Issues and Rulemaking Projects Outline, http://www.sec.gov/divisions/corpfin/guidance/cfoilgasinterps.htm.

[11] *Id.*

[12] *See, e.g.*, Ex. 7, SEC Comment Letters.

[13] *Compare* Excerpt from Nov. 14, 2000 SEC Corp Fin Current Issues and Rulemaking Projects Outline, http://www.sec.gov/divisions/corpfin/guidance/cfoilgasinterps.htm *with* Ex. 5, Nov. 9, 2009 Houston American Form 8-K and Investor Presentation (presentation using cautionary language on page 1).

potential resources," with no reserves.[14] This estimate, which the Division's own expert asserts "exposed" the "extent of Houston American's overstatement of the Block's prospectivity" and was "a very important correction, [15] would have disabused investors of any possible misapprehension that the CPO-4 contained 1-4 billion barrels of "reserves." Yet, even though the purportedly fraudulent statements had now been publicly exposed,

- The stock price actually ***rose*** from $11.77 to $12.76 – a $0.99 increase– on October 12 (the day of the announcement), closed at $18.09 on December 31, 2009, and reached an all-time high of $20.63 on July 7, 2011 – compared with a close of just $4.35 after the allegedly fraudulent November 2009 presentation.

- On June 13, 2011, Houston American's shareholders ***overwhelmingly reelected Terwilliger as a director*** (by a vote of 17,510,913 to 134) and ***overwhelmingly approved his 2010 compensation package*** (by a vote of 17,943,251 to 40,318).[16] On June 10, 2014, the shareholders again ***overwhelmingly reelected Terwilliger as a director*** (by a vote of 17,589,981 to 149,732).[17]

- The persons named in the OIP, including purchasers in Houston American's December 2009 stock offering, testified that they knew there were no "known accumulations" of oil and that Houston American's estimate did not refer to SEC/PRMS "reserves," as it was clear this was a predrill estimate.

- The two entities that purchased 96% of the stock in Houston American's December 2009 stock offering (Columbia Wanger and Nokomis Capital ("Nokomis")) ***continued purchasing stock after the October 12, 2010 revised estimate*** and never claimed they were defrauded by the alleged misstatements.[18]

These facts confirm that the Division's case is baseless and that its request for sanctions should fail. The facts that Respondents provided such a wide range of potential recoverable reserves and used the qualifier "or" in the phrase "leads ***or*** prospects" further refute the Division's interpretation. The Division's case fails for numerous other reasons:

[14] Ex. 39, Oct. 12, 2010 Houston American Form 8-K and Investor Presentation.
[15] Ex. 4, NSAI Report ¶¶ 95-97.
[16] Ex. 43, June 15, 2011 Houston American Form 8-K.
[17] Ex. 45, June 12, 2014 Houston American Form 8-K..
[18] Ex. 19, Deposition of William Doyle 240:12-18 (Dec. 4, 2014) ("Doyle Dep."); Ex. 18, Deposition of Brett Hendrickson 165:5-13 (Nov. 12, 2014) ("Hendrickson Dep.").

First, the Division is not entitled to a disgorgement order with respect to the December 2009 offering proceeds or Terwilliger's compensation because the Division has made no showing that these funds are causally connected with any alleged misstatement. Again, the shareholders voted to approve Terwilliger's compensation after the "true potential" was revealed.

Second, the Division is not entitled to penalties against Respondents because such relief may not be retroactively pursued in an administrative proceeding for conduct predating the effective date of the Dodd-Frank Act, as Judge Foelak already recognized.[19]

Third, the Division is not entitled to a D&O bar. Even accepting the facts as true, they do not demonstrate the "high degree of scienter" and other factors warranting such drastic relief. It would be wholly improper to remove Terwilliger by government fiat given that the shareholders overwhelmingly reelected him as a director after the "true potential" was disclosed.

Fourth, Statements 2-7 and 9-17 of the Appendix[20] are inactionable because there is no evidence Terwilliger made the alleged oral statements in connection with the purchase or sale of securities (if at all) and/or no basis for attributing the statements of third parties to Respondents, and/or no evidence they were material to investors.

BACKGROUND

Houston American is a small publicly traded exploration and production company with more than a decade of experience investing in Colombian oil and gas exploratory projects. The company typically acquires non-operating interests in exploration projects and relies on larger oil and gas companies to operate the property. One of these investments included a minority working interest in a highly successful Colombian concession called Cara Cara (operated by

---

[19] Ex. 8, Sept. 4, 2014 Pre-Hearing Conference Transcript 6:1-17.

[20] The "Appendix" refers to the supplemental appendix of alleged misstatements that the Division served on Respondents on September 18, 2014. A copy of the Appendix is attached as **Exhibit B** to this Motion. The word "Statements" refers to the numbered alleged misstatements listed in the Appendix.

Hupecol) that resulted in the discovery of significant proved oil and gas reserves and a $7.6 million gain to Houston American when it sold the interest in 2008.[21]

A. The CPO-4 Concession

On October 16, 2009, Houston American announced that it had entered into a Farmout Agreement and Joint Operating Agreement with SK Energy for a 25% interest in the CPO-4 block, which was located in Colombia's Western Llanos Basin.[22] The press release made clear this was a new and undrilled property, stating that "two exploration wells" would be drilled during the "Phase 1 Work Program." The press release also said that the "100 identified leads or prospects" on the block would "be ***detailed*** during the first exploration phase of the concession contract," thus showing that they still needed to be detailed. The press release further stated that the property "is located in a highly prospective area having multiple play objectives with extremely large reserve potential," included "potentially productive reservoirs," and was located near properties where oil had been discovered. As numerous witnesses testified, including the investors who bought in the December offering, this press release clearly conveyed that no reserves had been discovered on CPO-4 itself and no wells had yet been drilled.

SK Energy was the sole operator on the project. As explained on pages 4 and 11-12 of William Abington's expert report, non-operators (such as Houston American) share in the costs and profits, but the operator (SK Energy) is the party responsible for developing the property.

B. The November 9, 2009 Presentation

On November 9, 2009, Houston American made the presentation containing the statement that "CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels." The presentation was

[21] Ex. 9, March 16, 2009 Houston American Form 10-K at 7.
[22] Ex. 10, Oct. 16, 2009 Form 8-K and Press Release.

"furnished" with a Form 8-K and was not filed with the SEC.[23] The first page of the presentation contained a near-verbatim recitation of the same disclaimer that the SEC proposed in 2000 for companies that use terms like "recoverable reserves" in non-filed documents:

> The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as non-proven, resource potential, Probable, Possible, Exploration and unrisked resource potential **<u>that the SEC's guidelines strictly prohibit us from including in filings with the SEC</u>**. **<u>These terms include reserves with substantially less certainty, and no discount or other adjustment is included in the presentation of such reserve numbers</u>**. The recipient is urged to consider closely the disclosure in our Form 10-K, File No. 001-32955, available from us at 801 Travis, Suite 1425, Houston, Texas 77002. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

It was, therefore, evident from the disclosure that the term "estimated recoverable reserves" as used in the presentation did not have the same definition as is used in SEC-filed documents. The disclaimer also referenced the risk disclosures in Houston American's Form 10-K, including:

> There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable.[24]

Houston American thus cautioned investors that a property ***must be drilled*** before it can be determined whether a "known accumulation" of commercially recoverable oil or gas is present.

It is commonplace and perfectly appropriate for oil companies to use "reserves" to refer to predrill estimates. SK Energy itself referred to its predrill estimates for CPO-4 as "recoverable reserves" in its initial presentation to Houston American.[25] In addition, as noted above, oil companies frequently use "reserves" in a predrill context to mean the same thing as

[23] Ex. 5, Nov. 9, 2009 Houston American Form 8-K and Investor Presentation. The presentation was "furnished" pursuant to Item 7.01 but not filed.

[24] Ex. 9, March 16, 2009 Houston American Form 10-K at 14.

[25] Ex. 11, Apr. 13, 2009 SK Energy Farm-In Presentation, "Total Potential" slide.

"resource potential" rather than SEC/PRMS "reserves" (as evidenced by the 88 examples in Ex. 6), and the SEC has sent numerous comment letters to companies that were not using the SEC definition of reserves, simply asking them to use cautionary language rather than to cease using the terminology (*See, e.g.,* Ex. 7).

Like the October 16, 2009 release, the content and context of the November 9, 2009 presentation signified the "1 to 4 billion" number was a predrill estimate. Slide 34 included a "budget through December 2010" that showed no drilling costs for CPO-4, despite showing drilling costs for wells on other properties. Slide 25 showed that two exploration wells would be drilled as part of Phase 1 ***over the next three years.*** On November 5, 2009 (four days before the presentation), Houston American filed a Form 10-Q, which stated that "two exploration wells" would be drilled as part of Phase 1 and that only $194,584 in past costs had been incurred.[26] Additionally, Global Hunter published reports on October 19 and November 9, 2009, stating that the "first exploration well" on CPO-4 was "expected in 1Q11" and had not been drilled.[27]

The presentation also stated that the "1 to 4 billion" estimate came from "leads or prospects," which Houston American previously stated on October 16 still needed to be "detailed." NSAI admits that a prospect is, at best, a "drilling target" rather than an area that has actually been drilled, and that a lead is at an even-earlier stage than a prospect.[28] The phrase "leads or prospects" thus made clear that the "1 to 4 billion" estimate was a predrill estimate, not a PRMS/SEC figure. The fact that Houston American included a wide range from "1 to 4 billion" rather than a finite number is also inconsistent with the Division's position, as PRMS reserve figures are expressed as specific numbers in specified categories.

---

[26] Ex. 12, Nov. 5, 2009 Houston American Form 10-Q at 13.

[27] Ex. 13, Oct. 19, 2009 Global Hunter Analyst Report and Ex. 14, Nov. 9, 2009 Global Hunter Analyst Report.

[28] Ex. 4, NSAI Report ¶ 37. While there is no rule requiring companies to use the PRMS definitions cited by NSAI, even those definitions make clear that leads and prospects refer to undrilled locations.

Accordingly, Houston American made clear there were no proved, probable, or possible reserves under the SEC or PRMS definitions. No wells had been drilled, the estimate came from undetailed "leads or prospects," and the first exploration phase was years away from completion.

C. Analysts and Investors Understood Houston American Was Not Referring to PRMS or SEC Definitions of "Reserves"

The various third-party analysts and investors listed in the OIP consistently testified that they understood Houston American was not using the PRMS or SEC definitions of "reserves" in the November 2009 presentation, which was clear from the context.

For example, Phil McPherson, the analyst responsible for following Houston American at Global Hunter who allegedly received and/or repeated false statements of Respondents, testified that he understood Houston American's estimate "was a predrill estimate," that the words "reserves" and "resources" are sometimes "used interchangeably" in a predrill context, that the "meaning of the term 'reserves' in the oil and gas industry depends on the context in which it is used," that he understood at the time of the November 9, 2009 presentation that the "1 to 4 billion" estimate was "a predrill estimate," that he knew the first well had not yet been drilled, and that he "understood that whether commercially viable hydrocarbons were present would not be known until the wells were drilled and tested."[29]

David Snow of Energy Equities, another third-party analyst who allegedly received and repeated false statements of Respondents, testified that whether an oil and gas property had a "known accumulation" of oil—which the Division claims is the touchstone requirement for any category of SEC/PRMS "reserves"—cannot be ascertained until the property is actually drilled.[30] Snow further testified that he understood the SEC definition of "reserves," and knew that

[29] Ex. 15, Deposition of Philip McPherson 28:13-19, 29:4-25, 31:8-32:1 (Nov. 20, 2014) ("McPherson Dep.").
[30] Ex. 16, Deposition of David Snow 119:22-120:4 (Nov. 19, 2014) ("Snow Dep.").

Houston American's estimate was a predrill estimate and not PRMS/SEC reserves, and that he conveyed this to readers in his report.[31]

Gregory Tuerk, a salesman at Global Hunter who also allegedly received false statements of Respondents, concurred and testified that he had understood drilling not only was to occur at some point in the future but also was not guaranteed to happen:

> Q. And did you understand that whether any leads or prospects on the concession on CPO 4 -- ***whether those contained commercially viable oil would not be known until after they were actually drilled and tested***?
>
> A. ***Yes.***
>
> Q. And you understood that drilling was to occur at some point in the future?
>
> A. Yes. And, again, that was the plan. It wasn't like I didn't understand that it was going to definitely happen. I don't know if that's what that question was but ***there were no guarantees that drilling was going to occur***. It was in the plans, not it was going to happen.[32]

Brett Hendrickson, the principal of Nokomis (the second-largest investor in Houston American's December 2009 public offering), similarly testified that he understood the November presentation was referring to "resource potential" rather than SEC/PRMS reserves:

> Q. You understood that 1 to 4 [in the November presentation] ***not to be proven reserves [or] possible or probable reserves, correct***?
>
> A. ***Yes***.
>
> Q: You understood that to be resource potential?
>
> A. ***Yes***.[33]

William Doyle, who made the investment decisions on behalf of the largest investor in Houston American's December 2009 public offering (Columbia Wanger), also testified that he understood "you don't know whether you discovered" commercial quantities of oil "until you

---

[31] *Id.* 26:10-17; 33:5-18; 81:12-1.

[32] Ex. 17, Deposition of Gregory Tuerk 33:7-20 (Nov. 19, 2014) (emphasis added) ("Tuerk Dep.").

[33] Ex. 18, Hendrickson Dep. 195:12-22.

drill a well on the prospect that actually discovers the oil."[34] Doyle further testified he understood "there was no commercial quantities on CPO-4," that there had been "no commercial success" on CPO-4, and that "[d]rilling where there is no history of production or past well successes" is called "wildcatting."[35]

The persons cited in the OIP thus uniformly testified that they understood Houston American was referring to a predrill estimate when it made the "1 to 4 billion" estimate. Under the Division's own theory, investors could not have been misled into believing that Houston American was using the PRMS/SEC definitions of "reserves," since by the Division's admission, those definitions only refer to "known accumulations" of oil that have been "discovered" and "deemed to be commercial."[36]

D. Houston American Had a Reasonable Basis for the "1 to 4 Billion" Estimate

The undisputed evidence and admissions further establish that Respondents had at least a reasonable basis for their preliminary estimate of resource potential. Indeed, SK Energy ***approved*** Houston American's November 2009 presentation, which contained the "1 to 4 billion" estimate.[37] Houston American's outside counsel also approved the presentation.[38] The OIP admits that SK Energy's estimates and analyses – which informed Houston American's estimate and SK Energy's approval thereof – used "standard analytical procedures for estimating quantities of potentially recoverable oil," were based on an "extensive evaluation of the CPO-4 block," and "conformed to standard industry practices." OIP § C, ¶¶ 3, 29, 32, 75. The Division

[34] Ex. 19, Doyle Dep. 74:10-13.
[35] *Id.* 76:25-77:2, 77:22-78:9.
[36] OIP § C, ¶ 13.
[37] Ex. 1, Nov. 6, 2009 Email from Seong Myeong (stating that Houston American was "authorized to release the technical information related to our joint project in your presentation material").
[38] Ex. 2, Nov. 6, 2009 Email from Mike Sanders.

cannot simultaneously admit that SK Energy followed reasonable practices while accusing Respondents of fraud for using an estimate that SK Energy approved.

Indeed, SK Energy's geophysical interpreter James Fluker[39] agreed that "the recoverable reserves on this block, if you were going to express it in a range, ***could be between 1 billion and even 5 billion"*** barrels, thus demonstrating a reasonable basis for Respondents' estimate.[40]

Fluker also testified how the Western Llanos Basin's favorable geological characteristics and the discovery of oil on adjacent properties further substantiated Houston American's estimate. Fluker further testified that SK Energy originally prepared an April 2009 presentation showing 974 million barrels of potential reserves that: (i) was based on a 150 BAF recovery rate that was much lower than other Llanos properties; (ii) only examined three of the CPO-4 block's six productive sands; (iii) did not account for subsequent discoveries in the nearby Corcel field; and (iv) did not account for more favorable porosity data revealed after further evaluation.

Recovery rate: Fluker testified that "the engineers in Korea who had no experience in the Llanos Basin wanted to use 150 (BAF)," but that he and others at SK Energy believed "that it should be closer to 500 [BAF]" or "even higher than that."[41] In fact, Fluker testified that SK Energy itself used recovery rates of up to "a thousand" BAF for the Llanos.[42] And, SK Energy used a 300 BAF recovery rate in an October 2009 presentation.[43]

Houston American's experience further validated a higher recovery rate. The company experienced an average recovery rate of 438 BAF for the wells on its successful interest in the

[39] Fluker worked for SK Energy until October 31, 2009 and later joined Gulf United, another company that had an interest in the CPO-4 block.
[40] Ex. 3, Fluker Dep. 136:5-12, 147:10-15, 173:10-22.
[41] *Id.* 52:4-15, 94:21-25, 95:18-96:2, 164:24-165:4.
[42] *Id.* 52:4-15.
[43] Ex. 20, Oct. 21, 2009 SK Energy Farm-In Presentation, "High Potential" slide.

Cara Cara block, with some wells reaching 680 BAF.[44] Houston American's geologist, Ken Jeffers, testified that a 500 BAF rate was appropriate in the Llanos Basin, which was "an excellent oil producing area."[45] Gulf United, the other company involved in the CPO-4 block, likewise used a 500 BAF rate.[46] Ryan Adair, a reservoir engineering advisor for Petrominerales (which had made highly successful discoveries on nearby properties), used a 940 BAF rate with a 50% recovery factor, equating to a 470 BAF rate.[47] Don Charbula, Vice President of petroleum engineering firm Londquist & Co., sent Terwilliger a letter on April 12, 2012, stating that oil recovery rates in the Llanos ranged as high as 1,372 BAF, with a mean of 454 BAF.[48]

SK Energy's original 150 BAF rate was also based on a 30% recovery factor that was much lower than the average 49% recovery factor on other Llanos properties.[49] Fluker testified that there "was a strong water drive" on CPO-4, which leads to higher recovery rates.[50] The NSAI Report admits that the Deep Llanos had "strong aquifer support" and "high recovery factors," which led to recovery rates of 230 to 500 BAF.[51] Analyst Wood MacKenzie wrote in two August 2010 reports that "[t]he area benefits from a strong water drive, which [] allows for good recovery factors of between 40% and 60%."[52] Houston American's petroleum engineering expert Michael Wiggins calculated a recovery rate of 693 BAF taking into account the strong water drive and recovery rates experienced on nearby properties.[53]

---

[44] Ex. 21, Expert Report of Michael Wiggins ¶¶ 49-50.
[45] Ex. 22, Deposition of Kenneth Jeffers 74:15-22 (June 21, 2012) ("Jeffers Dep.").
[46] Ex. 23, Oct. 2010 Gulf United Presentation at 9.
[47] Ex. 24, Feb. 2, 2012 SEC notes of Ryan Adair interview.
[48] Ex. 25, Apr. 12, 2012 letter from Don Charbula to John Terwilliger.
[49] *See* Ex. 26, Oct. 4, 2010 SK Energy Presentation at 11 (showing recovery factors on nearby properties).
[50] Ex. 3, Fluker Dep. 156:13-24, 157:4-14.
[51] Ex. 4, NSAI Report at 5 & 17.
[52] Ex. 27, Aug. 2010 WoodMackenzie Report on Corcel and Ex. 28, Aug. 2010 WoodMackenzie Report on Condor.
[53] Ex. 21, Expert Report of Michael Wiggins Fig. 7.

Sands and Corcel. Fluker testified that SK Energy's 974 million barrel estimate in April 2009 was based on only three of the sands present in the CPO-4 block: the C7, Mirador, and Une.[54] SK Energy, however, represented to Houston American that there were several additional prospective sands that could produce oil and gas, including the Guadalupe and Barco.[55] SK Energy's own geological consultant, Barry Rava, wrote a letter to SK Energy in April 2009 stating that most of the potential "closure" areas (the traps where oil could be found) "persist through the entire prospective interval, from the Carbonera 7 through the Paleozoic."[56]

On September 28, 2009, another exploration company called Petrominerales announced a discovery of oil from the Guadalupe sands on the nearby Corcel field, thus showing that the Guadalupe was also a productive sand.[57] Fluker testified that the addition of the Guadalupe, along with the Barco, C-9, and Gacheta reservoir, would provide "higher production."[58] Indeed, Fluker described the performance of the Petrominerales wells as "phenomenal" and testified that "they support the 500 [BAF] real easy."[59]

Porosity. Fluker also explained that the Corcel discovery indicated "high porosity" in the sands, which allows more oil to flow through.[60] According to Fluker, when the increased number of sands, higher porosity, higher recovery rate, and Corcel discoveries are considered together, "the total potential [of CPO-4] ***jumps up significantly.***"[61] Fluker thus agreed that "the recoverable reserves on this block, if you were going to express it in a range, ***could be between 1***

[54] Ex. 3, Fluker Dep. 50:5-16; Ex. 11, Apr. 13, 2009 SK Energy Farm-In Presentation, "Total Potential" slide.
[55] Ex. 29, Apr. 2009 Farm-In Opportunity Flyer.
[56] Ex. 30, April 2009 letter from Barry Rava to D.S. Choi.
[57] Ex. 31, Sept. 28, 2009 Petrominerales press release.
[58] Ex. 3, Fluker Dep. 41:12-17, 109:12-15.
[59] *Id.* 163:9-21.
[60] *See id.* 160:14-162:15.
[61] *Id.*

billion and even 5 billion" barrels, thus demonstrating a reasonable basis for Respondents' estimate.[62]

E. Houston American Had a Reasonable Basis for the "Leads or Prospects" Statement

Unable to demonstrate that Houston American's use of the term "estimated recoverable reserves" and the "1 to 4 billion" estimate were fraudulent, the Division has concocted a new argument that the phrase "leads or prospects" was itself misleading. This argument has no merit whatsoever. During an October 14, 2009 technical committee meeting, SK Energy specifically showed Houston American that the CPO-4 block contained 122 leads or prospects."[63] Fluker testified that there were both "leads" and "prospects" on the block, stated he had "no doubt" there were prospects, and that the terms are used differently by different companies.[64]

As with the term "reserves," the Division is again improperly attempting to superimpose a PRMS definition of the term "prospects" even though there is absolutely no requirement that companies use PRMS definitions of "leads" or "prospects" even in filings, let alone in documents that are merely furnished, and even though Houston American provided its own definition. The PRMS definition of "prospect" is "[a] project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target."[65] In its March 2009 Form 10-K, however, Houston American disclosed that "[o]ur prospects are in various stages of evaluation ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data, processing, and interpretation." William Doyle, the decisionmaker at Columbia Wanger who bought more than 80% of the shares in Houston

---

[62] *Id.* 136:5-12, 147:10-15, 173:10-22.

[63] Ex. 32, Oct. 14, 2009 SK Energy Minutes of and Presentation from CPO-4 Technical Committee Meeting; *see also* Ex. 33, Handwritten Notes of Jay Jacobs from Oct. 14, 2009 Technical Committee Meeting (showing "more than 100 leads").

[64] Ex. 3, Fluker Dep. 76:10-77:1.

[65] Ex. 4, NSAI Report ¶ 37(a)

American's December 2009 public offering, testified that he understood that a "prospect" for Houston American "may require substantial additional seismic data processing and interpretation," and that Houston American's definition "is a reasonable definition of prospects that's used by a number of different E&P companies."[66] Doyle further testified that he understood at the time of the offering that the 100 leads or prospects "hadn't been detailed yet" and would "be detailed during that first exploration phase of reprocessing the seismic, shooting new seismic, and drilling the exploration wells."[67]

The Division can also not establish that Houston American's statement about "leads" is fraudulent. Even if the PRMS definition applied, the definition is so broad and nonspecific that it easily captures the "leads" identified by SK Energy. The PRMS defines "lead" as simply "[a] project associated with a potential accumulation that is currently ***poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.***"[68] Nothing in the PRMS definitions requires that leads be a particular size or carry a specific likelihood of success; indeed, the definition admits on its face that leads may be "poorly defined."

F. The 2009 Stock Offering

In December 2009, Houston American raised approximately $12.8 million in a public stock offering. The offering consisted of 2,890,000 shares offered at a price of $4.68 per share. Only five purchasers bought in the offering.[69] Of the shares offered, 2.4 million, or 83%, were purchased by Columbia Wanger, an asset management firm that had $38 billion in assets under management as of September 30, 2014. Another 375,000 shares,[70] or 13%, were purchased by Nokomis Capital, a hedge fund that currently has a portfolio value over $372 million and had

[66] Ex. 19, Doyle Dep. 170:7-171:4.
[67] *Id.* 174:3-175:15.
[68] Ex. 4, NSAI Report ¶ 37(b).
[69] Ex. 34, Registered Direct Spreadsheet.
[70] *Id.*

roughly $34 million in assets around the time of the 2009 offering. The decisionmakers at these entities (William Doyle of Columbia Wanger and Brett Hendrickson of Nokomis) testified that they conducted their own analysis with their own assumptions, knew Houston American was not using the PRMS or SEC definitions of "reserves," and did not use any estimate above 1 billion barrels.[71] A third purchaser, Whalehaven, attested that it did not recall receiving any oral or written information other than what was in the prospectus itself.[72]

G. The January 19, 2010 Global Hunter Report, Global Hunter Emails, and Undiscovered Equities Report

On January 19, 2010, Global Hunter released an analyst report stating that SK Energy had identified 22 prospects with "unrisked oil exposure of 1 billion barrels."[73] This estimate corresponded to the 974 million-barrel estimate in April 2009 and did not use the word "reserves." The report further disclosed that SK Energy used a 150 BAF recovery rate and that Houston American believed a 500 BAF rate was justified. Despite revealing SK Energy's original estimate and explaining the difference in recovery rates between SK Energy's original estimate and Houston American's estimate, the stock price did not decline after January 19, 2010, and continued to trade higher than it did before the November 9, 2009 presentation.

The Division also seeks to hold Terwilliger liable for statements in emails by Global Hunter brokers suggesting that SK Energy had estimated 3-5 billion barrels of oil from CPO-4 and suggesting that John Terwilliger "believe[d] the potential of the property [was] 3-5 billion barrels."[74] The source of the 3-5 billion SK Energy estimate, Greg Tuerk, testified that he did not recall Terwilliger using any estimate beyond the 1 to 4 billion estimate from the November

[71] Ex. 40, Deposition of William Doyle pp. 83:7-85:6 (Nov. 8, 2011); Ex. 18, Hendrickson Dep. 85:21-24; 87:8-18; 88:4-15; 158:12-18; 195:12-22; 212:21-24, 215:17-22.
[72] Ex. 48, Declaration of Michael Finkelstein.
[73] Ex. 35, Jan. 19, 2010 Global Hunter Analyst Report.
[74] *See* Statements 6-7 and 12 of Appendix.

2009 presentation.[75] Tuerk further testified that the "3 to 5" billion was Tuerk's "personal opinion" and that he (meaning Tuerk, not Terwilliger) "may have been just a little bit overly – I don't know what – just overly aggressive with that."[76] What is more, Tuerk and Philip McPherson, the Global Hunter Analyst, testified that Terwilliger only participated in one communication with the Global Hunter brokers and did not use any estimate other than the 1-4 billion Houston American estimate contained in the November 2009 presentation.[77] The Division thus cannot attribute these "opinions" and estimates to Respondents.

The Division also points to a statement by another outside entity called Undiscovered Equities on December 31, 2009 that "SK Energy believes the CPO 4 block has over 100 viable drilling locations with estimated recoverable reserves of 1-4 billion barrels."[78] There is no evidence that Houston American saw or approved this statement. Terwilliger actually told Undiscovered Equities several weeks before the report that "[w]e have decided not to do a letter at this time,"[79] thus demonstrating that Terwilliger did not want Undiscovered Equities to communicate on its behalf. In any event, former SK Energy geophysical interpreter James Fluker testified that a 1 to 5 billion estimate was indeed reasonable as SK's number, so Undiscovered Equities' statement is not a material misstatement.[80]

H. The Energy Equities Report and Alleged Oral Statements

The Division also challenges several alleged oral statements by Terwilliger to another analyst, David Snow of Energy Equities, as well as a public report by Energy Equities on

---

[75] Ex. 17, Tuerk Dep. 32:5-9.
[76] *Id.* 76:8-17.
[77] Ex. 17, Tuerk Dep. 36:15-37:9; Ex. 15, McPherson Dep. 43:20-24, 45:25-46:4.
[78] Statement 5 of Appendix.
[79] Ex. 36, Dec. 15, 2009 Terwilliger email to Kevin McKnight.
[80] Ex. 3, Fluker Dep. 136:5-12, 147:10-15, 173:10-22.

February 15, 2010.[81] The report simply repeated the November 2009 "1 to 4" billion estimate and stated that this referred to "potential" reserves. As noted above, Snow testified that he "interpreted Mr. Terwilliger as describing only potential reserves that might be found, not actual reserves,"[82] and that Snow "wanted to convey to the readers of this report – that there were no actual reserves that had been discovered" on CPO-4.[83]

Snow also testified that there was no evidence any oral statements by Terwilliger that were not reflected in his February 2010 report were ever disseminated to investors or were otherwise connected to any purchases or sales of stock.[84] Snow agreed that "[w]ith respect to statements that were made by Mr. Terwilliger to you or by Mr. Tawes to you that you did not include in your report," he was "unaware of anyone purchasing or selling Houston American stock in connection with those statements."[85] Snow further testified that he was not aware of any facts outside of those disclosed in his report that influenced his own decision to invest.[86] Snow's report did not contain a 3.5 billion estimate or attribute any estimate to SK Energy.

I. The "In the Ground" and Stock Price Calculations

The Division also challenges alleged oral statements to Hendrickson and Snow about the potential value of oil "in the ground" (Statements 4, 13-15) and various other alleged calculations of the potential impact on the share price. Snow testified that these were a "hypothetical number" that "refers to the price they would expect to receive if they actually did discover oil in the ground," and that he understood "that no oil in the ground had actually been

[81] Statements 13-17 from Appendix.
[82] Ex. 16, Snow Dep. 81:12-15.
[83] *Id.* 33:5-18.
[84] *Id.* 125:19-126:3.
[85] *Id.* 43:9-44:2.
[86] *Id.* 43:4-8.

discovered at that point."[87] Hendrickson testified that he likewise "knew that CPO-4 had no reserves or estimated reserves in the ground."[88] The calculations make clear they are simply hypotheticals based on what could happen if oil was discovered.

J. The Stock Price Rose Based on Adjacent Discoveries and Traded Higher After "Corrective Disclosures"

As set forth in the attached stock price chart Houston American's stock price rose only \$0.40 (from \$3.95 to \$4.35) after the supposedly false November 9, 2009 presentation.[89] This one-day movement was not significant given the volatility of the stock price. For example, the stock price experienced a \$0.94 increase on October 16, 2009, a \$0.49 drop on October 28, 2009, a \$0.29 rise on November 13, 2009, a \$0.22 drop on November 17, 2009, a \$0.49 increase on December 10, 2009, and a \$0.51 increase on December 11, 2009.

As set forth in the previously filed report of Lucy Allen, there is no evidence the increase in Houston American's stock price during late 2009 and early 2010 was caused by the alleged misrepresentations. Rather, the increase was attributable to major oil discoveries on adjacent properties, which fueled hope that oil would be discovered on CPO-4.[90] The Division has presented no evidence that Respondents misrepresented the discovery of oil on any nearby properties. Nokomis indeed tracked the stock price as the other discoveries were announced.[91]

Notably, the stock price did not decline (and kept rising) after publication of the January 19, 2010 Global Hunter report, which disclosed SK Energy's 150 BAF recovery rate and 1 billion barrel estimate. Nor did it decline after Houston American filed its Form 10-K in March 2010 disclosing that it had no proved reserves on CPO-4. The stock price also did not decline

[87] *Id.* 79:5-11, 80:16-20.
[88] Ex. 18, Hendrickson Dep. 217:7-9.
[89] Ex. 37, Houston American Historical Price Chart from Yahoo! Finance.
[90] *See* Ex. 38, Expert Report of Lucy P. Allen at 8-14.
[91] Ex. 18, Hendrickson Dep. 96:18-97:12.

(and indeed rose) after Houston American published an October 12, 2010 investor report disclosing a reserve engineer's updated estimate of CPO-4's potential, which revealed a range of 25-169 million barrels of "unrisked potential resources."[92] The stock price rose from $11.77 to $12.76—$0.99—on October 12 (the day of the announcement), closed at $18.09 on December 31, 2009, and ultimately reached an all-time high of $20.63 on July 7, 2011.

During April and June 2010, there were several short-seller blog articles on Seeking Alpha and through Sharesleuth that were followed by declines in Houston American's stock price. As Lucy Allen explains, none of the Seeking Alpha articles contained any information that was "corrective" of the information the Division claims was false.[93] As noted above, the stock closed back above $18/share by year-end 2010 and exceeded $20 per share in 2011.

ARGUMENT AND AUTHORITIES

A. The Division Cannot Show a Materially False or Fraudulent Statement

Claims under Section 10(b) of the Exchange Act require proof of material misstatements, in connection with the purchase or sale of securities, with scienter, which the Supreme Court has defined as an "intent to deceive, manipulate, or defraud." *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 318 (2007). To the extent recklessness has been held sufficient, it is "limited to those highly unreasonable omissions or misrepresentations that involve not merely simple or even inexcusable negligence, but an extreme departure from the standards of ordinary care, and that present a danger of misleading buyers or sellers which is either known to the defendant or is so obvious that the defendant must have been aware of it." *Rosenzweig v. Azurix Corp.*, 332 F.3d 854, 866 (5th Cir. 2003). A company's public statements must be considered "holistically" and in context with the total mix of information in the public domain, rather than in isolation.

[92] Ex. 39, Oct. 12, 2010 Houston American Form 8-K and Investor Presentation

[93] *See* Ex. 37, Expert Report of Lucy Allen at 47-49

See In re Morgan Stanley Info. Fund. Sec. Litig., 592 F.3d 347, 365-66 (2d Cir. 2010) ("[W]e review the documents holistically and in their entirety.").

Claims under Section 17(a)(1) require essentially the same elements, with the exception that it is limited to stock offerings: (i) a material misrepresentation or materially misleading omission; (ii) in the offer or sale of securities; and (iii) made with scienter. *SEC v. Merch. Capital, LLC*, 483 F.3d 747, 766 (11th Cir. 2007). Sections 17(a)(2) and (3) have been held to require negligence rather than fraudulent intent, but still require "material misrepresentations or materially misleading omissions" in connection with a stock offering. *Id.*

Section 20(b) is a secondary liability provision providing that "[i]t shall be unlawful for any person, directly or indirectly, to do any act or thing which it would be unlawful for such person to do under the provisions of this chapter or any rule or regulation thereunder through or by means of any other person." The statute's plain language thus require that the challenged conduct be "unlawful" under another provision, which would presumably be Section 10(b).

1. The Estimates Were Not Fraudulent

Respondents' statements regarding the estimated reserves, leads, and prospects on CPO-4 are inactionable as a matter of law if they had a reasonable factual basis.[94] As set forth above, Respondents clearly had a reasonable basis for their statements. The Division judicially admitted that SK Energy used "standard analytical procedures for estimating quantities of potentially recoverable oil" and that its estimates were based on an "extensive evaluation of the CPO-4

[94] *E.g., In re Oracle Corp. Sec. Litig.*, 627 F.3d 376, 389 (9th Cir. 2010) (affirming summary judgment where plaintiffs were "unable to prove that Defendants lacked at least a reasonable basis for their belief in the 3Q01 forecast"); *In re Merck & Co. Sec. Litig.*, 543 F.3d 150, 166 (3d Cir. 2008) ("We have explained that for misrepresentations in an opinion or belief to be actionable, plaintiffs must show that the statement was issued without a genuine belief or reasonable basis . . . ."); *Makor Issues & Rights, Ltd. v. Tellabs, Inc.*, 735 F. Supp. 2d 856, 911 (N.D. Ill. 2010) (granting summary judgment where evidence established reasonable basis for defendants' projections); *Eisenstadt v. Allen*, 113 F.3d 1240, 1997 WL 211313, at *4 (9th Cir. 1997) (granting summary judgment because company's past experience provided reasonable basis for future estimates). A company may "reveal the projection it thinks best while withholding others, so long as the one revealed has a 'reasonable basis'. . . ." *Wielgos v. Commonwealth Edison Co.*, 892 F.2d 509, 516 (7th Cir. 1989) (Easterbrook, J.).

block" and "conformed to standard industry practices." OIP § C, ¶¶ 3, 29, 32, 75. Houston American solicited and obtained SK Energy's approval to publish the November 9, 2009 presentation after furnishing SK Energy a draft of the presentation. SK Energy's geophysical interpreter in 2009, James Fluker, agreed that "the recoverable reserves on this block, if you were going to express it in a range, ***could be between 1 billion and even 5 billion"*** barrels, thus demonstrating the reasonableness of Respondents' estimates.[95] Fluker, who worked at SK Energy until October 31, 2009 testified he had "no doubt" there were prospects.[96] The Division is incapable of demonstrating falsity or fraud given the evidence and testimony cited in this motion. The mere possibilities that someone else could have provided a different estimate or that "reasonable minds can disagree" are insufficient as a matter of law to show that an estimate lacks a reasonable basis or otherwise alchemize this into a fraud or case. The Division must also show under existing law that Respondents did not subjectively believe their statements to demonstrate falsity.[97] There is no evidence that Respondents did not subjectively believe their statements.

Notably, the requirement that the Division establish a "lack of reasonable basis" and the speaker's "subjective disbelief" apply to Section 17(b) and (c) as well as the fraud-based claims. *See Fait*, 655 F.3d at 112 (discussing application of these requirements to similar Section 11/Section 12 claim, which does not require fraudulent intent).

---

[95] Ex. 3, Fluker Dep. 136:5-12, 147:10-15, 173:10-22.

[96] *Id.* 76:10-77:1.

[97] *Greenberg v. Crossroads Sys., Inc.*, 364 F.3d 657, 670 (5th Cir. 2004) ("A statement of belief is only open to objection where the evidence shows that the speaker ***did not in fact hold that belief*** and the statement made asserted something false or misleading about the subject matter.") (citing *Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1095 (1991)); *see also Fait v. Regions Fin. Corp.*, 655 F.3d 105, 113 (2d Cir. 2011) (allegations must show that defendants subjectively "did not believe" the estimates); *Rubke v. Capitol Bancorp Ltd.*, 551 F.3d 1156 (9th Cir. 2009) (misleading opinions are actionable "only if the complaint alleges with particularity that the statements were both objectively and subjectively false or misleading"). The only circuit that has not followed *Virginia Bankshares* on the "subjective knowledge" requirement was the Sixth Circuit in *Omnicare*, a case in which the Supreme Court recently heard arguments. *Ind. State Dist. Council of Laborers v. Omnicare, Inc.*, 719 F.3d 498 (6th Cir. 2013), *cert. granted*, 34 S. Ct. 1490 (Mar. 3, 2014).

Summary judgment is proper on the fraud-based claims for the additional reason that the Division has failed to show an "extreme departure from the standards of ordinary care," let alone an "intent to deceive, manipulate, or defraud." Not only were Respondents' statements objectively and subjectively reasonable, but there is no evidence Terwilliger personally profited or attempted to profit from the alleged misrepresentations. The price of the December 2009 offering was only $0.73 higher than the $3.95 price immediately before the November 9, 2009 presentation. As noted on pages 48-49 of Lucy Allen's report, Terwilliger never sold stock during the relevant period and retained his significant 28% ownership position, and the Company later spent millions of dollars trying to develop the block. The absence of suspicious stock sales weighs heavily against any inference of scienter.[98]

2. Respondents Had No Legal Obligation To Use the PRMS Definitions

As stated above, Respondents made clear they were not using the PRMS definitions of "reserves" and "prospects." Respondents had no legal duty to use the PRMS definitions. In 1978, the SEC adopted Rule 3-18 to govern accounting and reporting requirements for oil and gas producing activities. 43 Fed. Reg. 40688. Rule 3-18 required that companies disclose the amount of proved oil and gas reserves and proved developed reserves in their financial statements but not in other documents. *Id.* at 40709, 40717.

In 1982, the SEC adopted Item 102 of Regulation S-K. 47 Fed. Reg. 11380. Instruction 5 to Item 102 provided that "[e]stimates of oil or gas reserves other than proved or, in the case of other extractive reserves, estimates other than proved or probable reserves, and estimated values

[98] *See Plumbers Local #200 Pension Fund v. Washington Post Co.*, 930 F. Supp. 2d 222, 227 (D.D.C. 2013) ("[W]here there are no suspicious stock sales, the more plausible inference from that fact is 'that there was no insider information from which to benefit'") (internal citation omitted); *In re Wet Seal, Inc. Sec. Litig.*, 518 F. Supp. 2d 1148, 1178 (C.D. Cal. 2007) ("[T]he lack of *any* tangible, personal benefit . . . weighs against the Officer Defendants having scienter").

of such reserves *shall not be disclosed in any document publicly filed with the Commission*." *Id.* (emphasis added). Again, by its terms, this rule did not apply outside of formal SEC filings.

In 2007, the SEC disclosed that it was adopting several changes to the definitions in Regulation S-X to align the rule with the PRMS, but that these changes would not take effect until 2010. SEC Release Nos. 33-8995; 34-59192 at 10. Prior to the 2007 rulemaking process, the SEC had never before adopted the PRMS definition of "reserves" for any purpose. The SEC repeatedly confirmed that its definitional and disclosure rules were once again limited to company filings with the SEC and did not apply outside that context. *Id.* at 114, 153 ("Estimates of oil or gas resources other than reserves, and any estimated values of such resources, *shall not be disclosed in any document publicly filed with the Commission*. . . ."). The SEC moreover declined to adopt specific definitions for leads or prospects, even though it adopted definitions for numerous other industry-related terms. *Id.* at 44–46. The SEC also stated that its "rules . . . do not dictate how companies generate estimates for probable and possible reserves."[99]

The Division has thus failed to establish that Respondents had any legal duty to use PRMS definitions, as the November 2009 presentation was "furnished" but not "filed." *See, e.g.*, *Thompson v. RelationServe Media, Inc.*, 610 F.3d 628, 684 (11th Cir. 2010) (rejecting securities fraud claim where Item 303 of Regulation S-8 did not specifically require disclosure of omitted information). Respondents are unaware of any enforcement action where a company was targeted for using non-PRMS definitions in a non-filed document, which would require an unprecedented rewrite of the law as well as a wholly improper retroactive application of a non-existent rule on Respondents. The context of Respondents' disclosures made clear that they were not disclosing "known accumulations" of oil. Respondents provided their own definition of

[99] http://www.sec.gov/rules/proposed/2008/33-8935.pdf.

"prospects," and Fluker testified that the number of "leads" and "prospects" disclosed existed. The Division has thus failed to demonstrate a false statement or actionable omission.

B. The Division Is Not Entitled to Disgorgement of the Offering Proceeds or Terwilliger's Salary and Bonuses

The Division may only obtain disgorgement upon a showing that Respondents obtained "profits casually connected to the [alleged] violation." *SEC v. First Fin. Corp.*, 800 F.2d 1215, 1231 (D.C. Cir. 1989). "Because disgorgement does not serve a punitive function, the disgorgement amount may not exceed the amount obtained through the wrongdoing." *SEC v. Wyly*, 10-CV-5760 SAS, 2014 WL 3739415 (S.D.N.Y. July 29, 2014) (quoting *SEC v. Contorinis*, 743 F.3d 296, 301 (2d Cir. 2014)). "[T]he court may exercise its equitable power only over property causally related to the wrongdoing . . . [a]s such, the loss complained of must proceed directly and proximately from the violation claimed and not be attributable to some supervening cause." *SEC v. Antar*, 120 F. Supp. 2d 431, 437 (D.N.J. 2000), *aff'd*, 44 F. App'x 548 (3d Cir. 2002) (citation omitted).

"It is the SEC's burden to establish *both* a reasonable approximation of profits *and* the causal connection between the approximation and the violations." *Wyly*, 2014 WL 3739415 at *5 (emphasis in original). "[W]here benefits result from both lawful and unlawful conduct, the party seeking disgorgement must distinguish between the legally and illegally derived profits." *Wyly*, 2014 WL 3739415 at *2 (citation omitted).

The Division seeks disgorgement of the entire proceeds from Houston American's December 2009 stock offering and Terwilliger's full salary and bonuses for 2010-2012. There is no evidence, however, that any (let alone all) of the offering proceeds or compensation were causally connected to the alleged misstatements. Disgorgement is improper as a matter of law for at least four reasons: (1) the two largest buyers in the offering (Columbia Wanger and

Nokomis) did not buy in reliance on the alleged misstatements and there is no evidence the other three purchasers of the remaining 4% relied on the alleged misstatements; (ii) the stock price did not decline and continued trading higher than the offering price despite the release of corrective information negating the alleged misrepresentations; (iii) there is no evidence that Terwilliger's salary and bonuses were affected in any way by the alleged misstatements; and (iv) to the extent the Division contends Terwilliger's salary and bonuses came from the offering funds, the Division cannot seek double recovery of the same funds and has failed to show that receipt of the offering proceeds were caused by the alleged misstatements.

1. The Offering Participants Did Not Rely on the Alleged Misstatements

As stated above, Columbia Wanger purchased 83% of the shares in the December 2009 offering, while Nokomis purchased 13%. Neither of these highly sophisticated entities purchased in reliance of any representation by Houston American that SEC-defined "reserves" had already been established on the CPO-4 block or that the potential unrisked resources exceeded one billion barrels. In his November 8, 2011 SEC testimony, the person responsible for Columbia Wanger's decision to invest in Houston American (William Doyle) testified that he performed his own analysis using a 100 million estimate of recoverable oil, rather than 1 billion (let alone 4 billion) barrels.[100] Doyle also recently testified that he never asserted that he wanted to "reverse" the transaction and has never asserted he was defrauded:

> Q. All right. And you haven't communicated to John Terwilliger or anyone at Houston American that you thought you were defrauded into your purchase in Houston American stocks and that offering in late November of 16 2009, correct?
>
> A. ***I don't believe I've ever asserted that I was or our organization was defrauded.***[101]

---

[100] Ex. 40, Doyle Dep. 83:7-85:6.

[101] Ex. 19, Doyle Dep. 240:12-18.

Nokomis likewise did its own research and did not rely on any apprehension that the CPO-4 block contained proved reserves or a resource potential of more than one billion barrels. In an April 28, 2010 newsletter to its investors, Nokomis stated that it hired its own reservoir engineer to examine Houston American's seismic maps to determine whether the CPO-4 was geologically similar to adjacent properties where large quantities of oil had been discovered.[102] Brett Hendrickson, the Nokomis principal who made the decision to invest in Houston American, testified unequivocally that he was aware there were "no reserves on the CPO-4 block,"[103] that he understood the "1 to 4" estimate did not refer to "proven," "possible," or "probable" reserves, that he knew SK Energy had estimated 1 billion barrels of "unrisked oil potential," and that he "didn't rely on the 3.5 billion barrels" estimate supposedly attributed to SK Energy and instead "put our own assumptions and metrics in there."[104] He also testified that he had his independent geologic consultant verify the seismic and well log data that Terwilliger showed him in 2010 and still believed Terwilliger's 2009-10 representations were "honest" even after Houston American disclosed the lower resource potential estimates in October 2010.[105]

Accordingly, there is no evidence the two largest purchasers, who purchased 96% of the offering, were defrauded by the alleged misstatements. There is also no evidence that the other three entities who purchased the remaining 4% were defrauded by the alleged misstatements.[106]

The Division is thus incapable of showing the requisite "causal connection between the approximation and the violations." *Wyly*, 2014 WL 3739415 at *5. There is no evidence that the alleged misstatements caused anyone to purchase shares in the offering or caused any investors in the offering to lose money. There is no evidence that Houston American would have received

[102] Ex. 41, Nokomis Letter to Investors dated April 28, 2010.
[103] Ex. 18, Hendrickson Dep. Transcript at 85:21-24; 88:4-15; 158:12-18.
[104] *Id.* 87:8-18; 195:12-22; 212:21-24, 215:17-22.
[105] *Id.* 105:1-9; 127:9-20.
[106] *See also* Ex. 48 (affidavit by third buyer stating that they do not recall receiving statements outside prospectus).

fewer proceeds in the offering if the allegedly false statements had not been made. The Section 17(a)(2) claim similarly fails because there is no evidence Respondents "obtain[ed] money or property by mean of" the alleged misstatements. 15 U.S.C. § 77(a)(2).

2. Terwilliger's Compensation Was Unaffected by the Alleged Misstatements.

There also is no evidence that Terwilliger's bonus and compensation were facilitated in any way by the alleged misstatements and the Division has made no effort to identify which portion of Terwilliger's compensation is attributable to the alleged fraud and which is not. The Division does not and cannot show how ***any*** portion of the compensation and bonuses is attributable to the alleged misstatements or that Houston American would have been unable to pay such compensation and bonuses but for the false statements. Indeed, more than 99% of the shareholders who cast votes on Houston American's June 2011 say-on-pay proposal voted yes, even though Houston American had disclosed the lower October 2010 estimates before then.[107]

C. The Division Is Not Entitled to Penalties

The Division is likewise not entitled to obtain penalties penalties for the same reasons it is not entitled to a D&O bar.[108] In addition, Section 929P of the Dodd-Frank Act may not be applied retroactively to pre-Dodd Frank conduct. Judge Foelak previously noted that penalties "could not be applied."[109] There is no dispute that the alleged misstatements predated the Dodd-Frank Act, which was not enacted until July 21, 2010. "As a general rule, a new statute does not apply retroactively to conduct that occurred prior to the statute's enactment." *Leshinsky v. Telvent GIT, S.A.*, 873 F. Supp. 2d 582, 590 (S.D.N.Y. 2012). As the Supreme Court has noted, "the presumption against retroactive legislation is deeply rooted in our jurisprudence . . . ." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994). Thus, "congressional enactments and

[107] Ex. 42, April 25, 2012 Houston American Schedule 14A at 12

[108] *SEC v. McDuffie*, 2014 WL 4548723, at *11 (D. Colo. Sept. 15, 2014) (discussing penalty elements).

[109] Ex. 8, Sept. 4, 2014 Pre-Hearing Conference Transcript 6:1-17.

administrative rules will not be construed to have retroactive effect unless their language requires this result." *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988).

Section 4 of the Dodd-Frank Act makes clear that Section 929P applies only prospectively: "[e]xcept as otherwise specifically provided in this Act or the amendments made by this Act, this Act and such amendments shall take effect 1 day after the date of enactment of this Act." Dodd-Frank Act § 4. *See Wega v. Ctr. for Disability Rights*, No. 06-CV-6375, 2009 WL 3199684, at *6 (W.D.N.Y. Sept. 30, 2009) (statement that law "shall become effective on January 1, 2009" "indicate[s] a preference for prospective application").

In contrast, section 335 of the Dodd-Frank Act (concerning bank deposit insurance) was expressly made retroactive to January 1, 2008. *See* Dodd-Frank Act § 335. That Congress expressly provided for retroactivity in section 335, but omitted such language in section 929P, demonstrates that Congress did not intend section 929P to apply retroactively. *Russello v. United States*, 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion"); *INS v. St. Cyr*, 533 U.S. 289, 318-19 (2001) ("Another reason for declining [to apply a section retroactively] is provided by Congress' willingness, in other sections of [the same act], to indicate unambiguously its intention to apply specific provisions retroactively."). Courts have consistently held that other provisions of the Act do not apply retroactively.[110]

[110] *See Ahmad v. Morgan Stanley & Co.*, 2 F. Supp. 3d 491, 498 (S.D.N.Y. 2014) (no retroactive application of anti-retaliation whistleblower provisions); *SEC v. Wyly*, 950 F. Supp. 2d 547, 562 n.104 (S.D.N.Y. 2013) (Dodd-Frank provision adopting recklessness standard for Section 20(e) aiding and abetting claims did not apply retroactively); *Taylor v. Fannie Mae*, 839 F. Supp. 2d 259, 263 (D.D.C. 2012) (refusing to apply Dodd-Frank prohibition on arbitration of Sarbanes-Oxley claims because retroactive application would affect substantive rights of the parties and there was no express Congressional intent to apply retroactively); *SEC v. Daifotis*, C 11-00137 WHA, 2011 WL 2183314 at *13-14 (N.D. Cal. June 6, 2011) (refusing to retroactively apply Dodd-Frank Act provision that "changed the liabilities, remedies and scope of authority" available to the SEC for aiding and abetting Investment

The legislative history also shows that with respect to section 929P in particular, Congress explicitly identified punishment and deterrence as objectives, which makes the case against retroactivity even stronger.[111] *See Koch v. SEC*, 177 F.3d 784, 787 (9th Cir. 1999).

The Southern District of New York also concluded that imposing penalties administratively for pre-Dodd Frank conduct is a "seeming violation" of the anti-retroactivity rule. *Gupta v. SEC*, 796 F. Supp. 2d 503, 507 (S.D.N.Y. 2011).

Finally, applying Section 929P to pre-enactment conduct would have genuine retroactive effect. A genuine retroactive effect is found when "the new provision attaches new legal consequences to events completed before its enactment," i.e., when it "impair[s] rights a party possessed when he acted, increase[s] a party's liability for past conduct, or impose[s] new duties with respect to transactions already completed." *Landgraf*, 511 U.S. at 270, 280. That is exactly what the Dodd-Frank penalties provision would do. Penalties are thus unavailable.

D. The Division Is Not Entitled to a D&O Bar

The Division is also not entitled to a D&O bar against Terwilliger. The factors for determining the appropriateness of a D&O bar are (1) the "egregiousness" of the underlying securities law violation; (2) the defendant's "repeat offender" status; (3) the defendant's "role" or position when he engaged in fraud; (4) the defendant's degree of scienter; (5) the defendant's economic stake in violation; and (6) the likelihood that misconduct will recur. *SEC v. First Pac. Bancorp*, 142 F.3d 1186 (9th Cir. 1998); *SEC v. Patel*, 61 F.3d 137, 141 (2d Cir. 1995). The

---

Company Act violations); *SEC v. Ficeto*, 839 F. Supp. 2d 1101, 1110 n.7 (C.D. Cal. 2011) (finding that Dodd-Frank amendments were irrelevant because "Dodd-Frank did not contain any retroactive provisions").

[111] Prior to its inclusion in Dodd-Frank, the new authority in section 929P to impose money penalties in administrative proceedings appeared in the Securities Fraud Deterrence and Investor Restitution Act of 2004, which would have amended the Sarbanes-Oxley Act. The stated purpose of the amendment was to "enhance the authority of the Securities and Exchange Commission to investigate, *punish, and deter securities laws violations,* and to improve its ability to return funds to defrauded investors, and for other purposes." *See* H.R. REP. NO. 108-475, pt. 1, at 1 (2004) (emphasis added).

allegations here are not remotely egregious, Terwilliger is not a "repeat offender," the allegations relate to a single event, the degree of scienter (if any) was low, Terwilliger made no money, there was no harm to investors, the shareholders have repeatedly voted to reelect Terwilliger after the lower October 2010 estimates were disclosed.

Comparisons with other cases confirm that a D&O bar would be inappropriate and demonstrate that D&O bars have been denied on facts far more serious than those here.[112]

E. Respondents Are Entitled to Summary Disposition on Terwilliger's Alleged Oral Statements and the Statements by Third Parties

Respondents are also entitled to summary disposition on Statements 2-7 and 9-17 in the Appendix, for several reasons. First, the Section 20(b) claims fail because there are no primary violations by Respondents or the three outside entities at issue (Global Hunter, Undiscovered Equities, and Energy Equities). Section 20(b) creates only secondary liability.[113]

[112] *See, e.g.*, *SEC. v. Patel*, 61 F.3d 137, 141 (2d Cir. 1995) (reversing lifetime D&O bar where defendant submitted fraudulent FDA application, showed "some scienter" and was the sole economic beneficiary, but where defendant was first-time offender and district court made insufficient factual findings of likelihood for future violations); *SEC v. Fisher*, No. 07 C 4483, 2012 WL 3757375, at *14-15 (N.D. Ill. Aug. 28, 2012) (granting summary judgment for defendants on request for D&O bar and permanent injunction, in part because "the Commission has not offered any argument or evidence regarding the gravity of the harm or the Defendants' economic stake in the scheme"); *SEC v. iShopNoMarkup.com*, 04 CV 4057, 2012 WL 716928, at *3-4 (E.D.N.Y. Mar. 3, 2012) (egregiousness not sufficiently alleged despite series of alleged false statements over nine-month period); *SEC v. Selden*, 632 F. Supp. 2d 91, 97-100 (D. Mass. 2009) (rejecting five-year D&O bar and imposing two-year bar in case where CEO avoided $1,664,000 in losses from alleged false statements made over many years); *SEC v. Stanard*, 06 Civ. 7736, 2009 WL 196023, at *23 (S.D.N.Y. Jan. 27, 2009) (finding no egregious violation when defendant's accounting gave a "misleading impression" of the company's profits but did not "have the effect of creating false profits, hiding losses, or giving a misleading picture of [the company's] overall financial strength"); *SEC v. Dibella*, No. 3:04cv1342, 2008 WL 6965807, at *11 (D. Conn. Mar. 13, 2008) (no D&O bar for isolated violation and noting that "courts that have imposed permanent, and even temporary bars, have found the defendants' past and ongoing conduct to clearly demonstrate a likelihood of recurrence"); *SEC v. Snyder*, No. H-03-04658, 2006 WL 6508273, at *2-3 (S.D. Tex. Aug. 22, 2006) (conduct insufficiently egregious to support permanent injunction or D&O bar even though defendant was chief accounting officer, engaged in insider trading, and made misrepresentations that allegedly would have caused $1.8 billion reduction in market capitalization if truth had been known); *SEC v. Shah*, No. 92 Civ. 1952, 1993 WL 288285, at *8 (S.D.N.Y.. July 28, 1993) (bar unwarranted where defendants pled guilty to criminal violations and gained $121,340 through improper trading).

[113] *See Espinoza v. Whiting*, No. 4:12-CV-1711, 2014 WL 1057295, at *13 (E.D. Mo. Mar. 18, 2014) (no liability under Section 20(b) absent primary claim); *Rahman v. Kid Brands, Inc.*, 736 F.3d 237, 247 (2d Cir. 2013) ("Inasmuch as there cannot be Section 10(b) liability here, the individual defendants cannot be liable under Section 20(b)."); *Shemian v. Research in Motion Ltd.*, No. 11-CIV-4068, 2013 WL 1285779, at *24 (S.D.N.Y. Mar. 29, 2013) (stating a plaintiff must show a primary violation of securities law by a controlled person in order to establish a prima face case of liability under Section 20(a) and (b)); *Union Cent. Life Ins. Co. v. Credit Suisse Sec. (USA),*

Second, third-party statements are inactionable because there is no evidence Respondents controlled the entities or the making of their statements. *Cohen v. Citibank, N.A.*, 954 F. Supp. 621, 630 (S.D.N.Y. 1996). The Global Hunter and Energy Equities persons responsible for the reports testified that they made their statements on their own and were not controlled by Respondents.[114] There is also no evidence Respondents controlled the statements by Undiscovered Equities. The 2009 prospectus stated that "[no] dealer, salesperson or other person is authorized to give any information or to represent anything not contained in" the prospectus materials.[115] Houston American's underwriting agreement also stated "no fiduciary or agency relationship between the Company . . . and [Global Hunter] exists."[116]

Third, Statements 2-4 and 13-16 in the Appendix fail because they were not made "in connection with" the purchase or sale of securities or were not material to the investors to which they were made. *See Gurary v. Winehouse*, 235 F.3d 792, 799 (2d Cir. 2000). With respect to Statements 13-16, David Snow testified that he was "unaware of anyone purchasing or selling Houston American stock in connection with" any statements that were not actually included in Energy Equities' final report (which did not include any attribution of estimates to SK).[117] With respect to Statements 2- 4, Doyle and Hendrickson testified that they used their own assumptions in making their investment decisions.

Fourth, summary disposition is warranted on Statements 5-7, 9-12, and 16-17 because Respondents are not liable for statements by third parties. First, the Supreme Court's decision in

---

LLC, No. 11-CV-2327, 2013 WL 1342529, at *9 (S.D.N.Y. Mar. 29, 2013) (finding that because plaintiffs failed to state an unlawful act under 20(b), plaintiffs failed to state a claim). Furthermore, in *SEC v. Stringer*, the district court stated in dictum that, "both Sections 20(a) and 20(b) create secondary liability." CIV 02-1341-ST, 2003 WL 23538011, at *6 (D. Or. Sept. 3, 2003).

[114] Ex. 16, Snow Dep. 129:15-22; Ex. 15, McPherson Dep. 18:13-15; 19:10-13; 20:2-15; 21:6-19; Ex. 17, Tuerk Dep. 31:14-25; 53:13-55:11; 76:10-17.

[115] Ex. 47, December 2009 Offering Prospectus, at S-1.

[116] Ex. 46, December 3, 2009 Houston American Form 8-K.

[117] Ex. 16, Snow Dep. 43:9-44:2.

Janus Capital Grp., Inc. v. First Derivative Traders, 131 S. Ct. 2296 (2011) should foreclose the Division from imposing primary liability under Section 10(b) of the Exchange Act and Rule 10b-5 against anyone other than the "speaker" of the alleged misstatement. *Janus*, 131 S. Ct. at 2302. The Court explained, "[I]t is the speaker who takes credit—or blame—for what is ultimately said." *Id.* at 2302. Respondents were not the "speakers" and are not liable under Section 10(b).

The Division's claims based on these statements[118] fail for the additional reason that the Division has not produced evidence showing that Respondents are sufficiently entangled with the third-party statements to support liability. The Division must show that Respondents "sufficiently entangled themselves with the analysts' forecasts [so as] to render those predictions 'attributable to [the issuers].'" *In re Navarree Corp. Sec. Litig.*, 299 F.3d 735, 743 (8th Cir. 2002). The Division has failed to establish that Respondents have sufficiently entangled themselves with the third parties to render their statements attributable to Respondents.

CONCLUSION

For the reasons stated above, Respondents respectfully request that the Tribunal grant leave to file this motion, grant summary disposition as set forth above, dismiss all claims with prejudice, and award all further relief to which Respondents are justly entitled.

[118] The Section 17 claims are only asserted with respect to Statements 6 and 7, and not the other third-party statements (which postdated the offering).

December 11, 2014

Respectfully submitted,

FULBRIGHT & JAWORSKI LLP

Mark Oakes / IBS

Gerard G. Pecht
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Telephone: (713) 651-5151
Facsimile: (713) 651-5246

Peter Stokes
Mark Oakes
98 San Jacinto Blvd., Suite 1100
Austin, Texas 78701
Telephone: (512) 474-5201
Facsimile: (512) 536-4598

Attorneys for Respondents Houston American Energy Corp. and John F. Terwilliger

[redacted]

EXHIBIT A

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16000

In the Matter of,

HOUSTON AMERICAN ENERGY CORP.,
JOHN F. TERWILLIGER, JR.,
UNDISCOVERED EQUITIES INC., and
KEVIN T. McKNIGHT

Respondents.

DECLARATION OF MARK T. OAKES

I, Mark T. Oakes, declare under penalty of perjury the following:

1. My name is Mark T. Oakes. I am more than twenty-one (21) years of age and am fully competent and qualified to make the statements set forth below.

2. I am an attorney with Fulbright & Jaworski LLP and am counsel for Respondents Houston American Energy Corp. and John F. Terwilliger ("Respondents"). I make this Declaration on behalf of Respondents in support of their Motion for Summary Disposition. I have personal knowledge of the statements set forth in this Declaration. The statements of fact contained herein are true and correct.

3. Attached as Exhibit 1 is a true and correct copy of an email from Seong Myeong to James Jacobs, dated November 6, 2009.

4. Attached as Exhibit 2 is a true and correct copy of an email from Michael Sanders to James Jacobs, dated November 6, 2009.

5. Attached as Exhibit 3 is a true and correct copy of excerpts from the deposition of James Fluker, dated November 10, 2014.

6. Attached as Exhibit 4 is a true and correct copy of excerpts of the expert report of Netherland Sewell & Associates, Inc., filed November 21, 2014.

7. Attached as Exhibit 5 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated November 9, 2009.

8. Attached as Exhibit 6 is a chart of industry use of reserves in a pre-drill context, which was attached as Table 2 to the expert report of Michael L. Wiggins, Ph.D., P.E., filed November 21, 2014.

9. Attached as Exhibit 7 are true and correct copies of (1) an SEC comment letter from H. Roger Schwall to Pioneer Natural Resources Company, dated July 20, 2001; (2) an SEC comment letter from H. Roger Schwall to Nuevo Energy Company, dated November 29, 2000; and (3) an SEC comment letter from Anne Nguyen Parker to ERHC Energy Inc., dated February 27, 2008.

10. Attached as Exhibit 8 is a true and correct copy of the transcript from the pre-hearing conference that occurred in this administrative proceeding on September 4, 2014.

11. Attached as Exhibit 9 is a true and correct copy of Houston American Energy Corp.'s Form 10-K for the fiscal year ended December 31, 2008, filed March 16, 2009.

12. Attached as Exhibit 10 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated October 16, 2009.

13. Attached as Exhibit 11 is a true and correct copy of a presentation by SK Energy, dated April 13, 2009.

14. Attached as Exhibit 12 is a true and correct copy of Houston American Energy Corp.'s Form 10-Q for the quarterly period ended September 30, 2009, filed November 5, 2009.

15. Attached as Exhibit 13 is a true and correct copy of a company update for Houston American Energy by Global Hunter Securities, LLC, dated October 19, 2009.

16. Attached as Exhibit 14 is a true and correct copy of a company update for Houston American Energy by Global Hunter Securities, LLC, dated November 9, 2009.

17. Attached as Exhibit 15 is a true and correct copy of excerpts from the deposition of Philip McPherson, dated November 20, 2014.

18. Attached as Exhibit 16 is a true and correct copy of excerpts from the deposition of David Snow, dated November 19, 2014.

19. Attached as Exhibit 17 is a true and correct copy of excerpts from the deposition of Gregory Tuerk, dated November 19, 2014.

20. Attached as Exhibit 18 is a true and correct copy of excerpts from the deposition of Brett Hendrickson, dated November 12, 2014.

21. Attached as Exhibit 19 is a true and correct copy of excerpts from the deposition of William Doyle, dated December 4, 2014.

22. Attached as Exhibit 20 is a true and correct copy of a presentation by SK Energy, dated October 21, 2009.

23. Attached as Exhibit 21 is a true and correct copy of the expert report of Michael L. Wiggins, Ph.D., P.E., filed November 21, 2014.

24. Attached as Exhibit 22 is a true and correct copy of excerpts from the deposition of Kenneth Jeffers, dated June 21, 2012.

25. Attached as Exhibit 23 is a true and correct copy of a presentation by Gulf United Energy, dated October 2010.

26. Attached as Exhibit 24 are true and correct copies of notes from a meeting with Ryan Adair, dated February 2, 2012 and a transcription of those notes.

27. Attached as Exhibit 25 is a true and correct copy of a letter from Don Charbula to John Terwilliger, dated April 12, 2012.

28. Attached as Exhibit 26 is a true and correct copy of a presentation by SK Energy, dated October 4, 2010.

29. Attached as Exhibit 27 is a true and correct copy of a Wood MacKenzie report, dated August 2010.

30. Attached as Exhibit 28 is a true and correct copy of a Wood MacKenzie report, dated August 2010.

31. Attached as Exhibit 29 is a true and correct copy of a farm-in opportunity flyer, dated April 2009.

32. Attached as Exhibit 30 is a true and correct copy of a letter from Barry J. Rava to D.S. Choi, dated April 2009.

33. Attached as Exhibit 31 is a true and correct copy of a news release from Petrominerales Ltd., dated September 28, 2009.

34. Attached as Exhibit 32 are true and correct copies of the minutes of and presentation from CPO-4 Technical Committee Meeting, dated October 14, 2009.

35. Attached as Exhibit 33 is a true and correct copy of handwritten notes by James Jacobs, dated October 14, 2009.

36. Attached as Exhibit 34 is a true and correct copy of an email from Michael Schmidt to Maria Mandina attaching a spreadsheet, dated December 2, 2009.

37. Attached as Exhibit 35 is a true and correct copy of a company update for Houston American Energy by Global Hunter Securities, LLC, dated January 19, 2010.

38. Attached as Exhibit 36 is a true and correct copy of an email from John Terwilliger to Kevin McKnight and Lee Tawes, dated December 15, 2009.

39. Attached as Exhibit 37 is a true and correct copy a stock price chart created in Yahoo! Finance reflecting the price data for Houston American stock from October 1, 2009 to December 31, 2012.

40. Attached as Exhibit 38 is a true and correct copy of the expert report of Lucy P. Allen, filed November 21, 2014.

41. Attached as Exhibit 39 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated October 12, 2010.

42. Attached as Exhibit 40 is a true and correct copy of excerpts from the deposition of William Doyle, dated November 8, 2011.

43. Attached as Exhibit 41 is a true and correct copy of a letter from Nokomis Capital, dated April 28, 2010.

44. Attached as Exhibit 42 is a true and correct copy of Houston American Energy Corp.'s Schedule 14A, dated April 25, 2012.

45. Attached as Exhibit 43 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated June 15, 2011.

46. Attached as Exhibit 44 is a true and correct copy of the minutes from the CPO-4 Technical Committee Meeting, dated September 11, 2009.

47. Attached as Exhibit 45 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated June 12, 2014.

48. Attached as Exhibit 46 is a true and correct copy of Houston American Energy Corp.'s Form 8-K, dated December 3, 2009, attaching the Placement Agency Agreement between Houston American Energy Corp. and Global Hunter Securities, LLC, dated November 30, 2009.

49. Attached as Exhibit 47 is a true and correct copy of Houston American Energy Corp.'s Prospectus Supplement, dated November 30, 2009.

50. Attached as Exhibit 48 is a true and correct copy of a declaration of Michael Finkelstein, dated December 9, 2014.

I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on December 11, 2014

Mark T. Oakes

Mark T. Oakes

EXHIBIT B

SUPPLEMENTAL APPENDIX
STATEMENTS ATTRIBUTABLE TO HOUSTON AMERICAN AND JOHN TERWILLIGER

	Statement:	Maker:	Record:	Falsity:
1.	**"The CPO-4 block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels."**	Houston American, Investor Presentation (November 2009).	Houston American Investor Presentation (November 2009).	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) the CPO-4 block did not contain "identified leads or prospects"; (ii) the CPO-4 block did not have "estimated recoverable reserves"; and (iii) Respondents' estimate that the CPO-4 block contained "recoverable reserves *of 1 to 4 billion barrels*" did not have a reasonable basis in fact. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel "reserve" estimate was not supported by block-specific data and information; (iii) Respondents' multi-billion barrel "reserves" estimate was not based on interpretations of available technical data and was not derived from available geological, geophysical, production and engineering data; (iv) Respondents' use of the term "reserves" did not conform to industry standards; (v) unlike Respondents' multi-billion barrel "reserve" estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (vi) SK Energy did not concur with Respondents' multi-billion barrel estimate; and (vii) SK Energy's evaluation of the CPO-4 block, including as depicted and described by Respondents in the November 2009 Investor Presentation, did not substantiate Respondents' multi-billion barrel "reserve" estimate.
2.	**"[SK Energy] see[s] +100 closures on the block . . . . They think block has 3-4 bbls recoverable oil . . . We say 1-5."**	Terwilliger statement to William Doyle of Columbia Wanger during roadshow meeting (Nov. 20, 2009).	*See* Testimony Exhibit 9 (SEC-HO1107-000002, *et seq.*); Transcript of William Doyle Testimony.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy did not estimate that the CPO-4 block had three to four billion barrels of recoverable oil; and (ii) Respondents' estimate of one to five billion barrels did not have a reasonable basis in fact. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above.

	Statement:	Maker:	Record:	Falsity:
				Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with Respondents' multi-billion barrel estimate; and (vi) SK Energy's evaluation of the CPO-4 block, including as depicted and described by Respondents in the November 2009 Investor Presentation, did not substantiate Respondents' multi-billion barrel estimate.
3.	**"SK found over 100 prospects on this block and they estimate mid-range recovery of 3.5b barrels. HUSA uses a range 1-5b."**	Terwilliger statement to Brett Hendrickson of Nokomis Capital during roadshow meeting (Nov. 24, 2009).	*See* SEC-Nokomis-E-0000006; Hendrickson Affidavit.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy had not found "prospects" on the CPO-4 block; (ii) SK Energy did not estimate that the CPO-4 block had a mid-range recovery of 3.5 billion barrels; and (iii) Respondents' estimate of one to five billion barrels did not have a reasonable basis in fact. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) SK Energy's evaluation of the CPO-4 block, including as depicted and described by Respondents in the November 2009 Investor Presentation, did not substantiate Respondents'

	Statement:	Maker:	Record:	Falsity:
				multi-billion barrel estimate.
4.	**"600mm barrels x 25% would be $150MM put govt / royalty nets that to 100MM barrels net to HUSA CaraCara sold for $26/barrel in the ground / probably $100MM of cap ex (but had sold 5MM / barrels out) API 21-23"**	Terwilliger statement to Brett Hendrickson of Nokomis Capital during roadshow meeting (Nov. 24, 2009).	*See* SEC-Nokomis-E-0000006; Hendrickson Affidavit.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) the per-barrel valuation used by Respondents was based on the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (ii) in light of the full context in which the statement was made, "600 [million]" barrels falsely implies that 600 million barrels is a conservative estimate and fails adequately to disclose and materially understates the risks associated with the putative quantities of oil; and (iii) in light of the full context in which the statement was made, it fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; (vi) Respondents' depictions and descriptions of SK Energy's evaluation of the CPO-4 block, including as reflected in the November 2009 Investor Presentation, which was reviewed during the November 24, 2009 roadshow meeting, were not related to and did not support the multi-billion barrel estimate advanced by Respondents; (vii) there were no "reserves" on the CPO-4 block; and (viii) the value of recoverable resources is much lower than the value of "proved reserves."

	Statement:	Maker:	Record:	Falsity:
5.	**"SK Energy believes the CPO 4 Block has over 100 viable drilling locations with estimated recoverable reserves of 1-4 billion barrels."**	Undiscovered Equities (Dec. 31, 2009).	*See, e.g.*, Testimony Exhibit 96; SEC-CKCooper-E-0007384; SEC-CKCooper-E-0007402; SEC-CKCooper-E-0007416; SEC-Northeast-E-0005029; SEC-Northeast-E-0005035.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) the CPO-4 block did not "contain[ ] over 100 viable drilling locations"; (ii) the CPO-4 block did not have "estimated recoverable reserves"; (iii) Houston American's estimate that the CPO-4 block contained "recoverable reserves *of 1 to 4 billion barrels*" did not have a reasonable basis in fact; and (iv) SK Energy did not believe that the CPO-4 block had "estimated recoverable reserves of 1-4 billion barrels." Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) Respondents' use of the term "reserves" did not conform to industry standards; (v) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (vi) SK Energy did not concur with the multi-billion barrel estimate; and (vii) SK Energy's evaluation of the CPO-4 block, including as depicted and described by Respondents, did not substantiate Respondents' multi-billion barrel estimate.

	Statement:	Maker:	Record:	Falsity:
6.	**"SK Energy has estimated potential of 3-5 Billion barrels of oil under this property. . . . I would like to lay out what this would mean to HUSA . . . $4.725B/31MM shares out=~$200/share[1] to HUSA. The property currently has 2-D Seismic on it; and two exploratory wells have been drilled on the property."**	Global Hunter, multiple e-mails to potential investors (Dec. 1, 2009).	*See, e.g.*, Testimony Exhibit 32; Transcript of Greg Tuerk; Dec. 1, 2009 e-mails from Greg Tuerk; Testimony; Testimony Exhibit 70; Transcript of Stephen Mathes Testimony; Dec. 1, 2009 e-mails from Stephen Mathes; Dec. 1, 2009 e-mails from Charles Kirst; Dec. 1, 2009 e-mails from Jason Reitelman; Dec. 1, 2009 e-mails from Richard Sosa.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy did not estimate that the CPO-4 block had "estimated potential of 3-5 Billion barrels"; (ii) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (iii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; and (iv) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; (vi) SK Energy's evaluation of the CPO-4 block, including as depicted and described by Respondents, did not substantiate Respondents' multi-billion barrel estimate; and (vii) the value of recoverable resources is much lower than the value of "proved reserves."
7.	**"The key is the CPO 4 property . . . . The CEO truly believes the potential of the property is 3-5 billion barrels of oil but if we assume it's 1 billion barrels here's some quick math . . . that's**	Global Hunter, multiple e-mails to potential investors	*See, e.g.*, Testimony Exhibits 80 and 81; Transcript of Brandon	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (ii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves,

[1] Later versions of this e-mail were "corrected" to show a $150/share value.

	Statement:	Maker:	Record:	Falsity:
	$195/share of value."	(Dec. 1, 2009).	Winkler Testimony.	not on the value of quantities of oil, if any, on the CPO-4 block; (iii) in light of the full context in which the statement was made, the calculation falsely implies that "1 billion barrels" is a conservative estimate; and (iv) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."
8.	**"This is some internal SK work on the reserves. In this example they used 150 BO per acre foot recoveries and everyone in the Llanos used 500 BO per acre foot. If you adjust to accepted recoveries, this example is 500 divided by 150 or 3.33 x 974,000 or 3,243,420 BO recoverable. It is only from the attached 22 leads."**	Memorandum from Terwilliger to Phil McPherson (Jan. 8, 2010)	*See* Testimony Exhibit 98.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) "everyone in the Llanos" did not use a recovery rate of 500 barrels per acre foot; (ii) SK Energy's estimates were not based on "leads"; and (iii) SK Energy's estimates were not based on just "22 leads" out of more than 100. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' use of the term "reserves" did not conform to industry standards;

	Statement:	Maker:	Record:	Falsity:
				(iii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iv) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (v) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (vi) Respondents' experience in the Llanos Basin did not support the use of a 500 barrel per acre foot recovery rate; and (vi) SK Energy did not concur with the multi-billion barrel estimate.
9.	**"SK energy has identified 22 prospects with unrisked oil exposure of 1 billion barrels."**	Global Hunter Research Report (Jan. 19, 2010)	Global Hunter Research Report (Jan. 19, 2010).	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy had not identified prospects; (ii) SK Energy's estimates were not based on "*22* prospects"; and (iii) in light of the full context in which the statement was made, the statement materially overstates SK Energy's estimates for the CPO-4 block. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."

	Statement:	Maker:	Record:	Falsity:
10.	**"[SK Energy] has found over 100 prospects. Thus far they have high graded 22 of those prospects which contain an estimated 1 billion barrels of unrisked oil potential."**	Global Hunter Research Report (Jan. 19, 2010)	Global Hunter Research Report (Jan. 19, 2010).	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy had not found "prospects" on the CPO-4 block; (ii) SK Energy had not found "over 100 prospects"; and (iii) SK Energy had not based a billion barrel estimate on 22 out of 100 "prospects." Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."
11.	**"SK Energy has identified the three primary hydrocarbon bearing sands on the CPO-4 block . . . . The company then places 150 barrels per acre foot as the amount of oil recoverable. It should be noted that these sands in other Llanos basin blocks typically have 500 barrels per acre foot. As a comparison Netherland Swell & Associates assigned 450 barrels per acre foot at the Capella heavy oil discovery."**	Global Hunter Research Report (Jan. 19, 2010)	Global Hunter Research Report (Jan. 19, 2010).	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy *computed* a recovery rate of 150 barrels per acre foot based on block-specific data and information, it did not "place" a recovery rate of 150 barrels per acre foot; (ii) Respondents' claim that "these sands . . . typically have 500 barrels per acre foot" did not have a reasonable basis in fact; (iii) Netherland Sewell did not "assign" a recovery rate of 450 barrels per acre foot; and (iv) Netherland Sewell did not assign, compute, or otherwise use a recovery rate of 450 barrels per acre foot for the Capella heavy oil discovery. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above.

	Statement:	Maker:	Record:	Falsity:
				The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy computed a recovery rate of 150 barrels per acre foot on the basis of block-specific data and information and in accordance with standard industry practices; and (ii) Respondents' experience in the Llanos Basin did not support the use of a 500 barrel per acre foot recovery rate.
12.	**"SK Energy has identified 24 prospects that they believe contain *3-5 billion barrels of oil*. . . . If SK Energy and Houston American find only 500m barrels on this property this would be a windfall for HUSA. 500m barrels . . . equates to $2.5bil to HUSA . . . or approximately $80/share.**	Global Hunter, multiple e-mails to potential investors (Jan. 25, 2010).	*See, e.g.*, Testimony Exhibit 75; Transcript of Stephen Mathes Testimony.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy had not identified "prospects" on the CPO-4 block; (ii) SK Energy had not identified "24 prospects"; (iii) SK Energy did not estimate that the CPO-4 block contained "3-5 billion barrels of oil"; (iv) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (v) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (vi) in light of the full context in which the statement was made, the calculation falsely implies that "500 [million] barrels" is a conservative estimate; and (vii) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."

	Statement:	Maker:	Record:	Falsity:
13.	**"100 targets, 3.5B recoverable, [SK Energy] say[s]." / "CPO-4 -- $20-25/bbl in ground."/ "CPO-4 . . . =$100/shr."**	Terwilliger, conversation with David Snow of Energy Equities, Inc. (Feb. 2010).	*See, e.g.*, EEI 000239, *et seq.*; Snow Affidavit.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy did not estimate that the CPO-4 block had "3.5 [billion barrels of] recoverable" oil; (ii) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (iii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (iv) in light of the full context in which the statement was made, the calculation falsely implies that it is based on a conservative estimate of the quantities of oil on the CPO-4 block; and (v) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."
14.	**"CPO-4: 8 + 31% 1 B bbls 150 net vs 250 20 ______ 3B = $100/shr"**	Terwilliger, conversation with David Snow of Energy Equities, Inc. (Feb. 2010).	*See, e.g.*, EEI 000239, *et seq.*; Snow Affidavit.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (ii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (iii) in light of the full context in which the statement was made, the calculation falsely implies that "1 [billion barrels]" is a conservative estimate; and

	Statement:	Maker:	Record:	Falsity:
				(iv) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil; (vi) SK Energy did not concur with the multi-billion barrel estimate; and (vii) the value of recoverable resources is much lower than the value of "proved reserves."
15.	**"CPO-4** **SK—up to 3 ½ B bbls** **Vo: 105 wells, 70% 32-33% royal** **1 B bbls, 150 net (not 250) x 20 = 3B/31 = 100/shr**	Terwilliger, conversation with David Snow of Energy Equities, Inc. (Feb. 2010).	*See, e.g.*, EEI 000239, *et seq.*; Snow Affidavit.	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy did not estimate that the CPO-4 block had "3 1/2 [billion barrels]" of oil; (ii) Respondents' multi-billion barrel estimate did not have a reasonable basis in fact; (iii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (iv) in light of the full context in which the statement was made, the calculation falsely implies that "1 [billion barrels]" is a conservative estimate; and (v) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly

	Statement:	Maker:	Record:	Falsity:
				omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."
16.	**"Over 100 leads in total have been identified with 2D seismic, with estimated potential recover-able reserves of 1 to 4 billion barrels."**	Energy Equities, Inc. Research Report (Feb. 15, 2010)	Energy Equities, Inc. Research Report (Feb. 15, 2010).	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) "[o]ver 100 leads" had not been identified on the CPO-4 block; (ii) the CPO-4 block did not have "recoverable reserves"; and (iii) Respondents' estimate that the CPO-4 block contained "recoverable reserves *of 1 to 4 billion barrels*" did not have a reasonable basis in fact. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel "reserve" estimate was not supported by block-specific data and information; (iii) Respondents' multi-billion barrel "reserve" estimate was not based on interpretations of available technical data and were not derived from available geological, geophysical, production and engineering data; (iv) Respondents' use of the term "reserves" did not conform to industry standards; (v) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (vi) SK Energy did not concur with the multi-billion barrel estimate; and (vii) Respondents' depictions and descriptions of SK Energy's evaluation of the CPO-4 block,

	Statement:	Maker:	Record:	Falsity:
				including as reflected in the November 2009 Investor Presentation, were not related to and did not support Respondents' multi-billion barrel estimate.
17.	**"A 1-4 billion bbl resource would thus be 157-635mm bbls net. In '09 Hepecol/HUSA sold a major field for $26/bbl. HUSA believes CPO-4 oil in the ground is worth $20-25/bbl. . . . Risked at HUSA's total 70% success rate to date, this is . . .** ***midpoint $168/share.*****"**	Energy Equities, Inc. Research Report (Feb. 15, 2010)	Energy Equities, Inc. Research Report (Feb. 15, 2010)	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) the multi-billion barrel estimate did not have a reasonable basis in fact; (ii) the valuation ascribed to the CPO-4 block is derived from the value of proved reserves, not on the value of quantities of oil, if any, on the CPO-4 block; (iii) in light of the full context in which the statement was made, the calculation is false and misleading because the "70% success rate" is Respondents' purported success rate for drilled wells, not plays like those present on the CPO-4 block; (iv) in light of the full context in which the statement was made, the calculation falsely implies that it is based on a conservative estimate of the quantities of oil on the CPO-4 block; and (v) in light of the full context in which the statement was made, the calculation fails adequately to disclose and materially understates the risks associated with the putative quantities of oil. Other statements made by or attributable to Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (v) SK Energy did not concur with the multi-billion barrel estimate; and (vi) the value of recoverable resources is much lower than the value of "proved reserves."

	Statement:	Maker:	Record:	Falsity:
18.	**150 barrels per acre foot used by SK Energy is "a silly number."**	Terwilliger statement to William Doyle of Columbia Wanger (Feb. 8, 2010).	*See* Testimony Exhibit 12 (SEC-HO1107-000142, *et seq.*); Transcript of William Doyle Testimony	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respect: SK Energy's computed recovery rate of 150 barrels per acre foot was not "a silly number." Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statement above. The false and misleading statement attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (ii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering data; (iii) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; (iv) SK Energy computed a recovery rate of 150 barrels per acre foot on the basis of block-specific data and information and in accordance with standard industry practices; and (v) Respondents' experience in the Llanos Basin did not support the use of a 500 barrel per acre foot recovery rate.
19.	**SK Energy's 974 million barrel estimate is based on just "22 prospects out of the 100."**	Terwilliger statement to William Doyle of Columbia Wanger (Feb. 8, 2010).	*See* Testimony Exhibit 12 (SEC-HO1107-000142, *et seq.*); Transcript of William Doyle Testimony	The Division refers to and incorporates herein all allegations set forth in the OIP. As a more definite statement of and in addition to those allegations, the Division avers that Respondents' statement was materially false and misleading in the following respects: (i) SK Energy had not found "prospects"; (ii) SK Energy had not based a 974 million barrel estimate on 22 out of 100 prospects. Other statements made by Respondents, whether or not alleged to be materially false or misleading, compounded the misleading nature of the statements enumerated above. The false and misleading statements attributable to Respondents also knowingly or recklessly omitted to disclose that: (i) SK Energy's estimates for the CPO-4 block were in fact much lower than Respondents' estimates; (ii) Respondents' multi-billion barrel estimates were not supported by block-specific data and information; (iii) Respondents' multi-billion barrel estimates were not based on interpretations of available technical data or derived from available geological, geophysical, production and engineering

	Statement:	Maker:	Record:	Falsity:
				data; (iv) unlike Respondents' multi-billion barrel estimates, SK Energy's estimates were derived from its evaluation of available block-specific geological and geophysical data, in accordance with standard industry practices; and (v) SK Energy did not concur with the multi-billion barrel estimate.

EXHIBIT 1

James Jacobs

From: 명성(SEONG MYEONG)/E&P사업운영팀/energ[redacted]
Sent: Friday, November 06, 2009 5:52 AM
To: James Jacobs
Cc: John JT. Terwilliger; 임시종(SIJONG LIM); 최지열(JIYEOL CHOI); 이명환(MYUNGHWAN LEE); 서보성(BOSEONG SEO); 정한욱(HANWOOK JUNG)
Subject: RE: Houston American Energy Presentation

Dear Mr. Jacobs,

With regard to your presentation material, I would like to give you some comments as follows ;

- (Page 3) I recommend to replace 'international' with 'Asian' : 'SK is leading Asian integrated oil & gas company'
- (Page 10) It would be better to add SK Energy's main business, Refining and Petroleum.
  Actually, SK Energy's main business is Refining and Petroleum. The revenue of Refining and Petroleum is 32,252 Billion Won and it forms 71% of the company whole revenue in 2008. And, SK's refining capacity is 1.1 Million Barrels per day which is the largest capacity in Korea and also SK is one of the leading refining companies in Asia.
- (Page 11) SK E&P is participating in 17 countries not 19 countries.

In the meanwhile, we believe HAE is dully authorized to release the technical information related to our joint project in your presentation material.

Best regards,

Seong Myeong

From: James [redacted]
Sent: Thursday, November 05, 2009 7:40 AM
To: 명성(SEONG MYEONG)/E&P사업운영팀/energy
Cc: 'Howard Wong'; 임시종(SIJONG LIM)/E&P사업운영팀/energy; 최지열(JIYEOL CHOI)/탐사기술그룹/energy;
[redacted]
Subject: Houston American Energy Presentation

Dear Mr. Myeong,

Please find attached a presentation that we prepared for our institutional investors and Board of Directors. Per the Securities and Exchange Commission rules, in order for us to be able to disseminate this information to our institutional shareholder base we need to file the presentation as an 8-K.

If you would kindly review the presentation and let us know if it is acceptable to SK, it would be greatly appreciated. Thank you.

Kind Regards,

Jay Jacobs
Chief Financial Officer

[redacted]

[redacted]

EXHIBIT 2

From: "Michael Sanders" [redacted]
Subject: Re: Disclosure related to HUSA Presentation

From: Michael Sanders [mws.[redacted]earthlink.net]
Sent: Friday, November 06, 2009 9:25 PM
To: James Jacobs
CC: John JT. Terwilliger
Subject: Re: Disclosure related to HUSA Presentation
Attachments: HUSA Investor Presentation - Inserts.docx

Jay:

I have a number of comments and questions re: the presentation as follows:

1. Insert 1 to the attachment included herewith provides suggested language to replace the language on page 1.

2. On page 2, I note that you reference the company focus on "Peru and Brazil." I note that we have never discussed in any of the company's filings, press releases or other public disclosure that we were pursuing opportunities in Peru or Brazil. To the contrary, we have explicitly stated that the company's focus is Colombia and the U.S. Gulf Coast. I would consider deleting the references to Peru and Brazil. I would also consider whether some mention should be made regarding planned U.S. operations.

3. On page 3, in the 2nd bullet, I would consider deleting "- SK Energy is" and adding a comma after "SK Energy."

4. On page 3, I note that the last of points under the 3rd bullet point refers to market capital generated based on $ of capital invested. That seems like an odd measure of success that may not be particularly meaningful compared to other more standard measures of reserve generation, etc. for an E&P company. Consider whether that measure should be replaced.

5. On page 3, I note that the 4th bullet point refers to loaw finding and development costs in

Colombia. While that may be true, I note that the company's SEC filings refer to higher LOE in Colombia. Should we mention that?

6. On page 5, I note that you refer to SEC filings as the source of data. I don't think you need that source reference as this is internal data not derived from a 3rd party source.

7. On pages 6 and 7, I would consider adding a reference to the source of the data on Colombia.

8. On pages 19 through 22, I note that the discussion of the Corcel trend appears to be derived from data of PetroMinerales but no specific source is cited. I would consider showing the source for clarity.

9. On page 22, I would consider deleting "Average" as the first word in the 1st bullet as later in the sentence we say average.

10. On page 28, I would consider showing the source of the data on that page.

11. On page 33, I would consider showing the source of the data on that page.

12. On page 35,

a. I would consider changing the title of the next to last column to "Gross Project Expenditures ($000)."

b. In would consider changing the title of the last column to "HUSA Net Capex ($000)."

c. Why does the 1st row of the last column show $7,500 if the company has a 25% WI and the project expenditures are $20MM?

d. In the 3rd row of the Use of Funds column, how can the 2010 budget include "past costs"?

e. Why does the 4th row of the last column show $800 if the company has a 12.5% WI and the project expenditures are $3.2MM?

f. The Colombia Total under Gross Expenditures should be $69,500.

g. The Grand Total row should only the domestic budget under Gross Expenditures but includes domestic and Colombia under Net Capex. I assume both column should show domestic and Colombia combined.

h. I would consider changing note 1 at the bottom of the page to read "Cash flow from existing production is expected to fund all future Capex. Select properties are presently being offered for sale."

13. On page 37, the first bullet refers to "excess liquidity". I don't know if that is a meaningful, or accurate, term.

14. Insert 2 to the attachment included herewith provides updated bios that track bios in the company's proxy statement. I which insert those bios on pages 38 and 39.

Mike

-----Original Message-----
From: James Jacobs
Sent: Nov 6, 2009 2:36 PM
To: mws.[redacted]earthlink.net
Cc: 'John Terwilliger'
Subject: Disclosure related to HUSA Presentation

Mike,

I have put together a presentation for HUSA. Below is the disclosure slide related to forward looking statements. Will you please read the disclosure and make sure it is adequate. I have also attached the presentation as well. I am planning on filing it as an 8-K on Monday, assuming I can get Hupecol to sign off on it. SK and Shona have already signed off on the presentation. When you get a chance, please prepare the 8-K related to the presentation. Thank you.

-Jay

Forward Looking Statements

Statements contained in this Presentation that are not based on current or historical fact are forward-looking in nature. Such forward-looking statements are based on current plans, estimates and expectations and are made pursuant to the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on known and unknown risks, assumptions, uncertainties and other factors. Houston American Energy Corp, the "Company" actual results, performance and achievements may differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement. In light of the significant risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such statements should not be regarded as a representation by the company or any other person that the objectives and plans of the company will be achieved.

Jay Jacobs

Chief Financial Officer

[redacted]
[redacted] [redacted]
[redacted] [redacted]

INSERT 1

Forward-Looking Statements

This presentation contains forward-looking statements, including those relating to our future financial and operational results, reserves or transactions, that are subject to various risks and uncertainties that could cause the Company's future plans, objectives and performance to differ materially from those in the forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "may," "expect," "intend," "plan," "subject to," "anticipate," "estimate," "continue," "present value," "future," "reserves," "appears," "prospective," or other variations thereof or comparable terminology. Factors that could cause or contribute to such differences could include, but are not limited to, those relating to the results of exploratory drilling activity, the Company's growth strategy, changes in oil and natural gas prices, operating risks, availability of drilling equipment, availability of capital, weaknesses in the Company's internal controls, the inherent variability in early production tests, dependence on weather conditions, seasonality, expansion and other activities of competitors, changes in federal or state environmental laws and the administration of such laws, the general condition of the economy and its effect on the securities market, the availability, terms or completion of any strategic alternative or any transaction and other factors described in "Risk Factors" and elsewhere in the Company's Form 10-K and other filings with the SEC. While we believe our forward-looking statements are based upon reasonable assumptions, these are factors that are difficult to predict and that are influenced by economic and other conditions beyond our control.

Cautionary Note to Investors

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as non-proven, resource potential, Probable, Possible, Exploration and unrisked resource potential that the SEC's guidelines strictly prohibit us from including in filings with the SEC. These terms include reserves with substantially less certainty, and no discount or other adjustment is included in the presentation of such reserve numbers. The recipient is urged to consider closely the disclosure in our Form 10-K, File No. 001-32955, available from us at 801 Travis, Suite 1425, Houston, Texas 77002. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

INSERT 2

John F. Terwilliger, President and CEO
John F. Terwilliger has served as the Company's President, Chairman and Chief Executive Officer since its inception in April 2001. From 1988 to 2001, Mr. Terwilliger served as Chairman of the Board and President of Moose Oil and Gas Company, a Houston based exploration and production company focused on operations in the Texas Gulf Coast region. Prior to 1988, Mr. Terwilliger was Chairman of the Board and President of Cambridge Oil Company, a Texas based exploration and production company. John is a member of the Houston Geological Society, Houston Producers Forum, Independent Petroleum Association of America and the Society of Petroleum Engineers.

James J. Jacobs -Chief Financial Officer
James "Jay" Jacobs has served as the Company's Chief Financial Officer since joining the Company in July 2006. From April 2003 until joining the Company in July 2006, Mr. Jacobs served as an Associate and as Vice President in the Energy Investment Banking division at Sanders Morris Harris, Inc., an investment banking firm headquartered in Houston Texas, where he specialized in energy sector financings and transactions for a wide variety of energy companies. Prior to joining Sanders Morris Harris, Mr. Jacobs worked as a financial analyst for Duke Capital Partners where he worked on the execution of senior secured, mezzanine, volumetric production payment, and equity transactions for exploration and production companies. Prior to joining Duke Capital Partners, Mr. Jacobs worked in the Corporate Tax Group of Deloitte and Touché LLP. Mr. Jacobs holds a B.B.A. and a Masters in Professional Accounting from the McCombs School of Business at the University of Texas in Austin and is a Certified Public Accountant.

Lee Tawes
Mr. Tawes is Executive Vice President, Head of Investment Banking and a Director of Northeast Securities, Inc. Prior to joining Northeast Securities, Mr. Tawes held management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2001. Mr. Tawes has served as a Director of Baywood International, Inc. since 2001 and of GSE Systems, Inc. since 2006. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia

Ted Broun
Mr. Broun is the owner/operator of Broun Energy, LLC, an oil and gas exploration and production company. He co-founded, and, from 1994 to 2003, was Vice President and Managing Partner of Sierra Mineral Development, L.C., an oil and gas exploration and production company. Previously, Mr. Broun was a partner and consultant in Tierra Mineral Development, L.C. and served in various petroleum engineering and management capacities with Atlantic Richfield Company, Tenneco Oil Company, ITR Petroleum, Inc. General Atlantic Resources, Inc. and West Hall Associates, Inc. Mr. Broun received his B.S. in Petroleum Engineering from the University of Texas and an M.S. in Engineering Management from the University of Alaska.

Stephen Hartzell
Since 2003, Mr. Hartzell has been an owner/operator of Southern Star Exploration, LLC, an independent oil and gas company. From 1986 to 2003, Mr. Hartzell served as an independent consulting geologist. From 1978 to 1986, Mr. Hartzell served as a petroleum geologist, division geologist and senior geologist with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration. Mr. Hartzell received his B.S. in Geology from Western Illinois University and an M.S. in Geology from Northern Illinois University.

John Boylan
Mr. Boylan has served as a financial consultant to the oil and gas industry since January 2008. Mr. Boylan served as a manager of Atasca Resources, an independent oil and gas exploration and production company, from 2003 through 2007. Previously, Mr. Boylan served in various executive capacities in the energy industry, including both the exploration and production and oil services sectors. Mr. Boylan's experience also includes work as a senior auditor for KPMG Peat Marwick and a senior associate project management consultant for Coopers & Lybrand Consulting. Mr. Boylan holds a B.B.A. with a major in Accounting from the University of Texas and an M.B.A. with majors in Finance, Economics and International Business from New York University.

EXHIBIT 3

In The Matter Of:

Paul Spitzberg, et al. v.

Houston American Energy Corp., et al.

James C. Fluker, III

November 10, 2014

Confidential

NEXTGEN REPORTING

Making Litigation Easier. www.nextgenreporting.com

WORLDWIDE COVERAGE | (888) 267-1200 PHILADELPHIA | NEW YORK CITY | WILMINGTON | SILICON VALLEY

Min-U-Script® with Word Index

A. Right. Uh-huh.
Q. And this does not include the Guadalupe or the Barco?
A. That's right.
Q. Or the Gacheta?
A. Or the Gacheta, that's correct.
Q. Now, I know this is going to --
MR. LONGMAN: I'm sorry. Could you repeat -- could you -- excuse me. Could you repeat that question again?
MR. PECHT: Yes.
Q. (BY MR. PECHT) This analysis by SK in April of 2009 as reflected in this document does not include the Gacheta reservoir --
A. Right.
Q. -- the Guadalupe, the Barco or the C-9?
A. The C-9, that's right, yeah, uh-huh.
Q. And SK was telling potential farminees that -- that there were more than these three sands?
A. Yes. Right.
Q. But they were just giving them information about these three sands?
A. About these three, yes.
Q. Yes. And then if you -- if you can do this -- it's a little tedious -- but can you just start on the

A. Sixty-two.
Q. Now -- and that was just for the three sands, not for all of the sands?
A. Right.
Q. Okay. In considering what is a lead or a prospect, is each sand considered to be a separate lead or prospect?
A. In -- in normal U.S. mapping and -- and presentation of leads and prospects, each sand is counted individually.
Q. As a separate lead or prospect?
A. As a separate lead or prospect.
In the international area, one structure is one -- is one and then each horizon just adds to what is in that structure.
Q. Okay.
A. So you don't separate them out.
Q. But in the U.S. you do separate them out?
A. You do -- you do separate them out, yes.
Q. All right. So, for instance, here, on this Total Potential chart, they have these 22 leads identified and for three sands only --
A. Right.
Q. -- the C-7, the Mirador and the Une?
A. And the Une, yes.

in -- or geophysicist in Bogota for SK, used a thousand barrels per acre foot, correct?
A. That is correct, yes.
Q. Okay. So SK had a range of recovery rates that it used?
A. Yes.
Q. And that range on the low end went from a hundred and fifty barrels --
A. Hundred and fifty.
Q. -- per acre foot, which is reflected on this document --
A. Right.
Q. -- to a thousand barrels per acre foot, depending on who you talked to on this?
A. On who you talked to, yes.
Q. Okay. And -- and this document is using a recovery factor of 30 percent?
A. Right.
Q. As you obtain more information -- and what is a recovery factor so that we know it, then, before I ask the next question?
A. A recovery factor indicates how much of the volume of oil that's actually inside the trap can be pulled out -- or produced by a well.
Q. Okay. And as the recovery factor increases,

industry?

A. Yes, it is.

Q. All right. And then if you turn to the page that says "High Potential" on Slide 41 about --

A. This one here.

Q. All right. And this one shows that there's -- for these leads that are identified here, there's a high potential of 639 million barrels --

A. Right.

Q. -- of what they -- what's described here as recoverable reserve --

A. Yes.

Q. -- but which everybody knows is resource potential?

A. Correct.

Q. All right. And in connection with this, what are -- what are these high potential leads?

A. They -- when this was generated, it was the largest acreage leads prospects.

Q. Okay. This doesn't mean these are just the best?

A. No.

Q. This is just the ones with the larger data?

A. These are the largest ones, yes.

Q. Back to this document here, which, on Page 28,

Do you see that?
A. Yes.
(Exhibit 11 marked)
Q. (BY MR. PECHT) And -- and I have marked separately just that page of the 10-K so that we have an easier document to refer to, because when I'm asking you questions about prospects going forward, I'm going to be -- I'm going to want to use this definition.
A. Uh-huh.
Q. But before I get to that, is it a fair statement that in the oil industry different companies use -- use the words "leads" and "prospects" differently?
A. Yes, that would probably -- uh-huh, yep.
Q. And -- and we've seen documents where SK in 2009 in its April presentation has referred to both leads and prospects --
A. And prospects, yes.
Q. -- on the CPO-4?
A. Right.
Q. And is there any doubt in your mind, sitting here today, that there were prospects and are prospects on the CPO-4 Block?
A. Yes.
Q. There are or --

A. There are. There are.
Q. Okay.
MR. LONGMAN: Using the definition that you've just read.
Q. (BY MR. PECHT) And using this definition there are?
A. There are, yes.
Q. And using SK's definition, are there as well?
A. There are, yes, either one.
MR. LONGMAN: What was the difference between SK's definition and this definition?
THE WITNESS: To me, there's no difference. When -- when I look at the prospects as they were indicated on the presentations generated by SK and like I was saying earlier, normally if you only have one seismic sign on a structure you call it a lead. You've got an indicator that there's something there. If you have two or more lines on it, then it grades up to a prospect. You can actually drill that. And then that's what this -- on Page 14 is -- is also referring to. And, you know, so the -- to me, there's no difference between them.
MR. LONGMAN: Okay.
Q. (BY MR. PECHT) Okay. And you mentioned that -- and just so we can look at the lines here -- let's go

MR. LONGMAN: Why was that?

THE WITNESS: Those wells that were drilled by Corcel, the Candelilla wells, produced 10,000 barrels per day to 15,000 barrels per day out of one sand. And so those are tremendous rates of production in there. So it indicates your permeability is -- is very, very high. The porosities are at the -- at the upper limits and the oil is a good enough gravity, or API, that it would flow easily. And so that gives you the -- an analog that tells you that within the CPO-4 Block you should be finding something very similar to that.

MR. LONGMAN: Okay. Thank you.

Q. (BY MR. PECHT) I want to go back to Exhibit No. 4 again, which is this document, which is the -- one of the two Farm-in Opportunity documents dated April the 13th, 2009 and the total potential and we see here that SK at that time used 150 barrels per acre foot.

A. Yes.

Q. You believed and others at SK that it should be closer to 500 barrels per acre foot?

A. Yes. Right.

Q. Or even higher than that?

A. Or even higher than that.

Q. And the 150 barrels per acre foot, I believe you testified before the SEC that this number came from the engineers that were in Korea?
A. In Korea, yes.
Q. With SK?
A. With SK, yes.
Q. All right. And I want to ask you some questions about those engineers in Korea.
A. Uh-huh.
Q. Had those engineers in Korea for SK had any prior Llanos Basin experience that you know of?
A. No, they did not.
Q. Had they ever been to the Llanos Basin?
A. No.
Q. Had they done the same level of study of Colombia that you and Mr. Reyes had done?
A. No.
Q. Okay. Is it fair to say that SK was a house divided? Some -- the engineers in Korea who had no experience in the Llanos Basin wanted to use 150 barrels --
A. Right.
Q. -- per acre foot but those who had actual experience in Colombia thought it should be 500 barrels per acre foot or higher?

Q. And what's the measurement for that? Is that feet?

A. That's feet.

Q. Net feet?

A. Net feet.

Q. And then -- and now in the Mirador with the Corcel information, it goes from 75 net feet to 160?

A. Yep.

Q. What's the significance of that?

A. There's much more sand in here than -- than was originally thought.

Q. And what is the significance of there being more sand?

A. It's -- you would get thicker sand, thicker pay, higher production.

Q. And --

MR. LONGMAN: What does that mean? Thicker sand?

THE WITNESS: When -- the original thickness of the sand within the Mirador was thought to be somewhere between 60 and 120 feet of net sand. And then based -- once you add the Corcel information, you know that it's even higher than that. You could get up to 160 feet of sand. So that gives you more sands that could reservoir oil and therefore you would have higher

THE WITNESS: SK engineers, yes.
Q. (BY MR. PECHT) Yeah. But you still believed and others within SK believed that it was closer to 500?
A. Right.
Q. And if you add the -- all of the sands, the higher recovery factor and the higher recovery rate, then the recoverable reserves on this block, if you were going to express it in a range, could be between 1 billion and even 5 billion?
A. Yes, they could be. The numbers worked out like that, yeah. Once you put all of the sands in there, yes.
Q. With the higher recovery rate and the higher recovery factors?
A. Correct.
Q. So if you wanted to express this --
MR. LONGMAN: What -- can you be a little more specific about what -- what fields are you talking about now when you --
Q. (BY MR. PECHT) CPO-4, right?
A. This is CPO-4.
MR. LONGMAN: CPO-4.
A. And -- and there's a map in here that shows all of the different areas of interest. There's a series of maps, one in the Carbonera, one in the Mirador and one

MR. LONGMAN: And that -- that represents leads?

THE WITNESS: That represents leads/prospects, leads/prospects. In here they're listed as prospects.

Q. (BY MR. PECHT) And let's take a look at -- let me see. So to say that there were over a hundred leads or prospects is an absolute true statement?

A. It's -- based on this, that's exactly right.

Q. And to state that there is 1 to 4 billion barrels of recoverable reserves or even 1 to 5 billion barrels of recoverable reserves --

A. Fits the -- the numbers in here.

Q. That SK has provided?

A. That SK has provided, yes.

Q. If you consider all the sands and the higher recovery rate?

A. Correct. Correct.

MR. LONGMAN: But what's the relationship between recoverable reserves and leads? I mean, isn't that a -- don't you have to go a long way to get to recoverable reserves from leads?

THE WITNESS: No. Because the lead gives you an indication that you have a structure. And out here with the analogous fields, if you've got a

A. I'm not being very successful here in finding that one.

Q. Here it is. Here. You and I can just kind of look at it. Here's the Corcel analysis done by Wood Mackenzie.

A. Right.

Q. You've told us who they were. It's Exhibit No. 13. This is August 2010. And when they're describing Corcel, they say the area benefits from a strong water drive.

A. Water drive.

Q. What is a strong water drive?

A. The -- a lot of fields -- a lot of oilfields have a certain amount of gas in them. And sometimes it's that gas pressure that moves the oil out. But in this case in -- in the Llanos Basin as well as most of the Sub-Andean basins you've got a tremendous amount of water flowing through these reservoir walks because the mountains -- what you're drilling at 12,000, 15,000 feet you can see it over your head on the mountain, on the side of the mountain. So rainwater -- there's lots of rain there -- will flow through these rocks and then come -- and that's pushing the oil. And when you have that, you can get much higher rates of recovery.

Q. Okay. And -- and that's why -- did that support your view of the --

A. And that supports my view of the 500 barrels per acre foot.

Q. Do you know whether or not the engineers for SK in Korea understood that this was a strong water drive?

A. No, I don't think they did. Not with the numbers they were using.

Q. Because with the number they were using, the 150 barrels per acre foot, that's not consistent with --

A. That's not consistent with a high -- high water drive, yeah.

Q. And do you agree that there was a strong water drive on CPO-4 as well?

A. Oh, yeah. It's -- it was rather fresh water.

MR. LONGMAN: The higher the water drive, the higher the --

THE WITNESS: The rates of recovery.

MR. LONGMAN: Rates of recovery?

THE WITNESS: The higher -- the higher amount of water moving through the formation will push more oil out through the wellbore and it sweeps it clean. So you'll get a higher rate of recovery if you have a very good water drive.

Q. (BY MR. PECHT) And how -- how good were the sands in the CPO-4 Block? I've seen in the SEC

I'm getting a lot of feedback.
MR. PECHT: Sorry. Is that better?
MR. LONGMAN: I think that's better. Yes.
MR. PECHT: All right.
MR. LONGMAN: No. Well, I'm still getting the feedback. Let me try one more time. I'm getting feedback. I don't know. I have the technician. Did you change anything --
MR. PECHT: I don't think so.
MR. LONGMAN: -- during the break?
THE WITNESS: No. Doesn't look like it.
MR. LONGMAN: Okay. I'll have to deal with the echo.
Q. (BY MR. PECHT) In looking at CPO-4 Corcel Trend Summary where it talks about trend characteristics, it says: Favorable Reservoir Characteristics: 30 Percent Porosity.
A. Right.
Q. And where did the 30 percent porosity number come from? How was it derived?
A. It's -- well, when you look at the -- the rates in here that they're talking about, the production rates and the amount of oil, you know you're up in the upper limits of what -- of what the porosity numbers are. And when you look at the graphs made earlier on, the -- the

range was, like, 21 through 27 API based on Apiay field and the Negritos well, but now we have data from, you know, we're seeing rates or production coming out of the Corcel trend next door and to get that kind of oil coming out of there, you've got to have high porosity in there. So it's over 27 percent. And so I --

MR. LONGMAN: What does porosity mean?

THE WITNESS: Porosity is the space between the sand grains. They're -- usually when you put the group of grains together they don't -- there's going to be a space where they can't touch each other. That's called porosity. And that's where the oil is located. The permeability is a gap between groups of sand grains that allows the oil to flow from one of these spaces to the next and that's the way it gets out into the wellbore.

MR. LONGMAN: So the higher the porosity, the better --

THE WITNESS: The better -- the better you are. You can reservoir more oil in there, yes.

Q. (BY MR. PECHT) And if you look back at Exhibit 4 to your deposition, which was the April 13, 2009 Farm-in Opportunity chart with total potential, the porosity rate that SK was using back in April was a 20 percent porosity?

A. Twenty. And then when you look at the one from October --
Q. Yes.
A. -- I think it's already up to 27 percent porosity there.
Q. And --
A. So that incorporates what we were looking at, the Corcel trend.
Q. And if you start taking these numbers with the higher recovery rate, the higher porosity --
A. Right.
Q. -- including all of the -- all of the sands, including the higher recovery rate, then -- then the total potential jumps up significantly?
A. Jumps up significantly, yes.
MR. LONGMAN: The October rate you're referring to, the 27, was that SK's or --
THE WITNESS: That was SK's number.
Q. (BY MR. PECHT) And now if you look on Page 5 of this document, you have surrounded by existing fields. This is --
A. Right.
Q. And you show there I believe in the -- in the breakout --
A. Right.

Q. -- where the Corcel --
A. Where the Corcel wells are.
Q. -- wells are and where the Guataiquia wells are?
A. Wells are, correct. And then you can see where it sits relative to the CPO-4 Block.
Q. How close it is.
A. And how close it is. It was --
Q. And Corcel and Guataiquia, are they on trend with the other --
A. Yes.
Q. -- productive wells that you've seen?
A. Yes, they are.
Q. And then take a look at Page No. 6 and is that your -- GulfUnited's description of the different wells that Petrominerales drilled on the Guataiquia?
A. On the -- yes. This is coming right off of their press releases.
Q. And what do those production rates look like?
A. They're phenomenal. I mean, they're -- they -- they support the 500 barrels per acre foot real easy.
Q. And then on the next page it says "Corcel Sand Package." And it looks like in this page you're -- you're looking at the Mirador and the Guadalupe and the Une but not the C-7 or C-9?

A. No. Those were not on here because the well log does not go high enough to pick up the C-9.

Q. So you have 270 feet of net sand without even including --

A. Without including the C-7 or the C-9.

Q. And then on the 3D mapping results and assumptions, you have assumptions -- your -- Assumption No. 2 there is 500 barrels per acre foot recovery factor --

A. Right.

Q. -- based on high permeability and porosity and offset wells?

A. Yes.

Q. And did you believe that to be true at the time?

A. Yes.

Q. And did you also believe that to be true while you were at SK?

A. Yes.

Q. And did others at SK also believe that to be true, that there was a 500 barrels per acre foot recovery rate?

A. Yes.

Q. And which were the ones that believed in a 500 barrels per acre foot recovery rate or in excess of that?

A. That would be like Juan Pablo Reyes, Egon Castro.

A. Hincapie, yes.

Q. And what was Egon Castro's position?

A. He was the exploration manager for the Bogota office.

Q. And did he have experience in the Llanos Basin?

A. Oh, yes.

Q. And he was also --

A. Thirty-plus years.

Q. Pardon me?

A. Thirty-plus years with Ecopetrol.

Q. And what was his profession?

A. Geologist.

Q. And did he also believe that the barrels per acre foot was 500 --

A. Yes.

Q. -- barrels per acre foot or more?

A. Or more.

Q. Okay. And you already mentioned that Juan Pablo Reyes believed it was --

A. Up to a thousand.

Q. -- a thousand?

A. Yeah, he was talking about a thousand.

on that?

A. Yes, you can.

Q. And if they then increase the barrels per acre foot analysis that they use -- as you said, they increased it to over, you know, to 300 barrels per acre foot -- are you -- can you rely on that?

A. Yes, because once -- they did that after they received information on the Corcel well. So they knew that it was much higher than what they were estimating.

Q. And if you want to then take and make an accurate picture of what SK was believing, given that you have engineers in Seoul with no experience, the people in Bogota and yourself who have experience that are at 500 or more barrels per acre foot, would providing a range of 1 to 4 billion or 1 to 5 billion of recoverable reserves be a fair and reasonable way of approaching it?

A. Yes, because then you cover either end and whatever can be in between. So you know you have a possible maximum of this and a probable minimum of this. So somewhere in there is what the real number is going to be.

MR. LONGMAN: I can ask you later, but to clarify -- to kind of extrapolate the numbers, how you arrive at -- I mean, I can do it after, if you would

EXHIBIT 4

TECHNICAL EXPERT

Independent Technical Expert
In the Matter of Houston American Energy Corp., et al, File Number 3-16000

November 2014

Prepared for
The Division of Enforcement of the United States Securities and Exchange Commission

Prepared by
NETHERLAND, SEWELL & ASSOCIATES, INC.

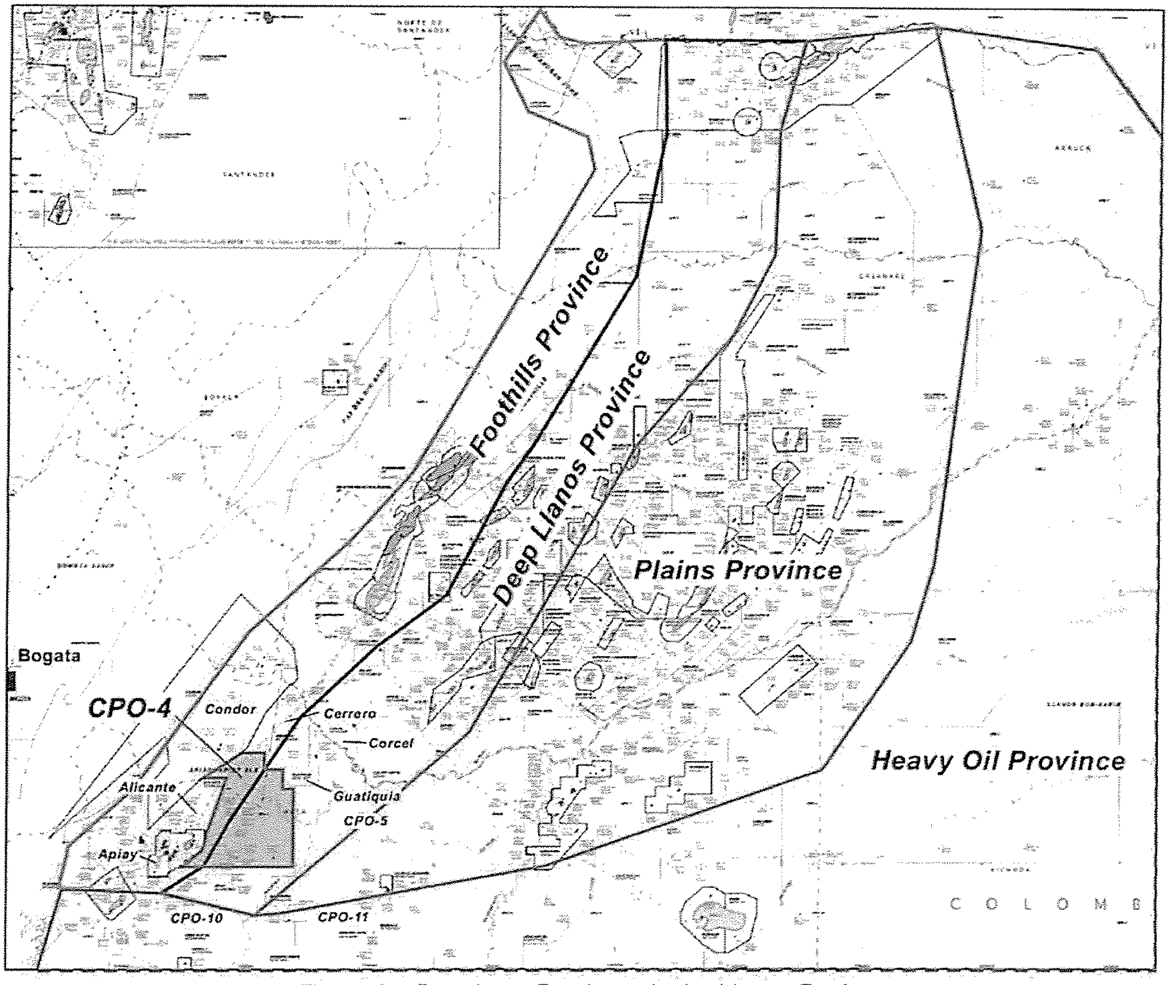


Figure 2 – Petroleum Provinces in the Llanos Basin

a. Foothills: deep burial depth, complex intensely deformed geology, Mirador Formation naturally fractured tight fluvial sandstones in compressional fold and thrust fault traps, moderate to huge field sizes (i.e., Cusiana and Cupiagua), poor to moderate reservoir quality, moderate water saturation, gas drive, high gas-oil ratio (GOR), high API gravity oil, and wide range of recovery factors.

b. Deep Llanos: moderate to deep burial depth, mildly faulted compressional geology; Carbonera, Mirador, Guadalupe, and Une Formation fluvial sands in small three-way fault and four-way closure traps; small to moderate field sizes (i.e., Corcel and Guatiquia); good reservoir quality; moderate water saturation; strong aquifer support; low GOR; moderate API gravity oil; and high recovery factors.

c. Plains: moderate burial depth, mildly faulted extensional geology, Carbonera and Mirador Formation fluvial sands in small three-way fault traps, small field sizes, good reservoir quality, moderate water saturation, strong aquifer support, moderate GOR, moderate API gravity oil, and moderate to high recovery factors.

34. As depicted on the "Reserves" row of Figure 4, a quantity of reserves can be sub-classified in accordance with the level of certainty associated with the estimates or based on project maturity (Reference 8, Page 3). The principal sub-classifications of reserves are Proved, Probable, and Possible. Each of these categories conveys the relative degree of certainty associated with the estimate and is ordinarily based on development and production status. The specific industry definitions of each of the terms are quoted below:

   a. "Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations." (Reference 13, Page 28)

   b. "Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves." (Reference 13, Page 28)

   c. "Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves." (Reference 13, Page 29)

35. These reserves categories are often expressed as Proved (1P), Proved plus Probable (2P), and Proved plus Probable plus Possible (3P). These categories reflect the likelihood that recoverable volumes will equal or exceed the unrisked estimated amounts and generally can be described as 90 percent for 1P, 50 percent for 2P, and 10 percent for 3P.

36. Misuse of the term "reserves" or its sub-classifications gives rise to confusion as to the degree of risk and uncertainty associated with a given resource.

PROSPECTS, LEADS, AND PLAYS

37. Prospective resources are potential hydrocarbon volumes entrapped in subsurface structural or stratigraphic features. Prospective resources can be sub-classified by project maturity into prospects, leads, and plays, which are defined in the PRMS as follows:

   a. <u>Prospect</u>: "A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target." (Reference 13, Page 26). A prospect reflects a mature project (individual, potential accumulation) that requires actions to move toward commercial production. Therefore, a prospect must (1) have sufficiently well-defined location, shape, and size; (2) have a well-understood risk of discovery; and (3) have sufficient size to have an adequate chance of being commercially developable.

   b. <u>Lead</u>: "A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect." (Reference 13, Page 26). A lead reflects a relatively broad category of immature projects with reasonable targets and feasible development scenarios. It is a potential hydrocarbon trap for which available data coverage and quality are not sufficient to permit the clear definition and mapping of the potential accumulation volume.

   c. <u>Play</u>: "A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects." (Reference 13, Page 26). A play reflects a very immature project with hypothetical targets and hypothetical development scenarios. Plays are speculative and do not reflect volumes that can be expected to be recovered and therefore carry no value in financial assessments.

38. As with the misuse of the term "reserves", the misapplication or misuse of the terms "lead" or "prospect" gives rise to confusion as to the maturity of a project and as to the degree of risk and uncertainty associated with a given resource.

58. In solving for RO, SK relied on data from its petrophysical evaluation of nearby well control in analog fields and reservoirs:

RF = 0.30
C = 7,758 BBL/ac-ft
GF = 0.70
ϕ = 0.20
S_o = 0.60
B_o = 0.90

59. The product of the specific input parameters equals 175 BBL/ac-ft. We understand based on representations made by SK's counsel that SK then multiplied its RO by 85 percent to reflect its "confidence level", which yields the 150 BBL/ac-ft used in SK's volume estimates (Reference 15). Thus, SK calculated EUR by multiplying the reservoir volume (i.e., A * H_{ave}) by the RO of 150 BBL/ac-ft.

60. As discussed above, SK's estimate is derived from an analysis of available well data and seismic data in accordance with the standard volumetric formula. In light of other data points available for the Llanos Basin, there is nothing to suggest that SK's RO estimate was overly conservative or that its calculation suffered from any methodological flaws. In fact, third-party work and reports suggest an RO of 150 BBL/ac-ft is reasonable for this area in the basin.

   a. Houston American's own expert, Lonquist & Co. LLC, provided data with ROs as low as 56 BBL/ac-ft (Reference 16).

   b. Other fields that Houston American had interests in, such as Leona, Las Garzas, and La Cuerva, had purported prospective resources ROs of 149, 255, and 236 BBL/ac-ft, respectively (Reference 17).

   c. According to Tudor, Pickering, Holt & Co., LLC (Reference 6), the ROs can range approximately from 60 to 215 BBL/ac-ft in the Foothills province to 230 to 500 BBL/ac-ft in the Deep Llanos province. The Block straddles both the Foothills and Deep Llanos province areas (Figure 2).

61. While SK's calculation of RO appears to have conformed to industry norms, SK appears to have adopted a highly aggressive approach in mapping potential closure areas on the 2-D seismic data. Thus, while the RO half of the EUR equation appears to be methodologically and geologically valid, the reservoir volume (i.e., A * H_{ave}) half of the equation may have overstated the Block's prospectivity, particularly if SK's estimates were disclosed without proper qualifications.

62. In its April 2009 farm-in presentation, SK identified 22 "structures" on its map and then referred to these features as "leads" through the remainder of the document (Reference 1). Most of these "leads" have three stacked reservoir "horizons" of interest, resulting in "58 horizons" as referenced in the presentation. The term closures more accurately describes geologic features on SK's map than the term horizons. In the context of this report, a closure is a potential hydrocarbon trapping feature with a vertical component of pooling. I will use the term closure hereinafter. It appears that SK's closure count is incorrect. When I count the closures on SK's "Total Potential" page, the sum is 56 "horizons" (Figure 10).

63. It appears that SK penciled in all possible closures on the Block, including closures outside the data control and closures based on incomplete data (Appendix E). SK did not discriminate the risk and uncertainty between better-documented closures (leads) and the more hypothetical features (plays).

64. A large portion of the potential closures shown on the maps do not qualify as leads, as shown in Appendix E. About 20 percent of the closures fall outside seismic control and are unsupportable by any data provided by SK or Houston American (Appendix E). Approximately another 25 percent of the potential closures are

92. The reprocessing also caused a reduction in the number of stacked closures, thus rendering many more targets, without the benefit of single wells hitting multiple targets, potentially noncommercial. This further reduces the available volumes of resources in the Block even beyond the approximately 50 percent reduction noted previously in this report due to the inclusion of speculative plays.

93. The preponderance of new information available in November 2009 resulted from SK's interpretation of the newly reprocessed 2-D seismic data on the Block. This important work had an overwhelmingly negative impact, substantially reducing closure sizes and volume estimates. All of this information was available prior to November 2009, but none of it was documented in Houston American's Presentation (Reference 2).

94. In my opinion, it would have been clear to an experienced industry professional reviewing the project that the 66 percent decrease in average closure size would offset the increase in the number of closures and would have added concern going forward.

95. Less than 10 months after the Presentation was published, Houston American's own reserves consultant, Petrotech, prepared a report (Reference 23) that included a gross recoverable "Best Estimate" of only 65 MMBBL of "Unrisked Prospective Resources" (not "recoverable reserves") on the Block. This volume estimate was attributed to 54 "prospects" identified on the recently acquired 3-D seismic data (Reference 23). Petrotech attributed no "recoverable reserves" to the Block at that time. The 3-D seismic data were limited to the northern third of the Block where the partners had predicted to have over 60 percent of the prospective volume in the Block and was immediately adjacent to the recent Corcel Area discoveries (References 18, 19, and 20). The average "Best Estimate" case recoverable volume per "prospect" is 1.9 MMBBL, using Petrotech's "Best Estimate" RO of 298 BBL/ac-ft, with 2 to 3 closures per "prospect" averaging 70 acres and 30 feet of pay thickness per closure. My limited review of Petrotech's report suggests that Petrotech followed standard industry practices to estimate volumes. In addition to the significant clarification of volume classification from reserves to prospective resources, the extent of Houston American's overstatement of the Block's prospectivity is exposed. The volumes dropped by over 90 percent in just 10 months and this absent any new drilling data.

96. Even though Petrotech did not perform an economic evaluation of the 54 "prospects", we estimated that an economic threshold for a discovery is approximately 1 MMBBL cumulative recovery from all zones in any likely single drill location. It is significant that 52 percent of Petrotech's "Best Estimate" "prospect" sizes fall below this 1 MMBBL economic threshold to drill and develop. As noted previously, the 1 MMBBL economic limit compares to an average discovery size of 2 to 3 MMBBL in the basin during 2012 (Reference 9). Only 27 "Best Estimate" "prospects" met the economic criteria of 1 MMBBL with viable resources ranges (Reference 23).

97. The specific use of the term "recoverable resources" by Petrotech is a very important correction, as Houston American had used "recoverable reserves" until that point. The use of the term "recoverable reserves" in the Presentation significantly understates the high degree of risk and uncertainty associated with the Block. Individuals involved in the oil industry along with investors typically use and rely on the PRMS definitions and guidelines to describe hydrocarbon volumes. The stated purpose of the PRMS (Reference 13) is to "provide a common reference for the international petroleum industry... They are intended to improve clarity in global communications regarding petroleum resources." Our experience is that the majority of oil and gas investors rely on at least the PRMS definitions. They typically understand the difference between reserves and resources and their impact on property valuation. Furthermore, they also understand that reserves refer to a mature project with commercially developable volumes that are assigned actual monetary values and expected returns. Exploration projects with prospective resources, on the other hand, are speculative and have a risk of not finding hydrocarbons. They do not reflect volumes that can be expected to be recovered and are therefore assigned limited to no value in financial assessments. In spite of any disclaimers, the use of the term "reserves" by Houston American would have been confusing. Even Houston American's subsequent technical experts and reserves consultants (References 23 and 24) refer to all the volumes in the Block as resources.

EXHIBIT 5

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 9, 2009

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in Charter)

Delaware	[redacted]	[redacted]
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

[redacted]

(Address of Principal Executive Offices)(Zip Code)

[redacted]

(Issuer Telephone number)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

Houston American Energy Corp. (the "Company") has prepared updated slides for use in connection with investor presentations. The presentation slides to be used are attached to this Current Report on Form 8-K as Exhibit 99.1 and are incorporated herein solely for purposes of this Item 7.01.

In accordance with General Instruction B.2 of Form 8-K, the information set forth in this Item 7.01, including Exhibit 99.1, is furnished pursuant to Item 7.01 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

99.1 Investor Presentation Slides

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: November 9, 2009

By: /s/ James J. Jacobs
James J. Jacobs
Chief Financial Officer

EX-99.1 2 ex99_1.htm EXHIBIT 99.1

Exhibit 99.1

HOUSTON AMERICAN ENERGY CORP

Investor Presentation

November 2009

HOUSTON AMERICAN ENERGY CORP

Forward-Looking Statements

This presentation contains forward-looking statements, including those relating to our future financial and operational results, reserves or transactions, that are subject to various risks and uncertainties that could cause the Company's future plans, objectives and performance to differ materially from those in the forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "may," "expect," "intend," "plan," "subject to," "anticipate," "estimate," "continue," "present value," "future," "reserves," "appears," "prospective," or other variations thereof or comparable terminology. Factors that could cause or contribute to such differences could include, but are not limited to, those relating to the results of exploratory drilling activity, the Company's growth strategy, changes in oil and natural gas prices, operating risks, availability of drilling equipment, availability of capital, weaknesses in the Company's internal controls, the inherent variability in early production tests, dependence on weather conditions, seasonality, expansion and other activities of competitors, changes in federal or state environmental laws and the administration of such laws, the general condition of the economy and its effect on the securities market, the availability, terms or completion of any strategic alternative or any transaction and other factors described in "Risk Factors" and elsewhere in the Company's Form 10-K and other filings with the SEC. While we believe our forward-looking statements are based upon reasonable assumptions, these are factors that are difficult to predict and that are influenced by economic and other conditions beyond our control.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as non-proven, resource potential, Probable, Possible, Exploration and unrisked resource potential that the SEC's guidelines strictly prohibit us from including in filings with the SEC. These terms include reserves with substantially less certainty, and no discount or other adjustment is included in the presentation of such reserve numbers. The recipient is urged to consider closely the disclosure in our Form 10-K, File No. 001-32955, available from us at [redacted]. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

Company Overview

- Houston American Energy Corp (NASDAQ:HUSA), the "Company", is a growth-oriented independent energy company engaged in the exploration, development and production of crude oil and natural gas resources

Market Cap:	$112.0 MM	Debt Outstanding:	$0.0
Average Volume:	54,000	Shares Outstanding:	28,000,772

- Operations focused in Colombia
  - Current production of approximately 850 barrels of oil equivalent per day
  - Participated in drilling of 100 wells in Colombia to date
  - Developing new international projects with a focus on Colombia, Peru and Brazil

- Significant concessions in Colombia with substantial drilling inventory identified by advanced 3-D seismic interpretation
  - Over 895,000 gross acres with more than 100 currently identified drilling prospects

Investment Opportunity

- Unique portfolio of high impact, large reserve potential projects in Colombia
  - Pure-play small cap oil focused investment opportunity with substantial upside potential
  - Significant acreage position focused in the Llanos Basin in Colombia
  - Favorable government royalties and fiscal terms on existing contracts
- Significant Technical Partner with SK Energy, a leading Asian integrated oil and gas company
- Proven Track Record
  - Participating in successful drilling program led by Hupecol
  - Drilled 100 wells in Colombia with a 70% success rate to date
  - With approximately $19.8MM in invested capital management has generated in excess of $112.0MM of market capital to date
- Low cost structure
  - Non-operator strategy allows for minimal corporate staff
  - Colombian properties have lower finding and development costs versus U.S. conventional and unconventional reserves
- Experienced management and board of directors with access to proprietary deal flow
- Simple capitalization structure

Business Strategy

- Explore and develop existing properties through the drill bit
  - Increase production and cash flow by drilling and completing identified well locations
  - Quantify value of our asset base through an aggressive testing and drilling program
  - Explore for and develop additional proved reserves on approximately 150,000 net acres
- Acquire additional interest in oil and gas properties through partnerships and joint ventures with experienced operators
  - Target acquisitions that enhance our core areas
  - Focus on high impact, lower risk drilling prospects
- Capitalize on the expertise, experience and strategic relationships of the management team and board of directors

International Assets

International Operations - Llanos Basin Colombia

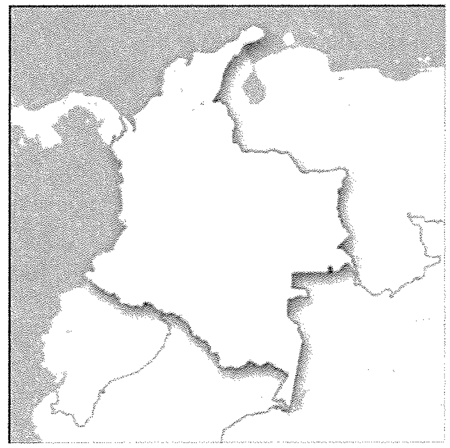
Interest in Eight Concessions and One Technical Evaluation Agreement

Operator	Interest
SK Energy	25.0% working interest in the CPO 4 concession covering ~ 345,452 acres
Shona	12.5% working interest in the Serrania concession covering ~ 110,769 acres
Hupecol	12.5% interest in the Los Picachos Technical Evaluation Agreement (the "TEA") ~ 86,235 acres
Hupecol	12.5% working interest in the Las Garzas concession covering ~ 103,000 acres
Hupecol	12.5% working interest in the Leona concession covering ~ 70,343 acres
Hupecol	12.5% working interest in the Cabiona concession covering ~ 86,066 acres
Hupecol	12.5% working interest in Dorotea concession covering ~ 51,321 acres
Hupecol	6.25% working interest in the Surimena concession covering ~ 69,000 acres
Hupecol	1.6% working interest in La Cuerva contract covering ~ 48,000 acres

Overview of Colombia

- President Alvaro Uribe Velez (re-elected May 28, 2006) - Pro Business
- Main US ally in South America
- Population: 45,644,023
- Capital Bogotá: 7,881,156 citizens
- Exchange rate 2009: 1,949 COP$/US$
- Gross domestic product, GDP, 2008: US$ 395.4 Billion
- GDP / Capita, 2008: $8,800
- Current Production of 600,000 bbl/day
- Estimated 1.36 Billion barrels of proven reserves

Colombia

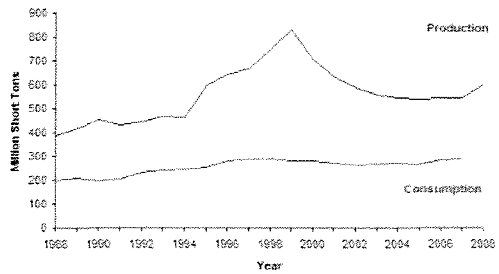


Source: Wood Mackenzie, IHS, CIA.GOV

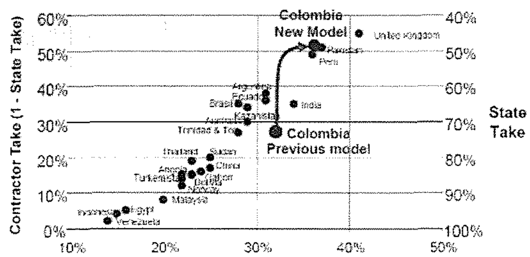
Overview of Colombia

- Colombia is currently a net exporter (~ 282,000 bbls/d) of crude oil, but the country's reserves and production have been declining
- To combat this decline, the Colombian government enacted a number of incentives aimed to attract foreign investment:
  - Sliding scale royalty rates based on field size, with an 8% royalty rate for most fields
  - 100% company ownership of production projects
  - Eliminated government back-in rights on new concessions
  - Vastly improved security environment - President Uribe on offensive with broad popular support
  - Military increased 273,000 to 370,000 personnel in 2 years. US assistance at US$600 million/year
  - Progressive Colombia fiscal changes similar to those in UK which spurred renewed interest in the North Sea
- Colombia has a well developed infrastructure system comprising of over 3,700 miles of crude and product pipelines. This system is concentrated on transporting crude from the main producing basins (Llanos and Magdalenas)

Colombia's Oil Production and Consumption



Source: EIA Country Energy Profiles; Short Term Energy Outlook



Source: Wood Mackenzie, IHS, CIA.GOV

HOUSTON AMERICAN ENERGY CORP

Llanos Basin

- The Llanos Basin covers an area of approximately 125,000 square miles
- Its primary geologic formations are: the Upper Cretaceous, Paleocene and Eocene
- There are currently more than 25 operators located in the Llanos Basin
- The Llanos Basin is one of the most active basins in Colombia

Other Llanos Basin Operators

Colombia

Source: Wood Mackenzie, IHS, CIA.GOV

SK Energy - CPO 4 Block

Overview of SK Energy

Large Asian conglomerate with an integrated business model

Refining and Petroleum Business

In 2008, SK Energy had $27.12 billion USD in sales (71% of revenues), with refining capacity of 1.1 million barrels of oil per day. This represents the largest capacity in Korea, as well as one of the largest in all of Asia

Petrochemical Business

SK Energy is the undisputed leader in the petrochemical business in Korea. During 2008 SK sold 8,445,000 tons of petrochemical products for $8.75 billion USD in sales in 2009

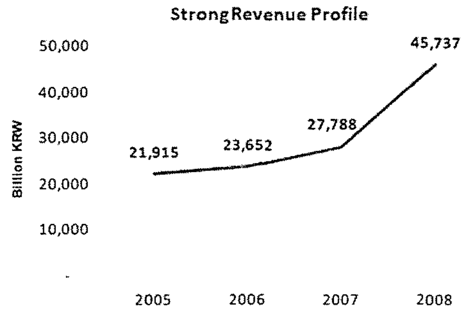
E&P Business

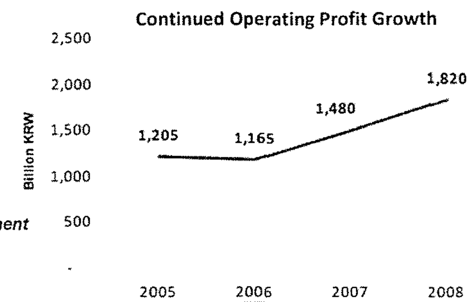
SK Energy Participates in 34 oil and gas blocks and four LNG projects in 17 countries, with proved oil equivalent reserves of 520 million barrels (BOE).

Lubricants Business

Leading lubricant manufacturer in Korea. During 2008 SK Energy sold 9,531,000 barrels of Lubricants

It should also be noted that SK Energy has Research and Development and Technology businesses that are leaders in the industry.





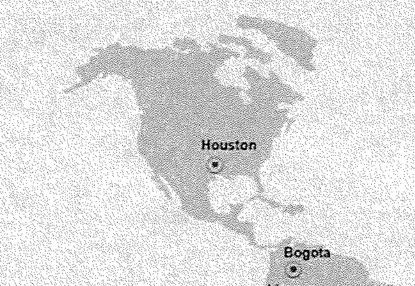
Source: SK Energy Presentation
1 USD = 1189 KRW

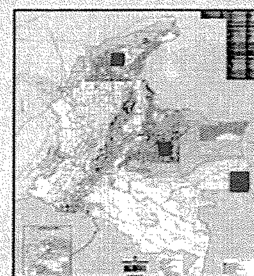
SK Energy E&P Activities

SK Energy

34 Blocks (11 Dev./Prod. and 23 Exp.) and 4 LNG Businesses in 17 Countries

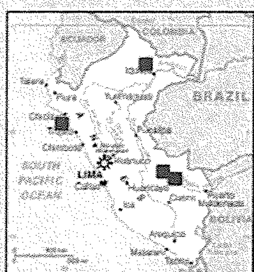
- Reserves: 520 MM Boe at the end of 2008





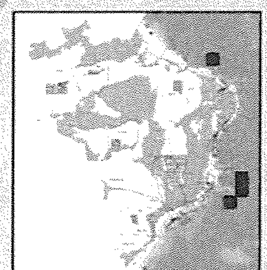
Colombia

CPE-5 (Ex.)	Operator: BHP SK Interest: 28.6%
CPO-4 (Ex.)	Operator: SK SK Interest: 75%
SSJN-5(Ex.)	Operator: SK SK Interest: 50%



Peru

Block 8 (Pr.)	Operator: Pluspetrol SK Interest: 8.33%
Block 56 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Block 88 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Z-46 (Ex.)	Operator: SK SK Interest: 90%
Peru LNG	Operator: Hunt SK Interest: 20%



Brazil

BMC-8 (Pr.)	Operator: Devon SK Interest: 40%
BMC-30 (Ex.)	Operator: Anadarko SK Interest: 20%
BMC-32 (Ex.)	Operator: Devon SK Interest: 26.67%
Bar-3 (Ex.)	Operator: Devon SK Interest: 30%

SK Energy - Farmout Agreement and JOA - CPO 4

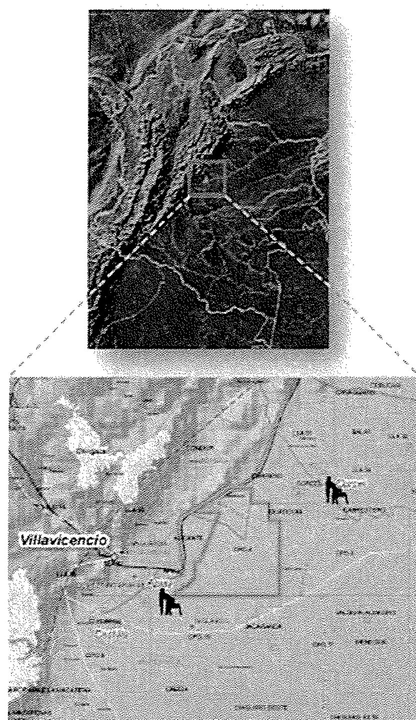
- Contract entered between National Hydrocarbon Agency of Colombia and SK Energy, a leading Korean conglomerate
- Right to earn an undivided 25% of the rights of the CPO 4 Contract located in the Western Llanos Basin in the Republic of Colombia
- CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels
- The Block is located along the highly productive western margin of the Llanos Basin and is adjacent to Apiay field which is estimated to have in excess of 610 million barrels of 25-33 API oil recoverable. On the CPO 4 Block's Northeast side lies the Corcel Block where well rates of 2,000 to 14,000 barrels of initial production per day have been announced for recent discoveries.
- In addition, the CPO 4 Block is located nearby oil and gas pipeline infrastructure.
- The Company has agreed to pay 25% of all past and future cost related to the CPO 4 block as well as an additional 12.5% of the seismic acquisition costs incurred during Phase 1 Work Program
- All future cost and revenue sharing (excluding the phase 1 seismic cost) will be on a heads up basis; 75% SK Energy and 25% HUSA - no carried interest or other promoted interest on the block

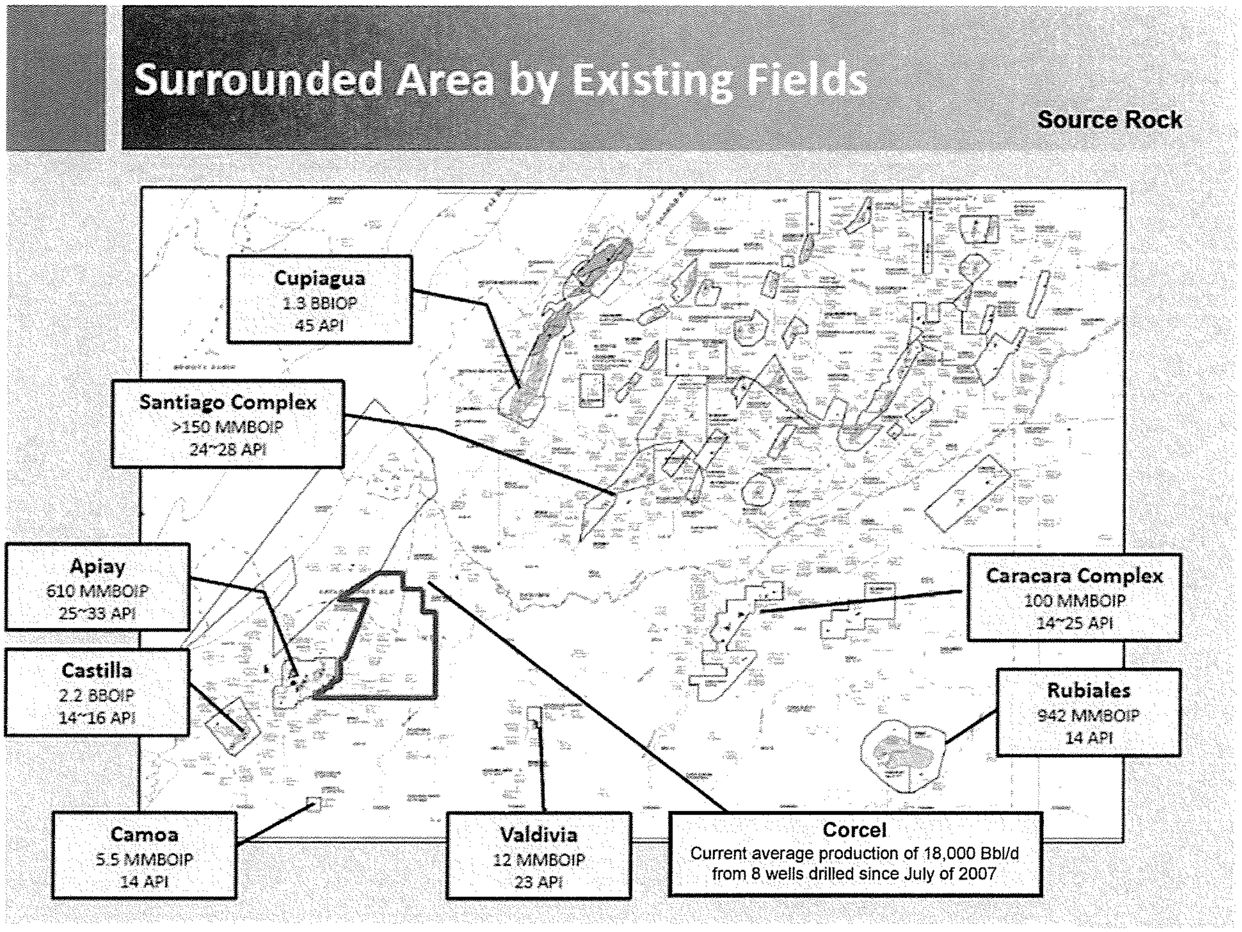
Block Overview

General information

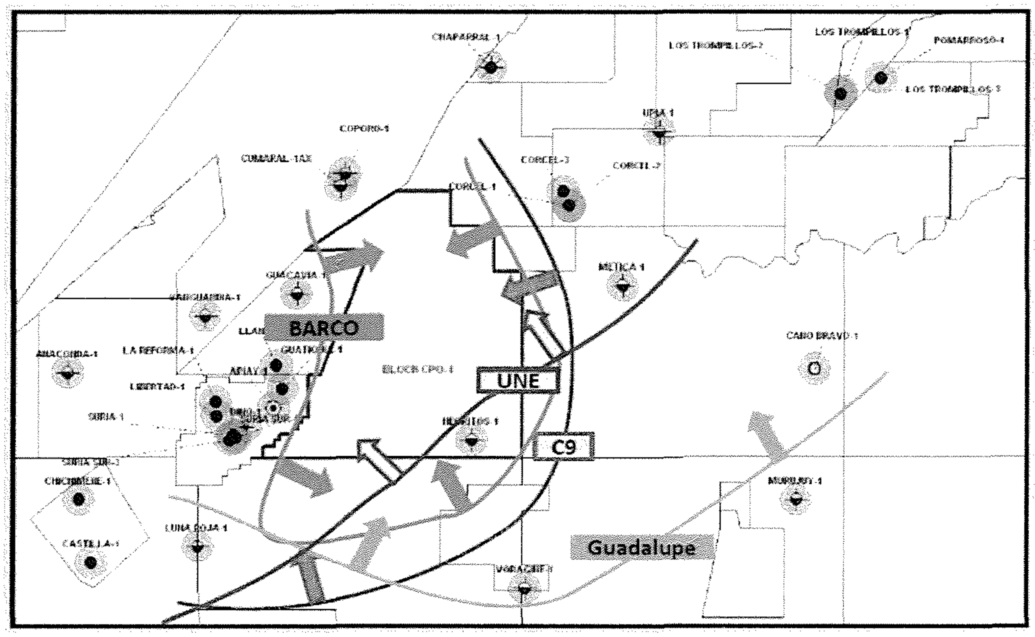
- Location : Onshore, Central Colombia
- Basin : Western Llanos Basin
- Area : 139,859 ha (1,398.59 km^2)
- Effective Date : December 18, 2008
- Contract Type : License Agreement (Royalty & Tax)
- Participant :
  - SK Energy : 75% (Operator)
  - Houston American Energy : 25%
- **Exploration Period & Work Obligation**

PHASE	PERIOD	WORK OBLIGATION
Phase 0	18.12.'08 ~ 17.6.'09 (6 mos.)	Phase 0 Report
Phase 1	18.6.'09 ~ 17.6.'12 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 620 km 2D New Seismic Acquisition • 2 Exploration Wells
Phase 2	18.6.'12 ~ 17.6.'15 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 3 Exploration Wells

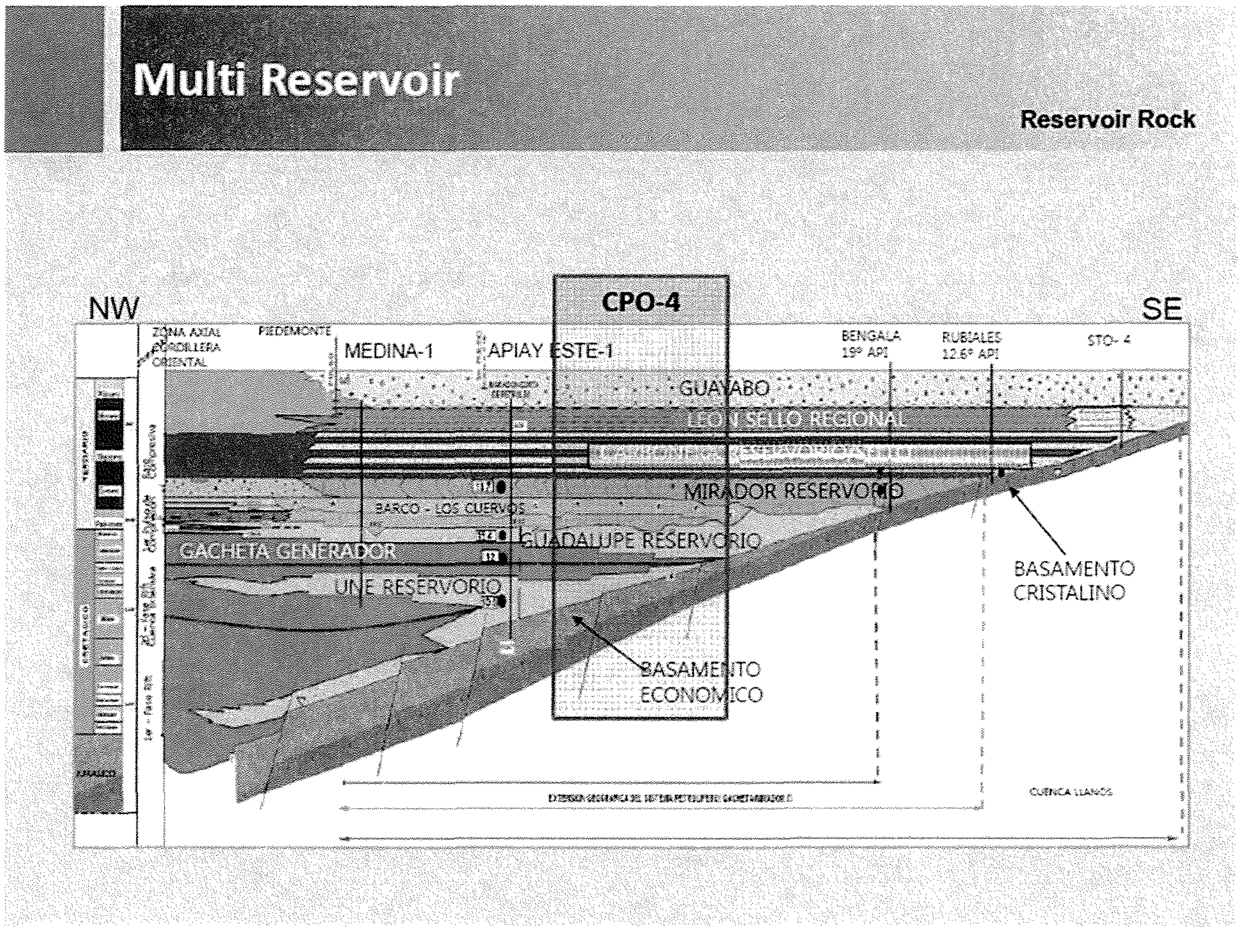



Surrounded Area by Existing Fields
Source Rock
Cupiagua
1.3 BBIOP
45 API
Santiago Complex
>150 MMBOIP
24~28 API
Apiay
610 MMBOIP
25~33 API
Castilla
2.2 BBOIP
14~16 API
Camoa
5.5 MMBOIP
14 API
Valdivia
12 MMBOIP
23 API
Corcel
Current average production of 18,000 Bbl/d
from 8 wells drilled since July of 2007
Caracara Complex
100 MMBOIP
14~25 API
Rubiales
942 MMBOIP
14 API

Reservoir Distribution

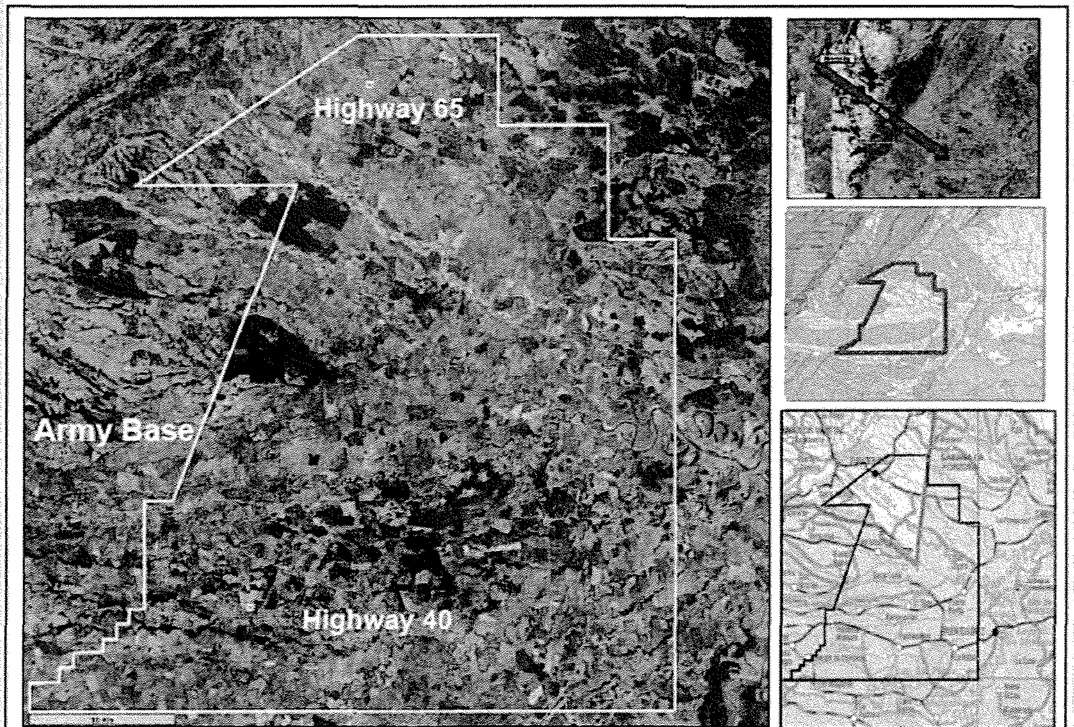


HOUSTON AMERICAN ENERGY CORP

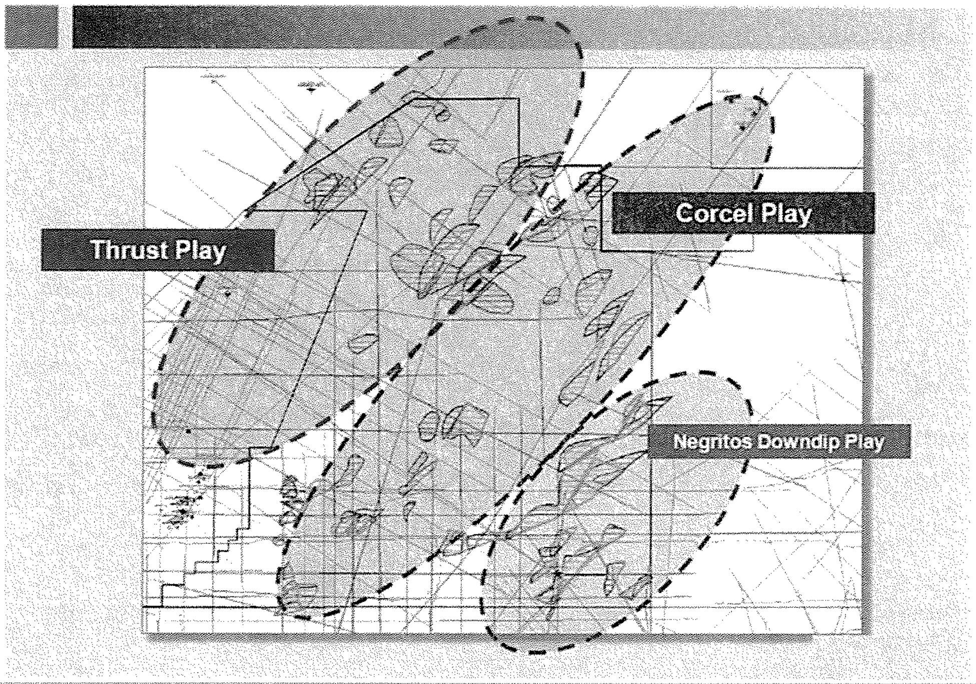

Multi Reservoir
Reservoir Rock
CPO-4
NW
SE
ZONA AXIAL CORDILLERA ORIENTAL
PIEDEMONTE
MEDINA-1
APIAY ESTE-1
BENGALA 19° API
RUBIALES 12.6° API
STO- 4
GUAYABO
LEON SELLO REGIONAL
MIRADOR RESERVORIO
BARCO - LOS CUERVOS
GUADALUPE RESERVORIO
GACHETA GENERADOR
UNE RESERVORIO
BASAMENTO CRISTALINO
BASAMENTO ECONOMICO
CUENCA LLANOS

Excellent Working Environment

Working Environment

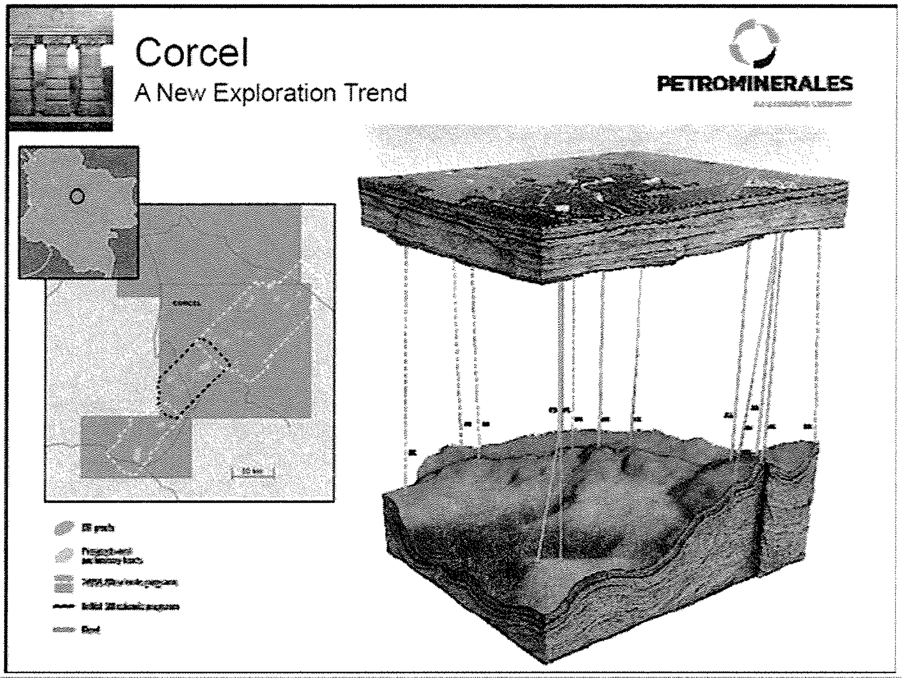


Multiple Reservoir Plays



HOUSTON AMERICAN ENERGY CORP

Corcel Overview



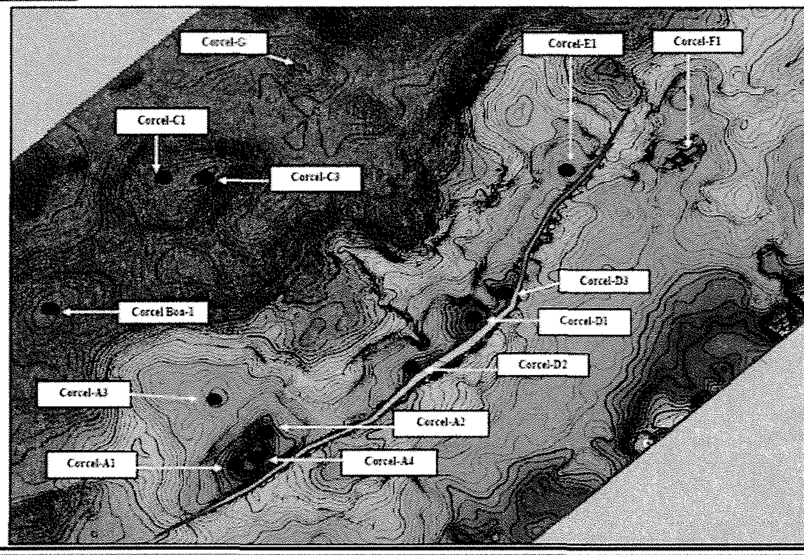
Source: Petrominerales.com

Corcel Overview *(continued)*

Corcel

Long-term Exploration & Development Potential

PETROMINERALES



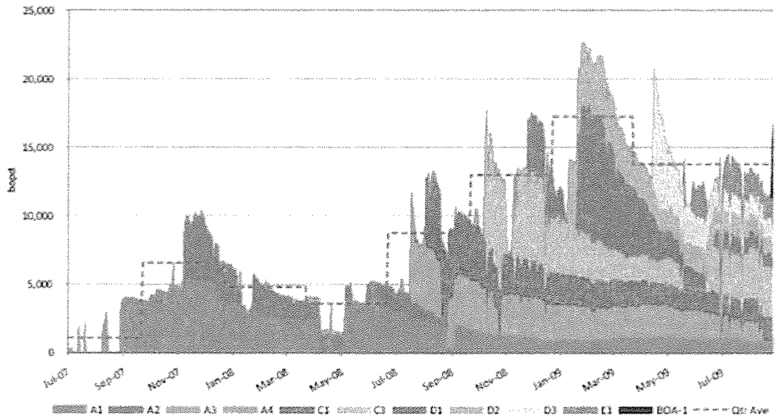
Source: Petrominerales.com

HOUSTON AMERICAN ENERGY CORP

Corcel Overview *(continued)*

Historical Corcel Production

PETROMINERALES



- Majority of wells now in the more stable part of the production curve
- Significant inventory of exploration locations with majority of Block still to be explored

Note - Boa-1 offline since September 5th for workover

Source: Petrominerales.com

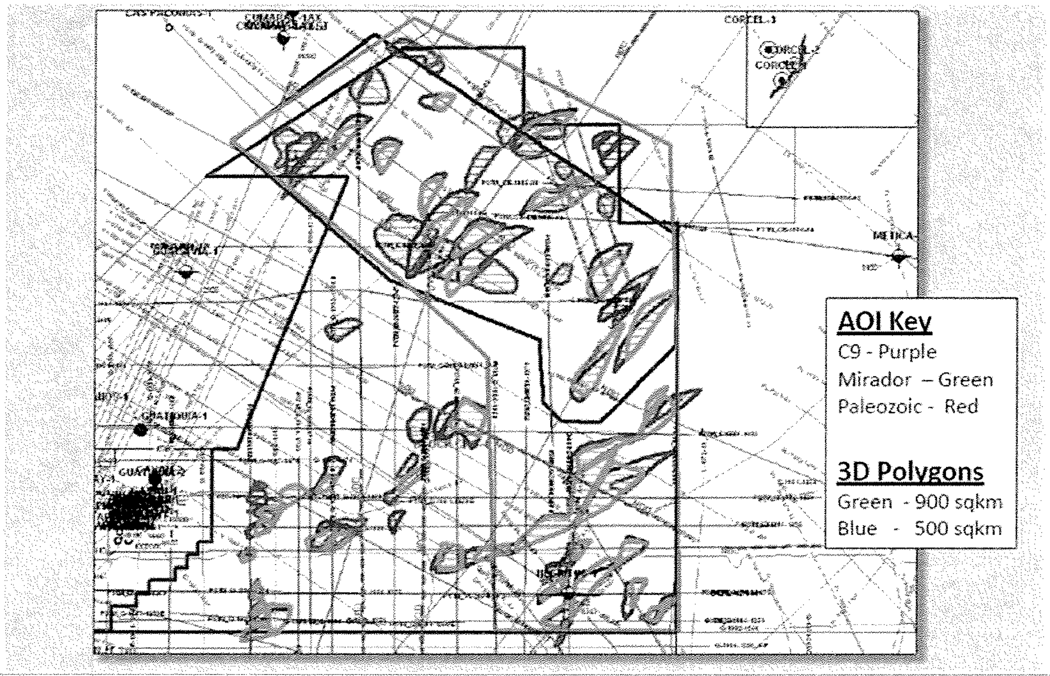
HOUSTON AMERICAN ENERGY CORP

Corcel Overview *(continued)*

- Production from Corcel's wells have averaged in excess of 5,500 barrels of oil per day for the first thirty days of production declining to approximately 2,000 barrels of oil per day after the first year of production.
- Production after the first year of production is expected to decline marginally at 5 to 10% per annum
- Multiple stacked pay sands
- Active water drive is expected to result in high ultimate recoveries
- The Corcel-A2 side-track well (drilled Sept. 09) is producing over 10,000 barrels of oil per day of 30 API oil at less than 1% water cut from the Lower Mirador, Upper Guadalupe and Lower Guadalupe sands.

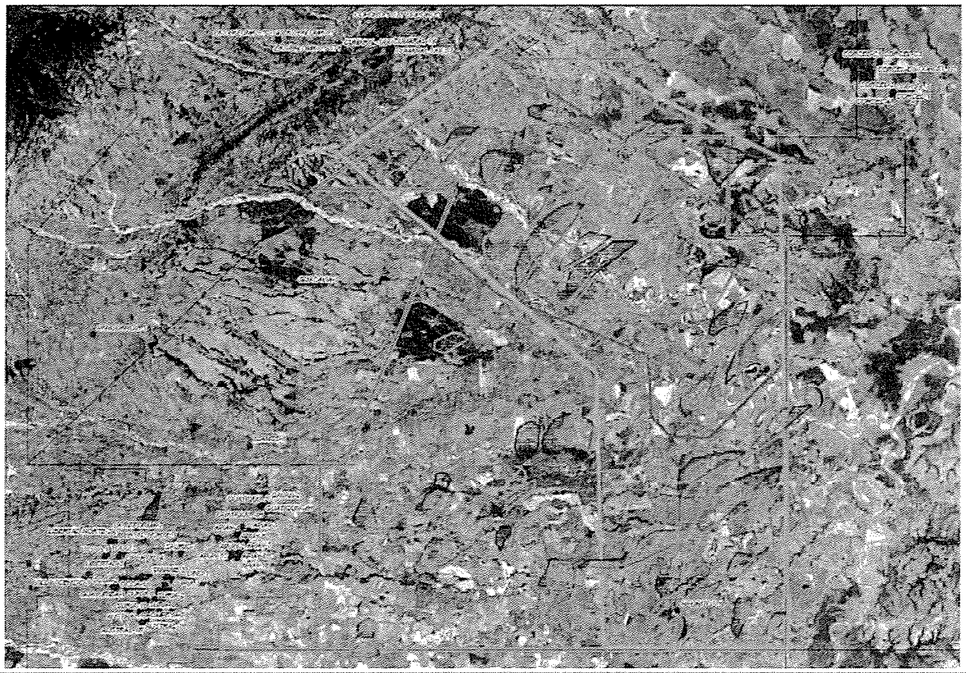
Source: Petrominerales.com

Proposed 3D Areas with Structure Maps



HOUSTON AMERICAN ENERGY CORP

Land Satellite Image with Structures and 3D Areas



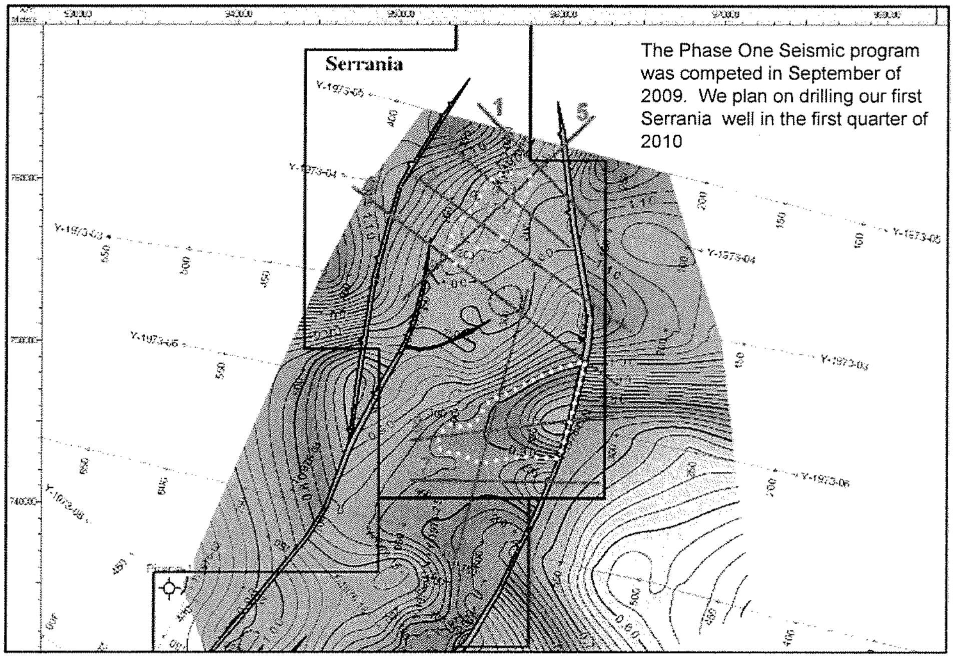
HOUSTON AMERICAN ENERGY CORP

Serrania Block and Los Picachos

Serrania Block and Los Picachos

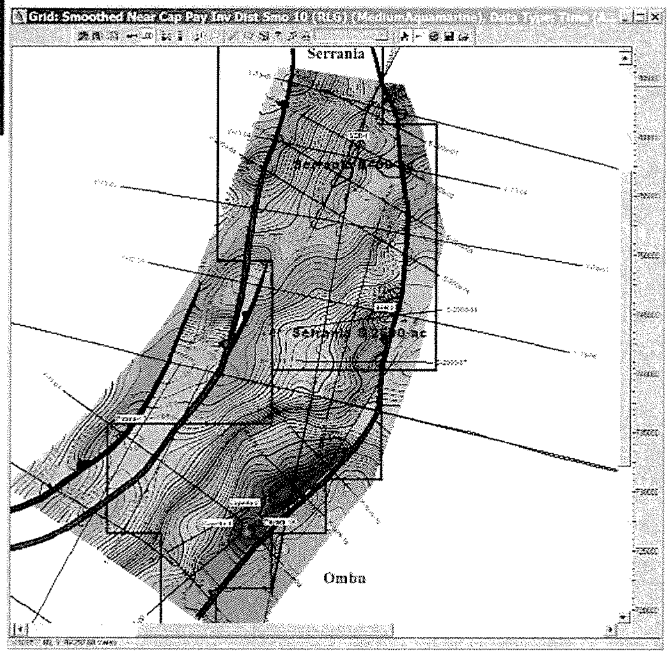
- Contract entered between Shona Energy (Colombia) Limited (major investors of which include Encap and Nabors) and Houston American Energy on June 24, 2009
- Right to earn an undivided twelve and one half percent (12.5%) of the rights to the Serrania Contract for Exploration and Production (the Serrania Contract) which covers the Serrania Block located in the municipalities of Uribe and La Macarena in the Department of Meta
- Serrania Block consists of approximately 110,769 acres
- Oil Royalty: 8% to 5,000 BOPD and sliding scale to 20% at 125,000 BOPD
- The Block is located adjacent to the recent Ombu discovery, which is estimated to have potentially over one billion barrels of oil in place
- The Company has agreed to pay 25% of Phase 1 Work Program. The Phase 1 work program consist of completing a geochemical study, reprocessing existing 2-D seismic data, and the acquisition, processing and interpretation of 2D seismic program containing approximately 116 kilometers of 2-D data
- The Company's is expected to drill its first well on Serrania Block in the 1st quarter of 2010
- Los Picachos Technical Evaluation Agreement encompasses an 86,235 acre region located to the west and northwest of the Serrania block

Serrania Phase One Seismic Program



HOUSTON AMERICAN ENERGY CORP

Picture of Ombu field extension onto Serrania



Key Points
Ombu Field

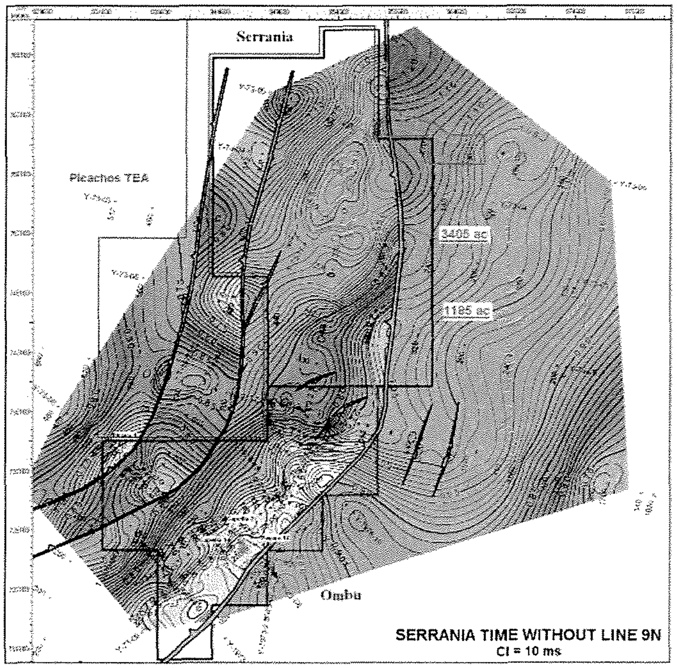
Canacol Energy LTD (TSX-V: CNE) - 10% owner of the Ombu field is estimating that there is up to 1.1 billion barrels of original oil in place on the Ombu field

Emerald Energy - 90% owner and operator of the Ombu field recently sold to Sinochem Resources for approximately $836 million USD. Emerald's major assets were located in Syria and Colombia. Emerald's major Colombian asset was the Ombu field in the Llanos Basin

In 2009 Emerald Energy after drilling 5 wells on the Ombu field was given potential recoverable reserves of 122 million barrels by Netherland, Sewell & Associates, Inc. Production rates of the five wells ranged from 100 to 400 bbl/d

Source: Emeraldenergy.com, Canacolenergy.com

Los Picachos TEA



Los Picachos encompasses an 86,235 acre region located to the west and northwest of the Serrania block

Los Picachos establishes a future growth area for the Serrania concession

Initial 2-D data has identified several large prospects located on the Los Picachos TEA similar to those found on the Ombu Block to the south east

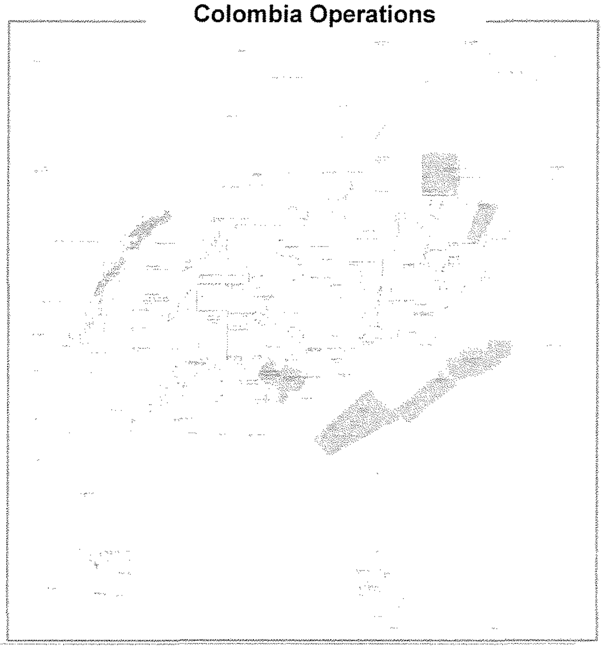
Hupecol Operated Assets

Hupecol Colombian Operations

- Operator: Hupecol
- Hupecol has acquired significant concessions in the Llanos Basin since Houston American Energy's inception in April 2001. The following are HUSA's effective working interests based on its indirect ownership interests in Hupecol:
  - La Cuerva 1.6% W.I.
  - Dorotea 12.5% W.I.
  - Leona 12.5% W.I.
  - Cabiona 12.5% W.I.
  - Las Garzas 12.5% W.I.
  - Surimena 6.25% W.I.

  ** Highlighted Concessions are currently for sale*
- Current net production of 850 boe/d
- Currently 5 of the six concessions operated by Hupecol are for sale by Scotia Waterous

Colombia Operations



HOUSTON AMERICAN ENERGY CORP

Overview of Hupecol *(Private Company)*

- Operator of the majority of the Company's existing producing Colombian assets
- Privately held E&P company with offices in Colombia and Texas
  - Hupecol's managing partner currently operates significant production and gathering facilities domestically in the U.S.
  - Operates with an extensive staff of geologists, petroleum engineers, geophysical and accounting professionals
- One of the more active independents operating in Colombia
  - Hupecol currently produces approximately 7,500 barrels of oil equivalent per day in Colombia
  - Hupecol sits on the Board of Directors of the Colombian Petroleum Association General Assembly along with Perenco, Petrobras, ExxonMobil, Hocol, and Terpel
- Proven track record
  - In June 2008, the Company, through Hupecol Caracara LLC as owner/operator, sold all of the Caracara assets to Cepsa, covering approximately 232,500 acres for USD $920 million
  - As a result of the sale of the Caracara assets, HUSA received net proceeds of $11.55 mm
  - Drilled over 100 wells in Colombia to date with a 70% success ratio

Appendix

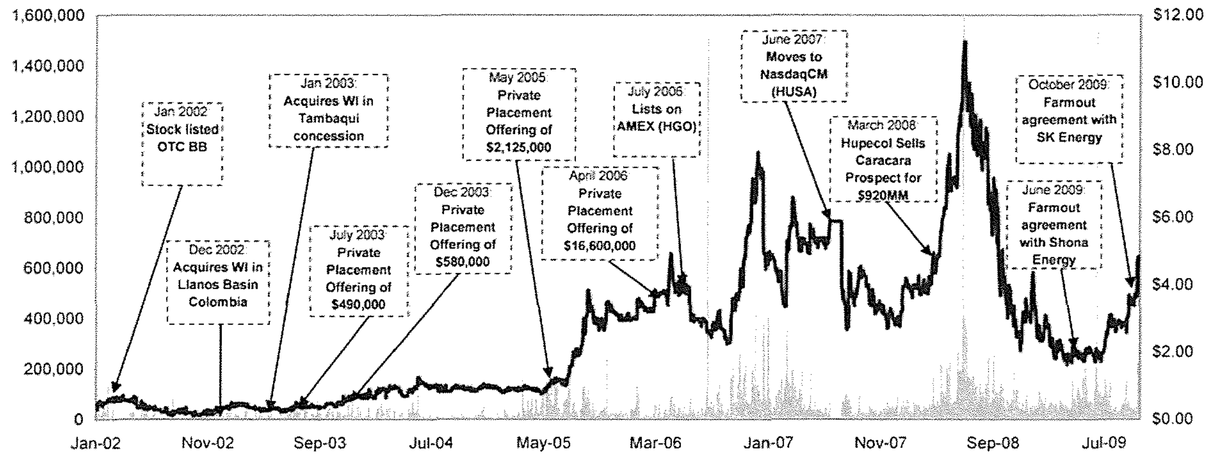
Budget through December 2010

Project	Working Interest	Use of Fund	Gross Project Expenditure ($000)	HUSA Net Capex ($000)
Colombian Budget				
SK Energy – CPO 4 (1)	25.0%	3-D Seismic	$20,000	$7,500
SK Energy – CPO 4	25.0%	2 Well Prep.	$8,200	$2,050
SK Energy – CPO 4	25.0%	Overhead	$4,100	$1,025
Shona – Serrania (2)	12.5%	2-D Seismic	$3,200	$800
Shona – Serrania	12.5%	Drill two Wells	$10,000	$1,250
Hupecol – Existing Assets (3)	12.5%	Drill eight wells	$24,000	$3,000
Colombia Total			**$69,500**	**$15,625**
Domestic Budget				
Crown Mineral Acquisition	36.0%	Mineral Acquisition	$1,425	$513
North Jade Prospect	22.5%	Drill One Well	$10,000	$2,250
Grand Total			**$80,925**	**$18,388**

(1) Per the SK Farm-Out agreement, HUSA pays an additional 12.5% of the Seismic Acquisition Cost.
(2) Per the Shona Farm-Out Agreement, HUSA pays an additional 12.5% of the Seismic Acquisition Cost.
(3) Cash flow from existing production is expected to fund all future Capex. Select properties are presently being offered for sale.

HOUSTON AMERICAN ENERGY CORP

Stock Price Performance Chart



Period	Period Start Date	Average Close	Average Daily Volume	Total Volume Traded	Daily Closing Price High	Daily Closing Price Low
Last Month	10/2/2009	$4.04	51,891	1,193,490	$4.84	$3.38
Last 60 Days	9/2/2009	3.58	52,628	2,368,240	$4.84	$2.58
Last 90 Days	8/2/2009	3.35	46,305	3,102,410	$4.84	$2.58
Last 120 Days	5/2/2009	2.71	80,540	10,631,280	$4.84	$1.72
Last 365 days	11/2/2008	2.64	63,491	16,634,660	$4.84	$1.64

HUSA Financial Overview

- Strong Balance Sheet with no debt.
- Significant production growth since the first quarter of 2009 from existing Hupecol operated properties.

Summary Balance Sheet

$ Thousands	Q3 2009	Q2 2009	Q1 2009	FY2008
Cash	$4,709.1	$4,886.2	$6,455.8	$9,910.7
Oil and Gas Properties	20,809.0	22,906.9	20,852.1	19,614.8
Debt	$0.0	$0.0	$0.0	$0.0
Shareholders Equity	20,082.1	19,524.9	19,257.7	21,048.2

Summary Income Statement

$ Thousands	Q3 2009	Q2 2009	Q1 2009	FY2008
Oil & Gas Revenue	$2,404.0	$1,134.1	$445.1	$10,622.1
Operating Income (1)	133.2	(576.2)	(1,481.4)	5,912.4
Basic Shares Outstanding (MM)	28.0	28.0	28.0	28.0

(1) Operating income is adjusted for impairment of oil and gas properties brought on by low commodity prices at 12/31/2008.

Management Biography

John F. Terwilliger, President and CEO

John F. Terwilliger has served as the Company's President, Chairman and Chief Executive Officer since its inception in April 2001. From 1988 to 2001, Mr. Terwilliger served as Chairman of the Board and President of Moose Oil and Gas Company, a Houston based exploration and production company focused on operations in the Texas Gulf Coast region. Prior to 1988, Mr. Terwilliger was Chairman of the Board and President of Cambridge Oil Company, a Texas based exploration and production company. John is a member of the Houston Geological Society, Houston Producers Forum, Independent Petroleum Association of America and the Society of Petroleum Engineers.

James J. Jacobs -Chief Financial Officer

James "Jay" Jacobs has served as the Company's Chief Financial Officer since joining the Company in July 2006. From April 2003 until joining the Company in July 2006, Mr. Jacobs served as an Associate and as Vice President in the Energy Investment Banking division at Sanders Morris Harris, Inc., an investment banking firm headquartered in Houston Texas, where he specialized in energy sector financings and transactions for a wide variety of energy companies. Prior to joining Sanders Morris Harris, Mr. Jacobs worked as a financial analyst for Duke Capital Partners where he worked on the execution of senior secured, mezzanine, volumetric production payment, and equity transactions for exploration and production companies. Prior to joining Duke Capital Partners, Mr. Jacobs worked in the Corporate Tax Group of Deloitte and Touché LLP. Mr. Jacobs holds a B.B.A. and a Masters in Professional Accounting from the McCombs School of Business at the University of Texas in Austin and is a Certified Public Accountant.

Board of Directors

Lee Tawes

Mr. Tawes is Executive Vice President, Head of Investment Banking and a Director of Northeast Securities, Inc. Prior to joining Northeast Securities, Mr. Tawes held management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2001. Mr. Tawes has served as a Director of Baywood International, Inc. since 2001 and of GSE Systems, Inc. since 2006. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia

Ted Broun

Mr. Broun is the owner/operator of Broun Energy, LLC, an oil and gas exploration and production company. He co-founded, and, from 1994 to 2003, was Vice President and Managing Partner of Sierra Mineral Development, L.C., an oil and gas exploration and production company. Previously, Mr. Broun was a partner and consultant in Tierra Mineral Development, L.C. and served in various petroleum engineering and management capacities with Atlantic Richfield Company, Tenneco Oil Company, ITR Petroleum, Inc. General Atlantic Resources, Inc. and West Hall Associates, Inc. Mr. Broun received his B.S. in Petroleum Engineering from the University of Texas and an M.S. in Engineering Management from the University of Alaska.

Stephen Hartzell

Since 2003, Mr. Hartzell has been an owner/operator of Southern Star Exploration, LLC, an independent oil and gas company. From 1986 to 2003, Mr. Hartzell served as an independent consulting geologist. From 1978 to 1986, Mr. Hartzell served as a petroleum geologist, division geologist and senior geologist with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration. Mr. Hartzell received his B.S. in Geology from Western Illinois University and an M.S. in Geology from Northern Illinois University.

John Boylan

Mr. Boylan has served as a financial consultant to the oil and gas industry since January 2008. Mr. Boylan served as a manager of Atasca Resources, an independent oil and gas exploration and production company, from 2003 through 2007. Previously, Mr. Boylan served in various executive capacities in the energy industry, including both the exploration and production and oil services sectors. Mr. Boylan's experience also includes work as a senior auditor for KPMG Peat Marwick and a senior associate project management consultant for Coopers & Lybrand Consulting. Mr. Boylan holds a B.B.A. with a major in Accounting from the University of Texas and an M.B.A. with majors in Finance, Economics and International Business from New York University.

EXHIBIT 6

Table 2. Industry Use of Reserves in a Pre-Drill Context

	DATE	SOURCE	STATEMENT
1	1/14	Relinquishment Report: Suncor Energy	"Predrill, Scotney was assessed to have a GCOS of 23% and mean recoverable reserves of 35 MMbbls. The key risks identified predrill were lack of lateral seal and reservoir. Overall predrill volumes for the prospect P90-P50-P10 were 33-82-181 MMbbls STOOIP and 10-27-70 MMbbls recoverable."
2	11/21/13	Quarterly Report: Daybreak Oil and Gas, Inc. for Period Ended August 31, 2013	"The drilling targets are the Olcese and Eocene sands between 1,000 and 2,000 feet deep. We plan to drill an exploratory well during 2014. We estimate that the Glide Kendall prospect is 200 acres in size with a gross recoverable reserve potential of 1.8 million barrels of oil."
3	06/30/13	Growing Upside As Ophir Maintains 100% Record, Business Monitor Online	"The discovery is expected to meet the pre-drill estimated mean recoverable reserves of around 17bn cubic maters (bcm) of gas."
4	02/26/13	OIL SEARCH LIMITED; 2012 Full Year results. 26 February 2013, ASX ComNews	"Our pre-drill estimate of potential recoverable reserves in the Jeribe and Euphrates remains unchanged, in the 250-500 million barrel range."
5	1/29/13	Quarterly Report: Beach Energy	"The joint venture has committed to drill an exploration well planned for the drill ready Kaheru prospect in the 2013/14 drilling season, subject to securing a suitable drilling rig. The Kaheru prospect lies to the east of the producing Kupe gas and oil field and lies just offshore from the onshore Rimu and Kauri oil fields. The operator, NZOG, estimates the mean recoverable reserves (unrisked) at 45 MMbbl in the case of an oil discovery . . ."
6	1/13	Investor Brochure: Key Petroleum Limited	"Seismically defined drillable prospect; Drilling Program lodged to drill in 2013; Potential recoverable reserves of 3-5MBO"
7	09/06/12	Victory Energy Announces Significant Commercial Flows At Pinetop, Benzinga.com	"Pre-drill gross recoverable reserve potential per well was estimated at 350,000 BOE to 450,00 BOE, with total recoverable reserve potential of 3,150,000 BOE to 4,050,00 (9 wells)."

	DATE	SOURCE	STATEMENT
8	09/6/12	Victor Energy Drills Largest Flowing Oil Well in Company History	"Pre-drill gross recoverable reserve potential per well was estimated at 350,000 BOE to 450,000 BOE, with total recoverable reserve potential of 3,150,000 BOE to 4,050,000 BOE (9 wells)."
9	05/04/12	Tower Looks to Namibia Campaign, International Oil Daily	"The firm has a fully carried 15% interest in the well, but is reliant on the operator, Arcadia, securing a farm-out before drilling can commence. An independent report last year identified five targets in the so-called Delta structure, which is estimated to hold over 9 billion bbl of recoverable reserves (IOD Feb.24'12)."
10	03/16/12	Naga Utara well plan for SPC, Upstream	"Estimated pre-drill recoverable reserves at Naga Utara were 80 billion cubic feet of gas. There are existing gas pipelines and processing infrastructure in close proximity to the field."
11	2012	Investor Presentation: Miesen Development Corp: West Gabrysch Prospect	"The West Gabrysch Prospect in Jackson County, Texas is a 3D seismic controlled, low risk drilling prospect in a Proven Producing trend with multiple drilling objectives. It is believed that the well should see all of the primary and secondary objectives in a very favorable structural position with respect to the sub-surface control. Based on 3D seismic and area well control, the estimated recoverable reserves for the lease are projected to be 800,000+ Bbls Oil and 535,000 MCF Natural Gas, with most of the reserves at 6,300 feet."
12	12/16/11	Edison Investment Research: Simba Energy	"Based on the data in Exhibit 8 it is conceivable that Simba could be targeting as much as 250m to 2.5bnbbls recoverable reserves on any of its prospects. As such our initial, indicative valuation focuses on the potential pre-drill value that can be ascribed to any of its key assets assuming seismic interpretation and preliminary exploration efforts prove encouraging and a potential farm-out deal can be achieved."
13	10/16/11	Tap seeks oil reserves with its New Zealand wildcat	"The well has a planned total depth of 3,000m and is targeting the Shag Point Formation for which pre-drill recoverable reserves have been estimated at 70-80 MMbo."
14	09/28/11	Gudrun field production to start Q1 2014 – Statoil, European Spot Gas Markets	"Pre-drilling began on the first of six wells in early September, according to Statoil. Recoverable reserves are estimated at 11.2 million cubic metres of oil and 6.6 billion cubic metres of gas."

	DATE	SOURCE	STATEMENT
15	09/28/11	Eni buys GDF stake in North Sea fields, European Spot Gas Markets	"Pre-drilling began on the first of six wells in early September, according to Statoil. Recoverable reserves are estimated at 11.2 million cubic metres of oil and 6.6 billion cubic metres of gas."
16	9/9/11	Magellan Petroleum Corporation Completes Farm Out of Bakken and Deep Rights to VAALCO Energy, and Further Consolidates Ownership of Its Montana Fields	"Among these risks and uncertainties are, the extent of the recoverable reserves in the Deep Intervals, whether the new wells to be drilled by VAALCO will be successful in extracting the recoverable reserves . . ."
17	7/13/11	Investor Presentation: Milagro Oil & Gas	"Estimates of resource potential, recoverable reserves or estimated ultimately recoverable amounts do not reflect volumes that are demonstrated as being commercially or technically recoverable. Even if commercially or technically recoverable, a significant recovery factor would be applied to these volumes to determine estimates of volumes of proved reserves. Accordingly, these estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being actually realized by us. The methodology for resource potential, recoverable reserves or estimated ultimately recoverable amounts may also be different than the methodology and guidelines used by the Society of Petroleum Engineers and is different from the SEC's guidelines for estimating probable and possible reserves."
18	7/1/11	STOS Bringing in Drillship for Ruru Well	"Jager, who is also chairman of Shell Companies in New Zealand, declined to give any details regarding the Ruru prospect, such as the size of the areal closure of the structure or any pre-drill recoverable reserves estimates."
19	6/11	LM Energy Investor Presentation	Listing "[m]ean recoverable oil rserves of c 2mmbbl" for "[w]ell to be spudded on 01 July 2011"
20	05/24/11	AUSTIN EXPLORATION LIMITED; Placement Prospectus, ASX ComNews	"Pre-drilling activities, will begin in July 2011 and the first well is projected to be drilled during, September 2011. It is planned that second and third wills will follow through, December 2011." "Investment highlights of the Birch Projects are as follows: (a) 5,000 net acres targeted – material for AKK.

	DATE	SOURCE	STATEMENT
			(b) Estimated recoverable reserves per vertical well at 200,000 barrels of oil."
21	3/29/11	Investment Research / Initiating Coverage: African Petroleum Corp. Ltd.	"The Company has a dominant acreage position, a rigorous technical evaluation approach, has established a reputation for meeting exploration commitments on a timely basis, and is expected to drill two high-impact exploration wells in 2011 providing investors with near-term potential upside." Charts list "Gross Estimated Recoverable Reserves"
22	02/09/11	UK's Premier clips Catcher oil reserves after poor well, Platts Oilgram News	"Previously the company had estimated gross recoverable reserves of 60-100 million barrels in the prospects and had expected up to 30 million barrels of oil in Catcher North. 'While the [gas] result was in line with Premier's pre-drill expectations, the [oil] result was a disappointment,' CEO Simon Lockett said in a statement."
23	1/21/11	Rocksource details 2011 drilling prospect sizes	"Norvarg, operated by Total in PL535 in the Barents Sea, is due to be drilled by the West Phoenix between May and June this year, and is forecast as having 270 m boe of mean recoverable reserves comprising both oil and gas. Norvarg is a four-way structural closure with Snadd and Kobbe formation reservoirs, a Jurassic shale sealing system and a Kobbe formation source rock which was proven in the Ververis prospect."
24	10/20/10	Industry Report: Patersons Oil and Gas Research	"TAP has a number of short term catalysts which include the drilling of Zola-1 in Q4 2010 targeting 1tcf of gas (+$0.30/sh unrisked upside), followed by the drilling of Craigow-1 in the Bass Basin in Q1 2011 targeting estimated recoverable reserves of 20mmbbls (+$0.40/sh unrisked upside)"
25	10/10	Presentation: Petroleum Exploration Opportunities in Jeanne d d'Arc Basin Arc Basin, Call for Bids NL10-01	"A fourth large compound field, Hebron (denoted Hebron in further discussions), estimated to contain 581 million barrels recoverable reserves/resources will be developed starting in 2012 with first oil expected in 2017."
26	09/10/10	Serica set to spud Dambus-1, Upstream	"The jack-up drilling rig Trident-IX has arrived on location off East Kalimantan to drill the Dambus-1 exploration well, which is targeting a propsect with pre-drill estimated recoverable reserves of about 130 million barrels of oil and 300 billion cubic feet of gas."

	DATE	SOURCE	STATEMENT
27	05/07/10	Salamander Energy Strikes Gas at Laotian Wildcat, IHS Global Insight	"Salamander Energy has discovered gas with Bang Nouan-1 wildcat exploration well on the Savannakhet production sharing contract in southern Laos. The well was drilled using the MB Century 26 rig to a total depth of 3400 metres and logging has been completed. Pre-drilling the well was believed to have prospective recoverable reserves estimated at 1.1 tcf."
28	2/22/10	Falklands: Desire Petroleum spuds Liz 14/19-A exploration well	"Pre-drill reserves estimates for the Liz Prospect are 990 mbo STOIIP (P50) and recoverable reserves 281 mmbo."
29	2010	Optimal Learning from Pre-Post Drill Evaluations. The Case of Multiple Target Prospects	"We often use a log-log format for the cross-plot in order to be able to accommodate programs with significant differences in pre-drill expected recoverable reserves."
30	10/09	Presentation: Delivering Growth through Acquisition of Proven Reserves & Enhancement of Producing Assets	"Major seismic interpretation executed on the 5,700 sq.km PSC area. Four prospects and five leads identified with gross mean 2P STOIIP of 5,7 billion barrels and recoverable reserves of 1,484 billion barrels."
31	9/25/09	Interim Results Presentation: Afren PLC	"Farm in agreement signed for the development of the Okwok field" "Estimated STOIIP of 225 mmbbls with recoverable reserves in excess of 70 mmbbls"
32	3/09	Update Presentation: Amerisur Resources PLC	Seismic Interpretation- Principal Leads with chart showing "Recoverable Reserves"
33	11/9/08	Investor Village Posting: Another DWY post from the American Politics Board	"Pre-drill estimates, based on 3D seismic, are six to ten million bbls of recoverable reserves on this 100% owned prospect."
34	10/09/08	Prime, Oil Search Spud Shakal-1 Well in Iraqi Kurdistan, IHS Global Insight	"The companies are targeting Tertiary and Cretaceous reservoirs similar to those in nearby discoveries, as the block is situated in the prolific Zagros fold belt, in trend with several other earlier and significant discoveries in the region. It has been suggested that the nearby Pulkhana structure, which holds the 300-million-barrel Pulkhana oilfield, could extent into the companies' block and pre-drilling estimates by the companies suggest there could be potential for the block to contain unrisked recoverable reserves of some 250 million barrels."

	DATE	SOURCE	STATEMENT
35	07/28/08	Rift makes gas find in Papua New Guinea, Oil & Gas Journal	"Puk Puk-1 was targeting an estimated predrill recoverable reserve of 226 bcf of gas."
36	02/22/08	Providence gets a Hook into Ireland	"According to partner Faroe Island-based minnow Atlantic Petroleum, Hook Head's pre-drill estimated recoverable reserves stood at about 70 million barrels of oil."
37	12/5/07	Drilling to start this week in PEL91 Cooper Basin	"Pre-drill P50 recoverable reserves of 0.5 million barrels of oil for the Birkhead/Hutton formations and 0.9 million barrels for the Namur Sandstone are estimated."
38	11/30/07	Serica has wildcats in sights, Upstream	"Toronto-listed Serica Energy is just days away from spudding the first of two wildcats with pre-drill estimated recoverable reserves of more than 100 million barrels of oil each on its Biliton production sharing contract off Indonesia, writes Amanda Battersby."
39	09/30/07	Providence Resources, Petroleum Review	"Pre-drill gross recoverable reserves were estimated at between 3.5bn to 5.8bn cf of gas."
40	9/07	Investors Presentation: Oil Basins Limited	"Recoverable reserves" 270 MMbbls (prospective potential recoverable) for drill ready prospect
41	5/07	Research Report: Black Rock Oil & Gas plc	"The Acacia Este prospect in Colombia, with estimated recoverable reserves of around 50m barrels (bbls), is expected to be spudded in the middle of May." "The first well on this prospect is expected towards the middle of May. The prospect is situated between the Arce oilfield and the Bukhara oil prospect, with estimated recoverable reserves of 50m bbls."
42	04/02/07	IMPRESS ENERGY LIMITED; Wirraway-1 Expected to Spud Shortly, ASX ComNews	Listing "Pre Drill Estimated Recoverable reserves"
43	02/23/07	Farm-out at Madura, Upstream	"The search is now on for a rig to drill the Kurnia-1 wildcat, which has estimated pre-drill recoverable reserves of 199 million barrels of oil and 256 billion cubic feet of gas."
44	1/25/07	Equity Report: Aminex Company Update: Ruvuma PSA	"Aminex has identified a series of prospects and leads from old Texaco maps. Initial targets are Cretaceous and Tertiary formations (as per Mnazi Bay), where a mixture of folding and faulting is believed to provide a trap for hydrocarbons. The largest of the mapped leads is estimated to contain potential recoverable reserves of 180 mmboe."

	DATE	SOURCE	STATEMENT
45	01/19/07	GREAT ARTESIAN OIL & GAS LIMITED; Appadare-1 Drilling Report, ASX Com News	"Pre-drill mean recoverable reserves of 1.2 million barrels of oil and a 'fill to spill' potential of 2.1 million barrels of recoverable oil are estimated. Appadare-1 will take about 10 days to drill and 3 days to evaluate."
46	01/17/07	GREAT ARTESIAN OIL AND GAS: APPADARE 1 DRILLING AHEAD, Australian Company News Bites	"The well will test the Poolowanna and Patchawarra potential of a combination structural-stratigraphic trap. Pre-drill mean recoverable reserves of 1.2 million barrels are estimated."
47	01/10/07	IMPRESS ENERGY LIMITED; Progress Report on Wilpinnie – 4, ASX ComNews	"The Wilpinnie-4 (Tomcat Prospect) structure has potential oil in place of 7.5 MMbbl (P50) and potential Recoverable reserves of 3.5 MMbbl (P50)." "Pre Drill estimated of Oil in Place and Recoverable Reserves"
48	11/10/06	Chevron targets Cambodia finds, Upstream	"Before Chevron's initial drilling on Block A, which it was awarded in march 2002, pre-drill estimated recoverable reserves were put at 400 million barrels of liquids and 3 trillion cubic feet of gas."
49	07/14/06	Cambodia push from Chevron, Upstream	"Pre-drill estimated recoverable reserves at Block A were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, with industry sources saying that the region was likely to be gas-prone."
50	07/14/06	Tullow gets set to tap Bangora field appraisal well, Upstream	"Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas before the discovery well came in at the top of this range."
51	7/2006	BHP sanctions Shenzi	"First production from Shenzi is expected in mid-2009 through seven pre-drilled subsea wells. Full field development will include 15 production wells and water injection facilities." "Gross recoverable reserves from Shenzi are estimated at 350-400 MMboe. BHP operates Shenzi with a 44% working interest. BP and Hess each hold a 28% stake."
52	05/19/06	Tullow's testing time at Bangora, Upstream	"Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas and came in at the top of this range when the discovery wild-cat flowed at a combined rate of more than 120 MMcfd of gas."

	DATE	SOURCE	STATEMENT
53	10/14/05	Cambodia attraction for Indocan, Upstream	“Sources said earlier that Block A and Cambodia's offshore waters were likely to be gas-prone, although estimated pre-drill recoverable reserves of 400 million barrels of oil were touted for Block A.”
54	03/18/05	Cambodia top-level legwork, Upstream	“Pre-drill estimated recoverable reserves for block A were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, although some industry souces said they believd the acreage would likely be gas prone.”
55	01/28/05	Oil Search eyes drilling bonanza to beat Kapul-1 woe, Upstream	“The well had pre-drill recoverable reserves potential of 113 million barrels of oil.”
56	12/24/04	Cambodian confirmation, Upstream	“Pre-drill estimated recoverable reserves at the 6278-square kilometre block were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, with sources saying the region is likely to be gas-prone.”
57	12/24/04	KMG aiming deep with Gulf probes, Upstream	“Pre-drill estimates put the potential recoverable reserves between 40 million and 150 million barrels of oil equivalent.”
58	12/03/04	Tullow well taps Bangora gas pay, Upstream	“Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas, and has come in at the top of this range.”
59	11/05/04	Noble talks over Lorien prospects, Upstream	“Pre-drill estimates had put potential Lorien recoverable reserves somewhere between 50 million and 150 million boe, however Noble now carries the find as a 20 million to 30 million boe discovery with possible upside.”
60	09/10/04	Edison pressing on with Munir drilling, Upstream	“Pre-drill estimates for Seqanat deep-1 pegged potential recoverable reserves there at up to 2 billion barrels. The Shakestan prospect is thought to have potential for between 500 million and 1 billion barrels.”
61	06/25/04	Iran spurs Munir oil find hopes, Upstream	“Pre-drill estimates for Seqanat deep-1, which targeted seven reservoirs - including Sarvak, Dariyan, Fahliyan and Surmeh - pegged potential recoverable reserves at up to 2 billion barrels. The Shakestan prospect is thought to have potential for another 500 million to 1 billion barrels.”

	DATE	SOURCE	STATEMENT
62	5/9/04	Petroleum News, Vol. 9, No. 19	"Because of the region's complex geology and reservoir imaging challenges, no one is certain of Thunder Horse's true potential. Some analysts believe the play could hold upward of 7 billion barrels of recoverable reserves, although 3 billion barrels is often cited as the likely mean."
63	02/20/04	Cambodia lures ChevronTexaco, Upstream	"A seismic survey was conducted last year and the results of this will be evaluated and used to help plan this summer's drilling campaign. Pre-drill estimated recoverable reserves for the 6278-square kilometre block were put at 400 million barrels of liquids and 3 trillion cubic feet of gas."
64	02/13/04	Noble hopes to play trump card at Queen of Hearts, Upstream	"Pre-drill estimates had placed recoverable reserves potential as high as 100 million barrels of oil equivalent."
65	2/04	Success Rate Makes for Good Year	"Pre-drill reserve estimates were in excess of 300 mmbo."
66	2004	Petroleum Reserves, Determination	"Reserve estimates during the pre-drill exploratory phase are often based on known geologic factors from other areas thought to be sufficiently similar to the area under study applied to a reservoir description based on site specific interpretive data. . . The range of uncertainty at this time can be quite large."
67	07/25/03	Lorien exploration well comes up with goods, Upstream	"Pre-drill estimates had put potential Lorien recoverable reserves somewhere between 50 million and 150 million barrels of oil equivalent."
68	11/08/02	Kerr-McGee Updates Gulf of Mexico Deepwater Drilling Activity, PR Newswire	"The rig is currently being moved from Hornet to the DeSoto prospect on East Breaks block 638. This satellite to the company's Boomvang field has pre-drill reserve estimates of 15 million to 25 million BOE and could be developed as a subsea tieback to the Boomvang spar facility."
69	7/2002	Gas pipeline down, but not out, Petroleum Economist	"Pre-drilling, potential recoverable reserves were placed at 30m barrels."
70	06/21/02	Bonus on..., Upstream	"The pre-drill potential recoverable reserve estimates for the Tariki sandstone reservoirs in the Huinga prospect were 46 million barrels of oil and 161 billion cubic feet of gas."

	DATE	SOURCE	STATEMENT
71	05/01/01	Pancontinental Oil & Gas NL, Jobson's Mining Year Book	"Based on the remapping carried out by the PNOC, the pre-drill potential total recoverable reserves for the Fuga Island prospect had been estimated at 5.24 Tcf (trillion cubic feet) gas or 1,3,57 million barrels (mmbl) oil for the sum of the Lubuagan, Sicalao and Ibulao reservoirs anticipated in the Fuga prospect."
72	02/19/01	WON NEW – ASX Company Announcement, AAP Newsfeed	"Puffin-6 is an appraisal well which will test the southwest culmination of the Puffin Oilfield which has the potential for recoverable reserves of 55 million barrels."
73	7/23/96	Blenheim Field: the appraisal of a small oil field with a horizontal well	"Pre-drill recoverable reserves in the prospect were estimated at 18x10 BBL oil."
74	06/14/95	SAGA OUTLINES FUTURE PLANS FOR GOLDEN BLOCK 34/7, FT Energy Newsletters	"The plan is to produce Tordis East through one or two wells tied back to a new template installed near the Tordis manifold . . . . Recoverable reserves for Tordis East are put at 28.2m boe."
75	06/18/92	PRE-PRODUCTION DRILLING SET BY CHEVRON AT ALBA, Oilgram News	"The pre-drilling will provide the first production well for Alba, to be hooked up along with others to the platform to be installed next summer . . . Alba is estimated to contain up to 400-million bbl of recoverable reserves, with production expected to peak at 60-70,000 b/d in the first phase."
76	01/15/92	HYDRO DELAYS OSEBERG EAST PDO SUBMISSION BY A YEAR, FT Energy Newsletters	"Recoverable reserves are estimated at 346m barrels and start-up is scheduled for late-1995, provided approval comes by Spring 1993. A steel jacket is planned, tied back to the Oseberg Field centre, plus a 16-slot template, enabling some of the wells to be pre-drilled."
77	09/1991	Progress on £ 1.1bn Nelson development, The Oilman	"If the project stays on schedule, Nelson could start producing by late 1993. . . Recoverable reserves are estimated by Shell to be 450 million barrels of oil, 185bcf of gas (84bcf sales gas) and 3.6 million tonnes of NGL."
78	04/10/90	NORSK HYDRO SETS SCHEDULE FOR OFFSHORE BRAGE DEVELOPMENT, Platt's Oilgram News	"Pre-drilling of three production wells and one water injection will start in 1992. Brage's total recoverable reserves are estimated at 250-million bbl of oil and 2.8-billion cu metters of gas."

	DATE	SOURCE	STATEMENT
79	11/16/87	Oil field off Tierra del Fuego under development, Oil & Gas Journal	"The Hidra field is medium-sized, in terms of recoverable reserves, and relatively costly to develop because of environmental factors. But the existence of nearby oil and gas accumulations discovered during a successful exploration campaign on the Austral permit was a boost to the decision and the key factor in the selection of the development scheme. . . The receoverable reserves are estimated at around 7 million cu m or 44 million bbl with pressure maintenance and artificial lift."
80		Prospect LKO	Listing "potential reserves" for drilling prospect.
81		Spanish Lake	Listing "potential reserves" for drilling prospect.
82		Eureka Prospect	Listing "estimated reserves" for drilling prospect.
83		S. University Prospect	Listing "reserve potential" for drilling prospect.
84		Southwest Holmwood Prospect	Listing "estimated reserves" for drilling prospect.
85		Phoenix Prospect	"Estimated Reserves Zone for Possible Pays"
86		Grosse Isle "B" Prospect	Listing "prospect reserve potential" for drilling prospect.
87		Barataria Bay North Prospect	Listing "reserve potential" for drilling prospect.
88		Bling Hog Prospect	"Potential reserves total 6.95 MMBO and 11.5 BCFG from all prospective reservoirs."

EXHIBIT 7

July 20, 2001

via facsimile and U.S. mail

Mr. Scott D. Sheffield
President, Chairman and CEO
Pioneer Natural Resources Company
[redacted]

RE: Pioneer Natural Resources Company
Form S-4 Amendment 1 filed June 29, 2001
File No. 333-59094

Form 10-K for year ended December 31, 2000
Form 10-Q for period ended March 31, 2001
File No. 1-13245

Dear Mr. Sheffield:

We have reviewed the documents listed above and have the following comments.

Form S-4

General

1. In your next letter of response, you would facilitate our review by including page references to both the marked and unmarked versions of your amended registration statement.

2. Many of our comments in the previous letter related to the fairness opinion you have yet to receive. We note your related responses, including your response to prior comment 1.

(a) We will defer any further review of those sections of the proxy statement/prospectus pertaining to the advisor's fairness opinion until the advisor prepares that report and presents it to the board.

(b) Once the advisor presents the fairness opinion to the board and you file an amended Form S-4 that includes the opinion and updated disclosure, we will need sufficient time for review and comment prior to your requesting accelerated effectiveness of the registration statement.

(c) You should also provide us with copies of all non-public materials that the advisor prepared in support of its opinion.

(d) Among other changes to the registration statement, we would expect revised disclosure to clarify

* the fourth risk factor on page 18, which refers to the potential

inability of the advisor to render the opinion;
* several references relating to approval of the merger, one of which suggests the board`s decision has not yet occurred (page 8), and one of which states that the board voted to approve the merger on February 15 (page 28);
* the reference to the fairness opinion in the first sentence on page 30;
* what assumptions you refer to in the second paragraph under "Fairness Opinion" at page 33; and
* that the condition regarding receipt of the fairness opinion, to which you refer at page 55, has been satisfied.

3. Similarly, we note that you have not provided other reports and legal opinions. For example, we refer you to Appendix B and Exhibit A to Appendix E. Once you provide these materials and comply with prior comment 76, we may issue additional comments.

4. We note your responses to prior comment 2, the fourth bullet of comment 7, comment 18 and comment 74. If there are material differences among the partnerships, ensure that you highlight those differences in the appropriate prospectus supplement or in the text of the proxy statement/prospectus. If you include the disclosure regarding material differences in the proxy statement/prospectus, include a cross-reference in the prospectus supplement to the corresponding text where you identify and discuss the differences. Similarly, provide cross-references to the supplements when appropriate.

5. In the last sentence on page 29, revise the reference to "Pioneer" to clarify. Refer to prior comment 3.

6. Disclose in an appropriate place in the document the information you provided in response to the first three sentences of prior comment 5.

Summary, page 1

Benefits and Disadvantages to the Limited Partners, page 7

7. In your discussion of disadvantages, disclose the merger expenses that the limited partnerships must bear. Also, revise to delete positive aspects from that subsection, including the references to "the potential for additional benefits" and "an indirect beneficial effect on the market price for Pioneer Parent common stock."

8. We note your response to prior comment 18. Confirm that none of the limited partnerships involved in this transaction would have obtained a superior return. Otherwise, revise to provide the disclosure previously suggested.

Material U.S. Federal Income Tax Consequences, page 8

9. You may urge limited partners to seek tax advice, but revise the last sentence to eliminate the statement that they "should" seek that

advice. Refer also to comment 44 from our letter dated October 15, 1999.

Similar Transactions, page 11

10. Clarify that you paid all expenses in the other transactions, but that limited partners will receive less in these mergers because of the adjustment to the merger value due to the provision you added at an undisclosed date.

Third Party Offers, page 11

11. We note your response to prior comments 20 and 47. Disclose explicitly that you have not actively solicited bids from third parties.

Risk Factors, page 18

12. We restate prior comment 21. Also revise the textual discussion to identify the risk more precisely.

It is Unclear What the Market Demand is, page 19

13. We restate prior comment 23. We also restate those portions of comments 36 and 46 that relate to your "auction" characterization. Please revise the disclosure at pages 19 and 42 accordingly.

Limited Partners Who Become Pioneer Parent Stockholders, page 20

14. You disclose two separate risks in this one risk factor. Create a second risk factor to disclose the risk related to the potential for decreased market prices due to increased sales of the common stock.

Pioneer Parent is an Independent Oil and Gas, page 21

15. Revise to state the risks as separate risk factors, rather than combining them into one risk factor. Replace the embedded lists you use throughout this section, and instead use bullet points within the individual risk factors.

In the event of noncompliance, page 22

16. Delete "Pioneer Parent does not believe its environmental risks ..." from your disclosure. Mitigating language can detract from the material risk you disclose.

Special Factors, page 24

Background of the Merger, page 24

17. Disclose precisely when you decided to change the terms of the mergers so that the limited partnerships would bear the first $2,000,000 in merger costs.

18. Expand the new disclosure you provide in the third full paragraph on page 29 to provide the reader with a more complete explanation.

(a) Disclose when Stanger received the "pricing terms" to which it objected in late April, and provide the date it contacted board members.

(b) Explain in necessary detail the "updated analysis" Stanger performed.

(c) Identify the "new pricing terms" every time you use the term in this section. It appears that you refer to more than one set of terms with the same reference.

(d) If the "new pricing terms" included the change to the parties responsible for the merger costs, disclose this and explain how this provision was "more favorable" to the limited partnerships.

19. Provide us with the written presentation materials to which you refer in the sixth full paragraph on page 29.

20. Delete the last sentence in the paragraph that immediately precedes the caption "Reasons for the Merger" at page 30. Instead, provide updated and complete disclosure. Refer also to comment 2 of this letter.

Reasons for the Merger of Each Partnership, page 30

21. We note your response to prior comment 38. To the extent you do not believe cost savings are material, explain why you identify them as a reason for the merger. In the alternative, provide the disclosure previously requested.

22. At page 31, you state that with three exceptions, the tax incentives have "been realized." Later on the same page you state that the incentives "have generally been realized" with the three exceptions. Revise to clarify, and also disclose whether other tax advantages remain for holders of interests in the various limited partnerships.

23. We note your response to prior comment 42.

(a) Disclose that you have not actively solicited any third party offers during this time.

(b) Explain your assertion that you "do not own any meaningful amount of limited partnership interests" and provide more complete disclosure in that regard. For example, we note that you have more than 24% in overall ownership percentage in each of the first 8 partnerships listed in Table 5 at page A-6. The current disclosure is incomplete, as it suggests that you have a much more limited interest.

Alternative Transactions to the Merger of Each Partnership, page 41

24. Because you have changed the terms so that now limited

partnerships will bear the costs of the mergers, you must provide revised and balanced disclosure to make clear that burden and disadvantage to the limited partners. For example, you state in the third paragraph under this heading that the reserve value "has not been reduced for the reimbursement of Pioneer USA`s general and administrative expenses."

Method of Determining Merger Value, page 44

25. Expand the first paragraph to comply with prior comment 49.

26. We note your response to prior comment 54. Revise your disclosure to clarify that the values you have placed on these limited partnerships are based primarily on your own figures kept in conjunction with your responsibilities as operator of the partnerships` properties.

27. Disclose the date that Williamson completed its review of the summary reserve report, and clarify that it did not participate in preparing the report.

28. Disclose the actual date you mailed the cash distributions.

29. We note the revised provision that appears at Article 6.13 of your draft merger agreement. Disclose why you consider this provision, which now requires nonparticipating partnerships to bear a portion of the merger expenses, to be an equitable provision. Advise us if you are aware of any other transaction involving public entities that includes parallel expense provisions for entities that vote against the proposed transaction. Also explain whether the changed terms would be consistent with provisions regarding expenses and other costs that are set forth in the individual partnership agreements. We may have additional comments.

Material U.S. Federal Income Tax Consequences, page 48

30. The document you provide in draft form as exhibit 8.1 constitutes neither an appropriate short-form nor long-form tax opinion. Please ensure that counsel provides a signed and dated opinion as to the tax consequences, and not merely a letter indicating that the "discussion" and "legal conclusions" in the Form S-4 "reflect our opinion."

31. In that regard, if it is your intention to include counsel`s opinion in the text of your proxy statement/prospectus, further revise this section to clarify that the disclosure constitutes counsel`s opinion, and delete anything that suggests otherwise. For example, we refer you to the first sentence in the fourth paragraph and also to the repeated references to the "discussion" rather than the "opinion."

Conditions to the Merger of Each Partnership, page 55

32. Disclose that in the event any of the conditions to the merger of any partnership are waived, you will (1) recirculate a revised proxy statement/prospectus to reflect fully the nature of any material changes and (2) resolicit the vote.

Financial Statements and Related Disclosure [Accounting Comments]

Summary Oil and Gas Reserve Information, page 16

33. We have reviewed your response to prior comment number 1 issued in our May 24, 2001 letter. Expand this disclosure and your pro forma reserve quantity and SMOG disclosures on pages P-8 through P-10 to identify, quantify and explain the reason for this difference.

Comparative Per Share Data, page 16

34. Footnote (1) to your revised presentation of equivalent per share amounts indicates that the equivalent per share amounts represent the historical combined partnership amounts multiplied by 12.71. However, it appears that equivalent per share amounts represent pro forma combined amounts multiplied by 12.71. Review footnote (1) and revise as needed.

35. Your presentation of equivalent per share amounts is based on a weighted average number of Pioneer Parent shares per $1,000 limited partner investment of 12.71. According to information contained in the summary table appearing on page 4 of your revised filing, it appears that the estimated number of shares to be received per $1,000 limited partner investment range from a minimum of 4.07 shares to a maximum of 24.60 shares. Given the wide range in the estimated number of shares to be received per $1,000 limited partner investment, it is not clear that a presentation of equivalent per share amounts based on a weighted average number of shares is appropriate. Revise your filing to present equivalent per share amounts based on the estimated number of shares to be received per $1,000 limited partner investment for each partnership. Consistent with this, also present historical income, book value and cash distributions per $1,000 limited partner investment for each partnership.

Unaudited Pro Forma Combined Financial Statements

Introductory Statements

36. Currently, your pro forma financial information has been prepared based, in part, on the assumptions that all 46 of the limited partnerships are acquired and that the number of shares to be issued will be determined based on an average closing price of your stock of $18. However, we understand that the acquisitions are independent transactions and that you may acquire something less than all 46 of the limited partnerships. We also understand that the actual price used to determine the number of shares to be issued could be materially different than $18. In this regard, we note that your stock price has ranged from $10 to $23 per share in the past year.

Given the wide range of the market price for your common shares, include a sensitivity analysis to explain the impact of a $1 price change on your purchase price, your pro forma net income (loss) and earnings (loss) per share. Additionally revise the introduction to your pro forma financial information to provide a comprehensive discussion that identifies the aspects of your transaction that are subject to change and that describes in reasonable detail, the range of possible outcomes and their impact on the pro forma information.

Annual Report on Form 10-K for the Year Ended December 31, 2000

Management`s Discussion and Analysis of Financial Position and Results of Operations

Results of Operations

Hedging Activities, page 24

37. Currently, your MD&A includes a discussion of the objectives of your hedging activities. However, it appears that neither MD&A nor the notes to your financial statements include similar disclosure regarding the objectives of your non-hedge derivative activities. Given the material impact that non-hedge derivative activities have had on your financial position and results of operations, we believe that such disclosure is necessary. Accordingly, revise MD&A to include a reasonably detailed discussion of the objectives of your non-hedge derivative activities. Additionally, discuss your expectations as to your use of non-hedge derivatives in future periods.

38. We have read your response to prior comment number 23 from our letter dated May 24, 2001. Under Item 3-03(a)(3)(ii) of Regulation S-K, you are required to discuss in MD&A any known trends, or uncertainties that you reasonably expect will have a material favorable or unfavorable impact on income from continuing operations. Based on information contained in Note H, Derivative Financial Instruments, page 55, it appears that the impact of your Btu swap agreements represents such a trend or uncertainty. Revise MD&A to include a discussion of your non-hedge Btu swap agreements and the impact that these derivatives may have on your results of operations in future periods.

Impairment of Oil and Gas Properties, page 26

39. The discussion of the impairment charges related to your oil and gas properties appearing in MD&A and the notes to your financial statements is somewhat broad in nature. To help investors better understand the circumstances surrounding your impairment charges, revise future filings to include detailed disclosure regarding the specific properties to which the charges relate as well as the underlying causes of the charges.

Other Expenses, page 27

40. Your response to prior comment number 25 from our letter dated May 24, 2001 indicates that the 1998 charge related to bad debts was not material and that, therefore, you are not required to include a schedule of valuation and qualifying accounts. However, we note that, although your balance sheet indicates that trade accounts receivable are reported net, your financial statements do not appear to disclose the amount of any allowance for doubtful accounts. Accordingly, revise future filings to either include a schedule of valuation and qualifying accounts or to include similar disclosure in the notes to your financial statements. If the allowance for doubtful accounts is not material, disclose this.

Financial Statements

Consolidated statements of stockholders` equity, page 41

41. We have reviewed your response to prior comment number 30. Please explain why you accounted for "shares that were contemplated to be issued" as an issuance of common stock and explain how the $.2 million of additional costs associated with the acquisition relate to your adjustment to shareholders` equity. As previously requested, cite the accounting literature that you relied on to account for this transaction. Absent a sufficient explanation and analysis you may need to revise your financial statements. Supplementally explain to us how you accounted for these shares in your determination of weighted average common shares used in your calculation of earnings per share for your fiscal years ended December 31, 1998 and 1997. We may have further comment.

Note B, Summary of Significant Accounting Policies

Oil and gas properties, page 43

42. Revise future filings to disclose the balance of your capitalized natural gas processing facilities as of each balance sheet date. Also, disclose the third party revenue and processing expenses for the gas processing facilities.

Note C, Disclosures about fair values, page 46

43. Your response to prior comment number 41 from our letter dated May 24, 2001 indicates that the other long-term debt for which you have disclosed that it is not practicable to estimate fair value includes net unamortized debt premiums. Tell us whether or not the unamortized debt premiums relate to debt that is also included in the other long-term debt category. To the extent that the unamortized premiums relate to debt that is reported elsewhere in the table of estimated fair values, revise your presentation in future filings to include the premiums with the related debt.

44. Explain to us the nature and origin of the "other debt components" included in the other long-tem debt category. To the extent that these items relate to other debt instruments, tell us where those debt instruments are reported in the table of estimated

fair values. We may have further comment.

45. Currently, your disclosure under Note C indicates that it was not practicable to estimate the fair value of the other long-term debt obligations, in part, because you do not have a current borrowing rate that could be used as a comparable rate. However, based on your response to prior comment number 41 from our letter dated May 24, 2001, we understand that the fair value of these obligations has not been disclosed because the items are not material. If our understanding is not correct, please advise. Otherwise, revise your disclosure in future filings so that it is consistent with your response.

Note F, Incentive Plans

Employee stock purchase plan, page 53

46. The description of the employee stock purchase plan indicates that shares of your common stock are sold to employees at a discount to fair value. Explain to us, in reasonable detail, how and when the amount of this discount is determined. Also, explain how the discount is accounted for. As part of your response, tell us what the measurement date for employee stock purchases is and how it is determined.

Note H, Derivative Financial Instruments, page 55

47. Your response to prior comment number 45 from our letter dated May 24, 2001 indicates that you have concluded that the collars with short puts would not qualify for hedge accounting under SFAS 133. Explain to us, in reasonable detail, your basis for this conclusion. Address the specific terms of the positions. Include reference to authoritative literature.

48. Tell us the amount of the deferred hedge loss recognized during 2000 as a result of the termination of the collars with short puts.
49. Tell us supplementally how the terms of the collar with short puts compare to the conditions outlined in Derivatives Implementation Group Issue E2, Hedging-General: Combinations of Options.

Engineering Comments

50. Amend your document to explain the meaning of "review" as you used it under The Mergers on page 1 (and elsewhere): "...which was reviewed by Williamson Petroleum Consultants, Inc...."

51. We note your pro forma combined proved reserves and standardized measure on pages P-9 and P-10.

* Your response to our prior comment 16 attributes the partnerships` higher production costs per BOE to "...the minimal production being produced from the wells and the burden associated with keeping each partnership`s production segregated." We understand that non-operating partners in a property may have higher costs per BOE than

the operator`s due to COPAS-type operating overhead charges. Supplementally, explain to us why this segregation burden is included in COPAS overhead charges.

* Supplementally, explain why the partnership G & A charges are not considered in the calculation of partnership proved reserves, as per your communication (7-10-01 email from Rich Dealy). Be advised that we see no justification for your ignoring these charges, particularly when you considered them in your "going concern" analysis (page 40). Tell us the quantitative impact on partnership proved reserves if these partnership-related overhead charges are considered.

* Your 2000 10-K (page 13) and 6-29-01 response letter (#52) indicates that you have "hundreds of undeveloped infill drilling locations" with PUD reserves in the Spraberry field. Affirm to us that none of these PUD locations have partnership ownership. If you are unable to so affirm, amend your pro forma combined proved reserves to disclose: the increase in proved undeveloped reserves that will result from the increase in property ownership that will accrue to Pioneer Parent; why Pioneer Parent can claim PUD reserves in a partnership property and the partnership cannot; that the merger value does not include consideration for the increase in Pioneer Parent PUD reserves.

* Supplementally, tell us how many PUD locations Pioneer Parent drilled in the last three years that had common ownership with a partnership.

52. The proved reserve definitions in the 12-31-00 Williamson report (Appendix C) are incorrect. Specifically, the phrases "...under the economic criteria employed..." and "...an estimate of..." are not in Rule 4-10 of Regulation S-X. Amend your document so that only the complete, exact text of Rule 4-10(a)(2) is presented.

2000 10-K SEC File#1-13245

53. We note your response to our previous comment 57 does not address the fact that your PUD reserves are of extreme significance to potential investors. Your past expenditures and future capital allocations disclose your current commitment to the realization (actual monetization) of these reserves. A necessary criterion for PUD reserves is management`s commitment to execute development. Instruction 3 to Item 102 of Regulation S-K requires material disclosure concerning property development. Items 303(a)(1) and 303(a)(2) of Regulation S-K require the identification and description of commitments to capital expenditures which may have a material impact on liquidity and capital resources. We repeat our comment to disclose in an appropriate location: your historical expenditures to develop your booked proved undeveloped reserves in each of the three preceding years; the amounts you have estimated will be spent in each of the next three years to develop your booked proved undeveloped reserves. You may comply with this comment in future filings.

2000 10-K for Reporting Partnerships

54. Some of your reporting partnership 2000 Forms 10-K do not disclose average lift cost per unit of production, net and gross developed acres, net and gross undeveloped acres and three year drilling activity as required by SEC Industry Guide 2. In all future partnership filings, include such information to comply with these requirements.

http://www.pioneernrc.com

55. Your news releases use terms not allowed in filings with the SEC. Some examples are: "oil equivalent reserves", June 20, 2001; "estimated recoverable oil reserves", June 18, 2001; "four billion barrels of oil and gas reserves", May 30, 2001; "potential net gas equivalent reserves", "potential multi-TCF gas accumulation", April 25, 2001. Only those measures of reserves set forth in Industry Guide 2, and Section 4-10(a) of Regulation S-X are permitted in filings with the SEC. If you continue to make references on your web site to reserve measures other than those recognized by the SEC, accompany such disclosure in locations at least as prominent as the referenced terms with the following cautionary language:

Cautionary Note to U.S. Investors -- The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as [identify the quoted terms above], that the SEC`s guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 10-K, SEC File #1-13245 available from us at [registrant address at which investors can request the filing]. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

Comments from the Office of Mergers and Acquisitions

Introduction

56. Throughout the document, including the tables, please revise the disclosure to clarify that the merger value only consists of the amount for which common stock will be provided as consideration, including removing references to "aggregate merger value." We may have further comment.

Summary, page 1

57. We note your response to prior comment number 11, which related to the Form S-4 and the company`s other filings. Please confirm that you will refrain from issuing statements that are not consonant with Item 501(b)(7) of Regulation S-K in the future.

Example Calculation of Merger Value for Parker & Parsley 81-I, Ltd.,

58. We note your response to prior comment number 17 and the revision to the proxy card. Please revise the disclosure in the document to include the toll free number along with the accompanying disclosure.

Quorum, page 60

59. We reissue our prior comment number 65. The postponement or adjournment of a meeting to solicit additional proxies does not constitute a matter incidental to the conduct of the meeting. Discretionary authority, therefore, is unavailable when a procedural action is intended to be taken with respect to a substantive matter for which a proxy is solicited. See Rule 14a-4, which applies to "every solicitation of a proxy with respect to securities registered pursuant to Section 12" of the Securities Exchange Act. Consequently, the use of discretionary voting authority to postpone or adjourn the meeting to solicit additional proxies is a substantive proposal for which proxies must be independently solicited in accordance with Regulation 14A. Revise the disclosure and provide a separate voting box on the proxy card so that limited partners may decide whether to grant a proxy to vote in favor of postponement or adjournment for the solicitation of additional proxies.

Closing Comments

Revise your registration statement in response to these comments. Comply with Rules 470 through 472 of Regulation C under the Securities Act of 1933, including the filing of clearly and accurately marked copies of the amended registration statement. Include in the response letter page references to the amended registration statement indicating where changes in response to our comments are located. Please also note the location of any material changes made for reasons other than in response to a specific comment. In the event that you disagree with any of these comments, provide us with the basis in your response letter. We may have additional comments based upon your responses.

Once we have indicated that we have no further comments, you may submit a request for accelerated effectiveness. Submit the request at least two business days prior to the requested effective date. Refer to Rules 460 and 461 of the Securities Act of 1933 and Rule 15c2-8 of the Securities Exchange Act of 1934 regarding the distribution of preliminary prospectuses and requests for acceleration.

Please direct questions regarding the comments issued by the Office of Mergers and Acquisitions to John Penn, Special Counsel, at [redacted]

Please direct questions regarding accounting issues and related disclosures to Brad Skinner at [redacted], or in his absence, to Jill Davis, at [redacted]. Direct any questions regarding the engineering comments to Ronald Winfrey, Petroleum Engineer, at [redacted]. Direct questions regarding all other disclosure issues to John Mahon, at [redacted] or, in his absence, to Timothy Levenberg, Special Counsel, at [redacted]. Direct all correspondence to the following ZIP code: 20549-0405.

Sincerely,

H. Roger Schwall
Assistant Director

cc: J. Davis
T. Levenberg
J. Penn
R. Winfrey
J. Mahon
B. Skinner

November 29, 2000

VIA FACSIMILE and U.S MAIL

Douglas L. Foshee
Chairman of the Board
And President
Nuevo Energy Company
1021 Main, Suite 2100
Houston, Texas 77002

RE: Nuevo Energy Company
Registration Statement on Form S-3 Filed September 26, 2000
File No. 333-46580
And Documents Incorporated by Reference
File No. 1-10537

We have the following engineering comments on your filings. These comments supplement those set forth in the letter we issued November 9, 2000. Please file amendments in response to both letters:

Form S-3

1. On page E-35 of your document, you allude to your interests in COOGER acreage. Supplementally, tell us the details of any proved undeveloped reserves you have claimed in the COOGER area. Include for each unit the PUD volumes booked, the number of locations identified and the number of producing wells.

Form 10-K

2. We note your disclosure concerning your offshore California fields (page 3). Expand your disclosure under Environmental Regulation and other appropriate areas (e.g. Item 2. PROPERTIES) so that the reader is aware of the magnitude of your exit cost liability in the offshore area. Include whether you are indemnified for any part of these exit costs. Supplementally, tell us how you have treated your dismantlement, rehabilitation and abandonment costs in your determination of proved reserves and associated standardized measure. Address whether each field`s:

* estimated future net cash flow contains DR&A capital costs;
* total estimated future net cash flow is positive if DR&A costs are included;
* proved reserves are attributed if its estimated future net cash flows are negative due only to inclusion of DR&A costs.

3. Your statement, "The Company also has an exploration program targeting potential reserve opportunities..." (page 4 under Domestic Operations), implies the existence of reserves even though you use it to explain your exploration program. Amend your document to support this statement with factual evidence of proved reserves or delete it.

4. Supplementally, tell us if your claimed proved reserves in Congo have a longer estimated life than your current, active production permit. If so, amend your document to disclose only those proved reserves to which you have effective rights.

5. We note your disclosure concerning contingent payments for acquisitions (page 7 and elsewhere). Supplementally, tell us if your disclosed historical product prices are adjusted to include the effect of these contingent payments.

6. We note your use of realized prices including hedge effects (Item 2 and Note 17 to financial statements) in the determination of your proved reserves and the associated standardized measure of discounted future net cash flows. Statement of Financial Accounting Standard 69 requires the use of year-end prices for these calculations. The staff has described the proper method in determining year-end pricing at our web site (www.sec.gov/offices/corpfin/acctdisc.htm, then scroll down to Hedging Transactions and Definition of Proved Reserves). In future filings with the SEC, disclose your proved reserves and associated standardized measure as determined by the use of year-end prices; adjust your standardized measure for hedge effects on a company basis with a line item or footnote.

7. We note your disclosure, Net Proved Reserves (Estimated Market Case). Your description of these volumes as proved reserves is questionable. Amend your document so that these estimated oil and gas volumes are not characterized as proved reserves.

8. We note your disclosure concerning management of oil price risk under Hedging. Consistent with FRR 48, under a separate subheading titled "Hedge Policy", outline your purpose and strategy for hedging oil and gas prices, and disclose your current policy limits on the amount of hedging you do. Supplementally provide us with a copy of your formal hedge policy, if you have one. Disclose past policies, and disclose who sets and changes this policy. Discuss your internal controls on hedging activities. Outline your plans for future use of commodity hedging. Disclose your policy about trading for your own account. In that today`s hedging positions might be quickly changed or unwound, elaborate on what your long-term policy is on managing your hedging position.

9. Amend your table of historical prices received under AVERAGE SALES PRICE and Note 17 to disclose the prices paid to you by the purchasers and the gain or loss due to hedging.

10. In the fourth paragraph under OUTLOOK, you disclose your 2000 capital spending budget. Expand this to disclose how much of this budget will be used to develop your disclosed proved undeveloped reserves. Amend your table of property acquisition and development activities (under Note 17) to disclose your expenditures for the development of your booked proved undeveloped reserves for the last three years.

11. We note your disclosure of the sources of change to the standardized measure does not contain a line item for incurred development costs as prescribed by SFAS 69, paragraph 33g. Amend your document to comply with this requirement.

Form 10-Q, , for the period ended 9-30-00

12. Under Exploration Activity, International (page 16), you state:

* "the Company acquired interests in two exploration permits...that offer large reserve potential within world-class proven hydrocarbon trends...". This implies the existence of reserves even though you use it in the context of your exploration program. Amend your document to support this statement with factual evidence of proved reserves or delete it.

* "The Alyane Permit lies directly within the prolific nummulite limestone trend where many of Tunisia`s and Libya`s largest fields have been discovered." Amend your document to support this statement with facts or delete it. Include the fact that oil and gas deposits adjacent to your property are not necessarily indicative of oil and gas deposits on your property.

* "These fields...have estimated recoverable reserves which total over 1.5 billion barrels of oil equivalent." Regulation S-K prohibits the disclosure of unproved reserves in documents filed with the SEC. Support this statement with factual evidence of proved reserves or delete it.

Web site - www.nuevoenergy.com

13. We note your website discloses, "Nuevo Energy Company (NYSE: NEV) has reached agreement to enter into two highly prospective permits in the Republic of Tunisia, North Africa, that offer large reserve potential within world-class proven hydrocarbon trends." and "The Alyane Permit lies directly within the prolific nummulite limestone trend where many of Tunisia`s and Libya`s largest fields have been discovered. These fields, which include, among others, Hasdrubal, Salambo, Bouri and Ashtart, have estimated recoverable reserves which total over 1.5 billion barrels of oil equivalent." Only those measures of reserves set forth in SEC Industry Guide 2, and Section 4-10(a) of Regulation S-X are permitted in filings with the SEC . If you continue to make references on your web site to terms and reserve measures (italicized above) other than those recognized by the SEC, accompany such disclosure with the following cautionary language:

Cautionary Note to U.S. Investors -- The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as [identify the terms], that the SEC`s guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form XX, File No. X-XXXX, available from us at [address at which investors can request the filing]. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

14. To the extent that your web site contains disclosure about adjacent or other properties on which you have no right to explore or mine, include the following language along with the above cautionary note:

This web site also contains information about adjacent properties on which we have no right to explore or mine. We advise U.S. investors that the SEC`s oil and gas guidelines strictly prohibit information of this type in documents filed with the SEC. U.S. investors are cautioned that oil and gas deposits on adjacent properties are not indicative of oil and gas deposits on our properties.

Closing

File a pre-effective amendment and an amendment to your Forms 10-K and 10-Q in response to these comments. Provide a cover letter keying your response to the comments, and provide any requested supplemental information. If you believe complying with these comments is not appropriate, tell us why in your letter. We may have comments after reviewing your revised materials and your responses.

Submit requests for acceleration from the company at least two business days prior to the requested effective date. Refer to Rules 460 and 461 of the Securities Act of 1933 and Rule 15c2-8 of the Securities Exchange Act of 1934 regarding the distribution of preliminary prospectuses and requests for acceleration.

Direct any questions on these comments to Ronald Winfrey at [redacted] or, in his absence, to the undersigned at [redacted].

Sincerely,

H. Roger Schwall
Assistant Director

cc: George G. Young III, Esq. by facsimile
K. Hiller
B. Stem
R. Winfrey
M. Pressman

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-7010

DIVISION OF
CORPORATION FINANCE
MAIL STOP 7010

February 27, 2008

via U.S. mail and facsimile

Mr. Nicolae Luca
Interim Chief Executive Officer
ERHC Energy Inc.
[redacted]

Re: ERHC Energy Inc.
Form 10-K for Fiscal Year Ended September 30, 2007
Filed December 14, 2007
File No. 0-17325

Dear Mr. Luca:

We have reviewed your filing and have the following comments. Where indicated, we think you should revise your document in response to these comments. If you disagree, we will consider your explanation as to why our comment is inapplicable or a revision is unnecessary. Please be as detailed as necessary in your explanation. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure. After reviewing this information, we may raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 10-K for the Fiscal Year Ended September 30, 2007

1. Please revise your filing to include all material information as of the date you filed your annual report. For example, we note your disclosure on your website that Addax and Sinopec announced that they have jointly secured a drillship and plan to begin explorations as early as the fourth quarter of 2008 in blocks 2 and 4. However, such disclosure was not included in your filing.

2. We refer you to the amendments and rules adopted by the Commission in its Executive Compensation and Related Person disclosure rulemaking. Please

revise the disclosure in your filing and provide the disclosure required by Items 402, 404 and 407 of Regulation S-K. Please refer to Securities Act Release No. 8732A, the Executive Compensation and Related Person Q&A, the Compliance and Disclosure interpretations relating to the new rules, and the Staff Observations in the Review of Executive Compensation Disclosure that are available on our website, http://www.sec.gov.

3. We note your disclosure regarding forward-looking statements on page 3. Because you are a penny stock issuer, you are not eligible to rely on the safe harbor provided in the Private Securities Litigation Reform Act of 1995. If you retain this section, please revise it to eliminate (1) references to Section 27A of the Securities Act of 1933, (2) references to Section 21E of the Securities Exchange Act of 1934, and (3) any suggestion that the statements to which you refer are "forward looking statements" within the meaning of federal securities law. We refer you to Exchange Act Section 21E in general and Section 21E(b)(1)(C) in particular.

Item 1. Business

4. Please clarify in this section how you intend to generate income. We expect that such disclosure would include a description of your intended business operations, including whether you intend to explore and exploit oil and gas reserves, or whether you primarily intend to generate income by selling the participation interests. Similarly, please disclose in this section, if true, that presently your only operations are through your participation agreements with Sinopec and Addax.

5. Please expand your discussion regarding each of the participation agreements that you have entered into. Such expanded disclosure should describe all material terms of each agreement.

6. Please file as exhibits to your filing all material contracts, including, without limitation, the participation agreements described under the heading "Current Business Operations" beginning on page 5.

Item 1A. Risk Factors, page 8

The Company's Business Interests Are Located Outside of the United States, page 10

7. Please clarify, if true, that the risk related to the "volatility" of foreign governments that control the geographic area of interest, could result in your inability to enforce the option agreement with the Democratic Republic of Sao

Tome and Principe and the administration agreement with the Nigeria-Sao Tome and Principe Joint Development Authority.

Item 2. Properties, page 12

8. Please expand in this section your disclosure regarding your interest in Blocks 2, 3, 4, 5, 6 and 9. We expect that such disclosure would clarify the meaning of the term "working interest" as used in this section and would describe all material terms of the option agreement with the Democratic Republic of Sao Tome and Principe and the administration agreement with the Nigeria-Sao Tome and Principe Joint Development Authority, including, among other information, the terms under which such interests will expire or terminate. In addition, such disclosure should indicate whether you are obligated to expend funds to maintain these interests, and if so, how much you have expended to date.

9. Please file the administration agreement as an exhibit to your amended filing.

Item 7. Management's Discussion and Analysis of Financial Condition and Plan of Operations, page 16

Liquidity and Capital Resources, page 18

10. Please expand your disclosure to describe your working capital requirements for fiscal 2008. For example, we note your disclosure in the press release issued on July 9, 2007 regarding your consortium partners' plans to begin exploratory drilling operations in 2008. In addition, please discuss your liquidity in the context of such anticipated drilling operations and the potential costs and losses that could result from the legal proceedings disclosed in your annual report.

Item 9A. Controls and Procedures, page 51

Disclosure Controls and Procedures, page 51

11. We note your disclosure that your "principal executive and principal financial officers have concluded that ERHC's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of September 30, 2007 to ensure that the information required to be disclosed by ERHC in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms." Revise to clarify, if true that your officers concluded that your disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated

to your management, including your principal executive and principal financial officers, to allow timely decisions regarding required disclosure. See Exchange Act Rule 13a-15(e).

Signatures, page 60

12. Please indicate who is signing on behalf of your principal financial officer. We may have further comments.

Exhibits 31.2 and 32.1

13. Please ensure that the certifications reflect the exact language required by Item 601(b)(31) of Regulation S-K. For example, we note that the language that you have provided in paragraph 4, subsection (d) does not conform with paragraph 4, subsection (d) set forth in Item 601(b)(31).

Engineering Comment

Website

14. We note your presentation of 14.4 billion barrels of oil as "recoverable reserves potential." Please modify this to explain your meaning for this term. Also please include language similar to the following:

    Cautionary Note to U.S. Investors – The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as "recoverable reserves potential," that the SEC's guidelines generally prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 10-K. You may review our filings with the SEC at the following website:
    http://www.sec.gov/edgar/searchedgar/companysearch.html

Closing Comments

As appropriate, please amend your filing and respond to these comments within 10 business days or tell us when you will provide us with a response. You may wish to provide us with marked copies of the amendment to expedite our review. Please furnish a cover letter with your amendment that keys your responses to our comments and provides any requested information. Detailed cover letters greatly facilitate our review.

Please understand that we may have additional comments after reviewing your amendment and responses to our comments.

We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filing to be certain that the filing includes all information required under the Securities Exchange Act of 1934 and that they have provided all information investors require for an informed investment decision. Since the company and its management are in possession of all facts relating to a company's disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.

In connection with responding to our comments, please provide, in writing, a statement from the company acknowledging that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filing;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

In addition, please be advised that the Division of Enforcement has access to all information you provide to the staff of the Division of Corporation Finance in our review of your filing or in response to our comments on your filing.

You may contact Ronald Winfrey, Petroleum Engineer, at [redacted] with questions about engineering comments. Please contact Laura Nicholson at [redacted] or me at [redacted] with any other questions.

Sincerely,

Anne Nguyen Parker
Branch Chief

cc: L. Nicholson

EXHIBIT 8

0001

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
)
HOUSTON AMERICAN ENERGY CORP.,   ) File No. 3-16000
JOHN F. TERWILLIGER, JR.,   )
UNDISCOVERED EQUITIES INC., AND   )
KEVIN T. MCKNIGHT   )

ADMINISTRATIVE PROCEEDING - PRE-HEARING CONFERENCE

PAGES: 1 through 22
PLACE: Securities and Exchange Commission
           100 First Street NE
           Washington, D.C.
DATE: Thursday, September 4, 2014

The above entitled matter came on for pre-hearing, pursuant to notice, at 10:00 a.m.

BEFORE:
CAROL FOX FOELAK, ADMINISTRATIVE LAW JUDGE

Diversified Reporting Services, Inc.
[redacted]

0002

APPEARANCES:

On behalf of the Securities and Exchange Commission:
D. MARK CAVE, ESQ.
MELISSA ARMSTRONG, ESQ.
Securities and Exchange Commission
Division of Enforcement
100 First Street, N.E.
Washington, DC 20549
[redacted]

On behalf of Integra Bank:
GERARD PECHT, ESQ.
Norton Rose Fullbright LLP
Fullbright Tower
1301 McKinney, Suite 500
Houston, TX 77010
[redacted]

MARK OAKES, ESQ.
PETER STOKES, ESQ.
Norton Rose Fullbright LLP
98 San Jacinto Boulevard, Suite 1100
Austin, TX 78701
[redacted]

0003

APPEARANCES (CONT.):

On behalf of Kevin McKnight:
KEVIN MCKNIGHT, PRO SE

0004

P R O C E E D I N G S

JUDGE FOELAK: Okay. This is a pre-hearing conference in the matter of Houston American Energy Corp. and others, Administrative Proceeding Number 3-16000. And this pre-hearing conference is being held by telephone at 10:00 Eastern Time on September 4, 2014. And I am Judge Foelak. And can I have your appearances for the record please?

MS. ARMSTRONG: For the Securities and Exchange Commission, Melissa Armstrong and Mark Cave.

MR. PECHT: For Houston American and John Terwilliger, Gerard Pecht, Mark Oakes, and Peter Stokes at the Norton Rose Fullbright law firm.

JUDGE FOELAK: And Mr. McKnight, you're appearing for yourself and Undiscovered Equities?

MR. MCKNIGHT: Well, I really didn't want to appear for myself, ma'am. I -- I really want to wait for my attorney to represent me here.

JUDGE FOELAK: Well, this pre-hearing conference was set several weeks ago, and you're here, so you're not defaulting.

MR. MCKNIGHT: Yes. I just don't know -- I -- okay. I guess move forward. I don't know.

JUDGE FOELAK: Okay. Let's see. Okay. The first thing -- oh. You -- without reference to the pre-

0005

hearing conference, you have not filed an answer, Mr. McKnight, for yourself or Undiscovered Equities, and it is overdue.

MR. MCKNIGHT: Ma'am, I filed a motion for an extension to that answer yesterday as well.

JUDGE FOELAK: Well, of course, we don't have that. And actually the tracking number -- maybe you didn't give us the right one. But anyway --

MR. MCKNIGHT: It --

JUDGE FOELAK: So you want -- you want --

MR. MCKNIGHT: Let me -- let me give you that tracking number again. It's E, as in Edward, -F, as in Frank, 085100761US. And it was signed for at 11:00 a.m. yesterday by K. Harris.

JUDGE FOELAK: Okay. Anyway, you're here, and you're asking for an extension of time to do answer.

MR. MCKNIGHT: Yes. And my attorney had sent an email last week in regards to that as well.

JUDGE FOELAK: Okay. And -- and I think there was some thought of 15 days, which seems not unreasonable. So -- so your time to answer is extended

15 days, to wit, until the 18th.

MR. MCKNIGHT: Until the 18th?

JUDGE FOELAK: That's right.

MR. MCKNIGHT: Okay. Thank you.

0006

JUDGE FOELAK: Okay. Let's see. What else? Now -- and there's a number of pleadings and things that have been filed. On behalf of Houston American, let me just address your motion to strike. A motion to strike maybe isn't provided for in our rules. However, the argument raised namely that application of civil penalties would be an improper retroactive application of -- of the Dodd-Frank Act for -- you know, conduct that occurred before the effective date of the Dodd-Frank Act is certainly quite a good argument.

So what I'm trying to say is I'm not sure that I can strike the paragraph from the OIP that talks about authorizing civil penalties. But it seems to me that they could not be applied. The fact -- the fact that perhaps a similar argument could be made about the requested officer and director bar, but we haven't gotten to that yet.

Okay. Let's see. You -- Houston American filed a motion for a more definite statement, and, you know, perhaps the division is planning to answer that or respond to it in some way -- to do that -- hasn't occurred yet. I don't know if the division wants to comment on it or not.

MS. ARMSTRONG: We plan to file a response within the times prescribed for the rules, which, I

0007

think, gives us until Monday to file a response.

JUDGE FOELAK: Okay. And I would -- I would urge that the division, to the extent possible, provide any additional information that might ameliorate the need for conflict on this matter.

Okay. Next we have subpoenas from Houston American to the private companies which I will be signing, and then there is one to the Commission. I don't know whether the -- whether the -- two of the requests of the -- subpoenaed to the Commission really relate to the Division of Enforcement. I don't know whether you want to address those now or just wait and see what happens.

MR. CAVE: Your Honor, we intend to oppose the respondents request for a subpoena to the Commission.

JUDGE FOELAK: Okay. So -- okay. There are really three things, one that is more applicable to CorpFin asking for documents to the extent they exist relating to this cautionary language. And then the other two relate to general policies of bringing administrative proceedings, which may or may not exist -- and your decision to bring this as an administrative proceeding, which is doubtless privileged. But -- but anyway -- okay. So you're going to -- so, well, maybe I'll just sign it and you can file a

0008

motion to quash or --

MR. CAVE: Your Honor, we intend to oppose within the time allotted by the Rules of Practice. We're in the process now of drafting those papers and intend to file them next week.

JUDGE FOELAK: Okay. So you're -- okay. So

you're going to file something. You're not going to file a motion to quash; you're going to file an opposition to assigning the subpoena to begin with?
MR. CAVE: That's right.
JUDGE FOELAK: Okay. That sounds reasonable.
MR. CAVE: And Your Honor, if we may, we also intend to file a motion in opposition to the request for the subpoenas to the private parties. There's a number of representations made in respondents moving papers that are inaccurate and, frankly, misleading. And we feel that it's important to present those issues to the court prior to the entry of an order granting them permission to proceed with the subpoenas. And we would intend to file that opposition motion at the same time that we filed the motion in opposition to the request for a subpoena of the Commission.
JUDGE FOELAK: Well, I suppose that would speed things up rather than filing a motion to quash. Okay. That sounds fair enough.
0009
Okay. At this point we're pretty far from getting to a hearing, but -- oh. I would have asked are there any settlement negotiations, but it doesn't sound like there are at the moment.
MS. ARMSTRONG: That is correct.
JUDGE FOELAK: Okay. So maybe we should pencil in a hearing date.
MS. ARMSTRONG: That sounds good to us, Your Honor. The last respondent was served on August 14th. So we see that as sort of setting the clock for the four-month window to -- to think about getting a hearing set forth, which would put us squarely in the middle of December.
JUDGE FOELAK: Well, that's not available for me.
MS. ARMSTRONG: Okay. We had discussed -- we had discussed with Mr. Pecht perhaps doing it at the beginning of January if that's available for you.
JUDGE FOELAK: Okay, like --
MS. ARMSTRONG: January 5th. ,
JUDGE FOELAK: Okay, theoretically.
MR. PECHT: Judge, we -- this is Gerry Pecht. We discussed January 5th, but it might be more convenient, when I'm thinking about it for the witnesses and everybody, if we defer it one week later because
0010
you've got -- you still have the holiday season right in there, and it might be --
JUDGE FOELAK: Well --
MR. PECHT: -- difficult to get witnesses right after --
JUDGE FOELAK: Okay. Okay, January 12th then.
MR. PECHT: Yeah.
JUDGE FOELAK: We -- at this point we don't know the extent of Mr. McKnight's involvement. And you all are in different places, and so I think I'll pencil it in for Washington although that could change.
MR. PECHT: In our conversations with the SEC -- this is Gerry Pecht again for Houston American -- we have discussed doing it in Houston where most of the witnesses would be located.
JUDGE FOELAK: Okay.

MS. ARMSTRONG: We're not sure that -- that there really is a center of gravity for where the witnesses are. They're -- they're kind of scattered all over actually.

JUDGE FOELAK: Well, maybe I'll pencil it in for Washington, but who knows? Do you have an -- again, you don't know -- we don't know the extent of Mr. McKnight's involvement that will be occurring. Do you

0011

have a feel for how long the hearing would last?

MS. ARMSTRONG: Our best estimate of how long it would take us to put on our case is it would take six to eight days assuming --

MR. PECHT: And this is --

MS. ARMSTRONG: -- there -- we have a lot of witnesses who would be on the stand for a short period of time. So, in part, how long it takes is dependent on good logistics and having -- you know, sort of being able to use every day effectively with smaller bits of testimony.

JUDGE FOELAK: Is there any potential for video hearings with these witnesses?

MS. ARMSTRONG: We haven't discussed that with the other side -- or we haven't discussed that with anyone. So that's certainly something we can consider and confer on.

JUDGE FOELAK: Okay. Do you -- okay. She's saying six to eight days.

MR. PECHT: That's -- that's for her case.

JUDGE FOELAK: Yes. Yes.

MR. PECHT: So I expect that we should reserve -- and it's early for us in this. We've just gotten the documents recently, and we're still looking for them. But just sort of knowing how these things work, I think

0012

that we better reserve a three-week period of time to put this on because I think there's going to be quite a few witnesses, and I think it's going to be that the witnesses are going to take -- some of them are going to take a considerable period of time.

JUDGE FOELAK: Okay. We'll set aside three weeks. Okay. Is there anything else that needs to be dealt with today?

MS. ARMSTRONG: Just to clarify, we will also be filing an opposition to the motion to strike when it's due under the rules. I -- just to clarify because our position on it -- before there's an order on that. I wasn't sure we
-- we made it --

JUDGE FOELAK: Well, I'm actually dealing with it now. Do you want to -- do you want to articulate your --

MR. CAVE: Certainly, Your Honor. And we can - - we can expedite submission of the written papers. But the bottom line is that, under the law in Landgraf, which is the Supreme Court precedent dealing with the retroactivity of statutes and Landgraf's progeny, it's very clear that procedural changes do not implicate the retroactivity concerns addressed by the court in Landgraf. The changes instituted by Section 929(p) of

0013

the Dodd-Frank Act are, in the main, procedural and thus do not give rise to these sorts of retroactivity concerns addressed by Landgraf.

Prior to the implementation of Dodd-Frank, the Commission had the authority under the Securities Act and the Exchange Act to obtain penalties from non-registered entities and individuals in federal court. The primary change by Section 929(p) is that the Commission can now seek those same penalties before -- in an administrative cease and desist proceeding. Again, under Landgraf, that is purely a procedural change, and thus the remedies that would have been available to the Commission in federal court prior to the implementation of Dodd-Frank are now available to the Commission in an administrative proceeding.

JUDGE FOELAK: Okay. Well, like I said, I'm, you know, quite favorable to the respondent's argument on some merits, but a motion to strike doesn't really lie, so it's premature to deal with it, I guess.

MR. CAVE: Your Honor, that's another --

JUDGE FOELAK: They'll be asking -- you'll be asking for a penalty at the end, and the respondents will be arguing that it doesn't apply and, besides -- it doesn't apply, period.

MR. CAVE: Your Honor, if I may, that -- that

0014

is the first argument that our papers will make, which is that this is simply premature and at this point in time works -- a decision on the motion to strike, in effect, would work as a -- a declaratory motion on an issue that's not yet ripe for adjudication.

JUDGE FOELAK: Okay. Okay. But like I said, I've decided -- I've decided that the motion to strike doesn't lie, and so it isn't being granted. So you don't really need -- and you explained your viewpoint, so you don't really need to file anymore papers.

MR. CAVE: Very good. Thank you, Your Honor.

MR. PECHT: Judge, this is Gerry Pecht. We --

JUDGE FOELAK: Yeah.

MR. PECHT: You know, of course, there are provisions in the rules, including Rule 221(c)(1) for simplification and clarification of the issues. And we are very eager to know early on in this matter whether there are such penalties that can be -- that can occur as part of trying to figure out what this case is about and what types of penalties might be -- our clients might be subject to -- and the same thing with regard to the D&O bar.

And so -- and the court is indicating that the motion to strike is not the correct means. But there -- certainly there have to be some means to simplify and

0015

clarify what the issues are early on in the case so that we have a good understanding before we ever get to a January trial. Is the Court going to suggest some other means that we can present to the Court if we -- if we've misnamed the motion, we're willing to file it with a different name. But we -- you know, we do think that it's important to get these issues resolved early in the proceeding so we know exactly what it is that's at stake in this proceeding.

JUDGE FOELAK: Okay. Well, if you -- the only other way you could name the motion would be a motion to amend the OIP. And the type of amendment that you want is greater than is authorized to the administrative law judge. I'm not really encouraging you to go and file such a motion with the Commission. But basically I don't have the authority to -- to grant that relief of amending the OIP in that way. And I can give you a Commission citation that would help.

MR. CAVE: Your Honor, if I may, this is Mark Cave for the division.

JUDGE FOELAK: Yeah.

MR. CAVE: Mr. Pecht raises the concern with the scope of the hearing. It is -- it is our view that the scope of the hearing will not be affected in one way or the other by a decision concerning the availability of

0016

penalties. The division also seeks disgorgement. The motion to strike certainly did not raise any concerns or issues with respect to the Commission's authority to seek disgorgement or an officer and director bar.

But setting all of that aside, certainly the Commission is authorized to seek disgorgement. Disgorgement here pertains to all of the relevant facts at issue. A ruling on the availability of penalties or the officer and director bar will in no way affect or shape the way in which the issues are presented at trial. So concerns with efficiency, in the division's view, are not well founded.

JUDGE FOELAK: I would tend to agree. I was -- I was going to get to that, you know, myself. It would just be a case of what legal arguments you would make in a few paragraphs in the post-hearing pleading. Okay. I'm still looking for that citation that was referenced.

In reference to my lack of authority to amend the OIP in the manner which the Houston American desires, I refer you to, A, the rule pertaining to amending OIPs, which is Rule 200(d) and, B, the case of J. Stephen Stout, the Commission's order of December 10, 1996, which is found in 52 SEC 34.

Anyway, so I don't have the authority to order the -- the relief that you seek, and I would also -- I

0017

would also suggest that it -- whether or not that sanction is available doesn't really alter the course of the proceeding. Okay -- and it certainly doesn't alter the course of this proceeding when it comes to the officer and director bar, which brings me to another topic. If -- which I'm also addressing for Mr. McKnight.

If a respondent, fearing the worse, wants to make a showing that he doesn't have sufficient resources to pay a disgorgement or penalty, he should -- he has to make that showing at the hearing. And, therefore, when can the division tell the respondents what the outer limit of the amount of money that they are going to ask for is? And you don't have to tell me, but -- so that the -- so the respondents can decide whether they want to make a showing, which they may not.

MR. CAVE: Your Honor, we can do it now. I don't think that -- I can't give specific numbers, but I can give the framework that will allow the -- each of the respondents to -- to put a number with it. We'll be seeking disgorgement in the -- from Houston American in the amount -- in an amount equivalent to the amount of money that it raised in its December 2009 public offering, which was made, in part, on the basis of the

misleading statements at issue in the investigation -- or
0018
in this matter rather.
From Mr. Terwilliger we will be seeking an amount of disgorgement equal to the amount of the bonuses that he received from Houston American during the -- during the period at issue. And from Mr. McKnight and Undiscovered Equities, we'll be seeking an amount of disgorgement equivalent to the amount of the funds that Mr. McKnight and Undiscovered Equities were paid in connection with the services that they provided to Houston American Energy Corp.
MR. PECHT: Can I ask a question about that? He had indicated that for Terwilliger it's bonuses received during the period at issue. In the press release that was issued by the SEC and in their documents, they indicate that the period at issue is November 2009 to April 2010. I want to make sure that that's the period at issue we're talking about because I don't have --
MR. CAVE: Let me --
MR. PECHT: -- not clear.
MR. CAVE: Gerry, let me be -- let me clarify if I may. The -- any bonuses that are related to the period, to conduct during the period at issue, the -- the company, in publicly filed documents pertaining to the payment of bonuses to Mr. Terwilliger, referred to Mr.
0019
Terwilliger's conduct vis-à-vis the CPO4 block. And those are the bonuses that the Commission will be seeking to disgorge.
MR. PECHT: Well, this doesn't help us because we're not -- we're not getting a specific time period in terms of what is the amount, so we don't know whether or not this is something he can pay or not because --
MR. CAVE: Then --
MR. PECHT: -- you're not giving a specific dollar number.
MR. CAVE: Then we'll provide you after this -- after this meeting with a specific dollar number if it pleases the Court.
JUDGE FOELAK: Yes.
Okay. Does anyone have anything else?
(No response.)
JUDGE FOELAK: I guess not. Okay. I will put out an order memorializing all of this, including the date for Mr. McKnight's answer and also including my inaction or denial of the motion to strike. Okay. And, you know, we'll send it out to you. Okay. If no one has anything else, then this pre-hearing conference is closed. And thank you for your appearance.
MR. PECHT: Thank you, Your Honor.
MR. CAVE: Thank you, Your Honor.
0020
MR. CAVE: Thank you.
(Whereupon, at 10:29 a.m., the conference was concluded.)
* * * * *

0021

PROOFREADER'S CERTIFICATE

In The Matter of: HOUSTON AMERICAN ENERGY CORP., ET AL

ADMINISTRATIVE PROCEEDING - PRE-HEARING CONFERENCE

File Number: 3-16000

Date: September 4, 2014

Location: Washington, D.C.

This is to certify that I, Nicholas Wagner, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

______________________ ______________________

(Proofreader's Name) (Date)

EXHIBIT 9

10-K 1 d10k.htm FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Table of Contents

Index to Financial Statements

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2008

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

For the transition period from to

Commission File No. 1-32955

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant specified in its charter)

Delaware	[redacted]
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

[redacted]

(Address of principal executive offices)(Zip code)

Issuer's telephone number, including area code: [redacted]

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

Title of each class	Name of each exchange on which each is registered
Common Stock, $0.001 par value	**The Nasdaq Stock Market LLC**

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, 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-K or any amendment to this Form 10-K. ☒

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 definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ 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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2008, based on the closing sales price of the registrant's common stock on that date, was approximately $167,656,443. Shares of common stock held by each current executive officer and director and by each person known by the registrant to own 5% or more of the outstanding common stock have been excluded from this computation in that such persons may be deemed to be affiliates.

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of February 28, 2009 was 28,000,772.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2009 Annual Meeting are incorporated by reference into Part III of this Report.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

Table of Contents

Index to Financial Statements

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K 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 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-K.

As used in this annual report on Form 10-K, 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. Business

General

Houston American Energy Corp. is an oil and gas exploration and production company. Our oil and gas exploration and production activities are focused on properties in the U.S. onshore Gulf Coast Region, principally Texas and Louisiana, and development of concessions in the South American country of Colombia. We seek to utilize the contacts and experience of our executive officers, particularly John F. Terwilliger and James Jacobs, to identify favorable drilling opportunities, to use advanced seismic techniques to define prospects and to form partnerships and joint ventures to spread the cost and risks to us of drilling.

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.

Table of Contents

Index to Financial Statements

Our principal exploration projects as of December 31, 2008 consisted of the following:

- Domestic Exploration Properties:

Webster Parish, Louisiana. In Webster Parish, Louisiana, we hold a 7.5% working interest at an 8.3% net revenue interest carried to point of sales for the first well in over 640 acres known as the South Sibley Prospect. Drilling of a 10,600-foot well on the South Sibley Prospect, was completed in May 2005 with multiple pay sands identified. Sales from the well commenced June 28, 2005.

Acadia Parish, Louisiana. In Acadia Parish, Louisiana, we hold a 3% working interest and a 2.25% net revenue interest until payout in a 620-acre leasehold known as the Crowley Prospect. Between 2004 and 2005, the Hoffpauer #1 (formerly the Baronet #1) and the Baronet #2 wells were drilled and commenced production. The Baronet #2 was reworked in 2006 and in 2007; both the Hoffpauer #1 and the Baronet #2 were plugged and abandoned. The Baronet #3, a replacement well for the Baronet #2, was drilled in the second quarter of 2007 and commercial production began in July 2007. We own a 17.5% working interest and 13.125% net revenue interest in the Baronet #3 well, which was scheduled for a re-work as of December 31, 2008 after the well sanded up and ceased production.

Caddo Parish, Louisiana. In Caddo Parish, Louisiana, we hold a 33.5% working interest, subject to payment of 35% of the costs of the initial well, and a 25.125% net revenue interest in the 640-acre Caddo Lake Prospect with options to additional leases covering 4,400 acres. After payout, we will own a 27.25% working interest and 20.4375% net revenue interest in the initial well and any additional wells. In November 2007, we drilled a 10,000-foot test well on the Caddo Lake Prospect. During the fourth quarter of 2008, pipeline construction and connection to the well was completed and several completion attempts in the Cotton Valley formation were not successful. Currently a Bossier Shale test is planned subject to a unit and permit being granted.

Iberville Parish, Louisiana. In Iberville Parish, Louisiana, we hold a 4.81% working interest in the Home Run Prospect and a 24.12% working interest in the West Klondike prospect. We plan to drill both of these prospects during calendar year 2009.

Vermillion Parish, Louisiana. In Vermillion Parish, Louisiana, we hold a 10% working interest in the North Jade and Northwest Jade prospects. We plan to drill these prospects in the 4th quarter of 2009 and the 1st quarter of 2010.

Jim Hogg County, Texas. In Jim Hogg County, Texas, we hold a 4.375% working interest, subject to payment of 5.8334% of costs to the casing point in the first well, in the 340 acre Hog Heaven Prospect. The Weil #1 well, a 6,200-foot test well, was drilled on the Hog Heaven Prospect in November 2005. Electric log and sidewall core analysis indicated multiple pay sands in the Weil #1 well. The well was completed in January 2006 and production and sales commenced in March 2006. The Weil #2 was drilled as a dry hole during 2007.

Hardeman County, Texas. In Hardeman County, Texas, we hold a 10% working interest with a 7.5% net revenue interest in the 91.375 acre West Turkey Prospect. The DDD-Evans #1, an 8,500-foot test well, was drilled on the West Turkey Prospect in April 2006 and production began in May 2006. At December 31, 2008, the DDD-Evans #1 was producing, but at non-commercial levels.

- Colombian Exploration Properties:

Llanos Basin, Colombia. In the Llanos Basin, Colombia, at December 31, 2008, we held interests in (1) the Tambaqui Association Contract covering 4,400 acres in the State of Casanare, Colombia, (2) two concessions, the Dorotea Contract and the Cabiona Contract, totaling over 137,000 acres, (3) the Surimena concession covering approximately 69,000 acres, (4) the Las Garzas concession covering approximately 103,000 acres, (5) the Leona concession covering approximately

Table of Contents

Index to Financial Statements

70,343 acres, (6) the Camarita concession covering approximately 166,000 acres, and (7) the La Cuerva Contract covering approximately 48,000 acres. See "—Sale of Caracara Assets."

Our interest in each of the described concessions and contracts in Colombia is held through an interest in Hupecol, LLC and affiliated entities. We hold a 12.5% working interest in each of the prospects of Hupecol other than the Surimena concession, the Tambaqui Association Contract and the La Cuerva Contract. We hold a 6.25% working interest in the Surimena concession, a 12.6% working interest, with an 11.31% net revenue interest, in the Tambaqui Association Contract and a 1.594674% working interest in the La Cuerva Contract.

Our working interest in the Tambaqui Association Contract is subject to an escalating royalty of 8% on the first 5,000 barrels of oil per day, increasing to 20% at 125,000 barrels of oil per day and 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. Our working interest in the additional concessions is subject to an escalating royalty ranging from 8% to 20% depending upon production volumes and pricing and an additional 6% to 10% per concession when 5,000,000 barrels of oil have been produced on that concession.

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 being utilized to map prospects in key areas with a view to delineating multiple drilling opportunities. We will hold a 12.5% interest in all prospects developed by Hupecol arising from the acquired seismic data, including the Cabiona and Dorotea concessions acquired in the fourth quarter of 2004, the Surimena concession acquired in the second quarter of 2005, the Las Garzas concession acquired in November 2005, the Jagueyes TEA acquired in May 2005 and the Simon TEA acquired in June 2005. During 2006 we acquired 3D seismic data on the Las Garzas contract, the Jagueyes TEA and the Simon TEA. As a result of seismic evaluation, the Jagueyes TEA was converted to the Leona concession and the Simon TEA was converted to the Camarita concession during 2006.

- Other Holdings

In addition to our principal exploration projects, we hold various interests in producing wells in Plaquemines Parish, Louisiana, Matagorda County, Texas, and Ellis County, Oklahoma. We have no present plans to conduct additional drilling activities on those prospects.

Table of Contents

Index to Financial Statements

Summary Leasehold Information

The following table sets forth certain information about our oil and gas holdings at December 31, 2008:

Project Area	Acres Leased or Under Option at December 31, 2008 (1) Project Gross	Project Net	Company Net	Project Interest
TEXAS:				
Jim Hogg County	340.00	340.00	14.89	4.38%
Hardeman County	91.38	91.38	9.14	10.00%
Matagorda County				
S.W. Pheasant Prospect	779.00	779.00	27.27	3.50%
Texas Sub-Total	1,210.38	1,210.38	51.30	
LOUISIANA:				
Webster Parish	640.00	640.00	48.00	7.50%
Caddo Parish (2)	5,040.00	5,040.00	1,373.40	27.25%
Iberville Parish				
Home Run Prospect	1,146.00	1,146.00	55.15	4.81%
W. Klondike Prospect	561.00	561.00	135.31	24.12%
Vermilion Parish				
LaFurs F-16 Well	830.00	830.00	18.68	2.25%
N. Jade & NW Jade Prospects	1,423.12	1,402.85	140.29	10.0%
Acadia Parish	620.00	620.00	18.60	3.00%
Plaquemines Parish	300.00	300.00	5.40	1.80%
Louisiana Sub-Total	10,560.12	10,539.85	1,794.83	
OKLAHOMA				
Jenny #1-14	160.00	160.00	3.78	2.36%
Oklahoma Sub-Total	160.00	160.00	3.78	
COLOMBIA				
La Cuerva Contract	48,000.00	48,000.00	765.00	1.59%
Tambaqui Assoc. Contract (3)	4,403.00	4,403.00	555.00	12.60%
Dorotea Concession	51,321.00	51,321.00	6,415.00	12.50%
Cabiona Concession	86,066.00	86,066.00	10,758.00	12.50%
Surimena Concession	69,189.00	69,189.00	4,324.00	6.25%
Las Garzas Concession	103,784.00	103,784.00	12,973.00	12.50%
Leona Concession	70,343.00	70,343.00	8,793.00	12.50%
Camarita Concession	166,301.00	166,301.00	20,788.00	12.50%
Colombia Sub-Total	599,407.00	599,407.00	65,371.00	
Total	611,337.50	611,317.23	67,220.91	

(1) Except as otherwise noted, all acreage is held under leases. Project Gross Acres refers to the number of acres within a project. Project Net Acres refers to leaseable acreage by tract. Company Net Acres are either leased or under option in which we own an undivided interest. Company Net Acres were determined by multiplying the Project Net Acres leased or under option by our working interest therein.

(2) Includes an option to lease 4,360 Project Gross and Project Net Acres and 1,188.10 Company Net Acres. Upon exercise of the option, we will be obligated to pay $218,000 and to drill one well every 180 days to maintain the lease.

(3) The project interest is the working interest in the concession and not necessarily the working interest in the well.

Table of Contents

Index to Financial Statements

Sale of Caracara Assets

In June 2008, we, through Hupecol Caracara LLC as owner/operator under the Caracara Association Contract, sold all of our interest in the Caracara Association Contract and related assets. Pursuant to our investment in Hupecol Caracara LLC, we held a 1.594674% interest in the Caracara assets, covering approximately 232,500 acres, representing our principal, and initial, Colombian prospect. At December 31, 2007, the estimated proved reserves associated with these assets totaled 787,742 barrels of oil, which represented 60.37% of our estimated proved oil and natural gas reserves.

As a result of the sale of the Caracara assets, we received net proceeds, after deduction of fees and expenses of the transaction, of $11,546,510 (before amounts placed in escrow as discussed below), realized a gain on the sale of $7,615,236 and eliminated from oil and gas properties costs subject to amortization associated with the Caracara assets totaling $3,977,907.

Pursuant to the terms of the sale of the Caracara assets, on the closing date of the sale, a portion of the purchase price was deposited in escrow to settle post-closing adjustments under the purchase and sale agreement. The funds deposited in escrow will be released to us, or to the purchaser, based on post-closing adjustments 12 months following closing. Our proportionate interest in the escrow deposit, totaling $1,673,551, has been recorded as Other Current Assets. The net proceeds and the gain realized from the sale of the Caracara assets may be adjusted based on post-closing adjustments.

Production from the Caracara prospect accounted for $3,005,140 and $3,703,739 of our revenues during 2008 and 2007, respectively.

Drilling Activities

In 2008, we drilled 1 domestic well and 15 wells in Colombia, consisting of 9 exploratory and 7 developmental wells of which 11 were completed and 5 were dry holes.

The following table sets forth certain information regarding the actual drilling results for each of the years 2008 and 2007 as to wells drilled in each such individual year:

	Exploratory Wells (1)		Developmental Wells (1)	
	Gross	Net	Gross	Net
2007				
Productive	4	0.53366	14	0.43392
Dry	7	0.56607	4	0.15848
2008				
Productive	5	0.62500	6	0.75000
Dry	4	0.47500	1	0.12500

(1) Gross wells represent the total number of wells in which we owned an interest; net wells represent the total of our net working interests owned in the wells.

At December 31, 2008, two wells were being drilled in Colombia and one well was being drilled in the U.S.

Seismic Activity

During 2008, our operator in Colombia (1) acquired approximately 65 miles of additional seismic and geological data relating primarily to prospects in which we hold a 12.5% working interest, (2) acquired additional seismic data on the La Cuerva prospect and (3) shot 32.824 square miles of combined seismic on the Las Garzas and Leona contracts.

Table of Contents

Index to Financial Statements

Productive Well Summary

The following table sets forth certain information regarding our ownership as of December 31, 2008 of productive gas and oil wells in the areas indicated:

	Gas		Oil	
	Gross	Net	Gross	Net
Texas	2	0.079	0	0.000
Louisiana	2	0.098	1	0.018
Oklahoma	1	0.024	0	0.000
Colombia	0	0.000	10	1.250
Total	5	0.201	11	1.268

Volume, Prices and Production Costs

The following table sets forth certain information regarding the production volumes, average prices received (net of transportation costs) and average production costs associated with our sales of gas and oil for the periods indicated:

	Year Ended December 31,	
	2007	2008
Net Production:		
Gas (Mcf):		
North America	44,250	24,748
South America	0	0
Oil (Bbls):		
North America	2,078	1,510
South America	69,127	122,415
Average sales price:		
Gas ($ per Mcf)	6.90	10.22
Oil ($ per Bbl)	65.61	83.67
Average production expense and Taxes ($ per BOE):		
North America	13.80	10.40
South America	24.75	27.03

Natural Gas and Oil Reserves

The following table summarizes the estimates of our historical net proved reserves as of December 31, 2007 and 2008, and the present value attributable to these reserves at these dates. The reserve data and present values were prepared by Aluko & Associates, Inc. and Lonquist & Co. LLC, independent petroleum engineering consultants for 2007 and 2008, respectively:

	At December 31,	
	2007	2008
Net proved reserves (1):		
Natural gas (Mcf)	135,649	18,774
Oil (Bbls)	1,285,239	213,416
Standardized measure of discounted future net Cash flows (2)	$55,951,503	$3,151,493

(1) At December 31, 2008, net proved and proved developed reserves, by region, consisted of 211,475 barrels of oil in South America and 1,941 barrels of oil in North America; all natural gas reserves were in North America.

Table of Contents

Index to Financial Statements

(2) The standardized measure of discounted future net cash flows represents the present value of future net revenues after income tax discounted at 10% per annum and has been calculated in accordance with SFAS No. 69, "Disclosures About Oil and Gas Producing Activities" (see Note 11—Supplemental Information on Oil and Gas Exploration, Development and Production Activities (Unaudited)) and in accordance with current SEC guidelines, and does not include estimated future cash inflows from hedging. The standardized measure of discounted future net cash flows attributable to our reserves was prepared using prices in effect at the end of the respective periods presented, discounted at 10% per annum.

In accordance with applicable requirements of the Securities and Exchange Commission, we estimate our proved reserves and future net cash flows using sales prices and costs estimated to be in effect as of the date we make the reserve estimates. We hold the estimates constant throughout the life of the properties, except to the extent a contract specifically provides for escalation. Oil and gas prices, which have fluctuated widely in recent years, affect estimated quantities of proved reserves and future net cash flows. Any estimates of natural gas and oil reserves and their values are inherently uncertain, including many factors beyond our control. The reserve data contained in this report represent only estimates. Reservoir engineering is a subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of reserve estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers, including those we use, may vary. In addition, estimates of reserves may be revised based upon actual production, results of future development and exploration activities, prevailing natural gas and oil prices, operating costs and other factors, which revision may be material. Accordingly, reserve estimates may be different from the quantities of natural gas and oil that we are ultimately able to recover and are highly dependent upon the accuracy of the underlying assumptions. Our estimated proved reserves have not been filed with or included in reports to any federal agency.

Leasehold Acreage

The following table sets forth as of December 31, 2008, the gross and net acres of proved developed and proved undeveloped and unproven gas and oil leases which we hold or have the right to acquire:

	Proved Developed		Proved Undeveloped		Unproven	
	Gross	Net	Gross	Net	Gross	Net
Texas	1,210.38	51.30	0.00	0.00	0.00	0.00
Louisiana	2,390.00	90.68	0.00	0.00	8,170.12	1,704.15
Oklahoma	160.00	3.78	0.00	0.00	0.00	0.00
Colombia	1,600.00	200.00	1,920.00	240.00	595,887.00	64,931.00
Total	5,360.38	345.76	1,920.00	240.00	604,057.12	66,635.15

During 2008, we acquired, through our 1.594674% interest in Hupecol Caracara LLC, an interest in the La Cuerva Contract covering approximately 48,000 acres in Colombia.

During 2008, we also acquired interests in two additional prospects in South Louisiana for which we advanced leasehold costs and delay rentals of approximately $231,403. We sold our interest in one of the prospects—the North Henry Bayou prospect—during 2008, retaining a 4.5% carried interest in the prospect, for which we received $60,301 and sold our interest in the second prospect—the Home Run prospect—during 2008 for which we received $213,395.

Table of Contents

Index to Financial Statements

Title to Properties

Title to properties is subject to royalty, overriding royalty, carried working, net profits, working and other similar interests and contractual arrangements customary in the gas and oil industry, liens for current taxes not yet due and other encumbrances. As is customary in the industry in the case of undeveloped properties, little investigation of record title is made at the time of acquisition (other than preliminary review of local records).

Investigation, including a title opinion of local counsel, generally is made before commencement of drilling operations.

2009 Drilling and Operating Plans

As a result of the continued depressed commodity price environment in the first quarter of 2009, Hupecol, the operator of our Colombian properties, made the determination in early March to temporarily shut-in production from the majority of our wells in Colombia. During the first quarter of 2009, most of our Colombian wells remained profitable to operate; however, the Hupecol managing partners chose not to continue to produce what they considered valuable oil reserves at these low levels of profitability.

On March 14th, the Company was notified by Hupecol that the majority of its productive wells will be immediately restored to production.

As of January 1, 2009, we planned to drill a total of 11 wells during 2009, of which three wells are planned to be drilled on our domestic exploration projects and eight wells are planned to be drilled on our Colombian exploration projects. The following table reflects planned drilling activities during 2009:

Location	Prospect Name	# of Planned Wells
Llanos Basin, Colombia	La Cuerva Contract	2
Llanos Basin, Colombia	Dorotea Concession	2
Llanos Basin, Colombia	Las Garzas Concession	1
Llanos Basin, Colombia	Leona Concession	1
Llanos Basin, Colombia	Camarita Concession	1
Llanos Basin, Colombia	Surimena Concession	1
Louisiana—Vermilion Parish	North Jade	1
Louisiana—Iberville Parish	W. Klondike	1
Louisiana—Iberville Parish	Home Run	1

Our planned drilling activity is subject to change from time to time without notice. In particular, the recent sharp decline in oil and gas prices may result in delays in, or abandonment of, planned drilling operations. Additional wells are expected to be drilled at locations to be determined based on the results of the planned drilling projects and prevailing market conditions.

Marketing

At January 1, 2009, we had no contractual agreements to sell our gas and oil production and all production was sold on spot markets.

Employees

As of March 1, 2009, we had 3 full-time employees and no part time employees. The employees are not covered by a collective bargaining agreement, and we do not anticipate that any of our future employees will be covered by such agreements.

Table of Contents

Index to Financial Statements

Item 1A. Risk Factors

Our business activities and the value of our securities are subject to significant hazards and risks, including those described below. If any of such events should occur, our business, financial condition, liquidity and/or results of operations could be materially harmed, and holders and purchasers of our securities could lose part or all of their investments.

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis but also may reduce the amount of oil and natural gas that we can produce economically. Lower prices will also negatively impact the value of our proved reserves. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

We May Be Affected by General Economic Conditions

The disruption experienced in U.S. and global credit markets during second half of 2008 has resulted in projected decreases in demand for oil and natural gas, resulting in a sharp drop in energy prices, and has affected the availability and cost of capital. Prolonged negative changes in domestic and global economic conditions or disruptions of either or both of the financial and credit markets may have a material adverse effect on our results of operations, financial condition and liquidity. At this time, it is unclear whether and to what extent the actions taken by the U.S. government, including, without limitation, the passage of the Emergency Economic Stabilization Act of 2008 and other measures currently being implemented or contemplated, will mitigate the effects of the crisis. With respect to Houston American Energy, while we have no immediate need to access the credit markets in the foreseeable future, the impact of the current crisis on our ability to obtain financing in the future, if needed, and the cost and terms of same, is unclear. From an operating standpoint, the current crisis has resulted in a steep decline in the price of oil and natural gas, a marked decline in the value of our reserves, a determination in March 2009 to temporarily shut-in production from our Colombian wells

Table of Contents

Index to Financial Statements

and will result in reduced revenues and reduced profitability and, if prices continue to decline, may result in deterioration of our financial position.

A substantial percentage of our properties are undeveloped; therefore the risk associated with our success is greater than would be the case if the majority of our properties were categorized as proved developed producing.

Because a substantial percentage of our properties are unproven or proved undeveloped, we will require significant additional capital to prove and develop such properties before they may become productive. At December 31, 2008, approximately 58.1% of our proved reserves were producing. Further, because of the inherent uncertainties associated with drilling for oil and gas, some of these properties may never be developed to the extent that they result in positive cash flow. Even if we are successful in our development efforts, it could take several years for a significant portion of our undeveloped properties to be converted to positive cash flow.

While our current business plan is to fund the development costs with funds on hand and cash flow from our other producing properties, if such funds are not sufficient we may be forced to seek alternative sources for cash, through the issuance of additional equity or debt securities, increased borrowings or other means.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our future success will depend on the success of our exploitation, exploration, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Please read "—Reserve estimates depend on many assumptions that may turn out to be inaccurate" (below) for a discussion of the uncertainty involved in these processes. Our cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- title problems; and
- limitations in the market for oil and natural gas.

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties, potentially negatively impacting the trading value of our securities.

Accounting rules require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of

Table of Contents

Index to Financial Statements

prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we have and may be required to further write down the carrying value of our oil and natural gas properties. A write-down could constitute a non-cash charge to earnings. It is likely the cumulative effect of a write-down could also negatively impact the trading price of our securities.

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in this report.

In order to prepare our estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control. During the years ended December 31, 2007 and 2008, revisions to prior estimates resulted in significant negative revisions to our proved reserves. Negative revisions during fiscal year 2007 amounted to 57.7% of prior year-end proved natural gas reserves and 40.2% of prior year-end proved oil reserves. Product sales and negative revisions during fiscal year 2008 amounted to 86.2% of prior year-end proved gas reserves and 83.4% of prior year-end proved oil reserves.

You should not assume that the present value of future net revenues from our proved reserves, as reported from time to time, is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we generally base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. If future values decline or costs increase it could negatively impact our ability to finance operations, and individual properties could cease being commercially viable, affecting our decision to continue operations on producing properties or to attempt to develop properties. All of these factors would have a negative impact on earnings and net income, and most likely the trading price of our securities.

We are dependent upon third party operators of our oil and gas properties.

Under the terms of the Operating Agreements related to our oil and gas properties, third parties act as the operator of our oil and gas wells and control the drilling activities to be conducted on our properties. Therefore, we have limited control over certain decisions related to activities on our properties, which could affect our results of operations. Decisions over which we have limited control include:

- the timing and amount of capital expenditures;

Table of Contents

Index to Financial Statements

- the timing of initiating the drilling and recompleting of wells;
- the extent of operating costs; and
- the level of ongoing production.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

Our prospects are properties on which we have identified what we believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. This risk may be enhanced in our situation, due to the fact that a significant percentage of our reserves are currently unproved reserves. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects or producing fields will be applicable to our drilling prospects.

We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations.

We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;
- fires and explosions;
- personal injuries and death; and
- natural disasters.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to our company. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, then it could adversely affect us.

We are subject to complex laws that can affect the cost, manner or feasibility of doing business.

Exploration, development, production and sale of oil and natural gas are subject to extensive federal, state, local and international regulation. We may be required to make large expenditures to comply with governmental regulations. Matters subject to regulation include:

- discharge permits for drilling operations;

Table of Contents

Index to Financial Statements

- drilling bonds;
- reports concerning operations;
- the spacing of wells;
- unitization and pooling of properties; and
- taxation.

Under these laws, we could be liable for personal injuries, property damage and other damages. Failure to comply with these laws also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect our financial condition and results of operations.

Our operations may incur substantial liabilities to comply with the environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on our results of operations, competitive position or financial condition as well as the industry in general. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or if our operations were standard in the industry at the time they were performed.

Our operations in Colombia are subject to risks relating to political and economic instability.

We currently have interests in multiple oil and gas concessions in Colombia and anticipate that operations in Colombia will constitute a substantial element of our strategy going forward. The political climate in Colombia is unstable and could be subject to radical change over a very short period of time. In the event of a significant negative change in the political or economic climate in Colombia, we may be forced to abandon or suspend our operations in Colombia.

Our operations in Colombia are controlled by Hupecol which may carry out transactions affecting our Colombian assets and operations without our consent.

We are an investor in Hupecol and our interest in the assets and operations of Hupecol represent all of our assets and operations in Colombia and are our principal assets and operations. During 2008, Hupecol sold its interest in the Caracara Association Contract, the largest single prospect in terms of reserves and revenues in which we then held an interest. Also, during 2008, Hupecol acquired an interest in the La Cuerva Contract. In early March 2009, Hupecol determined to temporarily shut-in production from our Colombian properties. It is possible that Hupecol will carry out similar sales or acquisitions of prospects or make similar decisions in the future. Our management intends to closely

Table of Contents

Index to Financial Statements

monitor the nature and progress of future transactions by Hupecol in order to protect our interests. However, we have no effective ability to alter or prevent a transaction and are unable to predict whether or not any such transactions will in fact occur or the nature or timing of any such transaction.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our cash flows and income.

Unless we conduct successful development, exploitation and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and production, and, therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. If we are unable to develop, exploit, find or acquire additional reserves to replace our current and future production, our cash flow and income will decline as production declines, until our existing properties would be incapable of sustaining commercial production.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our success will depend on our ability to retain John F. Terwilliger, our principal executive officer, and James Jacobs, our chief financial officer, and to attract other experienced management and non-management employees, including engineers, geoscientists and other technical and professional staff. We will depend, to a large extent, on the efforts, technical expertise and continued employment of such personnel and members of our management team. If members of our management team should resign or we are unable to attract the necessary personnel, our business operations could be adversely affected.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget.

Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our development and exploration operations. As the price of oil and natural gas increases, the demand for production equipment and personnel will likely also increase, potentially resulting, at least in the near-term, in shortages of equipment and personnel. In addition, larger producers may be more likely to secure access to such equipment by virtue of offering drilling companies more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, not only would this potentially delay our ability to convert our reserves into cash flow, but could also significantly increase the cost of producing those reserves, thereby negatively impacting anticipated net income.

If our access to markets is restricted, it could negatively impact our production, our income and ultimately our ability to retain our leases.

Market conditions or the unavailability of satisfactory transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business.

Table of Contents

Index to Financial Statements

We may operate in areas with limited or no access to pipelines, thereby necessitating delivery by other means, such as trucking, or requiring compression facilities. Such restrictions on our ability to sell our oil or natural gas have several adverse affects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in a lower selling price) or, in the event we were unable to market and sustain production from a particular lease for an extended time, possibly causing us to lose a lease due to lack of production.

We may need additional financing to support operations and future capital commitments.

While we presently believe that our operating cash flows and funds on hand will support our ongoing operations and anticipated future capital requirements, a number of factors could result in our needing additional financing, including reductions in oil and natural gas prices, declines in production, unexpected developments in operations that could decrease our revenues, increase our costs or require additional capital contributions and commitments to new acquisition or drilling programs. We have no commitments to provide any additional financing, if needed, and may be limited in our ability to obtain the capital necessary to support operations, complete development, exploitation and exploration programs or carry out new acquisition or drilling programs. We have not thoroughly investigated whether this capital would be available, who would provide it, and on what terms. If we are unable, on acceptable terms, to raise the required capital, our business may be seriously harmed or even terminated.

Competition in the oil and natural gas industry is intense, which may adversely affect our ability to compete.

We operate in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in the areas in which we operate. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell common stock when you want or at prices you find attractive.

The price of our common stock constantly changes. We expect that the market price of our common stock will continue to fluctuate.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements by us, our partners or our competitors of leasing and drilling activities;

Table of Contents

Index to Financial Statements

- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in general conditions in our industry and in the economy, the financial markets and the domestic or international political situation;
- fluctuations in oil and gas prices;
- departures of key personnel; and
- regulatory considerations.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results.

The sale of a substantial number of shares of our common stock may affect our stock price.

Future sales of substantial amounts of our common stock or equity-related securities in the public market or privately, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

Our charter and bylaws, as well as provisions of Delaware law, could make it difficult for a third party to acquire our company and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Delaware corporate law and our charter and bylaws contain provisions that could delay, deter or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions without the concurrence of our management or board of directors. These provisions:

- authorize our board of directors to issue "blank check" preferred stock, which is preferred stock that can be created and issued by our board of directors, without stockholder approval, with rights senior to those of our common stock;
- provide for a staggered board of directors and three-year terms for directors, so that no more than one-third of our directors could be replaced at any annual meeting;
- provide that directors may be removed only for cause; and
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

We are also subject to anti-takeover provisions under Delaware law, which could also delay or prevent a change of control. Taken together, these provisions of our charter and bylaws, Delaware law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Table of Contents

Index to Financial Statements

Our management owns a significant amount of our common stock, giving them influence or control in corporate transactions and other matters, and their interests could differ from those of other shareholders.

At March 1, 2009, our directors and executive officers owned approximately 46.6% of our outstanding common stock. As a result, our current directors and executive officers are in a position to significantly influence or control the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our certificate of incorporation or bylaws, and the approval of mergers and other significant corporate transactions. Such level of control of the company may delay or prevent a change of control on terms favorable to the other shareholders and may adversely affect the voting and other rights of other shareholders.

Item 1B. Unresolved Staff Comments

Not applicable

Item 2. Properties

We currently lease approximately 4,739 square feet of office space in Houston, Texas as our executive offices. Management anticipates that our space will be sufficient for the foreseeable future. The average monthly rental under the lease, which expires on May 31, 2012, is $6,682.

A description of our interests in oil and gas properties is included in "Item 1. Business."

Item 3. Legal Proceedings

We may from time to time be a party to lawsuits incidental to our business. As of March 1, 2009, we were not aware of any current, pending, or threatened litigation or proceedings that could have a material adverse effect on our results of operations, cash flows or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Table of Contents

Index to Financial Statements

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the Nasdaq Global Market ("Nasdaq") under the symbol "HUSA." The following table sets forth the range of high and low sale prices of our common stock for each quarter during the past two fiscal years.

		High	Low
Calendar Year 2008	Fourth Quarter	$ 6.01	$2.05
	Third Quarter	11.23	5.25
	Second Quarter	11.22	4.02
	First Quarter	4.27	2.76
Calendar Year 2007	Fourth Quarter	$ 4.44	$2.46
	Third Quarter	6.10	2.29
	Second Quarter	6.14	4.71
	First Quarter	7.35	3.23

At March 12, 2009, the closing price of the common stock on Nasdaq was $2.33.

Holders

As of March 4, 2009, there were approximately 947 shareholders of record of our common stock.

Dividends

Commencing in the third quarter of 2008 and continuing in the fourth quarter of 2008, we declared and paid a quarterly cash dividend of $0.02 per share on our common stock.

The payment of future cash dividends will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, our future business prospects, contractual restrictions and any other factors considered relevant by the Board of Directors.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2008 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	1,392,333	$ 6.21	1,307,667
Equity compensation plans not approved by security holders	—	—	—
Total	1,392,333	$ 6.21	1,307,667

(1) Consists of 500,000 shares reserved for issuance under the Houston American Energy Corp. 2005 Stock Option Plan and 2,200,000 shares reserved for issuance under the Houston American Energy 2008 Equity Incentive Plan.

Table of Contents

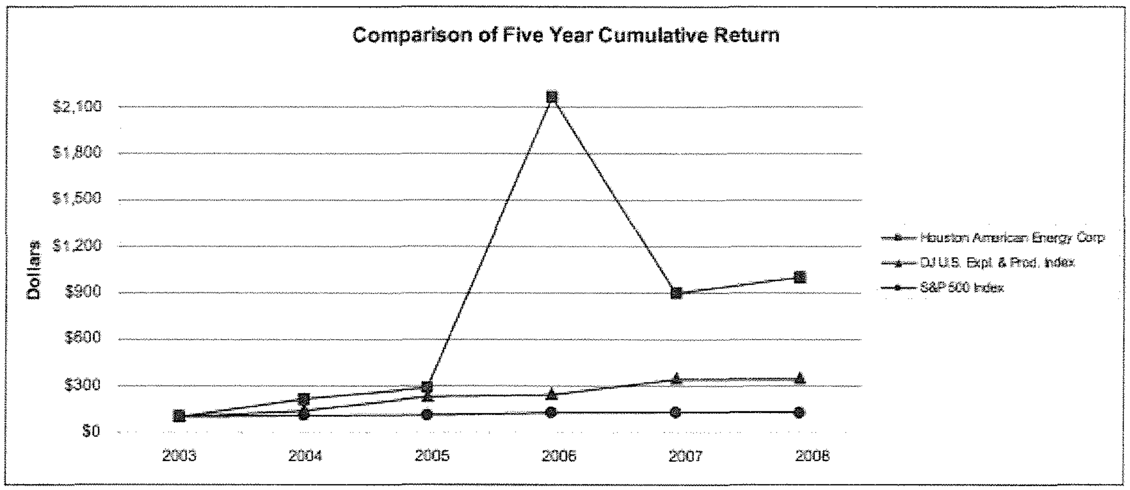
Index to Financial Statements

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following performance graph compares the change in the cumulative total return of Houston American Energy's common stock, the Dow Jones U.S. Exploration and Production Index, and the S&P 500 Index for the five years ended December 31, 2008. The graph assumes that $100 was invested in the Company's common stock and each index on December 31, 2003.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN AMONG HOUSTON AMERICAN ENERGY CORPORATION, THE S&P 500 INDEX AND DJ U.S. EXPL & PROD. INDEX



	December 31,					
	2003	2004	2005	2006	2007	2008
Houston American Energy Corporation	$100	$215	$288	$2,165	$897	$1,006
S&P 500 Index	$100	$140	$230	$ 241	$344	$ 344
DJ U.S. Expl. & Prod. Index	$100	$109	$112	$ 128	$132	$ 132

Table of Contents

Index to Financial Statements

Item 6. Selected Financial Data

The following table sets forth a summary of selected historical financial information for each of the years in the five-year period ended December 31, 2008. This information is derived from our Financial Statements and the notes thereto. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Statement of Operations Data:					
Revenue:					
Oil and gas revenue	$10,622,050	$ 4,977,172	$ 3,202,731	$ 2,780,457	$1,182,063
Commissions	—	—	—	60,000	—
Total revenues	10,622,050	4,977,172	3,202,731	2,840,457	1,182,063
Expenses of operations:					
Lease operating expense and severance tax	3,366,740	1,841,119	1,017,440	953,624	413,723
Joint venture expense	183,510	149,200	167,023	61,500	41,944
Depreciation and depletion	5,816,691	1,099,826	887,911	363,196	211,759
Impairment of oil and gas properties	5,621,106	348,019	—	—	—
General and administrative expense	3,152,930	1,568,228	1,231,079	835,829	333,412
Gain on sale of oil and gas properties	(7,615,236)	—	—	—	—
Total operating expenses	10,525,741	5,006,392	3,303,453	2,214,149	1,000,838
Income (loss) from operations	96,309	(29,220)	(100,722)	626,308	181,225
Other (income) expense:					
Interest income	(295,375)	(649,742)	(496,490)	(34,191)	(6,058)
Interest expense	—	—	57,278	111,920	—
Interest expense—related party	—	—	20,440	72,000	72,000
Interest expense—derivative	—	—	37,773	319,714	—
Loss on change in fair value of derivative	—	—	170,949	402,628	—
Financing costs	—	—	110,787	16,816	—
Total other (income) expense	(295,375)	(649,742)	(99,263)	888,887	65,942
Net income (loss) before income taxes	391,684	620,572	(1,459)	(262,579)	115,283
Income tax expense (benefit)	(73,261)	127,116	510,637	239,201	—
Net income (loss)	$ 464,945	$ 493,456	$ (512,096)	$ (501,780)	$ 115,283
Basic net income (loss) per share	$ 0.02	$ 0.02	$ (0.02)	$ (0.03)	$ 0.01
Diluted net income (loss) per share	$ 0.02	$ 0.02	$ (0.02)	$ (0.03)	$ 0.01
Cash dividends paid per share	$ 0.04	$ —	$ —	$ —	$ —
Cash Flow Data:					
Cash flow from operating activities	$ 1,452,054	$ 1,801,481	$ 1,239,446	$ 694,581	$ 297,995
Cash flow from investing activities	8,787,853	(1,792,671)	(17,507,371)	(1,589,594)	(590,247)
Cash flow from financing activities	(747,031)	—	14,952,833	1,897,500	350,443
Balance Sheet Data (at end of period):					
Working capital (deficit)	$10,536,834	$10,358,502	$ 14,202,160	$(1,041,453)	$ 771,392
Property, plant and equipment, net	5,263,131	10,017,045	5,248,272	2,631,245	1,403,551
Total assets	22,637,054	20,714,797	19,985,883	5,052,483	2,458,419
Long-term debt, less current portion	—	—	—	975,416	1,000,000
Total stockholders' equity	21,048,248	20,243,447	19,414,783	728,227	1,178,110

Table of Contents

Index to Financial Statements

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Houston American Energy was incorporated in April 2001 for the purposes of seeking oil and gas exploration and development prospects. Since inception, we have sought out prospects utilizing the expertise and business contacts of John F. Terwilliger, our founder and principal executive officer. Through the third quarter of 2002, the acquisition targets were in the Gulf Coast region of Texas and Louisiana, where Mr. Terwilliger has been involved in oil and gas exploration for over 30 years. In the fourth quarter 2002, we initiated international efforts through a Colombian joint venture more fully described below. Domestically and internationally, the strategy is to be a non-operating partner with exploration and production companies that have much larger resources and operations.

Overview of Operations

Our operations are exclusively devoted to natural gas and oil exploration and production.

Our focus, to date and for the foreseeable future, is the identification of oil and gas drilling prospects and participation in the drilling and production of prospects. We typically identify prospects and assemble various drilling partners to participate in, and fund, drilling activities. We may retain an interest in a prospect for our services in identifying and assembling prospects without any contribution on our part to drilling and completion costs or we may contribute to drilling and completion costs based on our proportionate interest in a prospect.

We derive our revenues from our interests in oil and gas production sold from prospects in which we own an interest, whether through royalty interests, working interest or other arrangements. Our revenues vary directly based on a combination of production volumes from wells in which we own an interest, market prices of oil and natural gas sold and our percentage interest in each prospect.

Our well operating expenses vary depending upon the nature of our interest in each prospect. We may bear no interest or a proportionate interest in the costs of drilling, completing and operating prospects on which we own an interest. Other than well drilling, completion and operating expenses, our principal operating expenses relate to our efforts to identify and secure prospects, comply with our various reporting obligations as a publicly held company and general overhead expenses.

Business Developments During 2008 and 2009

Drilling Activity

During 2008, we drilled 15 international wells in Colombia, as follows:

- 13 wells were drilled on concessions in which we hold a 12.5% working interest; of which, at December 31, 2008, 10 were in production and 3 were dry holes.
- One well was drilled on concessions in which we hold a 6.25% working interest and was deemed a dry hole.
- One well was drilled on a concession in which we hold a 1.6% working interest, was sold as part of the Caracara transaction and was in production at the time of that sale.

During 2008, one domestic well, (the N. Bayou Henry Prospect) was drilled and was deemed a dry hole.

The Caddo Lake prospect was drilled during the fourth quarter of 2007. During the fourth quarter of 2008, pipeline construction and connection to the well was completed and several completion attempts in the Cotton Valley formation were not successful. Currently a Bossier Shale test is planned subject to a unit and permit being granted.

Table of Contents

Index to Financial Statements

At December 31, 2008, two wells were being drilled in Colombia and one well was being drilled in the U.S.

Sale of Caracara Assets

In June 2008, we, through Hupecol Caracara LLC as owner/operator under the Caracara Association Contract, sold all of our interest in the Caracara Association Contract and related assets. Pursuant to our investment in Hupecol Caracara LLC, we held a 1.594674% working interest in the Caracara assets, covering approximately 232,500 acres, representing our principal, and initial, Colombian prospect. At December 31, 2007, the estimated proved reserves associated with these assets totaled 787,742 barrels of oil, which represented 60.37% of our estimated proved oil and natural gas reserves.

As a result of the sale of the Caracara assets, we received net proceeds, after deduction of fees and expenses of the transaction, of $11,546,510, realized a gain on the sale of $7,615,236 and eliminated from oil and gas properties costs subject to amortization associated with the Caracara assets totaling $3,977,907.

Pursuant to the terms of the sale of the Caracara assets, on the closing date of the sale, a portion of the purchase price was deposited in escrow to settle post-closing adjustments under the purchase and sale agreement. The funds deposited in escrow will be released to us, or to the purchaser, based on post-closing adjustments 12 months following closing. Our proportionate interest in the escrow deposit, totaling $1,673,551, has been recorded as Other Current Assets. The net proceeds and the gain realized from the sale of the Caracara assets may be adjusted based on post-closing adjustments.

Colombian taxes attributable to the sale of the Caracara assets, totaling $4,394,575, were recorded and paid at the time of closing.

Production from the Caracara prospect accounted for $3,005,140 and $3,703,739 of our revenues during 2008 and 2007, respectively.

Lease operating expense from the Caracara prospect accounted for $458,240 and $641,583 of our lease operating expense during 2008 and 2007, respectively.

Leasehold Activity

During 2008, we acquired, through our 1.594674% interest in Hupecol Caracara LLC, an interest in the La Cuerva Contract covering approximately 48,000 acres in Colombia.

During 2008, we acquired interests in two additional prospects in South Louisiana for which we advanced leasehold costs and delay rentals of approximately $231,403. We sold our interest in one of the prospects—the North Henry Bayou prospect—during 2008, retaining a 4.5% carried interest in the prospect, for which we received $60,301 and sold our interest in the second prospect—the Home Run prospect—during 2008 for which we received $213,395.

Seismic Activity

During 2008, our operator in Colombia acquired approximately 65 miles of additional seismic and geological data. The additional data relates primarily to prospects in which we hold a 12.5% working interest. Our share of the costs of such data acquisition was $309,061. The operator also acquired additional seismic data on the La Cuerva prospect. Our share of this cost was $41,030.

Table of Contents

Index to Financial Statements

During 2008 we shot an additional 32.824 square miles combined of seismic on the Las Garzas and Leona contracts.

Executive Compensation—Restricted Stock, Stock Options and Bonus Payments

During 2008, we recognized compensation expense, in addition to salaries, to our two executive officers consisting of (1) $400,320 attributable to grants of 55,600 shares of restricted stock, (2) payment of cash bonuses totaling $750,000, which bonuses were contingent on the completion of the sale of the Caracara assets and were paid in June 2008, and (3) $670,045 attributable to grants of stock options.

Dividends

During the third and fourth quarters of 2008, we declared and paid cash dividends to our shareholders of $0.02 per share, or an aggregate of $1,122,031.

Macroeconomic Impact on Oil and Natural Gas Prices

Late in the third quarter of 2008 and accelerating during the fourth quarter of 2008, the United States and global economies suffered a severe disruption in credit and financial markets that have been accompanied by economic contraction and a sharp drop in the price of oil and natural gas due to a projected decline in demand for oil and natural gas. We have not historically entered into hedging transactions to reduce our exposure to commodity price risks. As a result of such macroeconomic conditions and our unhedged position, the prices at which we sell oil and natural gas declined markedly during the fourth quarter of 2008 and are expected to remain at substantially lower levels for the foreseeable future. Our total revenues and profitability declined during the fourth quarter of 2008 as a result of the decline in oil and natural gas prices and a reduction in our production and are expected to continue to be adversely affected for the foreseeable future.

Determination to Temporarily Shut-in Colombian Production

As a result of the continued depressed commodity price environment in the first quarter of 2009, Hupecol, the operator of our Colombian properties, made the determination to temporarily shut-in production from the majority of our wells in Colombia. During the first quarter of 2009, most of our Colombian wells remained profitable to operate; however, the Hupecol managing partners chose not to continue to produce what they considered valuable oil reserves at these low levels of profitability.

On March 14th, the Company was notified by Hupecol that the majority of its productive wells will be immediately restored to production.

Critical Accounting Policies

The following describes the critical accounting policies used in reporting our financial condition and results of operations. In some cases, accounting standards allow more than one alternative accounting method for reporting. Such is the case with accounting for oil and gas activities described below. In those cases, our reported results of operations would be different should we employ an alternative accounting method.

Full Cost Method of Accounting for Oil and Gas Activities. We follow the full cost method of accounting for oil and gas property acquisition, exploration and development activities. Under this method, all productive and nonproductive costs incurred in connection with the exploration for and

Table of Contents

Index to Financial Statements

development of oil and gas reserves are capitalized. Capitalized costs include lease acquisition, geological and geophysical work, delay rentals, costs of drilling, completing and equipping successful and unsuccessful oil and gas wells and related internal costs that can be directly identified with acquisition, exploration and development activities, but does not include any cost related to production, general corporate overhead or similar activities. Gain or loss on the sale or other disposition of oil and gas properties is not recognized unless significant amounts of oil and gas reserves are involved. No corporate overhead has been capitalized as of December 31, 2008. The capitalized costs of oil and gas properties, plus estimated future development costs relating to proved reserves are amortized on a units-of-production method over the estimated productive life of the reserves. Unevaluated oil and gas properties are excluded from this calculation. The capitalized oil and gas property costs, less accumulated amortization, are limited to an amount (the ceiling limitation) equal to the sum of: (a) the present value of estimated future net revenues from the projected production of proved oil and gas reserves, calculated at prices in effect as of the balance sheet date and a discount factor of 10%; (b) the cost of unproved and unevaluated properties excluded from the costs being amortized; (c) the lower of cost or estimated fair value of unproved properties included in the costs being amortized; and (d) related income tax effects. Excess costs are charged to proved properties impairment expense.

Unevaluated Oil and Gas Properties. Unevaluated oil and gas properties consist principally of our cost of acquiring and evaluating undeveloped leases, net of an allowance for impairment and transfers to depletable oil and gas properties. When leases are developed, expire or are abandoned, the related costs are transferred from unevaluated oil and gas properties to depletable oil and gas properties. Additionally, we review the carrying costs of unevaluated oil and gas properties for the purpose of determining probable future lease expirations and abandonments, and prospective discounted future economic benefit attributable to the leases. We record an allowance for impairment based on a review of present value of future cash flows. Any resulting charge is made to operations and reflected as a reduction of the carrying value of the recorded asset. Unevaluated oil and gas properties not subject to amortization include the following at December 31, 2007 and 2008:

	At December 31, 2007	At December 31, 2008
Acquisition costs	$ 192,843	$ 221,253
Evaluation costs	719,102	1,815,122
Retention costs	86,861	28,191
Total	$ 998,806	$2,064,566

The carrying value of unevaluated oil and gas prospects include $480,532 and $88,681 expended for properties in South America at December 31, 2007 and December 31, 2008, respectively. We are maintaining our interest in these properties and development has or is anticipated to commence within the next twelve months.

Subordinated Convertible Notes and Warrants—Derivative Financial Instruments. The Subordinated Convertible Notes and Warrants issued during 2005 have been accounted for in accordance with SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

We identified the following instruments and derivatives requiring evaluation and accounting under the relevant guidance applicable to financial derivatives:

- Subordinated Convertible Notes
- Conversion feature
- Conversion price reset feature

Table of Contents

Index to Financial Statements

- Company's optional redemption right
- Warrants
- Warrants exercise price reset feature

We identified the conversion feature; the conversion price reset feature and our optional early redemption right within the Convertible Notes to represent embedded derivatives. These embedded derivatives were bifurcated from their respective host debt contracts and accounted for as derivative liabilities in accordance with EITF 00-19. The conversion feature, the conversion price reset feature and our optional early redemption right within the Convertible Notes were bundled together as a single hybrid compound instrument in accordance with SFAS No. 133 Derivatives Implementation Group Implementation Issue No. B-15, "Embedded Derivatives: Separate Accounting for Multiple Derivative Features Embedded in a Single Hybrid Instrument."

We identified the common stock warrant to be a detachable derivative. The warrant exercise price reset provision was identified as an embedded derivative within the common stock warrant. The common stock warrant and the embedded warrant exercise price reset provision were accounted for as a separate single hybrid compound instrument.

The single compound embedded derivatives within Subordinated Convertible Notes and the derivative liability for Warrants were recorded at fair value at the date of issuance (May 4, 2005); and were marked-to-market each quarter with changes in fair value recorded to our income statement as "Net change in fair value of derivative liabilities." We utilized a third party valuation firm to fair value the single compound embedded derivatives under the following methods: a layered discounted probability-weighted cash flow approach for the single compound embedded derivatives within Subordinated Convertible Notes; and the Black-Scholes model for the derivative liability for Warrants based on a probability weighted exercise price.

The fair value of the derivative liabilities was subject to the changes in the trading value of our common stock. As a result, our financial statements were subject to fluctuations from quarter-to-quarter based on factors, such as the price of our stock at the balance sheet date, the amount of shares converted by note holders and/or exercised by warrant holders. Consequently, our financial position and results of operations varied from quarter-to-quarter based on conditions other than our operating revenues and expenses.

In May 2006, each of the Subordinated Convertible Notes and Warrants accounted for as derivative financial instruments was converted or exercised. Accordingly, for subsequent periods, we have no derivative financial instruments requiring account under SFAS 133.

Stock-Based Compensation. We account for stock-based compensation in accordance with the provisions of SFAS 123(R). We use the Black-Scholes option-pricing model, which requires the input of highly subjective assumptions. These assumptions include estimating the volatility of our common stock price over the vesting term, dividend yield, an appropriate risk-free interest rate and the number of options that will ultimately not complete their vesting requirements ("forfeitures"). Changes in the subjective assumptions can materially affect the estimated fair value of stock-based compensation and consequently, the related amount recognized on the Statements of Operations.

Results of Operations

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Oil and Gas Revenues. Total oil and gas revenues increased $5,644,878, or 113.4%, to $10,622,050 in fiscal 2008 compared to $4,977,172 in fiscal 2007.

Table of Contents

Index to Financial Statements

The increase in oil and gas revenue is principally due to increased production resulting from the development of the Colombian fields, particularly fields in which we hold a higher working interest (12.5%), and higher oil prices during the first three quarters of 2008, partially offset by the sale of 34 producing wells as part of the Caracara transaction during the second quarter of 2008. During 2008, we had interests in 45 producing wells in Colombia, including the 34 Caracara wells, and 6 producing wells in the U.S as compared to 39 producing wells in Colombia and 7 producing wells in the U.S. during 2007.

Oil and gas revenues from the Caracara prospect totaled $3,005,140 and $3,703,739 during 2008 and 2007, respectively.

The following table sets forth a comparison of hydrocarbon prices for 2008 and 2007:

	2008	2007
Hydrocarbon prices:		
Oil—Average price per barrel	$83.67	$65.61
Gas—Average price per mcf	$10.22	$ 6.90

As a result of the sharp worldwide economic decline during the second half of 2008, our average prices realized from the sale of oil and gas declined markedly in the fourth quarter of 2008 to $59.26 per barrel of oil and $6.20 per mcf of gas. That decline in prices continued into 2009 and, as a result of such decline and the determination to temporarily shut-in production from our wells in Colombia during March of 2009, 2009 revenues are expected to decline.

The following table sets forth a comparison of oil and gas sales by region during 2008 and 2007.

Sales:		2008	2007
Oil	Colombia	$10,211,579	$4,531,640
	US	157,492	140,313
	Total—Oil	$10,369,071	$4,671,953
Gas	Colombia	$ 0	$ 0
	US	252,979	305,219
	Total—Gas	$ 252,979	$ 305,219

Natural Gas production was down in 2008 due to production declines related to our domestic wells.

Lease Operating Expenses. Lease operating expenses, excluding joint venture expenses relating to our Colombia operations discussed below, increased 82.9% to $3,366,740 in 2008 from $1,841,119 in 2007.

The increase in lease operating expenses was attributable to the increase in the number of wells operated during 2008 and increased activities on prospects in which we hold a higher working interest (12.5%) during 2008 as compared to 2007, partially offset by the elimination of lease operating expenses on the Caracara assets following the sale of the assets in June 2008.

Following is a summary comparison of lease operating expenses, by region, for 2008 and 2007:

	2008	2007
Lease Operating Expenses:		
Colombia	$3,232,213	$1,710,689
U.S.	134,527	130,430
Total	$3,366,740	$1,841,119

Table of Contents

Index to Financial Statements

Joint Venture Expenses. Joint venture expenses totaled $183,510 in 2008 compared to $149,200 in 2007. The joint venture expenses represent our allocable share of the indirect field operating and region administrative expenses billed by the operator of the Colombian concessions. The increase in joint venture expenses was attributable to an increase in drilling activity in concessions in which we own a higher working interest.

Depreciation and Depletion Expense. Depreciation and depletion expense increased by 428.9% to $5,816,691 in 2008 from $1,099,826 in 2007. This significant increase was due to a 37.6% increase in the depletable cost pool attributable to the drilling results on prospects in which we hold a higher interest, as well as a significant decrease in our proved reserve estimates at year end; partially offset by the sale of our interest in the Caracara prospect.

Impairment Expense. During 2008, we recorded a provision for impairments of $5,621,106, most of which was attributable to our South American properties. Impairments related to reduced commodity prices at year end and lower reserve estimates for our Colombian wells, as well as reduced reserve estimates for our U.S. properties as a result of lower commodity prices and lower then expected production volumes, as well as the lack of commercial production on our Caddo Lake prospect.

During 2007, we recorded a provision for impairments of $348,019, all of which was attributable to our North American properties. Impairments related to the termination, during 2007, of operations of seven wells in the U.S. and the fact that, as of December 31, 2007, well testing had not yet been conducted on, and no reserves had been attributed to, the well drilled during 2007 on our Caddo Lake Prospect.

General and Administrative Expenses. General and administrative expense increased by 101% to $3,152,930 in 2008 from $1,568,228 in 2007. The increase in general and administrative expense was primarily attributable to increases in compensation expense relating to one time restricted stock grants ($400,320), cash bonuses payable on closing of the Caracara sale ($750,000) and stock options grants ($686,567).

Gain on sale of oil & gas properties. The sale of our Caracara assets resulted in a gain of $7,615,236 during 2008. The gain realized may be subject to adjustment based on post-closing adjustments.

Other Income. Other income consists of interest income earned on cash balances and marketable securities.

Interest income decreased 54.5% to $295,375 during 2008 from $649,792 during 2007. The decrease in interest income was attributable to reduced interest rates on short term cash investments and slightly reduced cash and cash equivalent amounts held through the year.

Income Tax Expense. Income tax expense decreased to a benefit of ($73,261) in 2008 from income tax expense of $127,116 in 2007. The decrease in income tax expense was attributable to the overall decrease to net income, due to the book impairment write-down on oil and gas properties, as well as the tax gain on the sale of the Caracara property. A deferred income tax benefit in the amount of $5,273,567 was attributable to the US and income tax expense in the amount of $5,200,306 was attributable to Colombia. Income tax expense during 2007 was entirely attributable to operations in Colombia. No U.S. income tax liability was recorded in 2007. At December 31, 2008, we had foreign tax credit carryovers of $2,019,488.

Table of Contents

Index to Financial Statements

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Oil and Gas Revenues. Total oil and gas revenues increased $1,774,441, or 55.4%, to $4,977,172 in fiscal 2007 compared to $3,202,731 in fiscal 2006. The increase in revenue is due to (a) increased production resulting from the development of the Colombian fields and (b) increases in oil and natural gas prices, partially offset by declines in U.S. production. We had interests in 39 producing wells in Colombia and 7 producing wells in North America during 2007 as compared to 22 producing wells in Colombia and 11 producing wells in North America during 2006. Average prices from sales were $65.61 per barrel of oil and $6.90 per mcf of gas during 2007 as compared to $55.55 per barrel of oil and $6.75 per mcf of gas during 2006. Following is a summary comparison, by region, of oil and gas sales for the periods.

	Colombia	North America	Total
Year ended 2007			
Oil sales	$4,531,640	$ 140,313	$4,671,953
Gas sales	0	305,219	305,219
Year ended 2006			
Oil sales	$2,565,105	$ 95,363	$2,660,468
Gas sales	0	542,263	542,263

Lease Operating Expenses. Lease operating expenses, excluding joint venture expenses relating to our Colombia operations discussed below, increased 81% to $1,841,119 in 2007 from $1,017,440 in 2006. The increase in lease operating expenses was attributable to the increase in the number of wells operated during 2007 (46 wells as compared to 33 wells) partially offset by improved operating efficiencies. Additionally operations have increased in workovers as well as in the Dorotea and Cabiona areas where we have a higher working interest (12.5%), which increased the amount of operating expense we incurred during the period.

Following is a summary comparison of lease operating expenses for the years ended December 31, 2007 and 2006.

	Colombia	North America	Total
Year ended 2007	$1,710,689	$ 130,430	$1,841,119
Year ended 2006	819,273	198,167	1,017,440

Joint Venture Expenses. Joint venture expenses totaled $149,200 in 2007 compared to $167,023 in 2006. The joint venture expenses represent our allocable share of the indirect field operating and region administrative expenses billed by the operator of the Colombian concessions. The decrease in joint venture expenses was attributable to the operator reducing the personnel working on undrilled contract areas.

Depreciation and Depletion Expense. Depreciation and depletion expense increased by 23.9% to $1,099,826 in fiscal 2007 when compared to $887,911 in 2006. The increase in depreciation and depletion expense was primarily attributable to increases in Colombian production and an 82% increase in the depletable cost pool.

Impairment Expense. During 2007, we recorded a provision for impairments of $348,019, all of which was attributable to our North American properties. Impairments related to the termination, during 2007, of operations of seven wells in the U.S. and the fact that, as of December 31, 2007, well testing had not yet been conducted on, and no reserves had been attributed to, the well drilled during 2007 on our Caddo Lake Prospect.

Table of Contents

Index to Financial Statements

General and Administrative Expenses. General and administrative expense (excluding stock based compensation) increased by 31.0% to $1,233,020 during 2007 from $941,324 in 2006. The increase in general and administrative expense was primarily attributable to an increase in salary to our president in mid-2006, payment of a full year's salary to our chief financial officer hired during 2006, increases in base salary of our president and chief financial officer during the third quarter of 2007 and payment of bonuses to our president and chief financial officer during 2007.

Stock based compensation expense included in general and administrative expenses increased by 15.7% to $335,208 in 2007 as compared to $289,755 in 2006. The increase in stock-based compensation expense was attributable to the 2006 grant of stock options in connection with the hiring of our chief financial officer and the grants of options to our directors during 2007.

Other Income, Net. Other income, net, consists of interest income, net of financing costs in the nature of interest and deemed interest associated with outstanding shareholder loans and convertible notes and warrants issued in May 2005 and outstanding during part of 2006. Certain features of the convertible notes and warrants resulted in the recording of a deemed derivative liability on the balance sheet and periodic interest associated with the deemed derivative liabilities and changes in the fair market value of those deemed liabilities.

Other income, net, totaled $649,792 in 2007 compared to $99,263 in 2006. The improvement in other income, net, was attributable to interest earned on funds received from the 2006 private placement and the absence of interest expense, financing fees and derivative related expense during 2007 attributable to the retirement or conversion during 2006 of all outstanding shareholder loans and convertible notes.

Income Tax Expense (Benefit). Income tax expense decreased to $127,116 in 2007 from $510,637 in 2006. The decrease in income tax expense during 2007 was attributable to a gain of $662,668 associated with the reallocation by Hupecol of certain Colombian tax credits among the members of the various Hupecol entities, partially offset by an increase in revenue and an effective tax rate increase in Colombia. Income tax expense during 2007 and 2006 was entirely attributable to operations in Colombia. We recorded no U.S. income tax liability in 2007 or 2006. At December 31, 2007, we had net operating loss carry forward of approximately $832,821 and foreign tax credits of approximately $875,873.

Financial Condition

Liquidity and Capital Resources. At December 31, 2008, we had a cash balance of $9,910,694 and working capital of $10,536,834 compared to a cash balance of $417,818 and working capital of $10,358,502 at December 31, 2007. The increase in working capital during the period was attributable to the sale proceeds from the Caracara sale offset by increased drilling activity in Colombia and lower product prices.

Cash Flows. Operations provided cash during 2008 totaling $1,452,054 as compared to $1,801,481 of cash provided by operations during 2007. The decrease in cash flows from operations was primarily a result of cash taxes paid in Colombia.

Investing activities provided $8,787,853 during 2008 compared to $1,792,672 used during 2007. The funds provided by investing activities reflect the receipt of proceeds from the sale of the Caracara assets ($9,878,797) and the Home Run and North Henry Bayou prospects ($273,696), as well as the net sale of marketable securities of ($9,650,000) during 2008 and ($4,350,000) during 2007. Funds used in investing activities consisted primarily of investments in oil and gas properties and assets of ($10,841,353) during 2008 and ($6,142,672) during 2007.

Table of Contents

Index to Financial Statements

Financing activities used $747,031 during 2008, consisting of cash dividends paid in the amount of $1,122,031, partially offset by the receipt of $375,000 from the exercise of outstanding warrants. We had no financing activities during 2007.

Long-Term Liabilities. At December 31, 2008, we had long-term liabilities of $205,524 as compared to $135,267 at December 31, 2007. Long-term liabilities at December 31, 2008 and December 31, 2007 consisted of a reserve for plugging costs and deferred rent liability. The increase in 2008 of long-term liabilities was a result of increased plugging cost from drilling in Colombia.

Capital and Exploration Expenditures and Commitments. Our principal capital and exploration expenditures relate to our ongoing efforts to acquire, drill and complete prospects. We expect that future capital and exploration expenditures will be funded principally through funds generated from operations and funds on hand, including funds generated from the sale of our interest in the Caracara prospect.

During 2008, we invested approximately $10,841,353 for the acquisition and development of oil and gas properties, consisting of (1) drilling of 15 wells in Colombia ($9,212,662), (2) seismic and geological costs in Colombia ($700,427), (3) delay rentals on U.S. properties ($40,977), (4) leasehold costs on U.S. properties ($188,550) and (5) capital expenditures on U.S. wells ($698,737).

At December 31, 2008, our only material contractual obligation requiring determinable future payments on our part was our lease relating to our executive offices.

The following table details our contractual obligations as of December 31, 2008:

	Payments due by period				
	Total	2009	2010	2011	2012
Operating leases	289,474	81,945	84,315	86,684	36,530
Total	289,474	81,945	84,315	86,684	36,530

In addition to the contractual obligations requiring that we make fixed payments, in conjunction with our efforts to secure oil and gas prospects, financing and services, we have, from time to time, granted overriding royalty interests (ORRI) in various properties, and may grant ORRIs in the future, pursuant to which we will be obligated to pay a portion of our interest in revenues from various prospects to third parties.

2009 Planned Drilling, Leasehold and Other Activities. As of December 31, 2008, we planned to drill a total of 11 wells during 2009, of which three wells are planned to be drilled on our domestic exploration projects and eight wells are planned to be drilled on our Colombian exploration projects. The following table reflects planned drilling activities during 2009:

Location	Prospect Name	# of Planned Wells
Llanos Basin, Colombia	La Cuerva Contract	2
Llanos Basin, Colombia	Dorotea Concession	2
Llanos Basin, Colombia	Las Garzas Concession	1
Llanos Basin, Colombia	Leona Concession	1
Llanos Basin, Colombia	Camarita Concession	1
Llanos Basin, Colombia	Surimena Concession	1
Louisiana—Vermilion Parish	North Jade	1
Louisiana—Iberville Parish	W. Klondike	1
Louisiana—Iberville Parish	Home Run	1

Table of Contents

Index to Financial Statements

Additional wells are expected to be drilled at locations to be determined based on the results of the planned drilling projects. Our planned drilling activity is subject to change from time to time without notice. In particular, the recent sharp decline in oil and gas prices may result in delays in, or abandonment of, planned drilling operations.

We also plan to selectively evaluate and acquire interests in additional drilling prospects.

At December 31, 2008, our acquisition and drilling budget for 2009 totaled approximately $2,950,000, consisting of (1) $1,850,000 for drilling of eight wells in Colombia, (2) $1,000,000 for drilling of three domestic wells, and (3) $100,000 for infrastructure construction related cost in Colombia. Our acquisition and drilling budget has historically been subject to substantial fluctuation over the course of a year based upon successes and failures in drilling and completion of prospects and the identification of additional prospects during the course of a year.

Management anticipates that our current financial resources will meet our anticipated objectives and business operations, including our planned property acquisitions and drilling activities, for at least the next 12 months without the need for additional capital. Management continues to evaluate producing property acquisitions as well as a number of drilling prospects. It is possible, although not anticipated, that the Company may require and seek additional financing if additional drilling prospects are pursued beyond those presently under consideration.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements or guarantees of third party obligations at December 31, 2008.

Inflation

We believe that inflation has not had a significant impact on our operations since inception.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

The price we receive for our oil and gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Crude oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and gas have been volatile, and these markets will likely continue to be volatile in the future. The prices we receive for production depends on numerous factors beyond our control.

We have not historically entered into any hedges or other derivative commodity instruments or transactions designed to manage, or limit exposure to oil and gas price volatility.

Item 8. Financial Statements and Supplementary Data

Our financial statements appear immediately after the signature page of this report. See "Index to Financial Statements" on page 35 of this report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Previously disclosed. See Form 8-K, filed April 19, 2007.

Table of Contents

Index to Financial Statements

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of December 31, 2008 of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2008.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as that term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with generally accepted accounting principles ("GAAP"). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In order to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2008, as required by Section 404 of the Sarbanes-Oxley Act of 2002, our management conducted an assessment, including testing, based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected. Based on our assessment, management has concluded that our internal control over financial reporting at December 31, 2008 were effective.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by GBH CPAs, PC, an independent registered public accounting firm, as stated in their report which is included herein.

Table of Contents

Index to Financial Statements

Changes in Internal Control over Financial Reporting

At September 30, 2008, we identified deficiencies in segregation of duties as a weakness in internal controls. During the fourth quarter of 2008 we increased the involvement of members of management and other personnel in the financial processes in order to provide for the segregation of duties. As a result of such changes, we determined that the previously identified weakness no longer existed at December 31, 2008.

Except as noted above, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable

Table of Contents

Index to Financial Statements

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be included in a definitive proxy statement, pursuant to Regulation 14A, to be filed not later than 120 days after the close of our fiscal year. Such information is incorporated herein by reference.

Executive Officers

Our executive officers as of December 31, 2008, and their ages and positions as of that date, are as follows:

Name	Age	Position
John F. Terwilliger	61	President, Chief Executive Officer and Chairman
James J. Jacobs	31	Chief Financial Officer

John F. Terwilliger has served as our President, CEO and Chairman since our inception in April 2001.

James J. Jacobs has served as our Chief Financial Officer since July 2006. From April 2003 until joining the Company, Mr. Jacobs served as an Associate and as Vice President—Energy Investment Banking at Sanders Morris Harris, Inc., an investment banking firm, where he specialized in energy sector financing and transactions. Previously, Mr. Jacobs was an Energy Finance Analyst at Duke Capital Partners, LLC from June 2001 to April 2003 and a Tax Consultant at Deloitte & Touché, LLP. Mr. Jacobs holds a Masters of Professional Accounting from the University of Texas and is a Certified Public Accountant.

There are no family relationships among the executive officers and directors. Except as otherwise provided in employment agreements, each of the executive officers serves at the discretion of the Board.

Item 11. Executive Compensation

The information required by this Item will be included in a definitive proxy statement, pursuant to Regulation 14A, to be filed not later than 120 days after the close of our fiscal year. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in a definitive proxy statement, pursuant to Regulation 14A, to be filed not later than 120 days after the close of our fiscal year. Such information is incorporated herein by reference.

Equity compensation plan information is set forth in Part II, Item 5 of this Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in a definitive proxy statement, pursuant to Regulation 14A, to be filed not later than 120 days after the close of our fiscal year. Such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be included in a definitive proxy statement, pursuant to Regulation 14A, to be filed not later than 120 days after the close of our fiscal year. Such information is incorporated herein by reference.

Table of Contents

Index to Financial Statements

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial statements. See "Index to Financial Statements" on page 30 of this report.
2. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
3.1	Certificate of Incorporation of Houston American Energy Corp. filed April 2, 2001	SB-2	8/3/01	3.1	
3.2	Amended and Restated Bylaws of Houston American Energy Corp. adopted November 26, 2007	8-K	11/29/07	3.1	
3.3	Certificate of Amendment to the Certificate of Incorporation of Houston American Energy Corp. filed September 25, 2001	SB-2	10/01/01	3.4	
4.1	Text of Common Stock Certificate of Houston American Energy Corp.	SB-2	8/3/01	4.1	
10.1	Form of Registration Rights Agreement, dated May 4, 2005	8-K	5/10/05	4.3	
10.2	Houston American Energy Corp. 2005 Stock Option Plan*	8-K	8/16/05	10.1	
10.3	Form of Director Stock Option Agreement*	8-K	8/16/05	10.2	
10.4	Form of Placement Agent Warrant, dated April 28, 2006	8-K	4/28/06	4.1	
10.5	Form of Registration Rights Agreement, dated April 28, 2006	8-K	4/28/06	4.2	
10.6	Form of Subscription Agreement, dated April 2006 relating to the sale of shares of common stock	8-K	4/28/06	10.1	
10.7	Form of Lock-Up Agreement, dated April 2006	8-K	4/28/06	10.2	
10.8	Houston American Energy Corp. 2008 Equity Incentive Plan*	Sch 14A	4/28/08	Ex A	
10.9	Form of Restricted Stock Agreement with John Terwilliger and James J. Jacobs*	Sch 14A	4/28/08	Ex B	
10.10	Letter Agreement, dated February 3, 2009, between Houston American Energy Corp., Yazoo Pipeline Co., L.P., Sterling Exploration & Production Co., L.L.C., and Matagorda Operating Company.	8-K	2/05/09	10.1	
14.1	Code of Ethics for CEO and Senior Financial Officers	10-KSB	3/26/04	14.1	
23.1	Consent of Thomas Leger & Co. L.L.P.				X

Table of Contents

Index to Financial Statements

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
23.2	Consent of Malone & Bailey, P.C.				X
23.3	Consent of GBH CPAs, P.C.				X
31.1	Section 302 Certification of CEO				X
31.2	Section 302 Certification of CFO				X
32.1	Section 906 Certification of CEO				X
32.2	Section 906 Certification of CFO				X
99.1	Code of Business Ethics	8-K	7/7/06	99.1	

* Compensatory plan or arrangement.

Table of Contents

Index to Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HOUSTON AMERICAN ENERGY CORP.

Dated: March 16, 2009

By: /s/ JOHN F. TERWILLIGER
John F. Terwilliger
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN F. TERWILLIGER John F. Terwilliger	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 16, 2009
/s/ O. LEE TAWES, III O. Lee Tawes, III	Director	March 16, 2009
/s/ EDWIN BROUN III Edwin Broun III	Director	March 16, 2009
/s/ STEPHEN HARTZELL Stephen Hartzell	Director	March 16, 2009
/s/ JOHN P. BOYLAN John P. Boylan	Director	March 16, 2009
/s/ JAMES J. JACOBS James J. Jacobs	Chief Financial Officer (Principal Accounting and Financial Officer)	March 16, 2009

Table of Contents

Index to Financial Statements

HOUSTON AMERICAN ENERGY CORP.

INDEX TO FINANCIAL STATEMENTS

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Houston American Energy Corp.
Houston, Texas

We have audited Houston American Energy Corp.'s (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based upon our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Houston American Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based upon the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Houston American Energy Corp. as of December 31, 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, and our report dated March 16, 2009 expressed an unqualified opinion thereon.

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas

March 16, 2009

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Houston American Energy Corp.
Houston, Texas

We have audited the accompanying consolidated balance sheet of Houston American Energy Corp. (the "Company") as of December 31, 2008 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston American Energy Corp. as of December 31, 2008, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Houston American Energy Corp.'s internal control over financial reporting as of December 31, 2008 based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 16, 2009 expressed an unqualified opinion thereon.

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas

March 16, 2009

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Houston American Energy Corp.
Houston, Texas

We have audited the accompanying balance sheet of Houston American Energy Corp. as of December 31, 2007 and the related statements of operations, shareholders' equity, and cash flows for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston American Energy Corp. as of December 31, 2007, and the results of its operations and its cash flows for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Malone & Bailey, PC

www.malone-bailey.com
Houston, Texas

March 27, 2008, except for Note 4, to which the date is March 16, 2009

Table of Contents

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Houston American Energy Corp.
Houston, Texas

We have audited the statements of operations, shareholders' equity, and cash flows of Houston American Energy Corp. for the year ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over-all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements of operations, shareholders' equity, and cash flows referred to above present fairly, in all material respects, the results of the operations of Houston American Energy Corp. for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

/s/ Ham, Langston & Brezina, L.L.P.
(Formerly Thomas Leger & Co., L.L.P.)

March 26, 2007
Houston, Texas

Table of Contents

Index to Financial Statements

HOUSTON AMERICAN ENERGY CORP.
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 9,910,694	$ 417,818
Marketable securities	—	9,650,000
Accounts receivable—Oil and gas sales	315,631	577,512
Escrow receivable	1,673,551	—
Prepaid expenses and other current assets	20,240	49,255
TOTAL CURRENT ASSETS	11,920,116	10,694,585
PROPERTY, PLANT AND EQUIPMENT		
Oil and gas properties, full cost method		
Costs subject to amortization	17,550,268	12,714,669
Costs not being amortized	2,064,566	998,806
Office equipment	11,878	11,878
Total	19,626,712	13,725,353
Accumulated depletion, depreciation, amortization, and impairment	(14,363,581)	(3,708,308)
PROPERTY, PLANT AND EQUIPMENT, NET	5,263,131	10,017,045
Deferred Tax Asset	5,277,354	—
Other assets	176,453	3,167
TOTAL ASSETS	$ 22,637,054	$20,714,797
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,363,827	$ 260,222
Accrued expenses	9,264	1,720
Foreign income taxes payable	10,191	74,141
TOTAL CURRENT LIABILITIES	1,383,282	336,083
LONG-TERM DEBT		
Reserve for plugging and abandonment costs	185,910	115,061
Deferred rent obligation	19,614	20,206
TOTAL LONG-TERM DEBT	205,524	135,267
SHAREHOLDERS' EQUITY		
Common stock, par value $.001; 100,000,000 shares authorized, 28,000,772 and 27,920,172 shares issued and outstanding	28,001	27,920
Additional paid-in capital	22,631,773	22,377,832
Treasury stock, at cost; 100,000 shares	—	(85,834)
Accumulated deficit	(1,611,526)	(2,076,471)
TOTAL SHAREHOLDERS' EQUITY	21,048,248	20,243,447
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 22,637,054	$20,714,797

The accompanying notes are an integral part of these financial statements

Table of Contents

Index to Financial Statements

HOUSTON AMERICAN ENERGY CORP.

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	2008	2007	2006
Oil and gas revenue	$10,622,050	$ 4,977,172	$ 3,202,731
EXPENSES OF OPERATIONS			
Lease operating expense and severance tax	3,366,740	1,841,119	1,017,440
Joint venture expense	183,510	149,200	167,023
Depreciation and depletion	5,816,691	1,099,826	887,911
Impairment of oil and gas properties	5,621,106	348,019	—
Gain on sale of oil and gas properties	(7,615,236)	—	—
General and administrative expense	3,152,930	1,568,228	1,231,079
Total expenses	10,525,741	5,006,392	3,303,453
Income (Loss) from operations	96,309	(29,220)	(100,722)
OTHER (INCOME) EXPENSE			
Interest income	(295,375)	(649,792)	(496,490)
Interest expense-derivative	—	—	37,773
Loss on change in fair value of derivative liabilities	—	—	170,949
Interest expense	—	—	57,278
Interest expense—related party	—	—	20,440
Financing costs	—	—	110,787
Total other income	(295,375)	(649,792)	(99,263)
Net Income (loss) before taxes	391,684	620,572	(1,459)
Income tax expense (benefit)	(73,261)	127,116	510,637
Net income (loss)	$ 464,945	$ 493,456	$ (512,096)
Basic net income (loss) per share	$ 0.02	$ 0.02	$ (0.02)
Diluted net income (loss) per share	$ 0.02	$ 0.02	$ (0.02)
Basic weighted average shares	27,992,808	27,920,172	25,087,847
Diluted weighted average shares	28,038,847	28,132,375	25,087,847

The accompanying notes are an integral part of these financial statements

Table of Contents

Index to Financial Statements

HOUSTON AMERICAN ENERGY CORP.

STATEMENT OF SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2008, 2007 and 2006

	Common Stock			Treasury Stock		Accumulated Equity	
	Shares	Amount	Paid-in Capital	Shares	Amount	(Deficit)	Total
Balance at December 31, 2005	19,970,589	$19,971	$ 2,851,921	(100,000)	$(85,834)	$(2,057,831)	$ 728,227
Stock issued for -							
Cash	5,533,333	5,533	15,356,050	—	—	—	15,361,583
Convertible notes	2,125,000	2,125	2,122,875	—	—	—	2,125,000
Warrant exercise	291,250	291	490,959	—	—	—	491,250
Options issued to director	—	—	70,200	—	—	—	70,200
Options issued to employee	—	—	219,555	—	—	—	219,555
Reclassification of derivative liabilities and discount on convertible note	—	—	931,064	—	—	—	931,064
Net Loss	—	—	—	—	—	(512,096)	(512,096)
Balance at December 31, 2006	27,920,172	27,920	22,042,624	(100,000)	(85,834)	(2,569,927)	19,414,783
Stock issued for -							
Options issued to director	—	—	143,100	—	—	—	143,100
Options issued to employee	—	—	192,108	—	—	—	192,108
Net Income	—	—	—	—	—	493,456	493,456
Balance at December 31, 2007	27,920,172	27,920	22,377,832	(100,000)	(85,834)	(2,076,471)	20,243,447
Retired treasury stock	(100,000)	(100)	(85,734)	100,000	85,834	—	—
Stock issued for -							
Employees	55,600	56	400,264	—	—	—	400,320
Warrant Exercise	125,000	125	374,875	—	—	—	375,000
Options issued to director	—	—	15,113	—	—	—	15,113
Options issued to employee	—	—	671,454	—	—	—	671,454
Dividends paid	—	—	(1,122,031)	—	—	—	(1,122,031)
Net Income	—	—	—	—	—	464,945	464,945
Balance at December 31, 2008	28,000,772	28,001	22,631,773	—	—	(1,611,526)	21,048,248

The accompanying notes are an integral part of these financial statements

Table of Contents

Index to Financial Statements

HOUSTON AMERICAN ENERGY CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	2008	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Net income (loss)	$ 464,945	$ 493,456	$ (512,096)
Adjustments to reconcile net income (loss) to net cash provided by operations			
Depreciation and depletion	5,816,691	1,099,826	887,911
Stock based compensation	1,086,887	335,208	289,755
Impairment of oil and gas properties	5,621,106	348,019	—
Amortization of debt discount and deferred financing costs	—	—	148,557
Change in fair value of derivatives	—	—	170,949
Deferred Tax Asset	(5,277,354)		
Accretion of asset retirement obligation	17,501	2,299	—
Amortization of deferred rent	(592)	20,206	—
Gain on sale of oil and gas properties	(7,615,236)	—	—
Decrease (increase) in accounts receivable	278,716	(281,401)	247,786
Decrease in prepaid expense	12,191	(19,931)	9,965
(Decrease) increase in accounts payable and accrued liability	1,047,199	(196,201)	(3,381)
Net cash provided by operations	1,452,054	1,801,481	1,239,446
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of marketable securities	(3,000,000)	(3,150,000)	(17,000,000)
Sales of marketable securities	12,650,000	7,500,000	3,000,000
Acquisition of oil and gas properties and assets	(10,841,353)	(6,142,671)	(3,507,371)
Proceeds from sale of Colombian properties, net of expenses	9,878,797	—	—
Proceeds from sale of USA properties, net of expenses	273,696	—	—
Increase in other assets	(173,287)	—	—
Net cash provided by (used in) investing activities	8,787,853	(1,792,671)	(17,507,371)
CASH FLOW FROM FINANCING ACTIVITIES			
Sale of common stock—net of costs	—	—	15,361,583
Exercise of warrants	375,000	—	491,250
Repayment of debt—related party	—	—	(900,000)
Dividends Paid	(1,122,031)	—	—
Net cash provided by (used in) financing activities	(747,031)	—	14,952,833
INCREASE (DECREASE) IN CASH	9,492,876	8,810	(1,315,092)
Cash, beginning of year	417,818	409,008	1,724,100
Cash, end of year	$ 9,910,694	$ 417,818	$ 409,008
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ —	$ —	$ 77,718
Taxes paid	$ 5,200,306	$ 849,586	$ 261,891
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Conversion of convertible notes to common stock	—	—	$ 2,445,345
Exercise of warrants	—	—	$ 610,719
Asset retirement obligation revision	99,981	39,221	—
Retired treasury stock	85,834	—	—
Cash proceeds from sale of oil and gas properties escrowed	1,673,551	—	—

The accompanying notes are an integral part of these financial statements

Table of Contents

Index to Financial Statements

NOTE 1—NATURE OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Houston American Energy Corp. (a Delaware Corporation) ("the Company" or "HUSA") was incorporated on April 2, 2001. The Company is engaged, as a non-operating joint owner, in the exploration, development, and production of natural gas, crude oil, and condensate from properties located principally in the Gulf Coast area of the United States and international locations with proven production, which to date has focused on Colombia, South America.

Consolidation

The accompanying consolidated financial statements include all accounts of HUSA and its subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

General Principles and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing financial statements, Management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, Management reviews its estimates, including those related to such potential matters as litigation, environmental liabilities, income taxes, determination of proved reserves of oil and gas and asset retirement obligations. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Reclassification

Certain amounts for prior periods have been reclassified to conform to the current presentation.

Oil and Gas Revenues

The Company recognizes sales revenues, net of royalties and net profits interests, based on the amount of gas, oil and condensate sold to purchasers when delivery to the purchaser has occurred and title has transferred. This occurs when production has been delivered to a pipeline. The Company follows the sales method to account for natural gas imbalances. Sales may result in more or less than the Company's share of pro-rata production from certain wells. When natural gas sales volumes exceed the Company's entitled share and the accumulated overproduced balance exceeds the Company's share of the remaining estimated proved natural gas reserves for a given property, the Company will record a liability. Historically, sales volumes have not materially differed from the Company's entitled share of natural gas production and the Company did not have a material imbalance position in terms of volumes or values at December 31, 2008 or 2007.

Oil and Gas Properties

The Company uses the full cost method of accounting for exploration and development activities as defined by the SEC. Under this method of accounting, the costs for unsuccessful, as well as successful, exploration and development activities are capitalized as oil and gas properties. Capitalized costs include lease acquisition, geological and geophysical work, delay rentals, costs of drilling, completing and equipping the wells and any internal costs that are directly related to acquisition, exploration and development activities but does not include any costs related to production, general corporate overhead or similar activities. Gain or loss on the sale or other disposition of oil and gas properties is not recognized, unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and natural gas attributable to a country.

Table of Contents

Index to Financial Statements

The Company categorizes its full costs pools as costs subject to amortization and costs not being amortized. The sum of net capitalized costs subject to amortization, including estimated future development and abandonment costs, are amortized using the unit-of-production method.

Depletion and amortization for oil and gas properties was $5,816,691, $1,099,826 and $887,911 at December 31, 2008, 2007 and 2006, respectively and accumulated amortization, depreciation and impairment was $14,363,581 at December 31, 2008.

Costs Excluded

Oil and gas properties include costs that are excluded from capitalized costs being amortized. These amounts represent costs of investments in unproved properties. The Company excludes these costs on a country-by-country basis until proved reserves are found or until it is determined that the costs are impaired. All costs excluded are reviewed quarterly to determine if impairment has occurred. The amount of any impairment is transferred to the costs subject to amortization.

Ceiling Test

Under the full cost method of accounting, a ceiling test is performed each quarter. The full cost ceiling test is an impairment test prescribed by SEC Regulation S-X. The ceiling test determines a limit, on a country-by-country basis, on the book value of oil and gas properties. The capitalized costs of proved oil and gas properties, net of accumulated depreciation, depletion, amortization and impairment *("DD&A")* and the related deferred income taxes, may not exceed the estimated future net cash flows from proved oil and gas reserves, using prices in effect at the end of the period with consideration of price change only to the extent provided by contractual arrangement, discounted at 10%, net of related tax effects. If capitalized costs exceed this limit, the excess is charged to expense and reflected as additional accumulated DD&A.

Unevaluated oil and gas properties not subject to amortization at December 31, 2008 include the following:

	North America	South America	Total
Leasehold acquisition costs	221,253	—	221,253
Geological, geophysical, screening and evaluation costs	1,379,692	435,431	1,815,123
Leasehold retention costs	28,191	—	28,191
Total	1,629,136	435,431	2,064,567

Furniture and Equipment

Office equipment is stated at original cost and is depreciated on the straight-line basis over the useful life of the assets, which ranges from three to five years.

Depreciation expense for office equipment was $0, $1,944 and $2,300 at December 31, 2008, 2007 and 2006, respectively and accumulated depreciation was $11,878 at December 31, 2008.

Asset Retirement Obligations

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset

Table of Contents

Index to Financial Statements

retirement costs. For the Company, asset retirement obligations ("ARO") represent the systematic, monthly accretion and depreciation of future abandonment costs of tangible assets such as platforms, wells, service assets, pipelines, and other facilities. SFAS 143 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the corresponding cost is capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, an adjustment is made to the full cost pool, with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves. Although the Company's domestic policy with respect to ARO is to assign depleted wells to a salvager for the assumption of abandonment obligations before the wells have reached their economic limits, as required under SFAS No. 143, the Company has estimated its future ARO obligation with respect to its domestic operations. With the adoption of SFAS 143, the ARO assets, which are carried on the balance sheet as part of the full cost pool, have been included in our amortization base for the purposes of calculating depreciation, depletion and amortization expense. For the purposes of calculating the ceiling test, the future cash outflows associated with settling the ARO liability have been included in the computation of the discounted present value of estimated future net revenues.

The following table describes changes in our asset retirement liability during each of the years ended December 31, 2008 and 2007. The ARO liability in the table below includes amounts classified as both current and long-term at December 31, 2008 and 2007.

	North America Years Ended December 31		South America Years Ended December 31	
	2008	2007	2008	2007
ARO liability at January 1	$ 24,038	$ —	$ 91,023	$38,816
Accretion expense	1,659	—	15,842	2,299
Liabilities incurred from drilling	—	7,360	152,326	32,006
Liabilities settled—assets sold	—	—	(46,633)	(4,641)
Changes in estimates	(16,218)	16,678	(36,127)	22,543
ARO liability at December 31,	$ 9,479	$24,038	$176,431	$91,023

Joint Venture Expense

Joint venture expense reflects the indirect field operating and regional administrative expenses billed by the operator of the Colombian concessions.

Income Taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets and liabilities are established for the difference between the financial reporting and income tax basis of assets and liabilities as well as operating loss and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. At December 31, 2008, the Company recognized a deferred tax asset of $5,277,354.

Table of Contents

Index to Financial Statements

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock with a par value of $.001. The Board of Directors shall determine the designations, rights, preferences, privileges and voting rights of the preferred stock as well as any restrictions and qualifications thereon. No shares of preferred stock have been issued.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and cash investments with initial maturity dates of less than three months.

Marketable Securities

Holdings of marketable securities qualify as available-for-sale or trading securities and are recorded at fair value. The Company's marketable securities consist of asset-backed securities and municipal bonds with original maturities beyond 90 days. As the Company views all securities as representing the investment of funds available for current operations, the short-term investments are classified as current assets. The Company's policy is to protect the value of its investment portfolio and minimize principal risk by earning returns based on current interest rates. All of the Company's marketable securities are classified as available-for-sale securities in accordance with the provisions of SFAS No. 115, "Accounting For Certain Investments in Debt and Equity Securities" and are carried at fair market value with unrealized gains and losses, net of taxes, reported as a separate component of stockholders' equity. Realized gains and losses and declines in value of securities judged to be other then temporary are included in interest income, net, based on the specific identification method.

At December 31, 2007, the Company's available for sale securities of $9,650,000 consisted of (1) $900,000 in AAA rated asset-backed auction rate notes maturing December 2032, and (2) $8,750,000 in AAA rated municipal bonds maturing December 2032. Each of these investments paid interest monthly and had regular roll-over or auction dates at which time the interest rates were reset or the securities were redeemed for cash. There were no unrealized gains or losses associated with these marketable securities at December 31, 2007.

During the year ending December 31, 2008, the Company sold all of its marketable securities.

Net Income (Loss) Per Share

Pursuant to SFAS No. 128, "Earnings Per Share," basic net income per share is computed by dividing the net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income attributable to common shareholders by the weighted-average number of common and common equivalent shares outstanding during the period. Common share equivalents included in the diluted computation represent shares issuable upon assumed exercise of stock options, warrants, and convertible notes using the treasury stock and "if converted" method. For periods in which net losses are incurred, weighted average shares outstanding is the same for basic and diluted loss per share calculations, as the inclusion of common share equivalents would have an anti-dilutive effect.

For the year ended December 31, 2008, 1,392,333 options and 190,000 warrants to purchase common stock resulted in weighted average diluted shares outstanding of 28,038,847 based upon the treasury method, which resulted in $0.02 diluted earnings per share. For the year ended December 31, 2007, 339,000 options and 315,000 warrants to purchase common stock resulted in weighted average diluted shares outstanding of 28,132,375 based upon the treasury stock method, which resulted in

Table of Contents

Index to Financial Statements

$0.02 diluted earnings per share. For the year ended December 31, 2006, 309,000 options and 315,000 warrants to purchase common stock were excluded from the calculation of diluted net loss per share because they were anti-dilutive.

Concentration of Risk

The Company is dependent upon the industry skills and contacts of John F. Terwilliger, the chief executive officer, to identify potential acquisition targets in the onshore coastal Gulf of Mexico region of Texas and Louisiana. Further, as a non-operator oil and gas exploration and production company and through its interest in a limited liability company ("Hupecol") and its concessions in the South American country of Colombia, the Company is dependent on the personnel, management and resources of Hupecol to operate efficiently and effectively.

As a non-operating joint interest owner, the Company has a right of investment refusal on specific projects and the right to examine and contest its division of costs and revenues determined by the operator.

The Company currently has interests in concessions in Colombia and expects to be active in Colombia for the foreseeable future. The political climate in Colombia is unstable and could be subject to radical change over a very short period of time. In the event of a significant negative change in political and economic stability in the vicinity of the Company's Colombian operations, the Company may be forced to abandon or suspend their efforts. Either of such events could be harmful to the Company's expected business prospects.

At December 31, 2008, 74.13% of the Company's net oil and gas property investment and 96.1% of its revenue was with or derived from Hupecol.

The majority of the oil production for 2008 from the Company's mineral interests was sold to an international integrated oil company (99.8%). The gas production is sold to U.S. natural gas marketing companies based on the highest bid. There were no other product sales of more than 10% to a single buyer.

The Company reviews accounts receivable balances when circumstances indicate a balance may not be collectible. Historically, the Company has not experienced any uncollectible accounts receivable. Based upon the Company's review, no allowance for uncollectible accounts was deemed necessary at December 31, 2008 and 2007, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk include cash, cash equivalent and marketable securities. The Company had cash deposits of approximately $9,660,694 in excess of FDIC insured limits at the period end. The Company has not experienced any losses on its deposits of cash and cash equivalents, or its short-term investments.

Subordinated Convertible Notes and Warrants- Derivative Financial Instruments

The convertible subordinated notes (the "Convertible Notes") and warrants (the "Warrants") issued in May 2005 were accounted for in accordance with Emerging Issues Task Force ("EITF") No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," EITF 05-02 "Meaning of 'Conventional Convertible Debt Instrument' in Issue No. 00-19", and EIFT 05-04 "The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to Issue No. 00-19".

Table of Contents

Index to Financial Statements

The Company identified the conversion feature; the conversion price reset feature and the Company's optional early redemption right within the Convertible Notes to represent embedded derivatives. These embedded derivatives were bifurcated from their respective host debt contracts and accounted for as derivative liabilities because they were subject to a registration rights agreement. The conversion feature, the conversion price reset feature and the Company's optional early redemption right within the Convertible Notes were bundled together as a single hybrid compound instrument in accordance with SFAS No. 133 Derivatives Implementation Group Implementation Issue No. B-15, "Embedded Derivatives: Separate Accounting for Multiple Derivative Features Embedded in a Single Hybrid Instrument."

The Company identified the common stock warrant as a detachable derivative. The warrant exercise price reset provision is an embedded derivative within the common stock warrant. The common stock warrant and the embedded warrant exercise price reset provision were accounted for as a separate single hybrid compound instrument.

The Single Compound Embedded Derivatives within Convertible Notes and the Derivative Liability for Warrants were recorded at fair value at the date of issuance (May 4, 2005) and marked-to-market each quarter with changes in fair value recorded to the Company's income statement as "Net change in fair value of derivative liabilities." The Company utilized a third party valuation firm to fair value both single compound embedded derivatives under the following methods: a layered discounted probability-weighted cash flow approach for the Single Compound Embedded Derivatives within Convertible Notes; and the Black-Scholes model for the Derivative Liability for Warrants based on a probability weighted exercise price.

The fair value of the derivative liabilities was subject to the changes in the trading value of the Company's common stock. As a result, the Company's financial statements fluctuated from quarter-to-quarter based on factors, such as the price of the Company's stock at the balance sheet date, the amount of shares converted by note holders and/or exercised by warrant holders. Consequently, our financial position and results of operations varied from quarter-to-quarter based on conditions other than our operating revenues and expenses.

In May 2006, the Convertible Notes were converted to common stock and the Warrants were exercised resulting in the reclassification of all derivative liabilities associated with the Convertible Notes and Warrants. See "Note 2—Notes Payable—Subordinated Convertible Notes" and "—Warrants."

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS 123R "Share Based Payment" for its stock based compensation plans. The Company previously accounted for these plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25) and related interpretations and disclosure requirements established by SFAS 123, "Accounting for Stock-Based Compensation."

Under APB 25, the Company recognized stock based compensation using the intrinsic value method and, thus, generally no compensation expense was recognized for stock options as they were generally granted at the market value on the date of grant. SFAS 123R eliminates the use of APB 25 and the intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements over the requisite service period.

Table of Contents

Index to Financial Statements

Recent Accounting Developments

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141 (R)), a replacement of SFAS No. 141, "Business Combinations." SFAS No. 141(R) modifies the accounting for business combinations under SFAS No. 141 and will apply to the Company prospectively for future business combinations with an acquisition date on or after January 1, 2009. SFAS No. 141(R) expands the scope of what will qualify as a business combination by expanding the definition of what qualifies as a business. Additionally, for already completed business combinations, SFAS No. 141(R) nullifies EITF Issue No. 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination," such that future changes in estimates of income tax uncertainties that existed at the time of, or arose in connection with past purchase business combinations, will no longer be accounted for as adjustments to goodwill, but instead will be accounted for as adjustments to current income.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 "Fair Value Measurements", which provides expanded guidance for using fair value to measure assets and liabilities. SFAS 157 establishes a hierarchy for data used to value assets and liabilities, and requires additional disclosures about the extent to which a company measures assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. Implementation of SFAS 157 is required on January 1, 2008. The adoption of SFAS 157 did not have a significant impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "the Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for the Company January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements". SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This standard is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the effect, if any, that SFAS No. 160 will have on the financial statements.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*". SFAS 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS 133 has been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company currently does not anticipate the adoption of SFAS 161 will have a material impact on the disclosures already provided.

In June 2008, the FASB issued FSP EITF 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating

Table of Contents

Index to Financial Statements

securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128, "Earnings Per Share." FSP EITF 03-6-1 is effective for the Company as of January 1, 2009 and in accordance with its requirements it will be applied retrospectively. The Company does not expect the adoption of FSP EITF 03-6-1 to have a material impact on its consolidated financial statements.

On December 31, 2008, the SEC published the final rules and interpretations updating its oil and gas reporting requirements. Many of the revisions are updates to definitions in the existing oil and gas rules to make them consistent with the petroleum resource management system, which is a widely accepted standard for the management of petroleum resources that was developed by several industry organizations. Key revisions include changes to the pricing used to estimate reserves utilizing a 12-month average price rather than a single day spot price which eliminates the ability to utilize subsequent prices to the end of a reporting period when the full cost ceiling was exceeded and subsequent pricing exceeds pricing at the end of the reporting period, the ability to include nontraditional resources in reserves, the use of new technology for determining reserves, and permitting disclosure of probable and possible reserves. The SEC will require companies to comply with the amended disclosure requirements for registration statements filed after January 1, 2010, and for annual reports on Form 10-K for fiscal years ending on or after December 15, 2009. Early adoption is not permitted. The Company is currently assessing the impact that the adoption will have on the Company's disclosures, operating results, financial position and cash flows.

NOTE 2—NOTES PAYABLE AND RELATED DERIVATIVE LIABILITIES

Note Payable—Related Party

Shareholder loans, in the principal amount of $900,000, were repaid in full from the proceeds of the April 2006 private placement.

Subordinated Convertible Notes

On May 4, 2005, the Company entered into purchase agreements with multiple investors pursuant to which the Company sold $2,125,000 of 8% subordinated convertible notes due 2010.

The Convertible Notes provided for interest at 8% with semi-annual interest payments and had a maturity date of May 1, 2010. The notes were convertible, at the option of the holders, into common stock of the Company at a price of $1.00 per share, subject to standard anti-dilution provisions relating to splits, reverse splits and other transactions plus a reset provision whereby the conversion price could be adjusted downward to a lower price per share if the Company issued its common stock to others below the stated conversion price. The notes were subject to automatic conversion in the event the Company conducted an underwritten public offering of its common stock from which the Company received at least $5 million and the public offering price was at least 150% of the then applicable conversion price. The Company had the right to cause the notes to be converted into common stock after May 1, 2006 if the price of the Company's common stock exceeded 200% of the then applicable conversion price on the date of conversion and for at least 20 trading days over the preceding 30 trading days. The Company had the right to repurchase the Notes after May 1, 2007 at 103% of the face amount during 2007, 102% of the face amount during 2008, 101% of the face amount during 2009 and 100% of the face amount thereafter. The notes were unsecured general obligations of the Company and were subordinated to all other indebtedness of the Company unless the other indebtedness was expressly made subordinate to the notes. The conversion feature, the conversion price, reset provision and the Company's optional early redemption right in the Convertible Notes were bundled together as a single compound embedded derivative liability, and using a layered discounted probability-weighted cash flow approach, were initially fair valued at $2,368,485 at May 4, 2005.

Table of Contents

Index to Financial Statements

At inception the excess of the unamortized discount over the notional amount of the Convertible Note in the amount of $285,547 was charged to expense in the Company's statement of operations. For the period from inception of the Convertible Notes (May 4, 2005) through December 31, 2005, the amortization of unamortized discount on the Convertible Notes was $34,167, which was classified as interest expense in the accompanying statement of operation. The mark to market adjustment to increase the derivative liability for the period from inception to December 31, 2005 was $15,561.

On May 2, 2006, the Convertible Notes were satisfied in full upon the conversion of the same to common stock. As a result of conversion of the Convertible Notes, the compound embedded derivative liability of $2,373,405 at that date was reclassified as additional paid in capital, and the unamortized discount, in the amount of $2,053,060, was credited as a reduction of additional paid in capital for the year ended December 31, 2006. The mark to market adjustment to decrease the derivative liability from December 31, 2005 to the conversion date was $10,640.

Warrants

On May 4, 2005, in connection with the issuance of the Convertible Notes, the Company entered into the Warrants, three year warrant agreements, with nine parties whereby 191,250 warrants were issued at an exercise price of $1.00 per share, subject to a reset provision whereby the exercise price would be adjusted downward in the event the Company issued its common stock to others at a price below the initial warrant exercise price. This reset provision represented an embedded derivative, which was not bifurcated from the host warrant contract (as both were derivatives) and was a derivative liability at its fair value at date of inception utilizing the Black-Scholes method with a probability weighted exercise price. This fair value model comprised multiple probability-weighted scenarios under various assumptions reflecting the economics of the warrants, such as risk free interest rate, expected Company stock price and volatility, likelihood of exercise, and timely registration. The assumptions used at December 31, 2005 were a risk-free interest rate of 3.08%, volatility of 40%, expected term of 2.3 years, dividend yield of 0.00% and a probability weighted exercise price of $.983. The common stock warrants and the embedded warrant price reset provision were initially fair valued at $42,063 at May 4, 2005 and charged to expense in the Company's statement of operations. The mark to market adjustment for the period from inception to December 31, 2005 was $387,067.

The Warrants were exercised in full in May 2006. As a result of exercise of the warrants, the derivative liability associated with the warrants, in the amount of $610,719, was reclassified as additional paid in capital for the year ended December 31, 2006. The mark to market adjustment to increase the liability from December 31, 2005 to the date of exercise was $181,589.

NOTE 3—RELATED PARTIES

In conjunction with the Company's efforts to secure oil and gas prospects, financing and services, in lieu of salary or other forms of compensation, during 2005, the Company granted to John F. Terwilliger, Chief Executive Officer, and Orrie L. Tawes, a principal shareholder and Director, overriding royalty interests in select mineral properties of the Company. During 2008 and 2007, Mr. Terwilliger received royalty payments relating to those properties totaling $141,883 and $50,580, respectively, and Mr. Tawes received royalty payments relating to those properties totaling $139,935 and $48,528, respectively.

John Terwilliger periodically loaned funds to support the Company's operations. At December 31, 2005, loans from Mr. Terwilliger totaled $904,400, including accrued interest. Loans from Mr. Terwilliger accrued interest at 7.2% and were due January 1, 2007. The loans from Mr. Terwilliger were repaid in full in May 2006. Interest paid to Mr. Terwilliger totaled $20,440 during 2006.

Table of Contents

Index to Financial Statements

NOTE 4—INCOME TAXES

The following table sets forth a reconciliation of the statutory federal income tax for the year ended December 31, 2008 and 2007.

	2008	2007 (restated)	2006
Income before income taxes	$ 391,684	$ 620,572	$ (1,459)
Income tax computed at statutory rates	$ 133,173	$ 210,994	$ (496)
Derivative expense	—	—	70,982
Effect of foreign taxes	—	—	173,616
Permanent differences, nondeductible expenses	2,960	1,828	40,330
Current Colombian tax expense	5,200,306	788,724	—
Refund of prior Colombian taxes	—	(662,688)	—
Increase (decrease) in valuation allowance	(284,561)	621,378	219,567
Return to Accrual Items	99,330	(833,833)	—
Foreign Tax Credit	(5,201,387)	—	—
State (net of federal benefit)	(23,082)	713	—
Other	—	—	6,638
Tax provision	$ (73,261)	$ 127,116	$510,637
Total Provision			
Current State	$ 3,787	$ 1,080	$ —
Deferred Federal	(5,251,772)	—	—
Deferred State	(25,582)	—	—
Foreign	5,200,306	126,036	510,637
Total provision	$ (73,261)	$ 127,116	$510,637

The Company has a state net operating loss carry forward of $645,989 which will expire in 2027. The Company also has approximately $2,019,488 of foreign tax credit carry forwards which will expire in 2018.

Management believes it is more likely than not that it will realize the benefit of its net deferred tax assets except for the foreign tax credit carry forward. No valuation allowance is placed on the portion of the foreign tax credit that the tax payer can elect to take as a deduction on future tax returns. A valuation allowance has been established on the remaining foreign tax credit carryover.

During the preparation of our 2008 Annual Report, we identified an error in the income tax footnote presented in the Form 10-K/A filed with the SEC on December 10, 2008. The error reported a $719,884 tax provision for 2007. This error was a result of a clerical error, which was overlooked when the amended Form 10-K/A was filed. The original Form 10-K for the fiscal year ended December 31, 2007, which was filed with the SEC on March 28, 2008 reflected the correct numbers. The restated tax provision reconciliation presented here reflects the corrected numbers as contained in the Form 10-K filed on March 28, 2008.

Table of Contents

Index to Financial Statements

The tax effects of the temporary differences between financial statement income and taxable income are recognized as a deferred tax asset and liability. Significant components of the deferred tax asset and liability as of December 31, 2008 and 2007 are set out below.

	2008	2007
Non-Current Deferred tax assets:		
Net operating loss carryforwards	$ —	$ 283,159
Foreign tax credit carryforwards	2,019,488	875,873
Asset retirement obligation	13,197	13,197
Deferred State Tax	25,582	61,369
Stock Compensation	347,403	113,971
Book over Tax depreciation, depletion, and capitalization methods on oil and gas properties	3,715,865	—
Other	315,065	353,027
Colombia Future Tax Obligations	173,616	173,616
Total Non-Current Deferred tax assets	6,610,216	1,874,212
Non-Current Deferred tax liabilities:		
Tax over Book depreciation, depletion and capitalization methods on oil and gas properties	—	(256,789)
Total Non-Current tax liabilities	—	(256,789)
Valuation Allowance	(1,332,862)	(1,617,423)
Net deferred tax asset	$ 5,277,354	$ —

Foreign Income Taxes

The Company owns an interest in four limited liability companies that operate and have activities in Colombia, through various entities controlled by Hupecol. Colombia's tax rate is 33%. Based on information provided by the manager of Hupecol, the Company has determined its share of the Colombia tax liability for 2008 will be $5,200,306. This amount has been accrued during the year and will be funded by withholdings from the 2008 revenue and from revenue received in 2009.

In 2007, the Company was advised that Hupecol would be adjusting the division of interests among the members of the various Hupecol entities to reflect revised Colombian tax allocations among the various Hupecol entities. Specifically, Hupecol advised that Colombian tax attributes were allocated among the Hupecol entities without taking into account the specific contributions of each individual entity resulting in an improper shifting of tax expenses and benefits among the Hupecol entities and, in turn, the members of each of the Hupecol entities, including the Company.

As a result of the adjustment by Hupecol, during 2007, the Company received a net credit from Hupecol for excess Colombian taxes allocated to it in the amount of $662,688. This credit was reflected in the financial statements in 2007 as a credit to income tax expense.

NOTE 5—STOCK BASED COMPENSATION

On August 12, 2005, the Company's Board of Directors adopted the Houston American Energy Corp. 2005 Stock Option Plan (the "2005 Plan"). The terms of the 2005 Plan allow for the issuance of up to 500,000 options to purchase 500,000 shares of the Company's common stock. During 2006 the

Table of Contents

Index to Financial Statements

Company granted 20,000 options to the members of the Board of Directors and 200,000 to a key employee. During 2007 the Company granted 30,000 options to the members of the Board of Directors and 66,667 previously granted options vested to company employees.

The fair value of the options granted to directors in 2006, which vested immediately, was valued on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions, risk-free interest rate 4.82%, expected life in years 10, expected stock volatility 81%, expected dividends 0.0%. Using this model yielded a value of $70,200 which was charged to expense in 2006.

The fair value of the options granted to a key employee, which vested over two years, was valued on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions, risk-free interest rate 5.24%, expected life in years 10, expected stock volatility 77%, expected dividends 0.0%. The total value of the options was $494,000. During 2006, $219,555 was expensed as employee compensation.

The options granted to the directors during 2007, which vested immediately, were valued on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions, risk-free interest rate 5.24%, expected life in years 10, expected stock volatility 88%, expected dividends 0.0%. Using this model yielded a value of $143,100 which was charged to expense in 2007.

In 2008, the Company's Board of Directors adopted the Houston American Energy Corp. 2008 Equity Incentive Plan (the "2008 Plan" and, together with the 2005 Plan, the "Plans"). The terms of the 2008 Plan allow for the issuance of up to 2,200,000 shares of the Company's common stock pursuant to the grant of stock options and restricted stock. Persons eligible to participate in the Plans are key employees, consultants and directors of the Company. During 2008 the Company granted 3,333 options to the members of the Board of Directors, 1,050,000 options to employees, 55,600 shares of restricted stock and all of the 200,000 previously granted options were vested at December 31, 2008.

The options granted to the directors vested immediately, have a ten year life and were valued on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions, risk-free interest rate 3.875%, expected life in years 5.0, expected stock volatility 73.81754%, expected dividends 0.0%. The Company determined the options qualify as 'plain vanilla' under the provisions of SAB 107 and the simplified method was used to estimate the expected option life. Using this model yielded a value of $15,113 which was charged to expense in 2008.

The options granted to employees have a ten year life and 150,000 of the options vest ratably over three years and 900,000 of the options vest ratably over six years. The options were valued on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions, risk-free interest rate 3.875%, expected life in years of 6 and 6.75, expected stock volatility 73.81754%, expected dividends 0.0%. The Company determined the options qualify as 'plain vanilla' under the provisions of SAB 107 and the simplified method was used to estimate the expected option life. The total value of the options was $5,299,214. The options are being expensed over the vesting period. During 2008, $586,361 was expensed as employee compensation.

Table of Contents

Index to Financial Statements

Option activity during 2008 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	339,000	$ 3.12		
Granted	1,053,333	$ 7.20		
Exercised	—			
Forfeited	—			
Outstanding at end of year	1,392,333	6.21	8.92	$165,120

No options were exercised for the year ended December 31, 2008. Unvested options at December 31, 2008 totaled 1,050,000 with a weighted average exercise price of $7.20, aggregate intrinsic value of $0 and a weighted average remaining term of 9.42.

As of December 31, 2008, total unrecognized stock-based compensation expense related to non-vested stock options was $4,712,852. As of December 31, 2008 there were 1,307,667 shares of common stock available for issuance pursuant to future stock option grants under the Plans.

During 2008, the Company's shareholders approved and the Company granted 55,600 shares of restricted common stock with immediate vesting to the Company's two principal officers. The Company recognized compensation expense of $400,320 based upon the stock price at the grant date attributable to these grants, which were originally approved, subject to stockholder approval, in 2007 by the Company's Board of Directors and then later approved by the Company's stockholders and issued in June 2008.

The following table reflects share-based compensation recorded by the Company for 2008, 2007 and 2006:

	2008	2007	2006
Share-based compensation expense included in reported net income (loss)	$1,086,887	$335,208	$289,755
Earnings per share effect of share-based compensation expense	$ (0.04)	$ (0.01)	$ (0.01)

NOTE 6—COMMON STOCK

April 2006 Private Placement

On April 28, 2006, the Company entered into Subscription Agreements (the "Purchase Agreements") with multiple investors pursuant to which the Company sold 5,533,333 shares of common stock (the "Shares") for $16,599,999.

The Shares were offered and sold in a private placement transaction pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder. Each investor was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

Pursuant to the terms of the Subscription Agreements, the Company and the investors entered into Registration Rights Agreements under which the Company agreed to file with the SEC, within 60 days, a registration statement covering the Shares. In conjunction with the placement of the Shares,

Table of Contents

Index to Financial Statements

John Terwilliger, O. Lee Tawes III and Edwin Broun III each entered into lock-up agreements pursuant to which each agreed not to offer or sell any shares of the Company's common stock until the earlier of the effective date of the registration statement relating to the Shares or one year from the sale of the Shares.

The Company paid commissions totaling $1,162,000 and issued a warrant (the "Placement Agent Warrant") to the placement agent in the offering to purchase 415,000 shares of common stock at $3.00 per share. The Registration Rights Agreements provide that the shares of common stock underlying the Placement Agent Warrant are to be included in the registration statement, which was filed and declared effective on June 16, 2006.

Conversion of 8% Subordinated Convertible Notes

During 2006, the Company notified the holders of its Convertible Notes of its election to convert the Convertible Notes into shares of the Company's common stock. As a result of such election, the full principal amount of the Convertible Notes of $2,125,000 was satisfied by conversion of the same into 2,125,000 shares of common stock.

The shares of common stock issued on conversion of the Convertible Notes were offered and issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Each of the investors is an "accredited investor", as defined in Rule 501 promulgated under the Securities Act.

Exercise of Warrants

During 2006, the holders of the Warrants exercised all 191,250 warrants and were issued an aggregate of 191,250 shares of common stock for aggregate consideration of $191,250.

The shares of common stock issued on exercise of the warrants were offered and issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933. Each of the investors is an "accredited investor", as defined in Rule 501 promulgated under the Securities Act.

During 2006, the placement agent exercised 100,000 of the 415,000 Placement Agent Warrants, and was issued 100,000 shares for an aggregate consideration of $300,000. During 2008, the placement agent exercised 125,000 of the Placement Agent Warrants, and was issued 125,000 shares for an aggregate consideration of $375,000. At December 31, 2008, the Company had the remaining 190,000 warrants outstanding with a remaining contractual life of 2.33 years.

The weighted average exercise price for all remaining outstanding warrants was $3.00. At December 31, 2008, based upon the closing price of the Company's common stock, the outstanding warrants had an intrinsic value of $66,500.

Dividends

During the third and fourth quarters of 2008, we declared and paid cash dividends to our shareholders of $0.02 per share, or an aggregate of $1,122,031.

Table of Contents

Index to Financial Statements

NOTE 7—COMMITMENTS AND CONTINGENCIES

Lease Commitment

The Company leases office facilities under an operating lease agreement that expires May 31, 2012. The lease agreement requires future payments as follows:

Year	Amount
2009	81,945
2010	84,315
2011	86,684
2012	36,530
Total	289,474

Total rental expense was $74,455 in 2008, $76,578 in 2007 and $43,704 in 2006. The Company does not have any capital leases or other operating lease commitments.

Legal Contingencies

The Company is subject to legal proceedings, claims and liabilities that arise in the ordinary course of its business. The Company accrues for losses associated with legal claims when such losses are probable and can be reasonably estimated. These accruals are adjusted as further information develops or circumstances change.

Environmental Contingencies

The Company's oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require the Company to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on its results of operations, competitive position or financial condition as well as the industry in general. Under these environmental laws and regulations, the Company could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether the Company was responsible for the release or if its operations were standard in the industry at the time they were performed. The Company maintains insurance coverage, which it believes is customary in the industry, although the Company is not fully insured against all environmental risks

Development Commitments

During the ordinary course of oil and gas prospect development, the Company commits to a proportionate share for the cost of acquiring mineral interest, drilling exploratory or development wells and acquiring seismic and geological information.

Table of Contents

Index to Financial Statements

Employment Arrangements

In October 2004, the Company began paying an annual salary of $180,000 to its Chief Executive Officer. Effective June 1, 2006, the salary of the Chief Executive Officer was increased to $300,000 annually.

In July 2006, the Company appointed James "Jay" Jacobs as Chief Financial Officer and fixed Mr. Jacobs' compensation as follows: (1) base salary of $125,000; and (2) a stock option to purchase 200,000 shares of common stock at $2.98 per share, the closing price on first day of employment, vesting over a 2 year period and exercisable over a period of ten years.

During 2007, the Company's compensation committee engaged a compensation consultant, as called for by the terms of employment of the Company's chief financial officer, to review the compensation arrangements of the Company's senior executives with a view to adjusting such compensation to reflect industry compensation practices. Following that review, the compensation committee approved increases in base salary of the Company's chief executive officer to $315,000 annually and chief financial officer to $150,000 annually, the payment of one-time cash bonuses of $50,000 to the Company's chief executive officer and $30,000 to the chief financial officer and the grant of 41,700 shares of restricted stock to the Company's chief executive officer and 13,900 shares to the chief financial officer, which grants were subject to approval of the same by the Company's shareholders.

NOTE 8—SALE OF OIL AND GAS PROPERTIES

Gain on Sale of Oil and Gas Properties

In June 2008, the Company, through Hupecol Caracara LLC as owner/operator under the Caracara Association Contract, sold all of its interest in the Caracara Association Contract and related assets for a total cash consideration of $11,917,418. At December 31, 2007, the estimated proved reserves associated with these assets totaled 787,742 barrels of oil, which represented 60.37% of our estimated proved oil and natural gas reserves. Sales of oil and gas properties under the full cost method of accounting are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless the adjustment significantly alters the relationship between capitalized costs and reserves. Since the sale of these oil and gas properties would significantly alter the relationship, we recognized a gain on the sale of $7,615,236 computed as follows:

Proceeds from the sale	$11,917,418
Add: Transfer of asset retirement and other obligations	46,633
Less: Transaction costs	(370,908)
Carrying value of oil and gas properties	(3,977,907)
Carrying value of other assets	—
Net gain on sale	$ 7,615,236

The carrying value of the properties sold was computed by allocating total capitalized costs within the non-U.S. full cost pool between properties sold and properties retained based upon the ratio of proved reserves sold and those proved reserves retained to total estimated proved reserves prior to the sale.

Table of Contents

Index to Financial Statements

The following table presents pro forma data that reflects revenue, income from continuing operations, net income and income per share for 2008 and 2007 as if the Caracara transaction had occurred at the beginning of the periods and excludes the related gain on sale.

	Years Ended December 31, 2008	Years Ended December 31, 2007
Pro-Forma Information		
Oil and gas revenue	$ 7,616,910	$ 1,273,433
Loss from operations	(9,748,235)	(2,325,255)
Net income (loss)	$(4,436,584)	$(1,546,373)
Basic income (loss) per share	$ (0.16)	$ (0.06)
Diluted Income (loss) per share	$ (0.16)	$ (0.06)

Other Current Assets

Pursuant to the terms of the sale of the Caracara assets, on the closing date of the sale, a portion of the purchase price was deposited in escrow to settle post-closing adjustments under the purchase and sale agreement. The funds deposited in escrow will be released to the Company, or to the purchaser, based on post-closing adjustments 12 months following closing. The Company's proportionate interest in the escrow deposit, totaling $1,673,551, has been recorded as Escrow Receivable.

The net proceeds and the gain realized from the sale of the Caracara assets may be adjusted based on post-closing adjustments.

Colombian Taxes

Colombian taxes attributable to the sale of the Caracara assets, totaling $4,394,575, were recorded and paid at the time of closing. Total cash Colombian taxes paid for the year amounted to $5,200,306.

NOTE 9—GEOGRAPHICAL INFORMATION

The Company currently has operations in two geographical areas, the United States and Colombia. Revenues for the twelve months ended December 31, 2008 and Long Lived Assets as of December 31, 2008 attributable to each geographical area are presented below:

	Year Ended December 31, 2008		Year Ended December 31, 2007		Year Ended December 31, 2006	
	Revenues	Long Lived Assets, Net	Revenues	Long Lived Assets, Net	Revenues	Long Lived Assets, Net
North America	410,471	1,708,617	$ 445,532	$ 2,182,857	$ 637,625	$ 1,164,423
South America	10,211,579	3,554,514	4,531,640	7,834,188	2,565,106	4,081,905
Total	$ 10,622,050	5,263,131	$ 4,977,172	$ 10,017,045	$ 3,202,731	$ 5,246,328

NOTE 10—SUBSEQUENT EVENTS

As a result of the continued depressed commodity price environment in the first quarter of 2009, Hupecol, the operator of our Colombian properties, made the determination to temporarily shut-in production from the majority of our wells in Colombia. During the first quarter of 2009, most of our Colombian wells remained profitable to operate; however, the Hupecol managing partners chose not to continue to produce what they considered valuable oil reserves at these low levels of profitability.

Table of Contents

Index to Financial Statements

On March 14th, the Company was notified by Hupecol that the majority of its productive wells will be immediately restored to production.

NOTE 11—SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES (UNAUDITED)

This footnote provides unaudited information required by Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and gas Producing Activities".

Geographical Data

The following table shows the Company's oil and gas revenues and lease operating expenses, which excludes the joint venture expenses incurred in South America, by geographic area:

	2008	2007	2006
Revenues			
North America	$ 410,471	$ 445,532	$ 637,625
South America	10,211,579	4,531,640	2,565,106
	$10,622,050	$4,977,172	$3,202,731
Production Cost			
North America	$ 134,527	$ 130,430	$ 198,167
South America	3,232,213	1,710,689	819,273
	$ 3,366,740	$1,841,119	$1,017,440

Capital Costs

Capitalized costs and accumulated depletion relating to the Company's oil and gas producing activities as of December 31, 2008, all of which are onshore properties located in the United States and Colombia, South America are summarized below:

	North America	South America	Total
Unproved properties not being amortized	1,629,136	435,431	2,064,567
Proved properties being amortized	3,420,247	14,130,021	17,550,268
Accumulated depreciation, depletion, amortization and valuation allowances	(3,340,766)	(11,010,938)	(14,351,704)
Net capitalized costs	1,708,617	3,554,514	5,263,131

During 2008, the Company recorded a provision for impairments of $5,621,106, of which $467,209 were attributable to North American properties and $5,153,897 were attributable to South American properties.

Amortization Rate

The amortization rate per unit based on barrel equivalents was $114.64 for North America and $42.24 for South America.

Table of Contents

Index to Financial Statements

Acquisition, Exploration and Development Costs Incurred

Costs incurred in oil and gas property acquisition, exploration and development activities as of December 31, 2008 and 2007 are summarized below:

	2007	
	North America	South America
Property acquisition costs:		
Proved	$ 880,779	$ 355,000
Unproved	191,477	—
Exploration costs	2,249,679	—
Development	1,088,535	8,948,005
Total costs incurred	$ 4,410,470	$ 9,303,005

	2008	
	North America	South America
Property acquisition costs:		
Proved	879,465	317,500
Unproved	221,254	—
Exploration costs	2,477,554	2,935,431
Development costs	1,471,108	11,312,522
Total costs incurred	5,049,381	14,565,453

Reserve Information and Related Standardized Measure of Discounted Future Net Cash Flows

The supplemental unaudited presentation of proved reserve quantities and related standardized measure of discounted future net cash flows provides estimates only and does not purport to reflect realizable values or fair market values of the Company's reserves. Volumes reported for proved reserves are based on reasonable estimates. These estimates are consistent with current knowledge of the characteristics and production history of the reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, significant changes to these estimates can be expected as future information becomes available.

Proved reserves are those estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

Table of Contents

Index to Financial Statements

These estimates are made by an independent reservoir engineers. Reserve definitions and pricing requirements prescribed by the SEC were used. Total estimated proved developed and undeveloped reserves by product type and the changes therein are set forth below for the years indicated.

	North America		South America		Total	
	Gas (mcf)	Oil (bbls)	Gas (mcf)	Oil (bbls)	Gas (mcf)	Oil (bbls)
Total proved reserves						
Balance December 31, 2005	850,650	2,800	—	270,621	850,650	273,421
Extensions and discoveries	3	141	—	277,155	3	277,296
Revisions of prior estimates	(346,807)	1,656	—	(110,273)	(346,807)	(108,617)
Production	(78,096)	(1,687)	—	(48,057)	(78,096)	(49,744)
Balance December 31, 2006	425,750	2,910	—	389,446	425,750	392,356
Extensions and discoveries	1	13	—	1,121,765	1	1,121,778
Revisions of prior estimates	(245,853)	3,168	—	(160,857)	(245,853)	(157,689)
Production	(44,249)	(2,079)	—	(69,127)	(44,249)	(71,206)
Balance December 31, 2007	135,649	4,012	—	1,281,227	135,649	1,285,239
Extensions and discoveries	—	—	—	211,310	—	211,310
Revisions to prior estimates	(92,127)	(560)		(401,350)	(92,127)	(401,910)
Sales of minerals in place	—	—	—	(757,605)	—	(757,605)
Production	(24,748)	(1,511)	—	(122,107)	(24,748)	(123,618)
Balance December 31, 2008	18,774	1,941	—	211,475	18,774	213,416
Proved developed reserves						
at December 31, 2007	135,649	4,012	—	1,281,227	135,649	1,285,239
at December 31, 2008	18,774	1,941	—	211,475	18,774	213,416

During 2006, 2007 and 2008, the Company recorded extensions and discoveries resulting principally from its ongoing drilling operations in Colombia.

The Company experienced downward revisions in estimated proved natural gas and oil reserves in both 2007 and 2008. The revisions to natural gas reserves during 2007 and 2008 were primarily attributable to a downward revision in volumes of natural gas reserves based on updated well performance from the Company's North American properties. The revisions to oil reserves during 2007 and 2008 were primarily attributable to downward revisions in the volumes of oil reserves based on updated well performance from the Company's South American properties.

Sales of reserves in place during 2008 represent the June 2008 transaction whereby the Company, through Hupecol Caracara LLC as owner/operator under the Caracara Association Contract, sold all of its interest in the Caracara Association Contract in Colombia.

The standardized measure of discounted future net cash flows relating to proved oil and gas reserves is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated related future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated), and assuming continuation of existing economic conditions. Future income tax expenses give effect to permanent differences and tax credits but do not reflect the impact of continuing operations including property acquisitions and exploration. The estimated future cash flows are then discounted using a rate of ten percent a year to reflect the estimated timing of the future cash flows.

Table of Contents

Index to Financial Statements

Standard measure of discounted future net cash flows at December 31, 2006

	North America	South America	Total
Future net cash flow	$ 2,927,620	$18,479,216	$21,406,836
Future production cost	(1,303,900)	(6,993,899)	(8,297,799)
Future income tax	—	(2,862,863)	(2,862,863)
Future net cash flow	1,623,720	8,622,454	10,246,174
10% annual discount for timing of cash flow	567,170	1,596,667	2,163,837
Standard measure of discounted future net cash flow relating to proved oil and gas reserves	$ 1,056,550	$ 7,025,787	$ 8,082,337
Changes in standardized measure:			
Change due to current year operations			
Sales, net of production costs			$ (2,185,290)
Change due to revisions in standardized variables:			
Income taxes			727,245
Accretion of discount			637,560
Net change in sales and transfer price, net of production costs			2,426,491
Revision and others			(3,672,014)
Discoveries			4,590,226
Changes in production rates and other			(817,481)
Net			1,706,737
Beginning of year			6,375,600
End of year			$ 8,082,337

Table of Contents

Index to Financial Statements

Standard measure of discounted future net cash flows at December 31, 2007

	North America	South America	Total
Future net cash flow	$1,312,392	$111,909,478	$113,221,870
Future production cost	(530,096)	(18,540,428)	(19,070,524)
Future development costs	—	(2,537,694)	(2,537,694)
Future income tax	—	(21,039,554)	(21,039,554)
10% annual discount for timing of cash flow	(172,260)	(14,450,335)	(14,622,595)
Standard measure of discounted future net cash flow relating to proved oil and gas reserves	$ 610,036	$ 55,341,467	$ 55,951,503
Changes in standardized measure:			
Change due to current year operations			
Sales, net of production costs	(315,102)	(2,820,951)	(3,136,053)
Change due to revisions in standardized variables:			
Income taxes	—	(13,727,868)	(13,727,868)
Accretion of discount	105,655	939,591	1,045,246
Net change in sales and transfer price, net of production costs	925,252	12,928,542	13,853,794
Previously estimated development costs incurred during the period	(977,700)	(440,961)	(1,418,661)
Changes in estimated future developments costs		460,061	460,061
Revision and others	(580,126)	(8,969,769)	(9,549,895)
Discoveries		59,728,838	59,728,838
Changes in production rates and other	395,507	218,196	613,703
Net			47,869,166
Beginning of year			8,082,337
End of year			$ 55,951,503

Table of Contents

Index to Financial Statements

Standard measure of discounted future net cash flows at December 31, 2008

	North America	South America	Total
Future net cash flow	$ 176,794	$ 8,989,877	$ 9,166,671
Future production cost	(73,188)	(4,743,369)	(4,816,557)
Future development cost	—	(733,493)	(733,493)
Future income tax	—	—	—
10% annual discount for timing of cash flow	(24,125)	(441,003)	(465,128)
Standard measure of discounted future net cash flow relating to proved oil and gas reserves	$ 79,481	$ 3,072,012	$ 3,151,493
Changes in standardized measure:			
Change due to current year operations Sales, net of production costs	(275,944)	(6,979,366)	(7,255,310)
Change due to revisions in standardized variables:			
Income taxes	—	13,727,868	13,727,868
Accretion of discount	61,004	6,949,779	7,010,783
Net change in sales and transfer price, net of production costs	(93,355)	(11,454,408)	(11,547,736)
Previously estimated development costs incurred during the period	—	1,830,066	1,830,066
Changes in estimated future developments costs	—	(641,440)	(641,440)
Revision and others	(614,417)	(4,423,721)	(5,038,138)
Discoveries	—	733,190	733,190
Sales of reserves in place		(41,074,257)	(41,074,257)
Changes in production rates and other	392,157	(10,937,166)	(10,545,009)
Net			(52,800,010)
Beginning of year			55,951,503
End of year			3,151,493

Table of Contents

Index to Financial Statements

NOTE 12—SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Three Months Ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
2008				
Operating revenue	$2,937,137	$3,328,951	$2,350,782	$ 2,005,182
Income from operations	1,350,211	7,614,307	803,108	(9,671,317)
Net income	871,721	3,199,802	798,832	(4,405,410)
Earnings common per share	$ 0.03	$ 0.11	$ 0.03	$ (0.16)
Earnings common per share assuming dilution	0.03	0.11	0.03	(0.16)
2007				
Operating revenue	$1,025,422	$ 959,662	$1,168,829	$ 1,823,259
Income (loss) from operations	(46,182)	(484,137)	(235,910)	737,009
Net income (loss)	(623)	(436,591)	275,190	655,480
Earnings (loss) common per share	$ 0.00	$ (0.02)	$ 0.01	$ 0.02
Earnings (loss) common per share assuming dilution	0.00	(0.02)	0.01	0.02

EX-23.1 2 dex231.htm CONSENT OF THOMAS LEGER & CO. L.L.P.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-127656), relating to the 2005 Stock Option Plan of Houston American Energy Corp., on Form S-3 (File No. 333-134756), and on Form S-8 (File No. 333-151824), relating to the 2008 Equity Incentive Plan, of our report dated March 26, 2007 relating to the financial statements of Houston American Energy Corp. for the year ended December 31, 2006 that appear in the Annual Report on Form 10-K of Houston American Energy for the year ended December 31, 2008.

/s/ Ham, Langston & Brezina, L.L.P.
(Formerly Thomas Leger & Co., L.L.P.)

HOUSTON, TEXAS
March 16, 2009

EX-23.2 3 dex232.htm CONSENT OF MALONE & BAILEY, P.C.

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333 -127656), relating to the 2005 Stock Option Plan of Houston American Energy Corp., on Form S-3 (File No. 333-134756), and on Form S-8 (File No. 333-151824), relating to the 2008 Equity Incentive Plan, of our report dated March 27, 2008 relating to the financial statements of Houston American Energy Corp. as of and for the year ended December 31, 2007 that appear in the Annual Report on Form 10-K of Houston American Energy for the year ended December 31, 2008.

Malone & Bailey, PC
www.malone-bailey.com
HOUSTON, TEXAS
March 16, 2009

EX-23.3 4 dex233.htm CONSENT OF GBH CPAS, P.C.

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-127656), relating to the 2005 Stock Option Plan of Houston American Energy Corp., on Form S-3 (File No. 333-134756), and on Form S-8 (File No. 333-151824), relating to the 2008 Equity Incentive Plan, of our reports dated March 16, 2009 relating to the financial statements as of December 31, 2008, and on the effectiveness of internal control over financial reporting as of December 31, 2008, of Houston American Energy Corp. that appear in the Annual Report on Form 10-K of Houston American Energy for the year ended December 31, 2008.

GBH CPAs, PC
HOUSTON, TEXAS
March 16, 2009

EX-31.1 5 dex311.htm SECTION 302 CERTIFICATION OF CEO

Exhibit 31.1

**SECTION 302
CERTIFICATION**

I, John Terwilliger, certify that:

1. I have reviewed this annual report on Form 10-K of Houston American Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 16, 2009

/s/ JOHN F. TERWILLIGER
John F. Terwilliger,
Chief Executive Officer

EX-31.2 6 dex312.htm SECTION 302 CERTIFICATION OF CFO

Exhibit 31.2

SECTION 302
CERTIFICATION

I, James J. Jacobs, certify that:

1. I have reviewed this annual report on Form 10-K of Houston American Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   e) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 16, 2009

/s/ JAMES J. JACOBS

James J. Jacobs,
Chief Financial Officer

EX-32.1 7 dex321.htm SECTION 906 CERTIFICATION OF CEO

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Terwilliger, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Houston American Energy Corp. on Form 10-K for the year ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Houston American Energy Corp.

By:	/S/ JOHN F. TERWILLIGER
Name:	John F. Terwilliger
Title:	Chief Executive Officer
Dated:	March 16, 2009

EX-32.2 8 dex322.htm SECTION 906 CERTIFICATION OF CFO

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Jacobs, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Houston American Energy Corp. on Form 10-K for the year ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Houston American Energy Corp.

By:	/s/ JAMES J. JACOBS
Name:	James J. Jacobs
Title:	Chief Financial Officer
Dated:	March 16, 2009

EXHIBIT 10

8-K 1 form8k.htm HOUSTON AMERICAN ENERGY CORP 8-K 10-14-2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 14, 2009

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in Charter)

Delaware	[redacted]	[redacted]
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

[redacted]

(Address of Principal Executive Offices)(Zip Code)

[redacted]

(Issuer Telephone number)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement

On October 16, 2009, Houston American Energy Corp (the "Company") issued a press release announcing the finalization and effectiveness of a Farmout Agreement and Joint Operating Agreement with SK Energy Co. LTD pursuant to which the Company will pay 12.5% of certain seismic acquisition costs and 25% of certain other past and future costs relating to the CPO 4 Contract for Exploration and Production relating to the approximately 345,452 acre CPO 4 Block in the Llanos Basin of Colombia and for which the Company will receive a 25% interest in the CPO 4 Contract.

The assignment to the Company of its rights under the CPO 4 Contract, and the effectiveness of the Farmout Agreement and Joint Operating Agreement, were subject to approval of such assignment by the National Hydrocarbon Agency (the "ANH") in Colombia. On October 14, 2009, the Company was notified that the ANH had approved the assignment contemplated by the Farmout Agreement and the Joint Operating Agreement. As a result, the Joint Operating Agreement became effective, retroactive to May 31, 2009. The Joint Operating Agreement supersedes and terminates the Farmout Agreement.

Under the terms of the Joint Operating Agreement, SK Energy Co. LTD will act as operator for the project area covered by the CPO 4 Contract, subject to the supervision and direction of an Operating Committee on which each participant, including the Company, shall have a representative with voting rights based on each participant's percentage interest in the CPO 4 Contract. The Joint Operating Agreement shall continue for the term of the CPO 4 Contract and thereafter until all wells have been plugged and abandoned or otherwise disposed of.

The press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated October 16, 2009

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: October 16, 2009

By: /s/ James J. Jacobs
James J. Jacobs,
Chief Financial Officer

EX-99.1 2 ex99_1.htm EXHIBIT 99.1

Exhibit 99.1

HOUSTON AMERICAN ENERGY CORP

801 Travis, Suite 1425, Houston, Texas 77002
(713) 222-6966 Fax. (713) 222-6440

Houston American Energy Corp Announces Completion of New Farmout in Colombia

Houston, Texas – October 16, 2009 - Houston American Energy Corp (Nasdaq: HUSA) today announced that it has finalized a Farmout Agreement and Joint Operating Agreement with SK Energy Co. LTD. ("SK") for the right to earn an undivided twenty five percent (25.0%) of the rights to the CPO 4 Contract for Exploration and Production (the "CPO 4 Contract") which covers the CPO 4 Block located in the Western Llanos Basin in the Republic of Colombia. The CPO 4 Contract was entered into between the National Hydrocarbon Agency ("ANH") in Colombia and SK on December 18, 2008. SK is a leading Korean multinational conglomerate with oil production, development and exploration projects as well as integrated gas development projects around the world.

The CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects which will be detailed during the first exploration phase of the concession contract with the ANH. The Block is located along the highly productive western margin of the Llanos Basin and is adjacent to Apiay field operated by Ecopetrol, which is estimated to have in excess of 610 million barrels of 25-33 API oil in place. On the CPO 4 Block's other side lays the Corcel Block where well rates of 2,000 to 10,000 barrels of production per day have been announced for recent discoveries. In addition, the CPO 4 Block is located nearby oil and gas pipeline infrastructure. Potentially productive reservoirs include the Mirador, Une, C-7, C-9 and Guadalupe formations.

Under the Farmout Agreement, Houston American has agreed to pay 25.0% of all past and future cost related to the CPO 4 block as well as an additional 12.5% of the Seismic Acquisition Costs incurred during the Phase 1 Work Program, for which Houston American will receive a 25.0% interest in the CPO 4 Block.

The Phase 1 Work Program consists of reprocessing approximately 400 kilometers of existing 2-D seismic data, the acquisition, processing and interpretation of a 2-D seismic program containing approximately 620 kilometers of data and the drilling of two exploration wells. The Phase 1 Work Program is estimated to be completed by June 17, 2012. Houston American's costs for the entire Phase 1 Work Program are estimated to total approximately $15,000,000 over the next three years.

"We are excited that we are able to participate with SK in the CPO 4 Block and believe that the Contract area provides a significant growth opportunity for Houston American. The CPO 4 block is located in a highly prospective area having multiple play objectives with extremely large reserve potential. Partnering with SK creates a solid partnership bringing geotechnical, operational, commercial, and marketing strengths to the table. This new asset, in addition to our current portfolio, strengthens our upside drilling opportunity base in our main focus area for years to come." said John F. Terwilliger, CEO, Houston American Energy Corp.

About Houston American Energy Corp

Based in Houston, Texas, Houston American Energy Corp is an independent energy company with interests in oil and natural gas wells and prospects. The company's business strategy includes a property mix of producing and non-producing assets with a focus on Texas, Louisiana and Colombia.

Forward-Looking Statements

The information in this release includes certain forward-looking statements that are based on assumptions that in the future may prove not to have been accurate, including estimated costs of, and time to complete, the Phase 1 Work Program and potential production, revenues, reserves, growth or profitability Houston American may realize from the CPO 4 Contract. Those statements, and Houston American Energy Corp, are subject to a number of risks, including production variances from expectations, volatility of product prices, the capital expenditures required to fund its operations, environmental risks, competition, government regulation, and the ability of the company to implement its business strategy. These and other risks are described in the company's documents and reports filed from time to time with the Securities and Exchange Commission, which reports are available from the company and the United States Securities and Exchange Commission.

For additional information, view the company's website at www.houstonamericanenergy.com or contact the Houston American Energy Corp at (713) 222-6966.

EXHIBIT 11

CPO-4 In Llanos Basin

Colombia

Farm-in Opportunity

2009. 4. 13.

SK energy

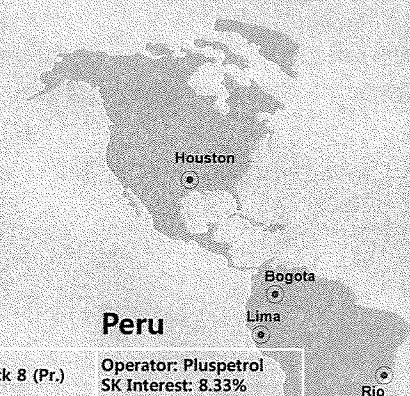
SK Energy E&P Activities

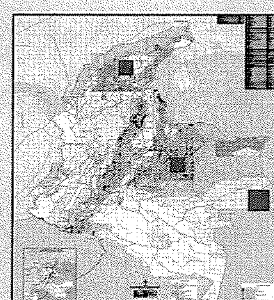
SK Energy

34 Blocks (11 Dev./Prod. and 23 Exp.) and 4 LNG Businesses in 19 Countries

- Reserves: 520 MM Boe at the end of 2008

Branch Offices
E&P Activities
LNG Business



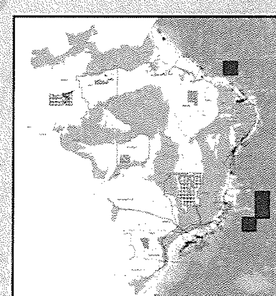


Colombia

CPE-5 (Ex.)	Operator: BHP SK Interest: 28.6%
CPO-4 (Ex.)	Operator: SK SK Interest: 100%
SSJN-5(Ex.)	Operator: SK SK Interest: 50%

Peru

Block 8 (Pr.)	Operator: Pluspetrol SK Interest: 8.33%
Block 56 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Block 88 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Z-46 (Ex.)	Operator: SK SK Interest: 90%
Peru LNG	Operator: Hunt SK Interest: 20%



Brazil

BMC-8 (Pr.)	Operator: Devon SK Interest: 40%
BMC-30 (Ex.)	Operator: Anadarko SK Interest: 20%
BMC-32 (Ex.)	Operator: Devon SK Interest: 26.67%
Bar-3 (Ex.)	Operator: Devon SK Interest: 30%

SK energy

CPO-4 Overview

Overview

❖ Location : Onshore, Central Colombia

❖ Basin : Western Llanos Basin

❖ Area : 139,859 ha (1,398.591885 km^2)

❖ Effective Date : December 18, 2008

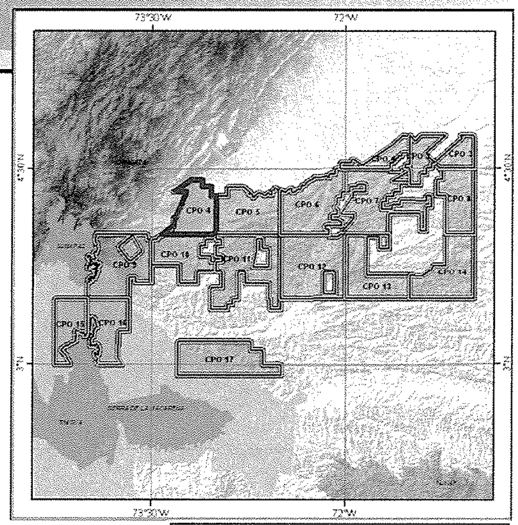
❖ Contract Type : E&P Contract(Royalty & Tax)

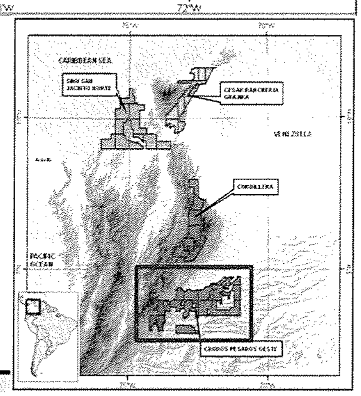
❖ Participant

- SK Energy : 100 % (Operator)

❖ Exploration Period & Work Obligation

PHASE	PERIOD	WORK OBLIGATION
Phase 0	'08.12.18 ~ '09.6.17 (6 mos.)	Phase 0 Report (Letter) (~'09.1.17)
Phase 1	'09.6.18 ~'12.6.17 (3 yrs.)	• 400 km 2-D Seismic Reprocessing • 620 km 2-D New Seismic Acquisition • 2 Exploration Wells
Phase 2	'12.6.18 ~ '15.6.17 (3 yrs.)	• 400 km 2-D Seismic Reprocessing • 3 Exploration Wells





Summary

Proven Area
- Source : Surrounded by Existing Fields
- Multi Reservoirs
- Trap Type : On trend of discovery
- Relatively High API Oil
- Expected Reserve : 40 ~ >150 MMBO Recoverable each

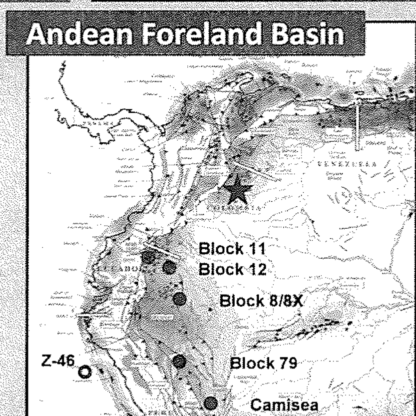
Excellent Working Environment
- Near P/L
- Ease of Access Roads
- No Indigenous Reservation Area
- All year round Working

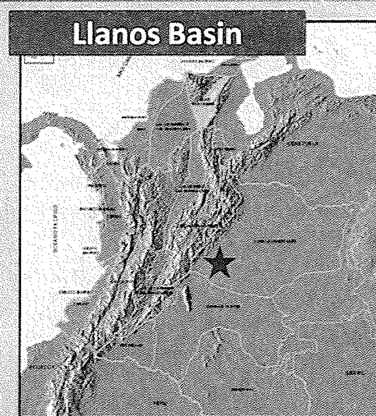
Main Risk : **Existence of Trap (New Seismic will verify)**

Farm-out Plan
- Looking for Technical Partner : First come First served
- Up to 50% (2 Parties)
- FO Terms & Conditions : Open
- Data Room : From middle of April

Location of CPO-4

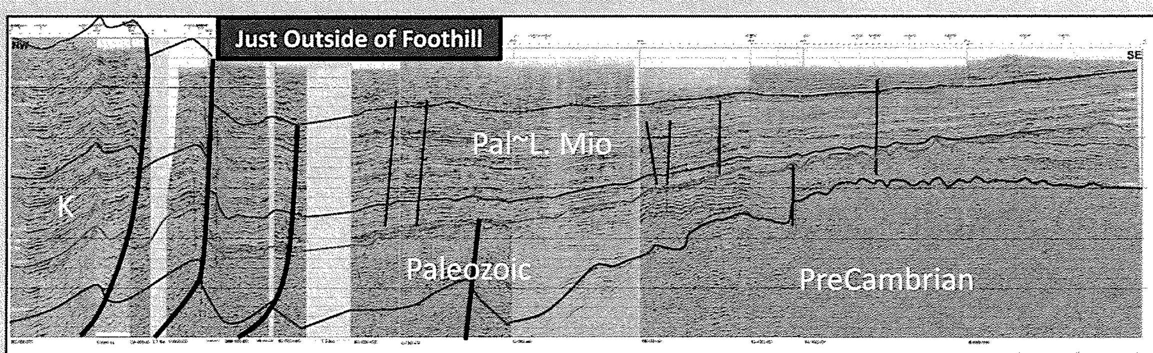
Location





- 220,000 ㎢ (55 MM Acres)
- 4 Billion Barrels Proven

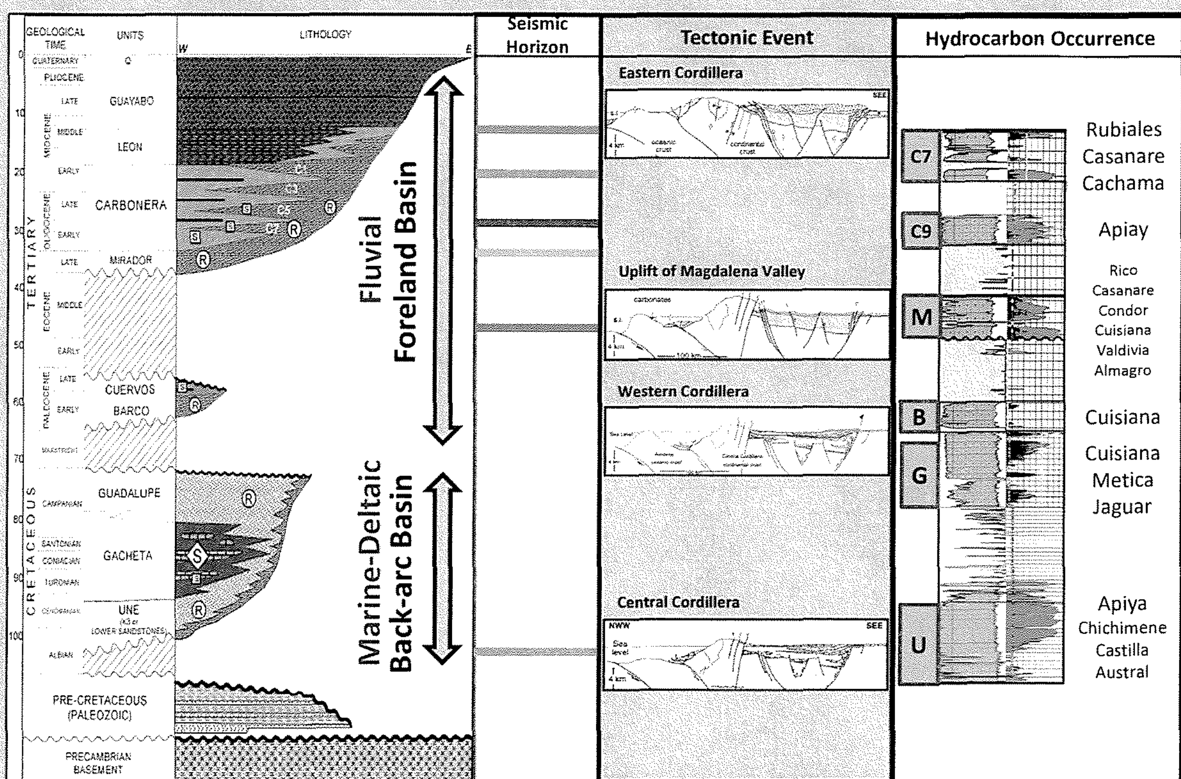
- History
  - ‘44 : San Martin-1, shell
  - ‘69 : Castilla-1, Chevron
  - ‘81 : Apiay-1, Ecopetrol
  - ‘81 : Rubiales, Intercol
  - ‘83 : Cano Limon, OXY
  - ‘88 : Cusiana, BP



SK energy

General Geology

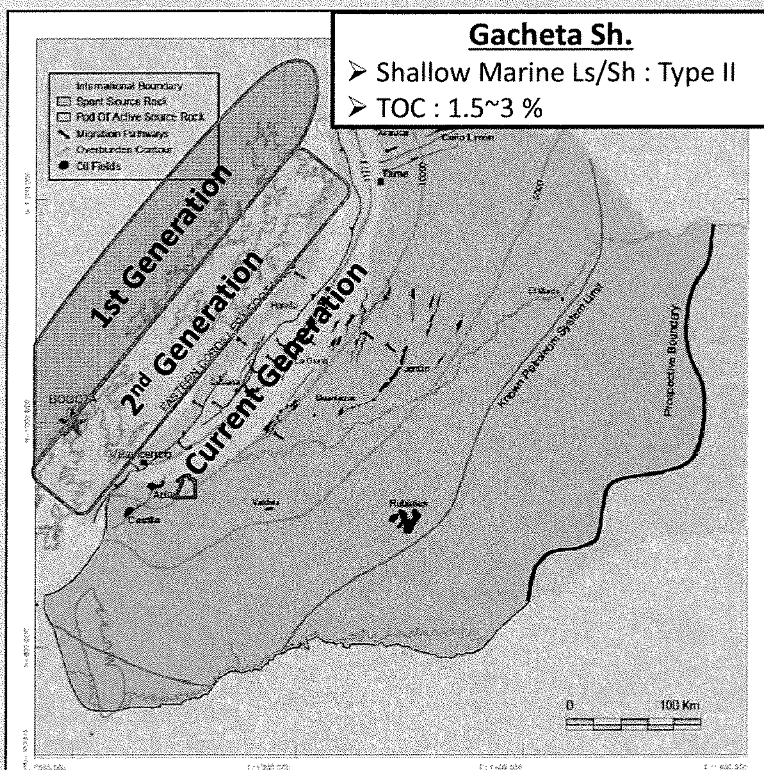
Geology

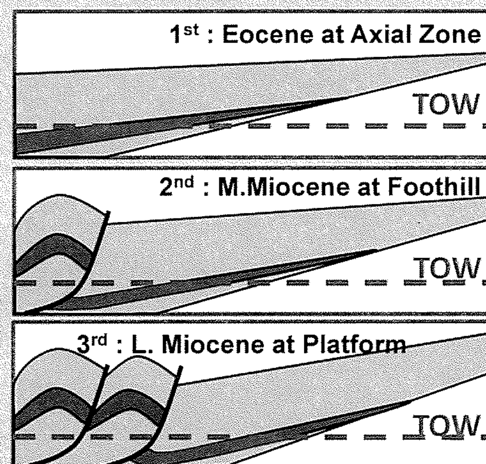


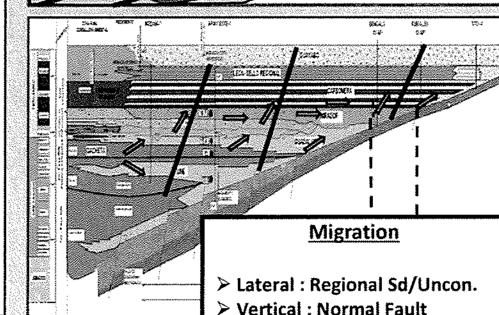
SK energy

3 Times Generation

Source Rock



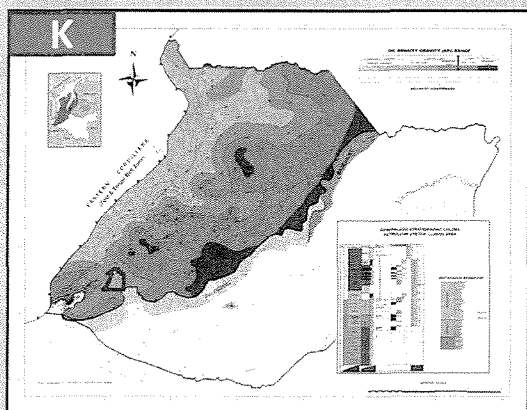




SK energy

Regional API Distribution

Source Rock

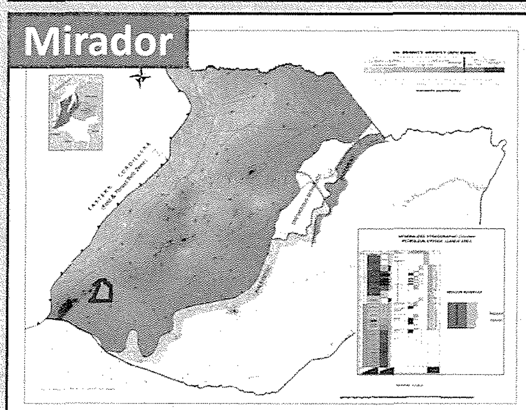


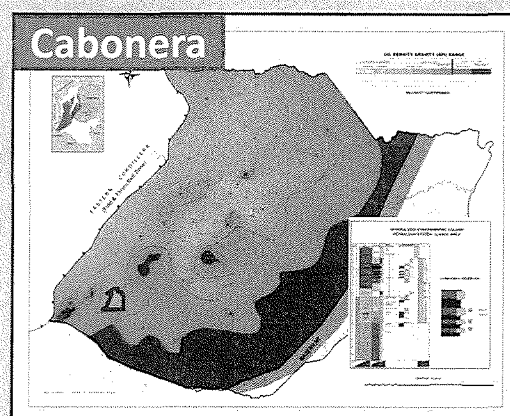
Regional Trend

- Biodegradation by fresh water
  - from Brazillian shield (East)
  - from Mountain (West & south)
- K > Mirador > Cabonera

CPO-4

- ± 25 API



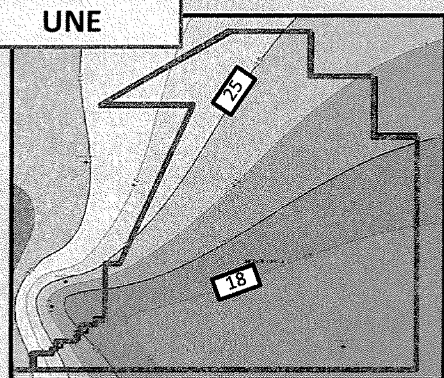


SK energy

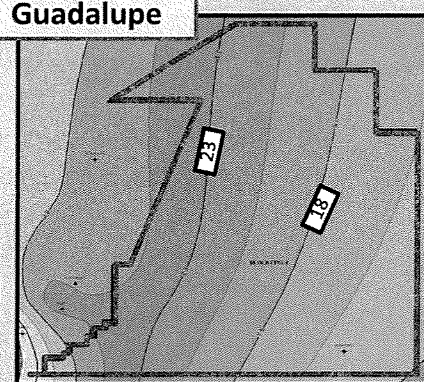
API MAP on CPO-4

Source Rock

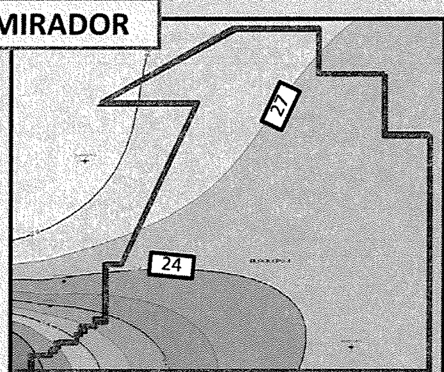
UNE

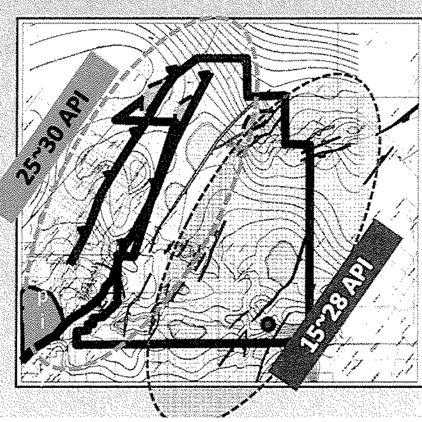


Guadalupe



MIRADOR

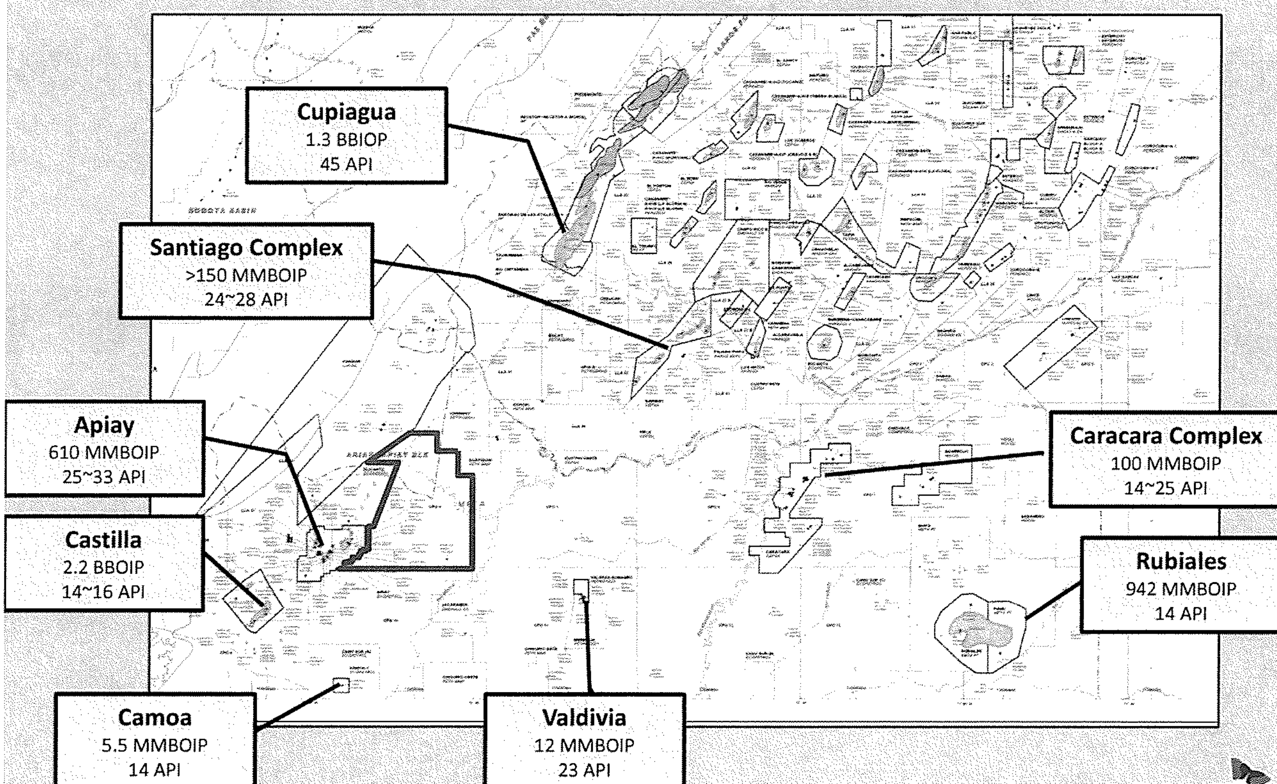




SK energy

Surrounded Area by Existing Fields

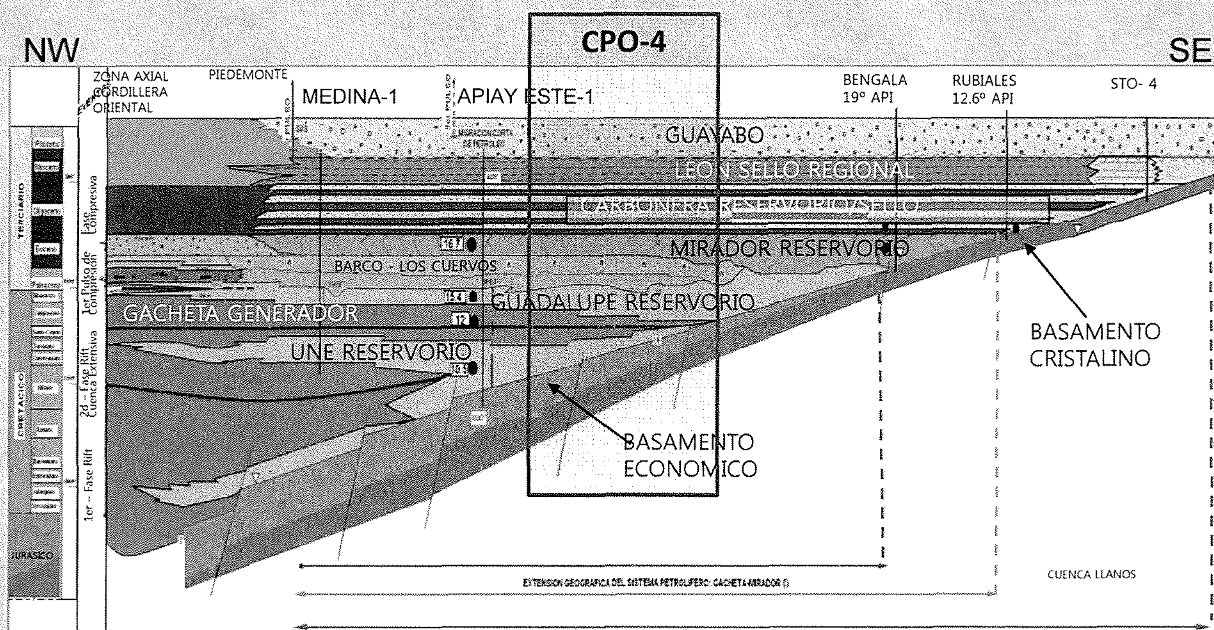
Source Rock



SK energy

Multi Reservoir

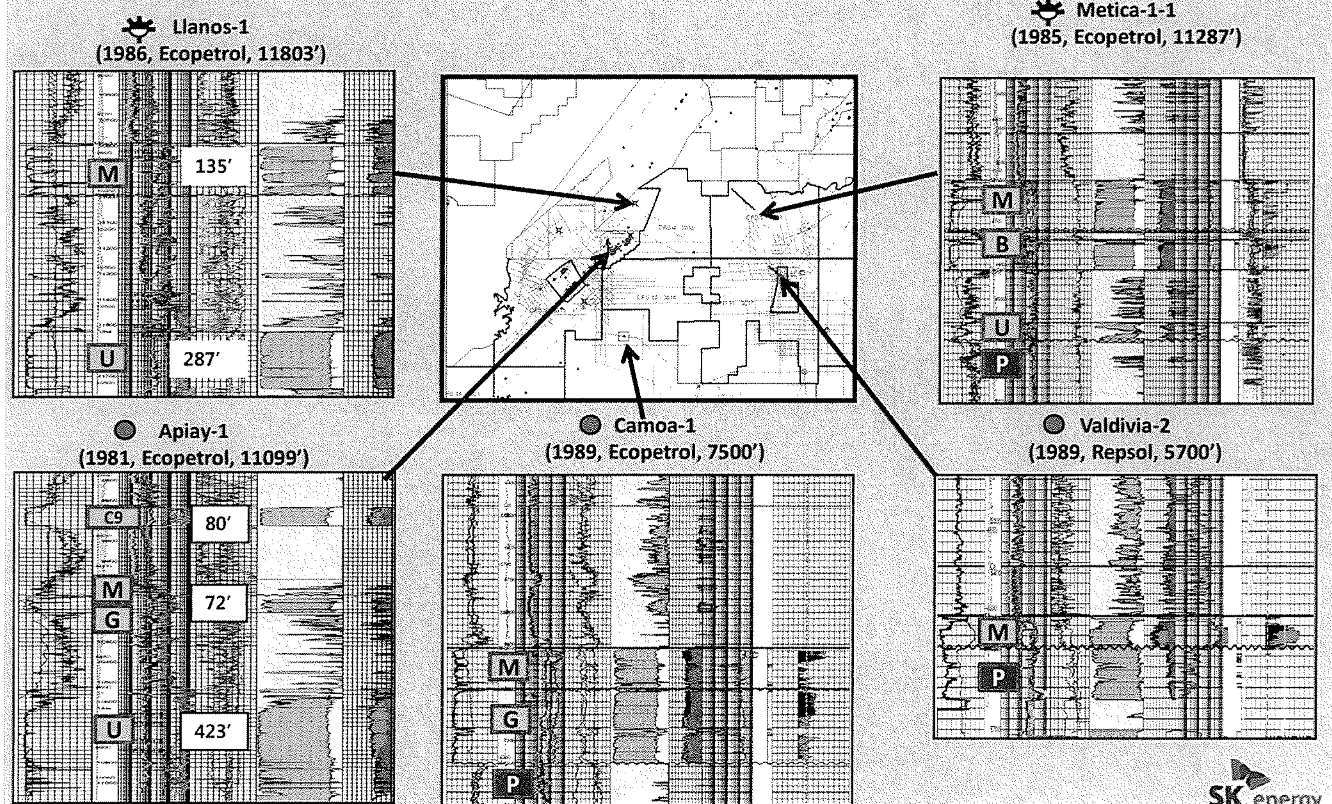
Reservoir Rock



SK energy

Proven Reservoir

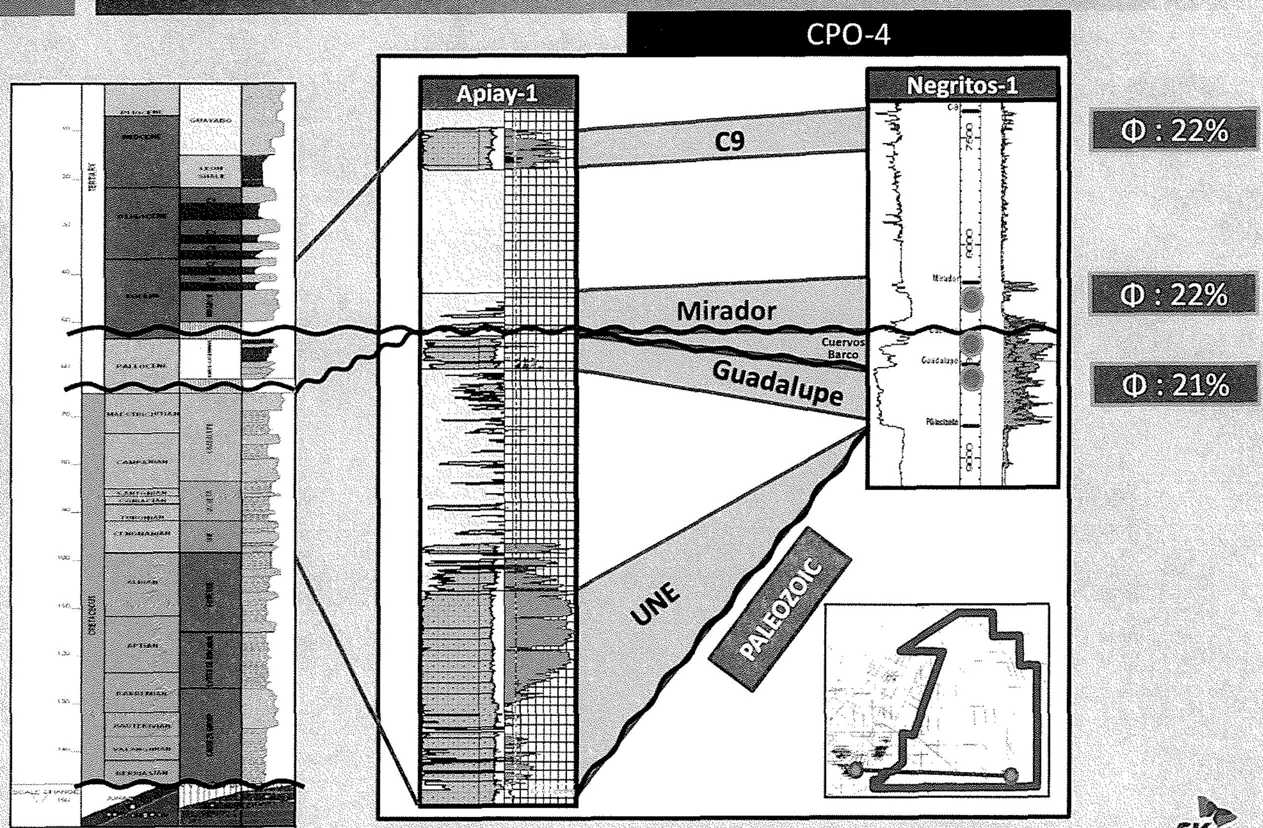
Reservoir Rock



SK energy

Multi Sands with Oil

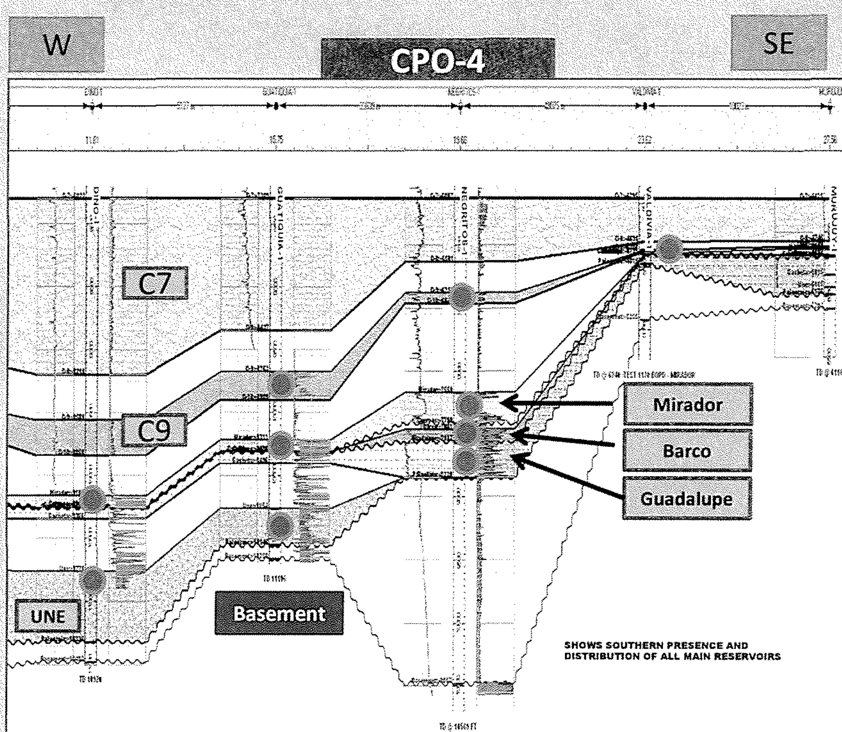
Reservoir Rock

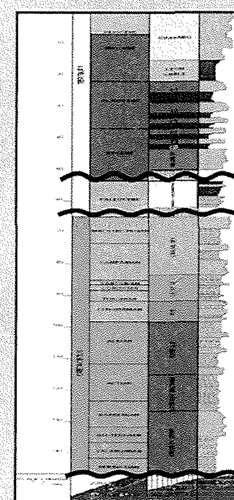


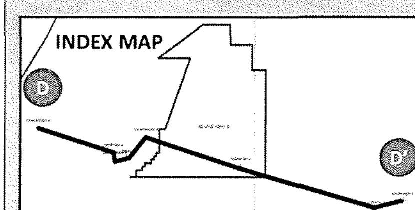
SK energy

Multi Targets

Reservoir



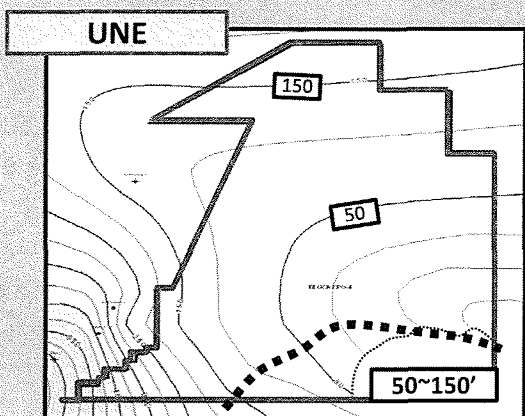


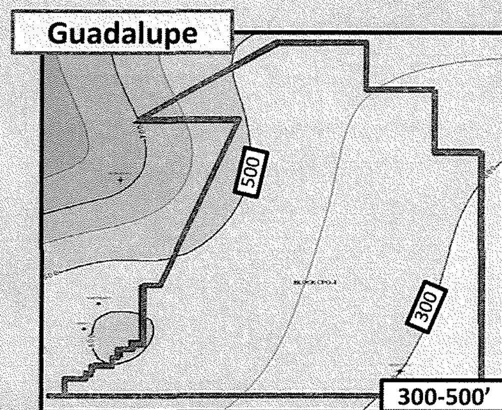


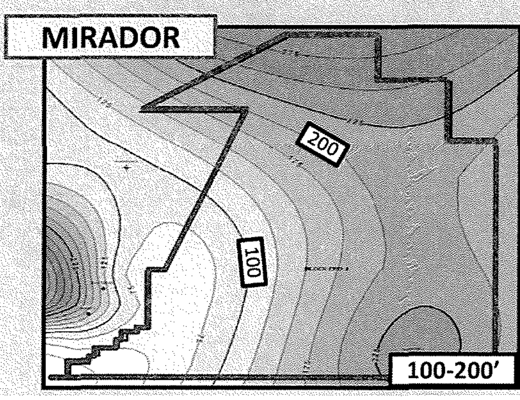
SK energy

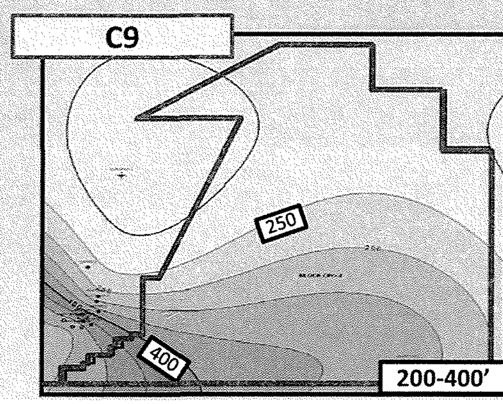
GROSS THICKNESS

Reservoir





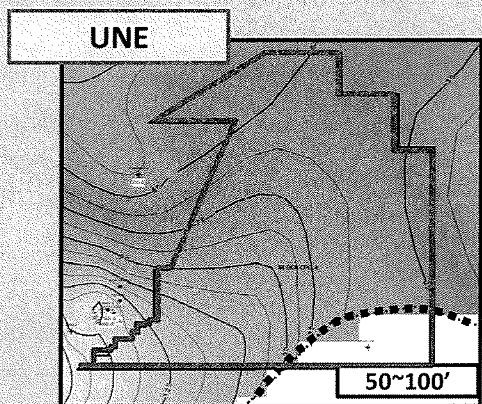


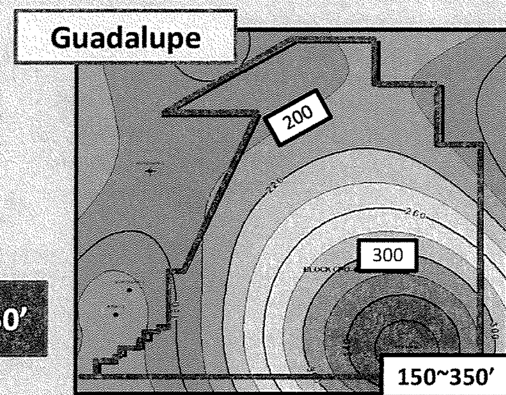


SK energy

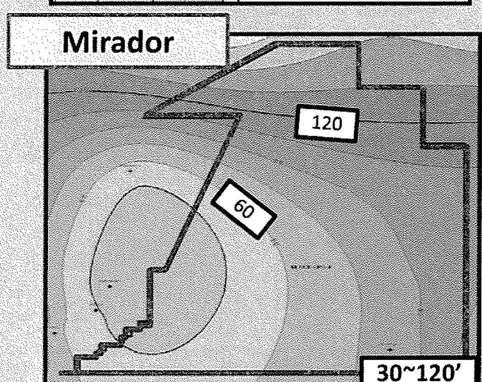
NET SAND THICKNESS

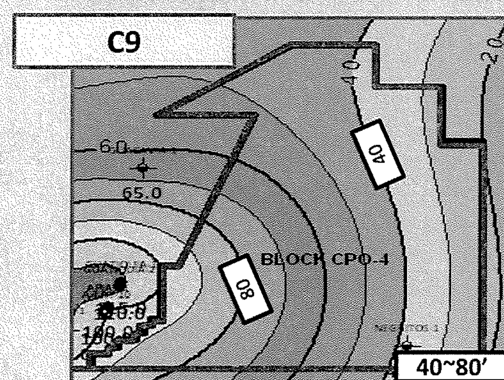
Reservoir





30~350'





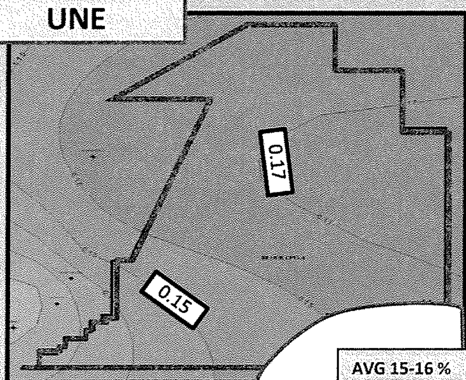
SK energy

ISO-POROSITY RESERVOIR MAP

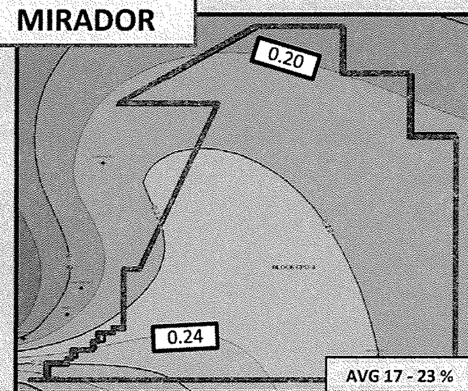
Reservoir

15~25%

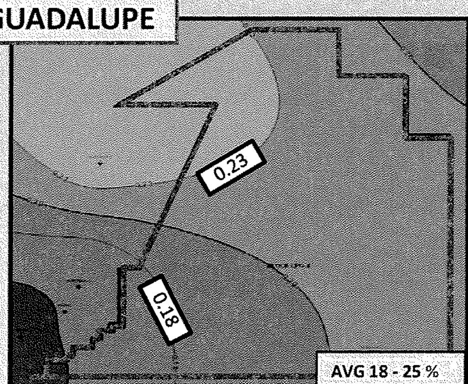
UNE



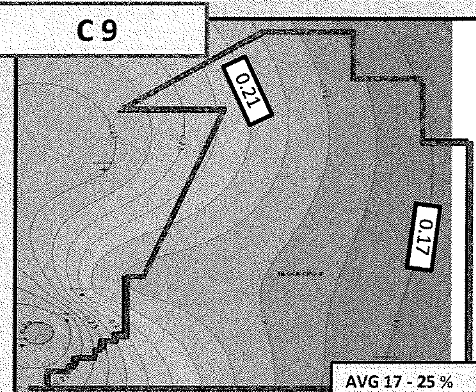
MIRADOR



GUADALUPE



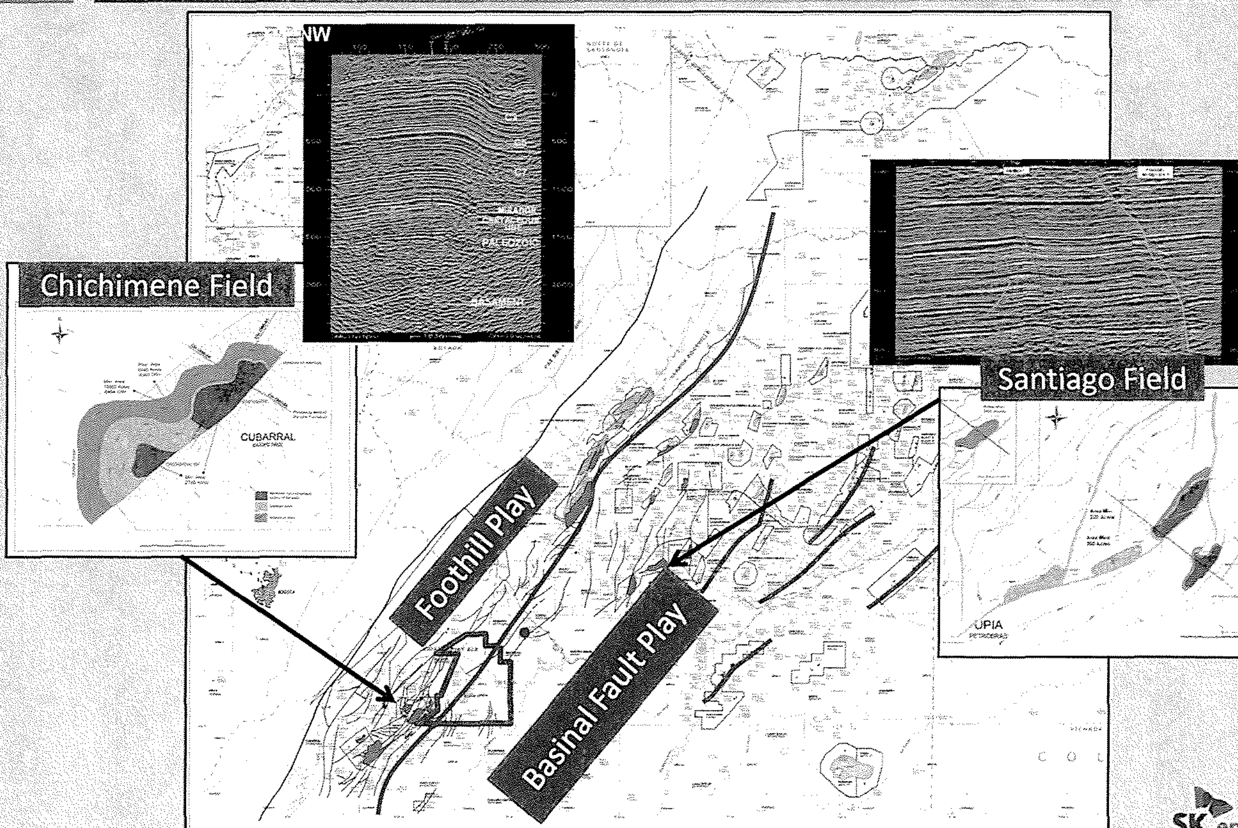
C 9



SK energy

On-trend of Discoveries

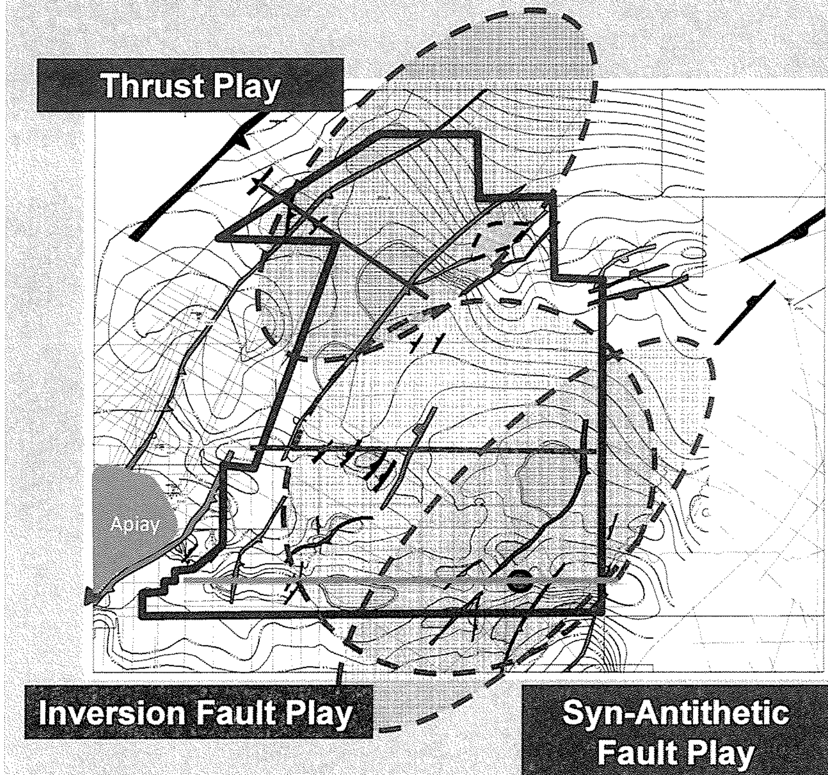
Trap

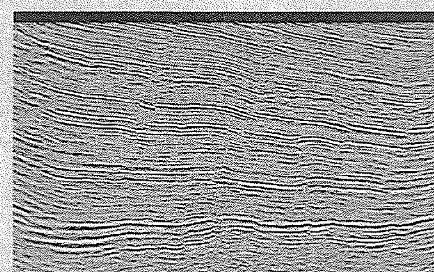


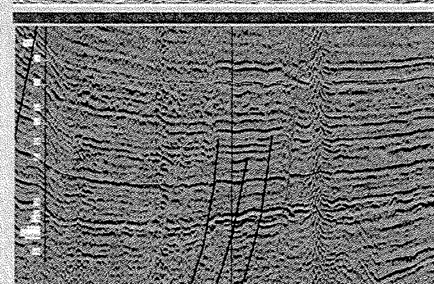
SK energy

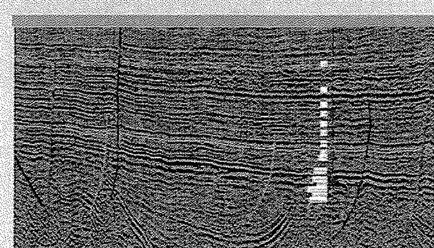
Structural Play

Trap



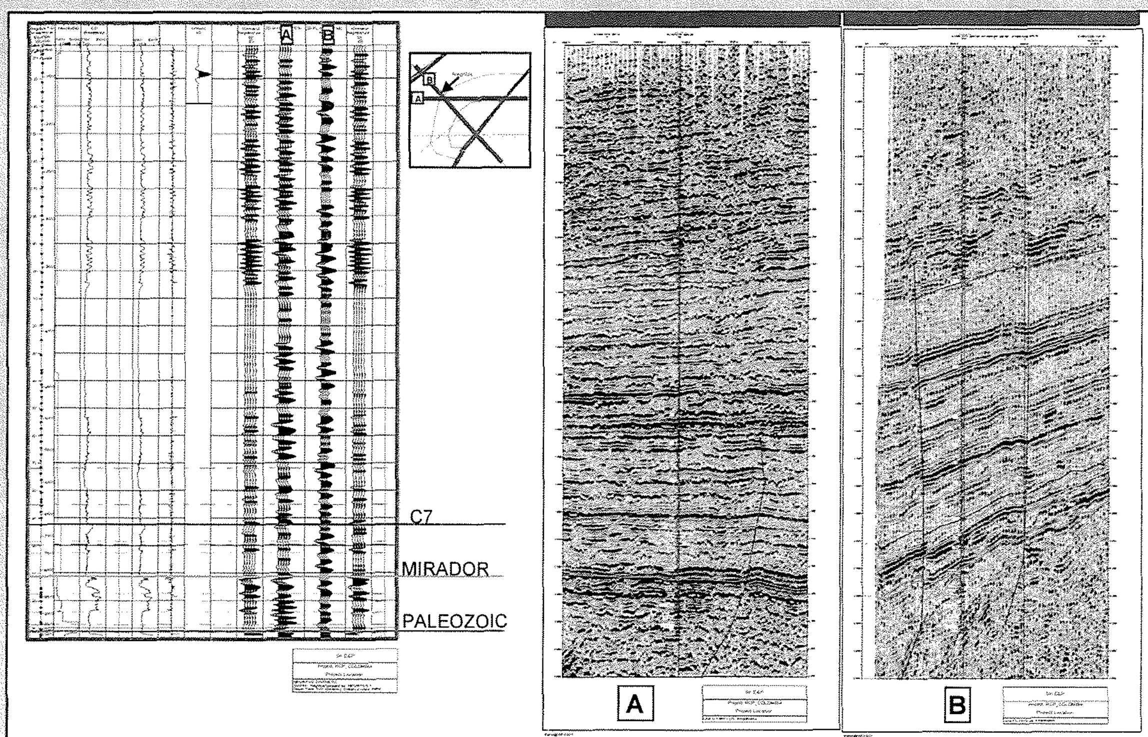






SK energy

Synthetic Seismogram Negritos-1 Well

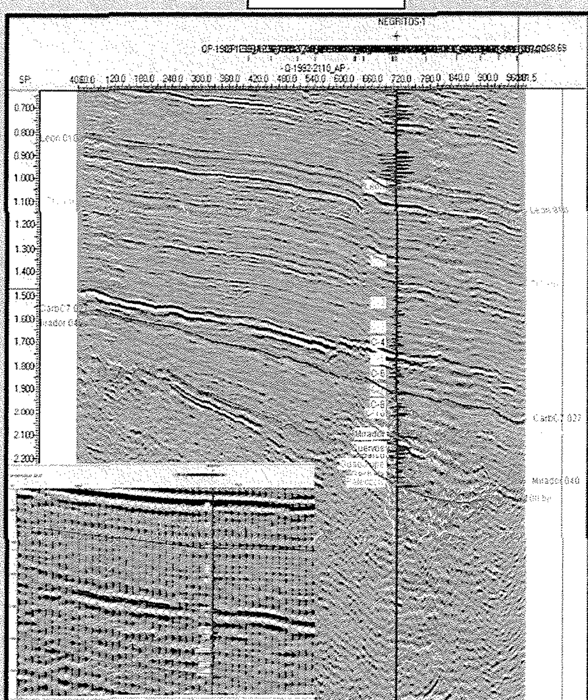


SK energy

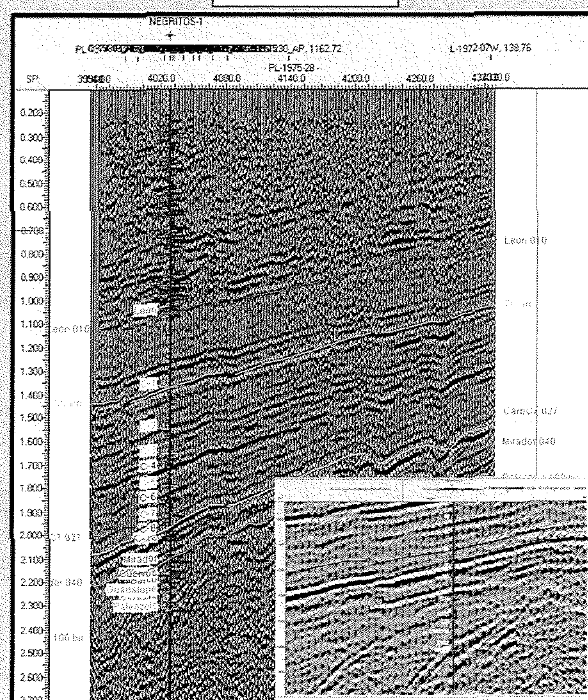
Synthetic Seismogram Negritos-1 Well

Trap

A

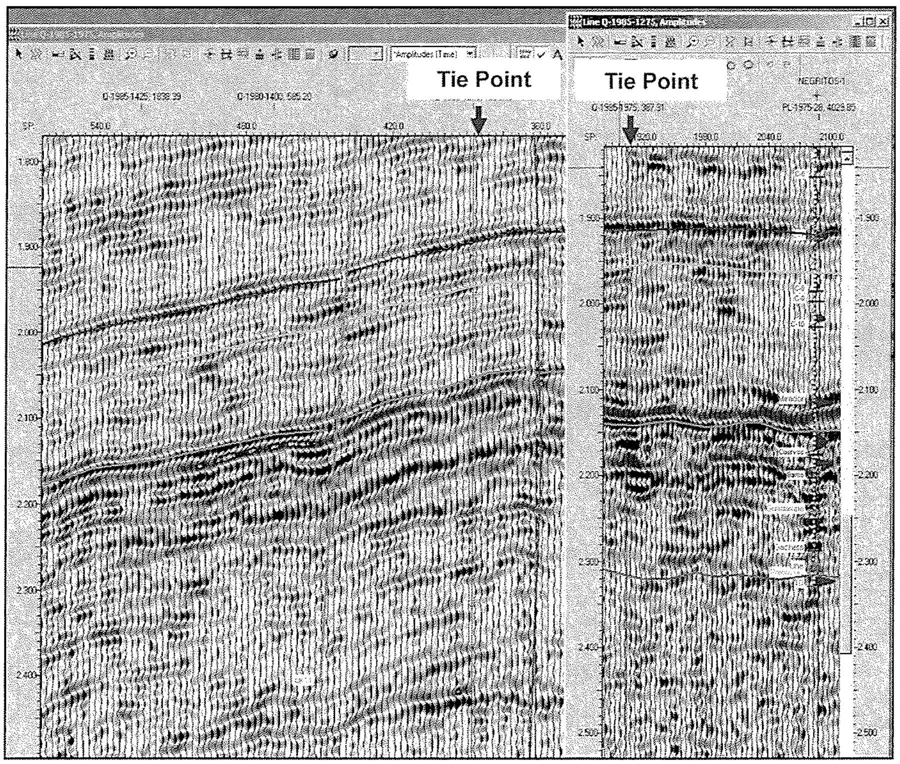


B



SK energy

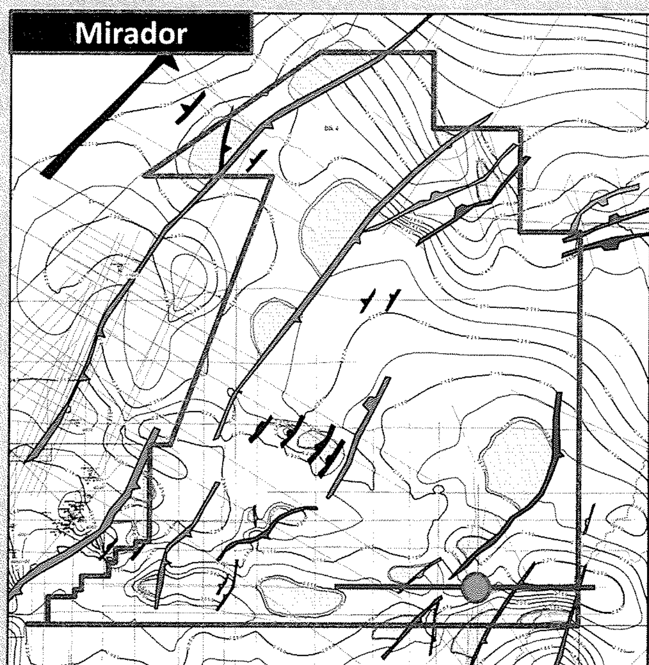
Need Reprocessing



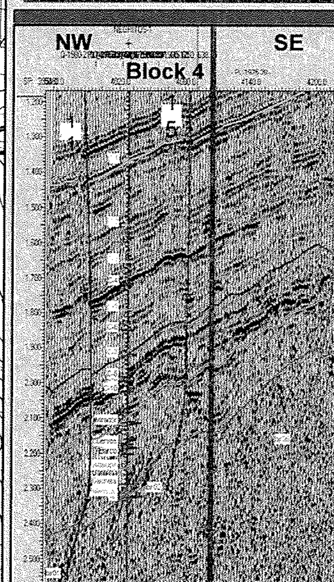
Differing velocity functions survey to survey

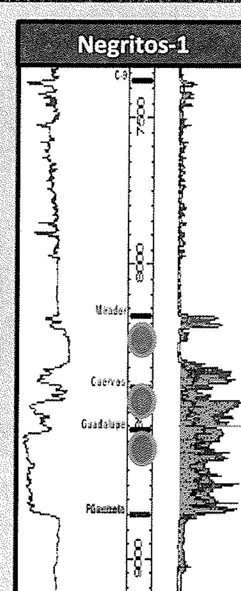
SK energy

Dry Well analysis : Negritos-1



- Downdip in K & T Structural Map ; Test Pz High
- Pz Section : all shale

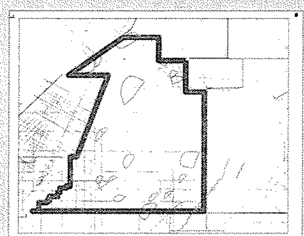




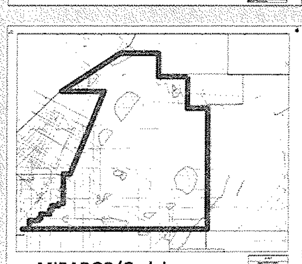
SK energy

22 Structures with 58 Horizons

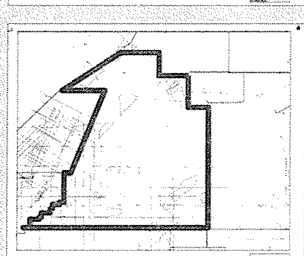
Trap



CARBONERA

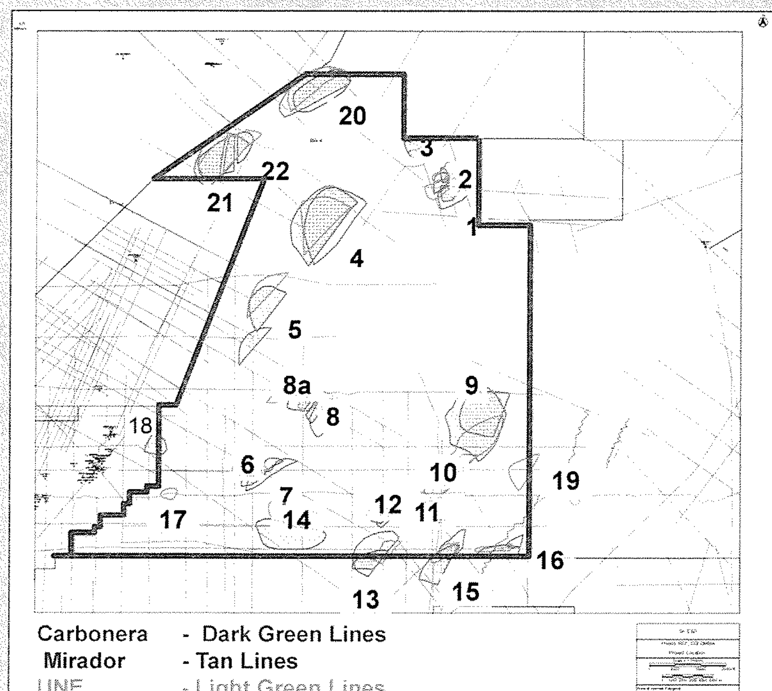


MIRADOR/Gadalupe



UNE

ALL Structures

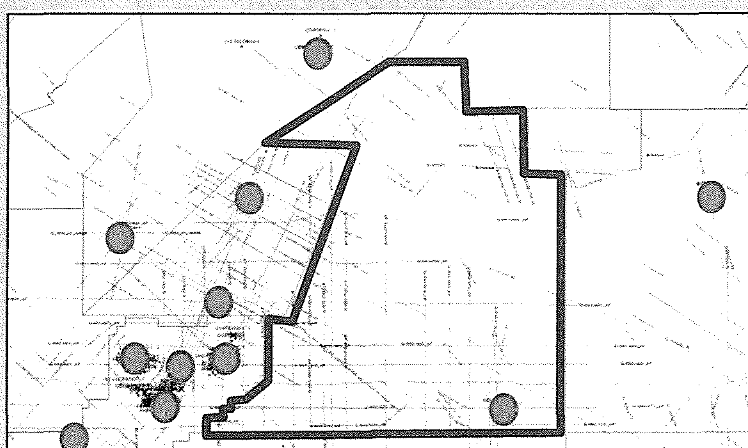


SK energy

Data Base

Trap

2 D Seismic : 1,825 Km ('70~'90)
15 Wells : 1 well inside of the block

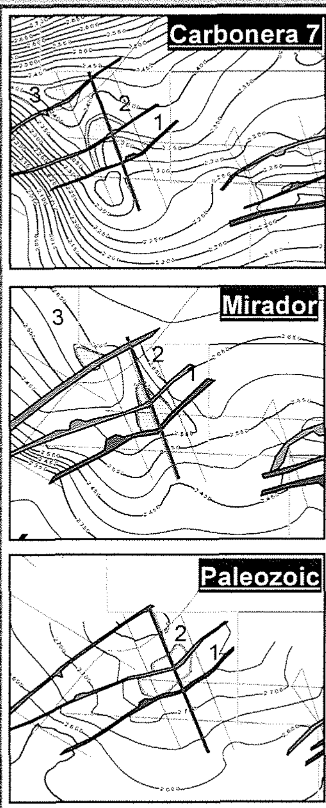


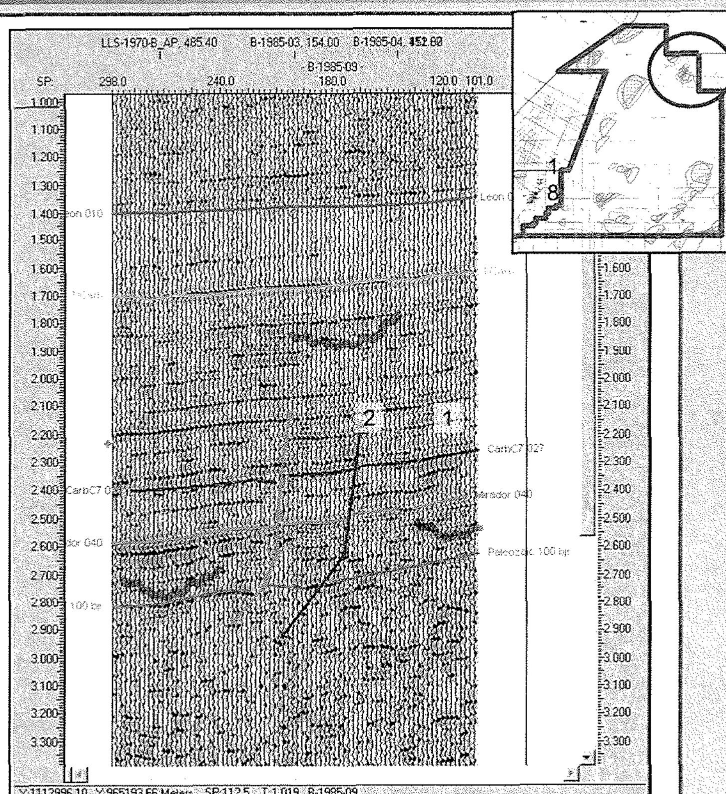
Vintage	Type		Km
	Tapes	Images	
1970	4	3	140
1972	4	4	157
1974	8		180
1975	6	3	98
1980	9	1	177
1981	10	1	289
1982	2	1	15
1983	1		35
1985	17		274
1987	12		35
1988	6		142
1992	11		158
1994	3		97
1994	1		28
Total	94	14	1825

SK energy

Lead 1,2 & 3

Trap

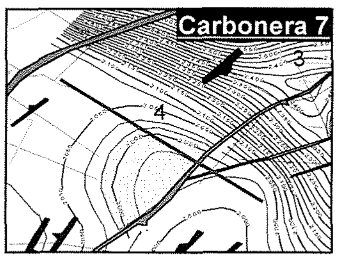


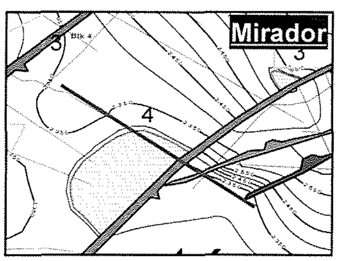


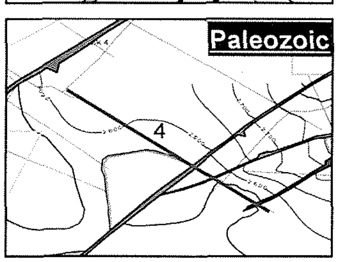
SK energy

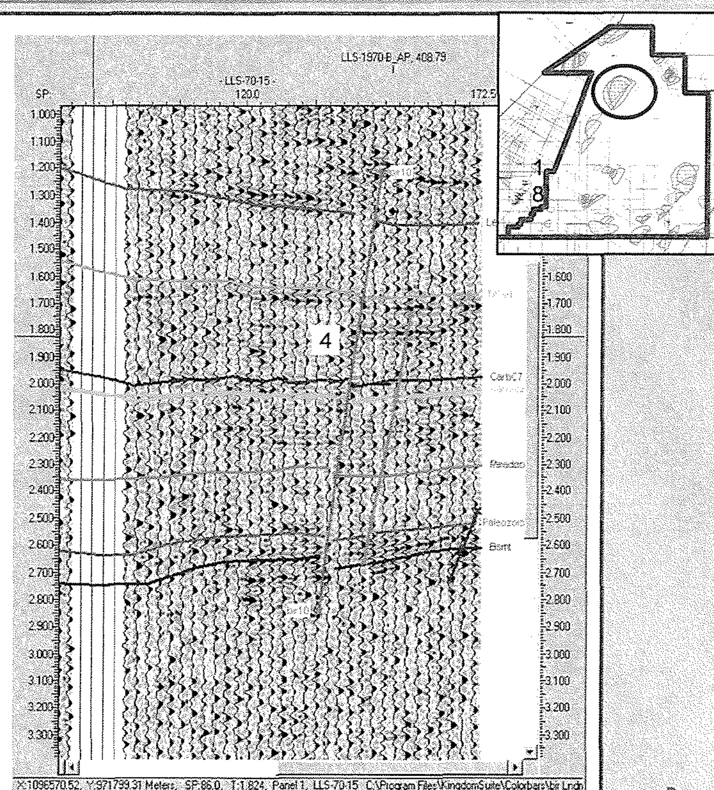
Lead 4

Trap





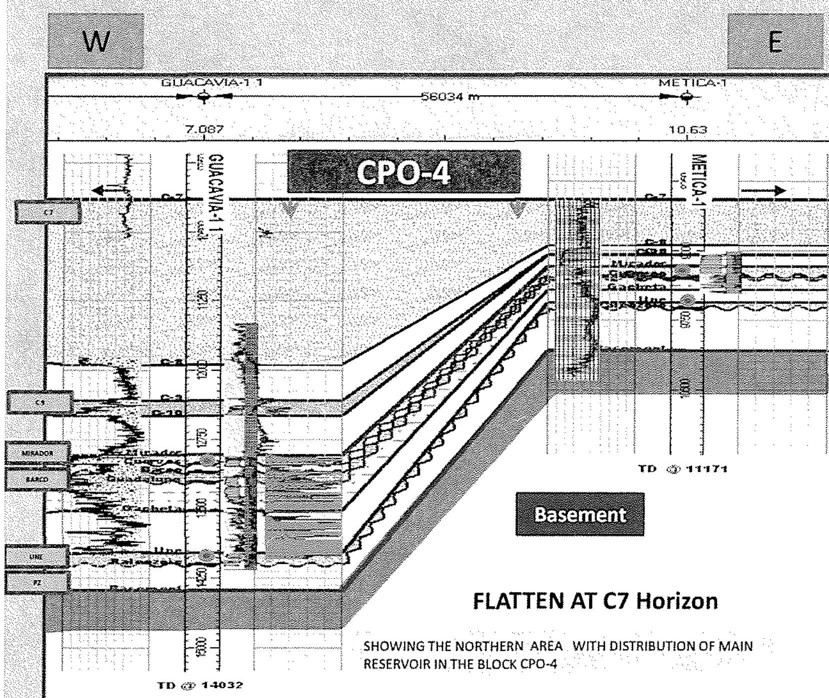


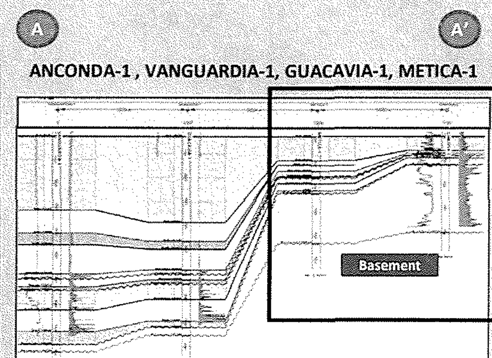


SK energy

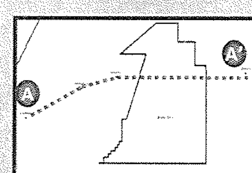
STRATIGRAPHIC SECTION A-A'

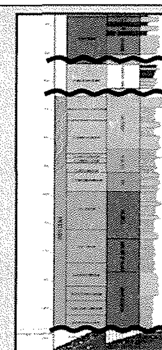
Reservoir





INDEX MAP





SK energy

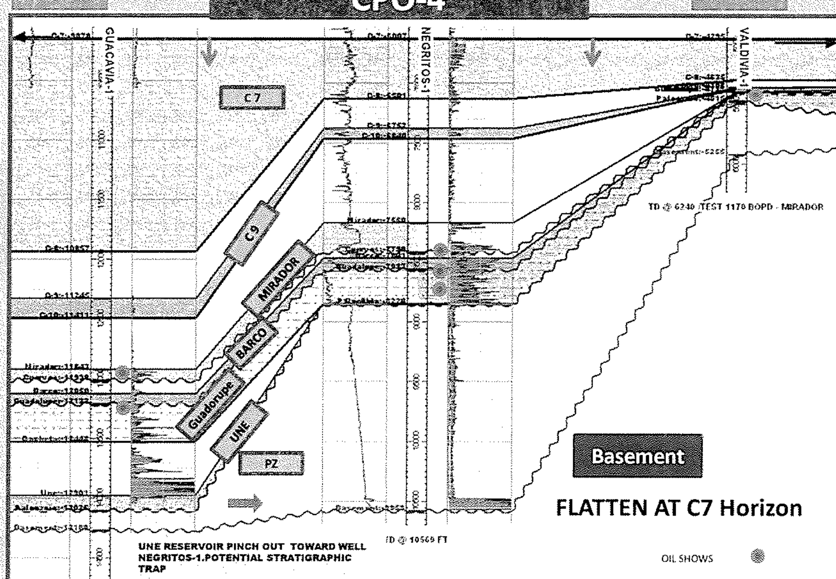
STRATIGRAPHIC SECTION B-B'

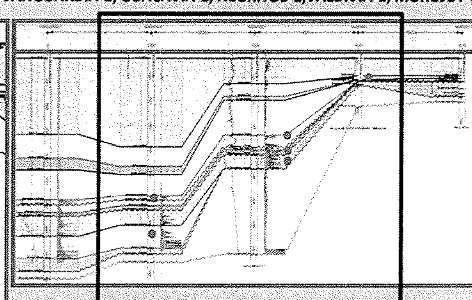
Reservoir

B   B'

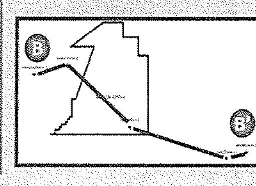
NW   CPO-4   SE

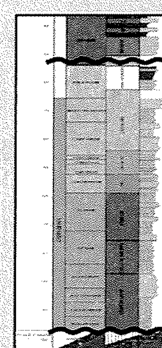
VANGUARDIA-1, GUACAVIA-1, NEGRITOS-1,VALDIVIA-1, MURUJUY-1



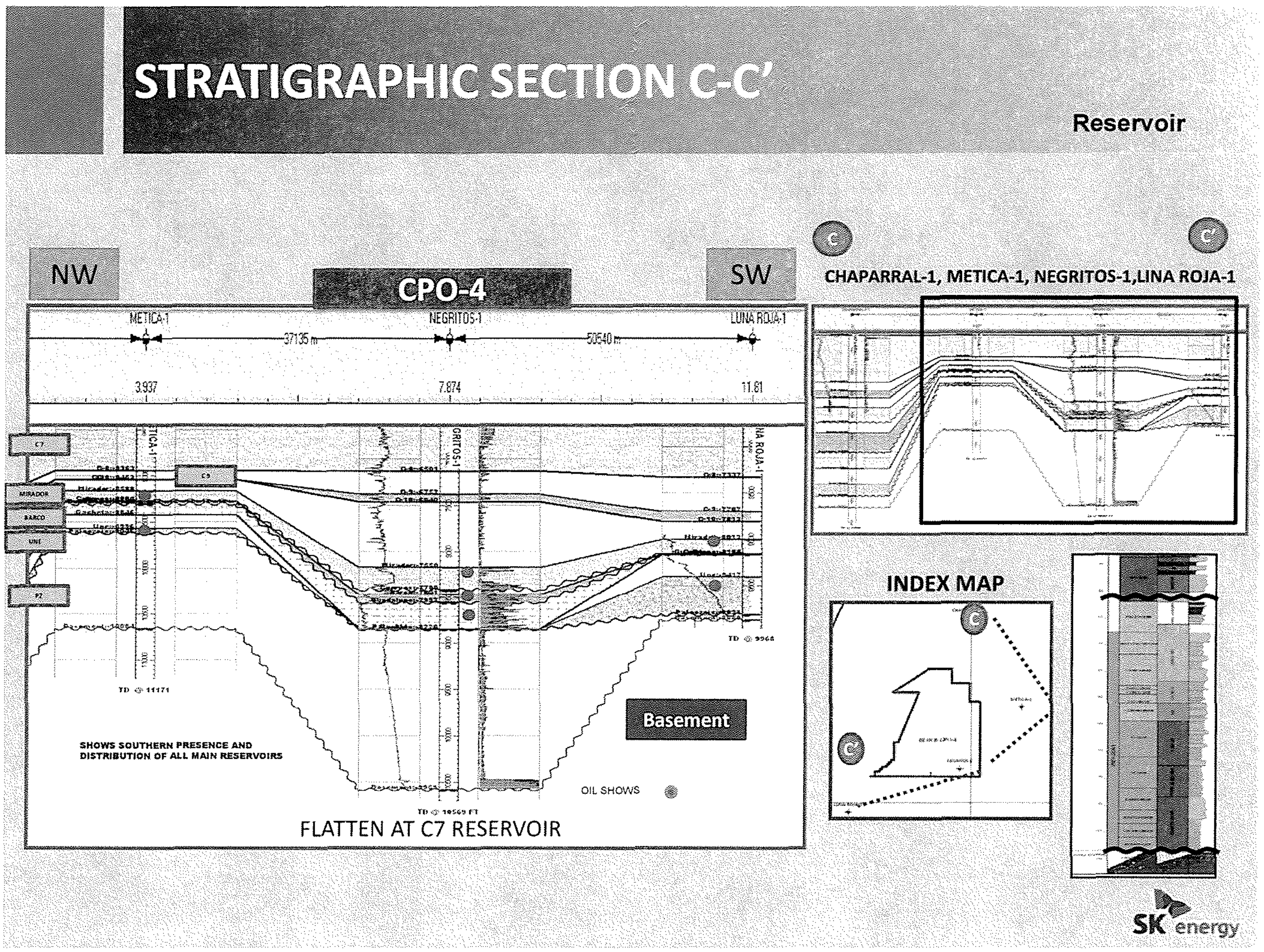


INDEX MAP





SK energy



STRATIGRAPHIC SECTION C-C'
Reservoir
NW
CPO-4
SW
METICA-1
NEGRITOS-1
LUNA ROJA-1
37135 m
50540 m
3.937
7.874
11.81
C7
MIRADOR
BARCO
UNE
PZ
TD 11171
TD 10569 FT
TD 9964
Basement
SHOWS SOUTHERN PRESENCE AND DISTRIBUTION OF ALL MAIN RESERVOIRS
OIL SHOWS
FLATTEN AT C7 RESERVOIR
C
C'
CHAPARRAL-1, METICA-1, NEGRITOS-1,LINA ROJA-1
INDEX MAP
SK energy

Total Potential

Lead	Acres			Unit R.R.	Net Pay (C9+M+U)	Recoverable Reserve (MMBO)	Remark
	C7	Mirador	Une				
1	1055	724	899	150	50'+100'+75'	29	Synthetic
2	556	212	417	150	50'+100'+75'	12	Synthetic
3	420	291	0	150	50'+100'+75'	8	Synthetic
4	6358	6506	3495	150	50'+100'+75'	185	Thrust
5	1018	2119	1435	150	50'+100'+75'	56	Thrust
6	531	114	388	150	50'+100'+75'	10	Inversion
7	1097	657	311	150	50'+100'+75'	22	Inversion
8	1606	1074	694	150	50'+100'+75'	36	Inversion
9	3821	7037	420	150	50'+100'+75'	139	Inversion
10	469	0	0	150	50'+100'+75'	4	Inversion
11	447	622	509	150	50'+100'+75'	18	Inversion
12	664	659	0	150	50'+100'+75'	15	Inversion
13	2687	936	761	150	50'+100'+75'	43	Inversion
14	882	3399	1625	150	50'+100'+75'	76	Drapeover
15	993	1692	605	150	50'+100'+75'	40	Inversion
16	284	847	452	150	50'+100'+75'	20	Inversion
17	0	420	326	150	50'+100'+75'	10	Inversion
18	0	818	0	150	50'+100'+75'	12	Inversion
19	0	0	1247	150	50'+100'+75'	14	Inversion
20	3320	4029	2364	150	50'+100'+75'	112	Thrust
21	2510	2611	3162	150	50'+100'+75'	94	Thrust
22	790	1102	0	150	50'+100'+75'	22	Thrust
Total Potential						974	

Unit R.R.

- Porosity : 20 %
- So : 60%
- So/Bo : 0.9
- GF : 0.7
- RF : 30 %

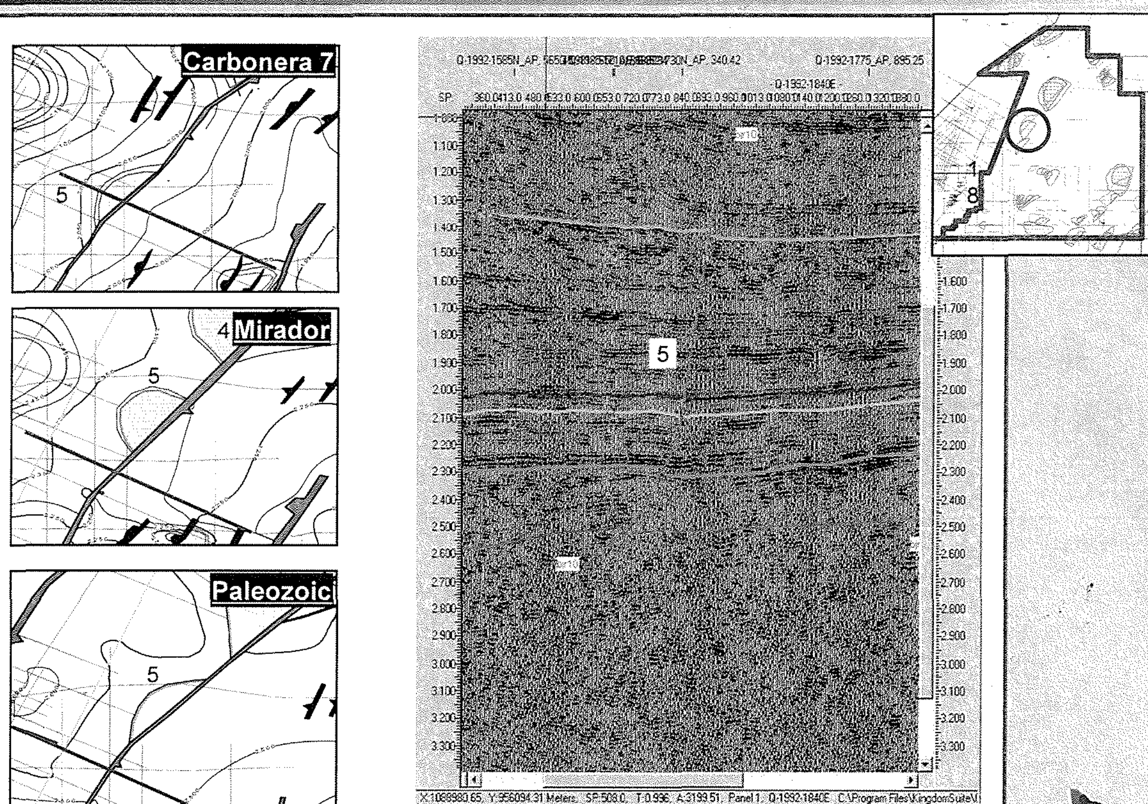
Net Pay

- Avg. Thickness
-From Net Sd Map

SK energy

Lead 5

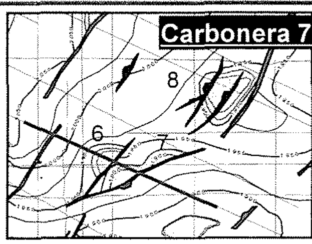
Trap

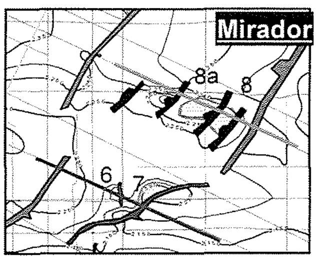


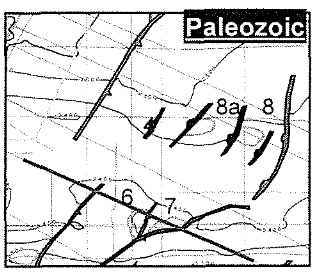
SK energy

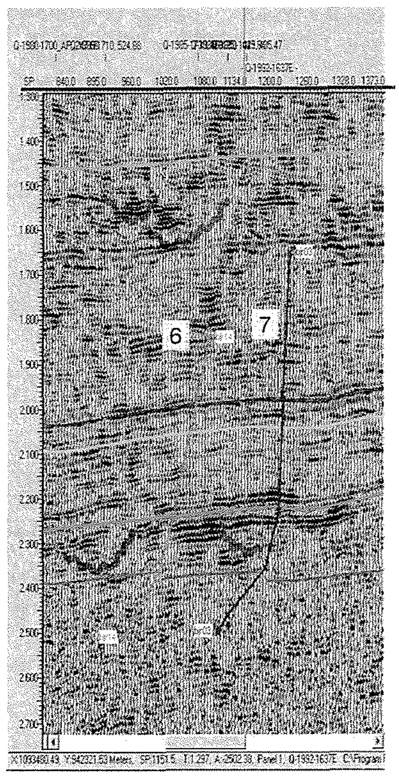
Lead 6,7,8

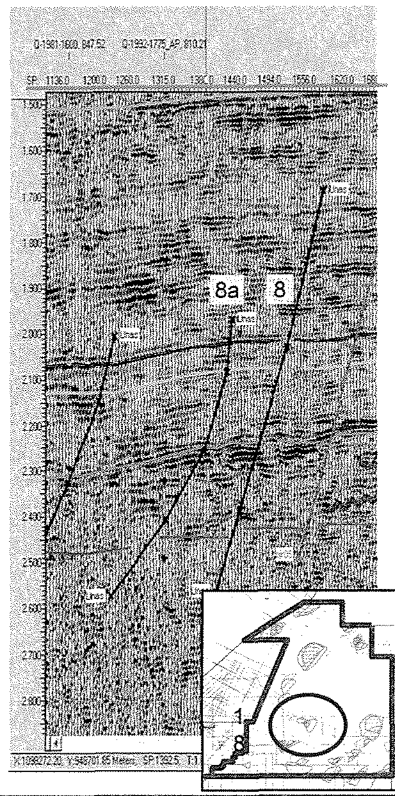
Trap







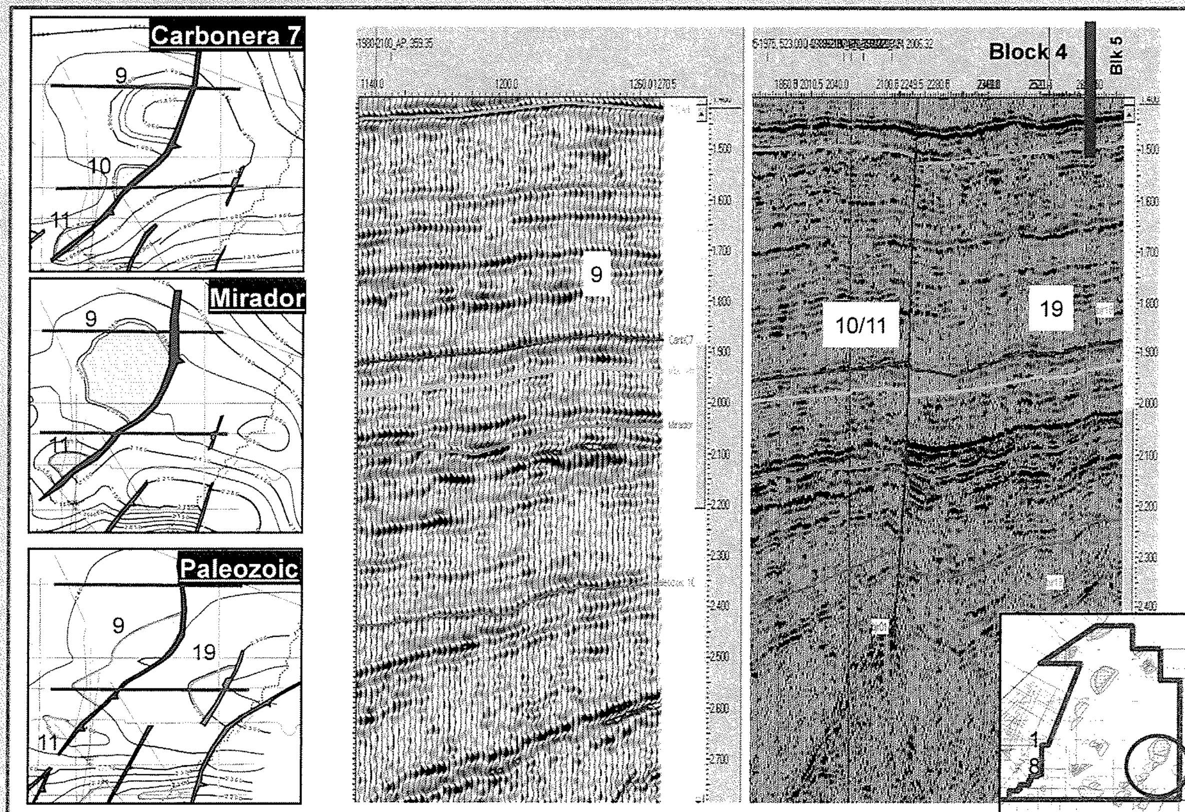




SK energy

Lead 9, 10, 11, 19

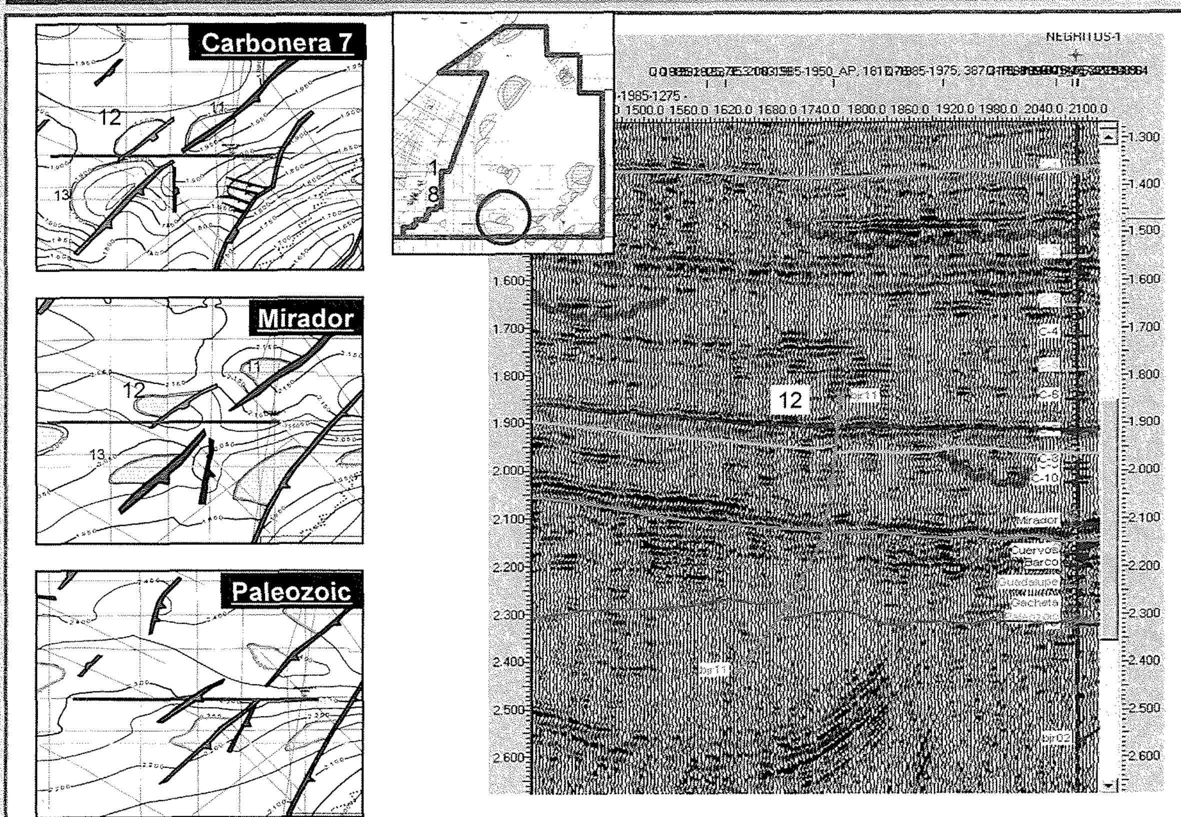
Trap



SK energy

Lead 12

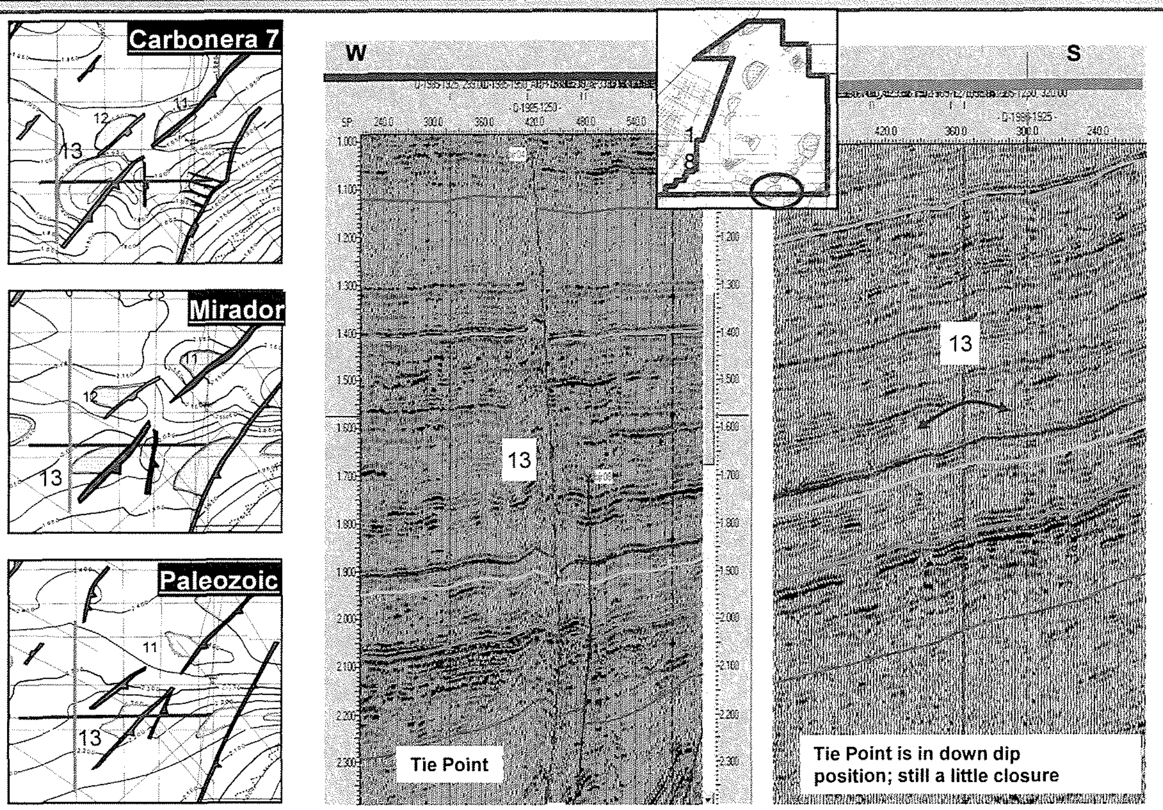
Trap



SK energy

Lead 13

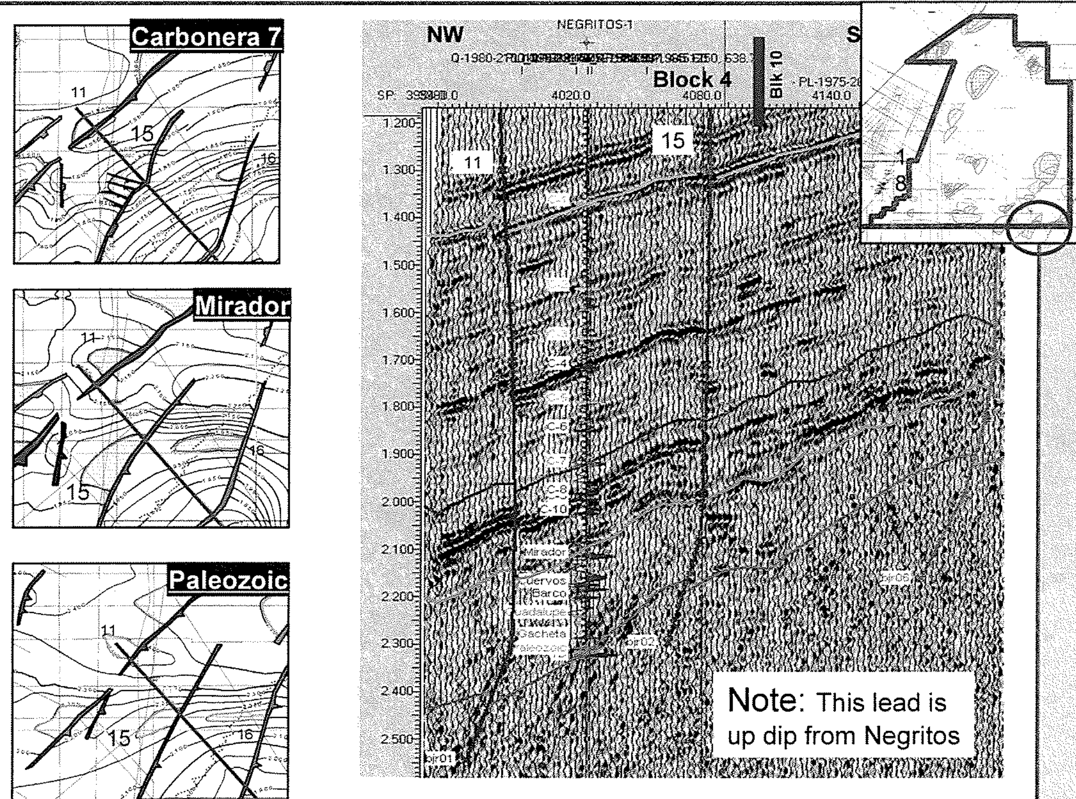
Trap



SK energy

Lead 15

Trap

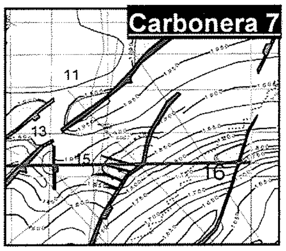


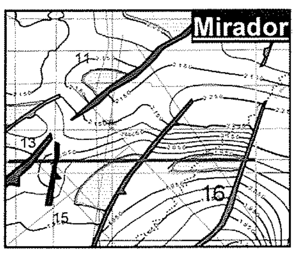
Note: This lead is up dip from Negritos

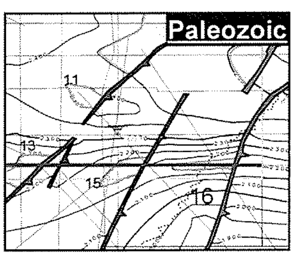
SK energy

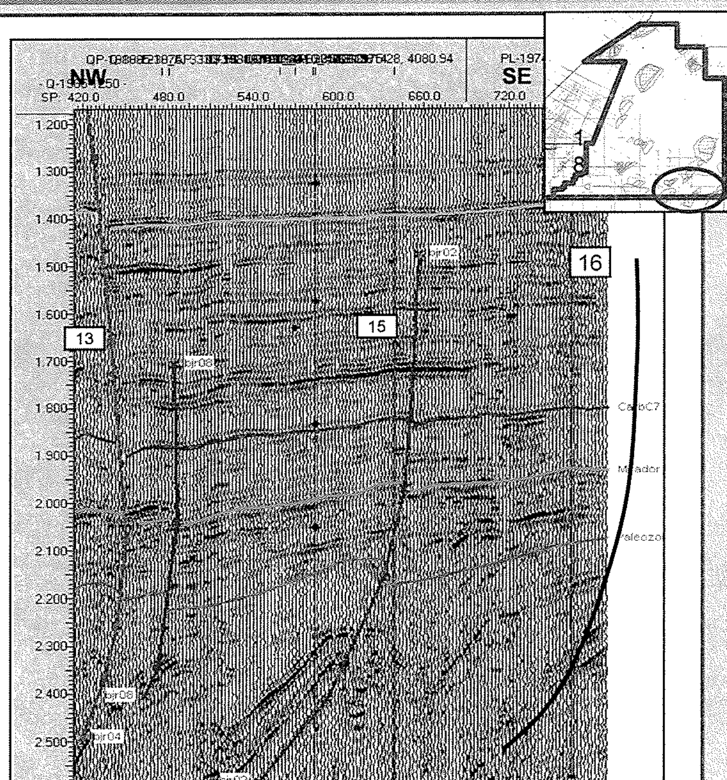
Lead 13, 15, 16

Trap





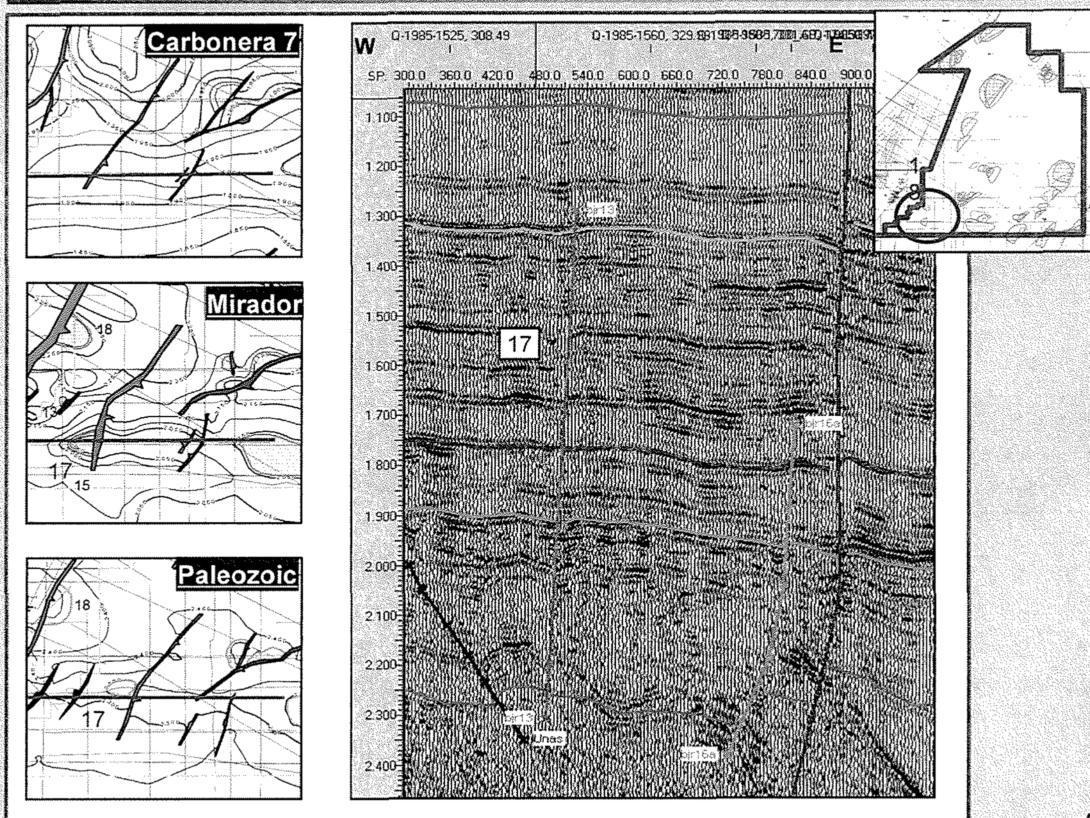




SK energy

Lead 17

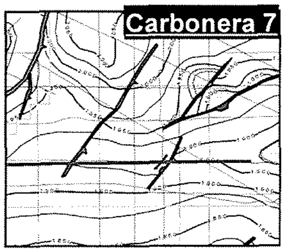
Trap

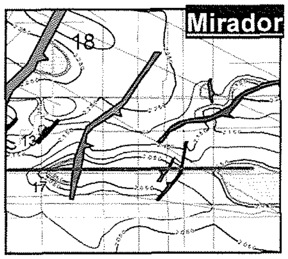


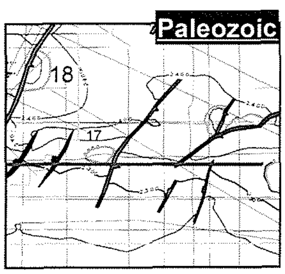
SK energy

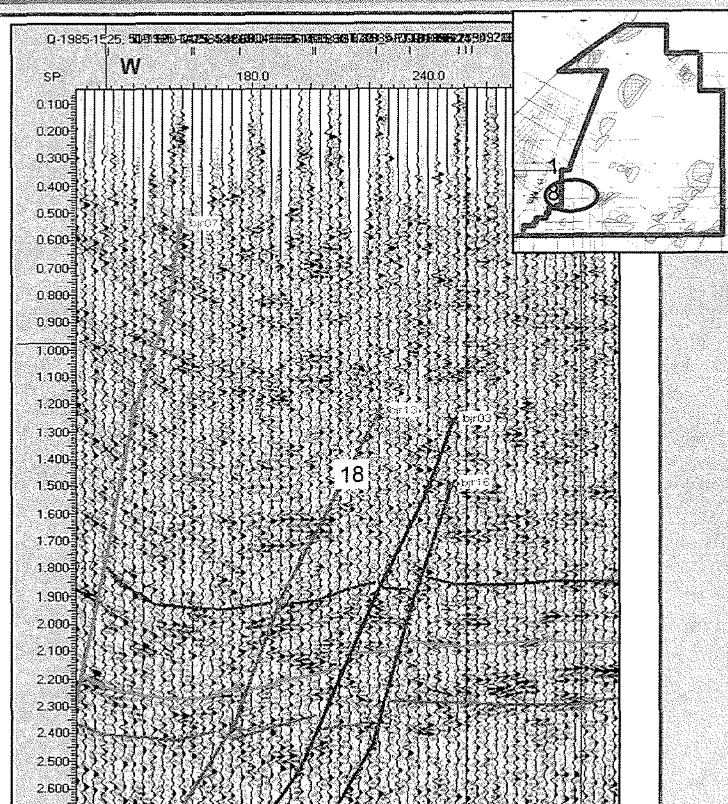
Lead 18

Trap





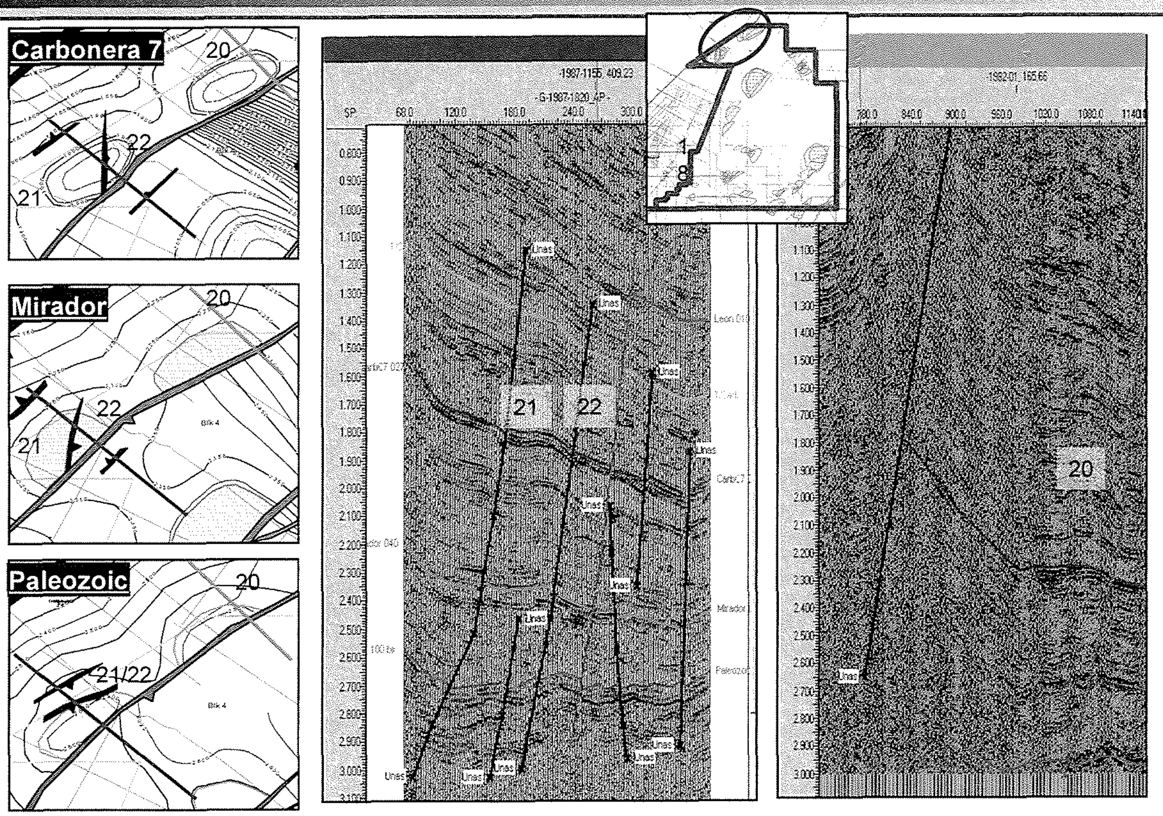




SK energy

Lead 20, 21, 22

Trap



SK energy

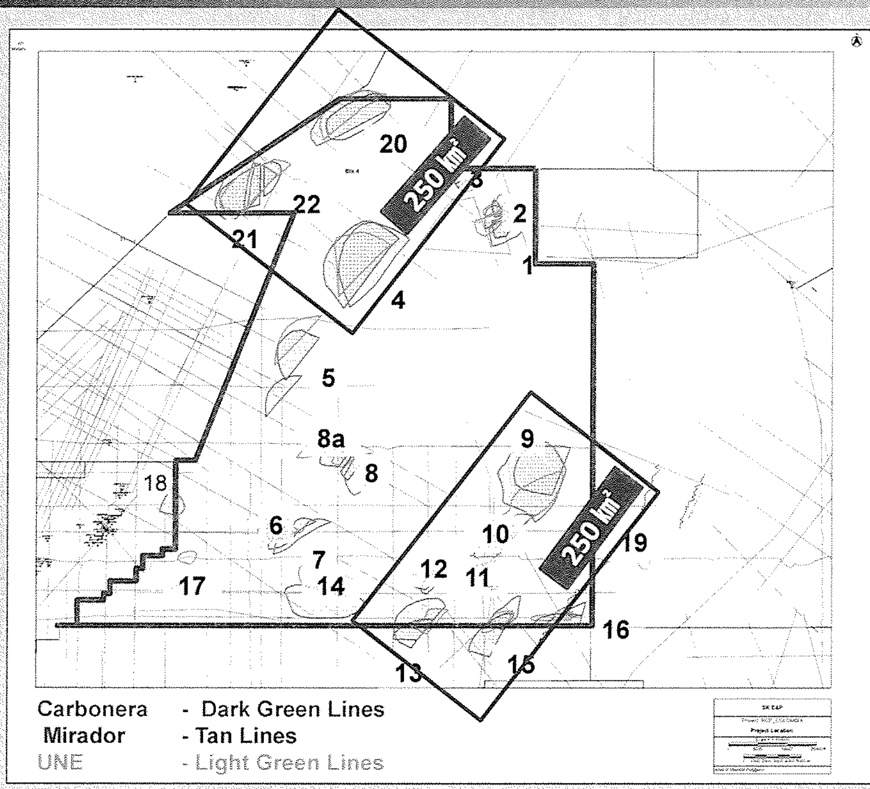
High Potential

Lead	Acres			Unit R.R.	Net Pay (C9+M+U)	Recoverable Reserve (MMBO)	Remark
	C7	Mirador	Une				
4	6358	6506	3495	150	50'+100'+75'	185	Thrust
8	1606	1074	694	150	50'+100'+75'	36	Inversion
9	3821	7037	420	150	50'+100'+75'	139	Inversion
13	2687	936	761	150	50'+100'+75'	43	Inversion
15	993	1692	605	150	50'+100'+75'	40	Inversion
20	3320	4029	2364	150	50'+100'+75'	112	Thrust
21	2510	2611	3162	150	50'+100'+75'	94	Thrust
Recoverable Reserve MMBO	160	358	121				
Total Potential						639	

SK energy

Possible Seismic Program

Trap

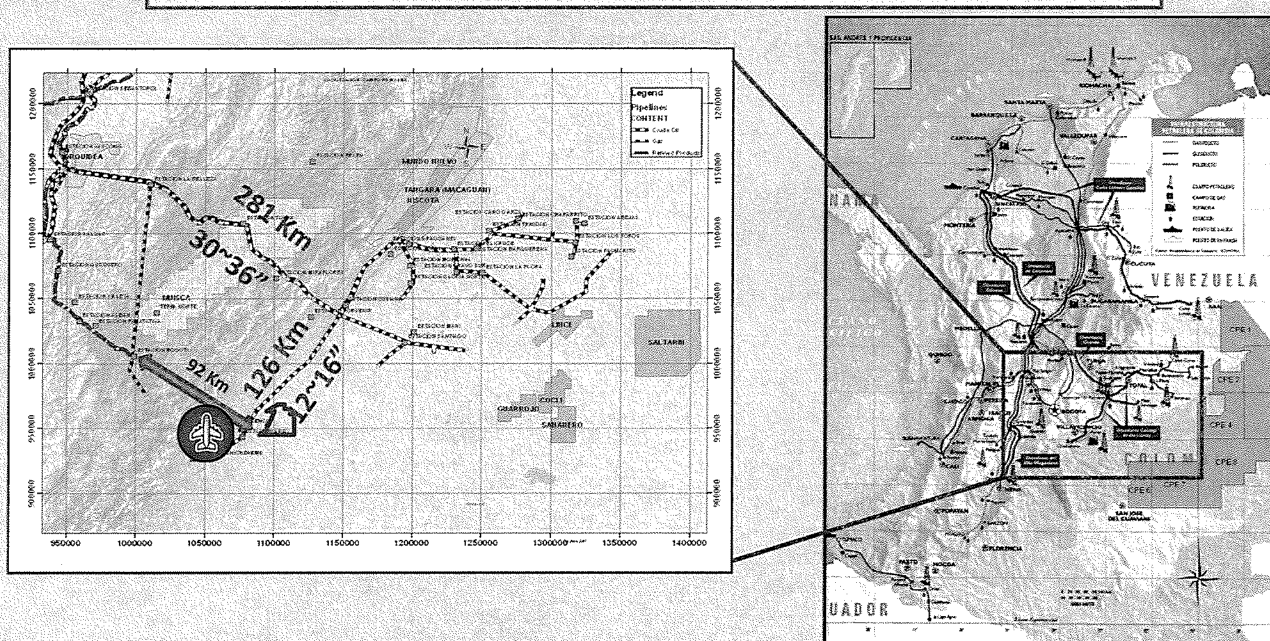


SK energy

Excellent Infra Structure

Infra

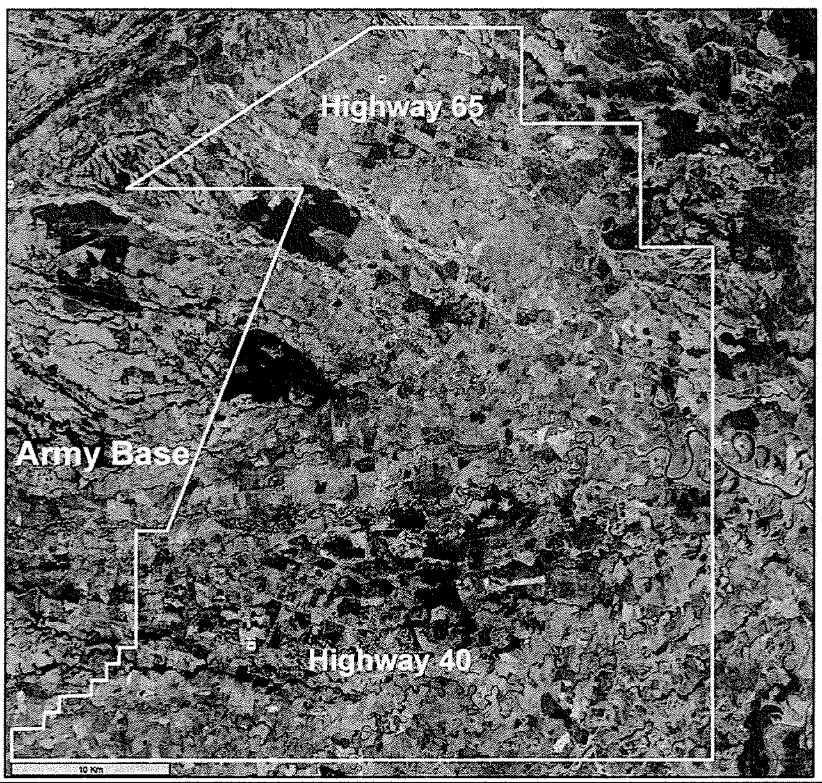
12~16" P/L
Need Light Oil for Blending

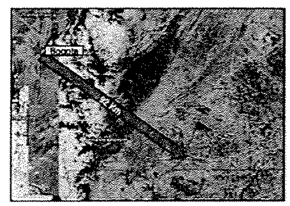


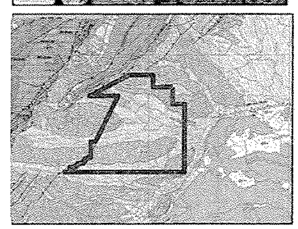
SK energy

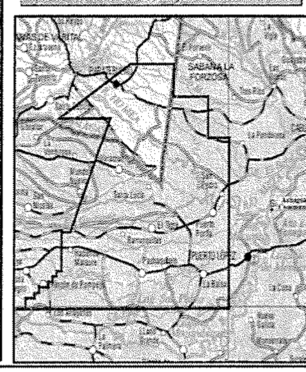
Excellent Working Environment

Working Environment







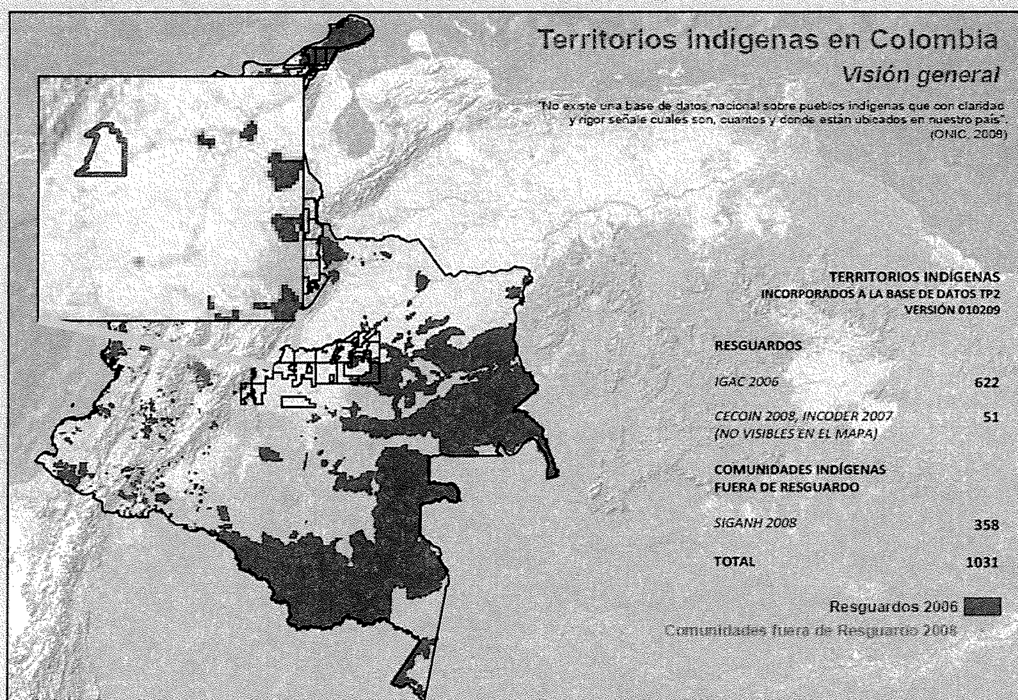


SK energy

No Indian Reservation Area

Indigenous

No Indigenous Reservation

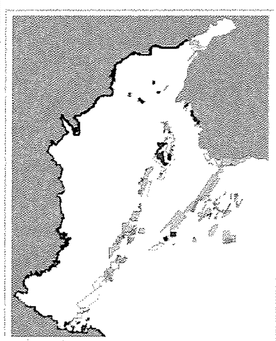


SK energy

Activity in Colombia

Activity

Áreas en E&P (2003)



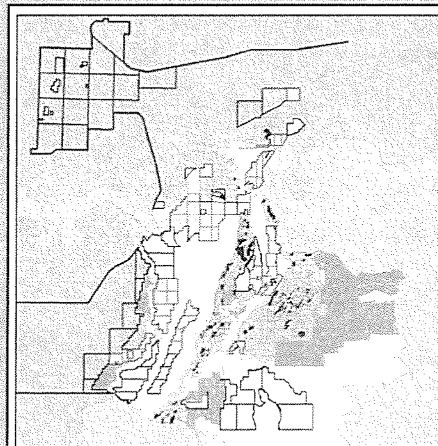
2008 Bid

152 ⇒ 80

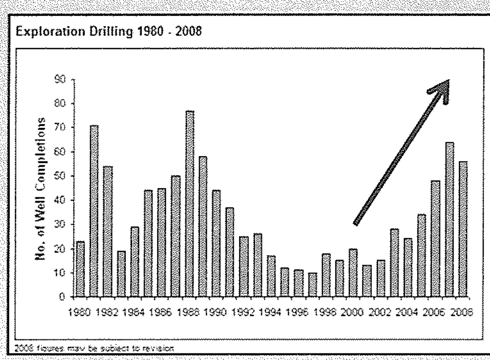
TEA : 8 ⇒ 8

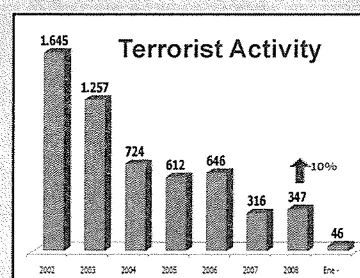
Regular : 42 ⇒ 22

Mini : 102 ⇒ 50



MARZO 26 DE 2009

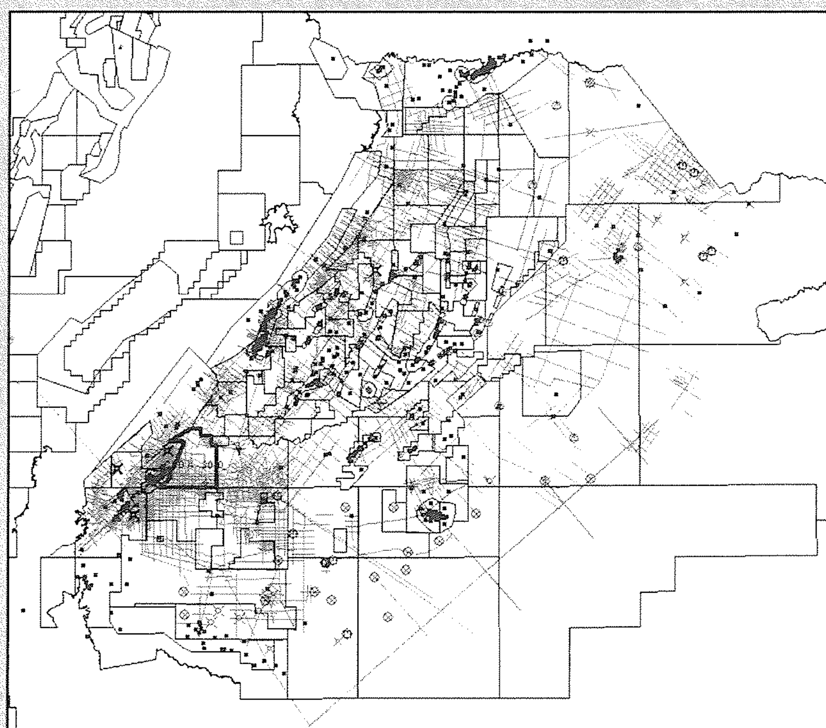




SK energy

Under-explored Large Area

Potential



Area : 1.4 M km^2

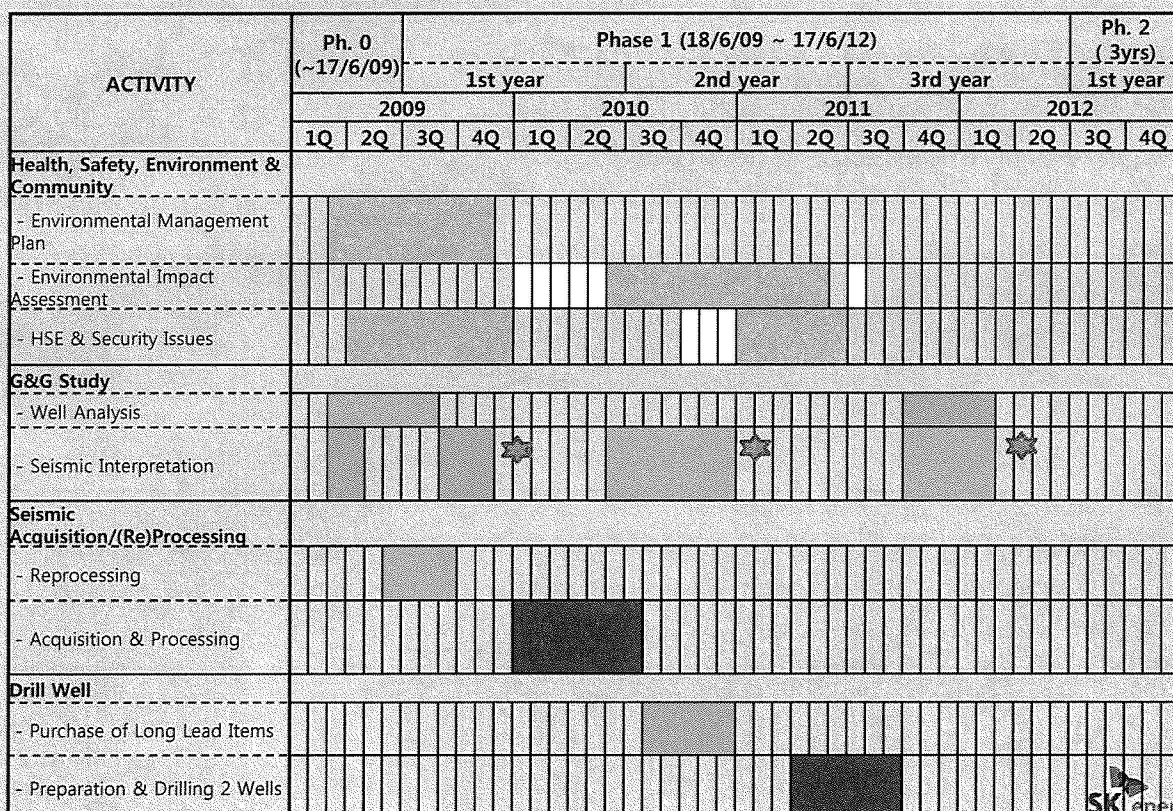
Sparse 2D : 1825 Km

Only 1 well

SK energy

Schedule

Schedule



SK energy

Phase 1 Budget Estimation

3yrs Budget

- **Budget Estimation from 2009 to 2012**

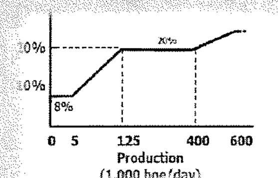
[Thousand US$]

ITEM	2009	2010	2011	2012	Phase 1 Total	Remark
G&G	1,182	15,622	558	525	17,887	Reprocessing in 2009, Seismic Acquisition (500 km^2, 30,000 U$/$km^2$) in 2010
Drilling	0	3,270	10,279	238	13,787	Long-lead Items Purchase in 2010, 2 Wells back-to-back Drilling (US$6.5 million/well) in 2011
HSEC	536	664	1093	460	2,753	PMA/EIA , Community Improvement, Security & Health/Safety Issues etc
G&A	2,369	2,661	2,547	2,858	10,435	Contract Commitment (Rental Fee, Training Support to ANH), L/C Charge, Employee Salary etc
Total	4,087	22,217	14,477	4,081	44,862	

SK energy

E&P Contract Summary

- **Letter of Credit: 50% of the Phase one (1) Investment ($8.15 MM)**
  (Additional Investment was the 2nd bid parameter and the tie-breaker of Colombia Round 2008)
- **Economic Rights (Rentals): Each Phase US$470,177**
- **Royalties: 8~25%**
  (Gross/According to Monthly Avg. Production Rate)



- **Colombian Government Participation Fee: 31%**
  (After Royalty/The 1st bid parameter of Colombia Round 2008)

- **High Price Tax:** ***(Price @delivery point)x(Production Volume)x{(P-Po)/P} x S***
  P: Benchmark Price (WTI)
  Po: Reference Base Price (If API gravity of liquid is 22°~29°, Po is US$30.22/B)
  S: Percentage of Share (If $30.22/B≤P<$60.44/B, S is 30%)
  (Will be applied after accumulative 5 million Bbls oil production)

- **Colombian Income Tax (From 2008) : 33%**
- **Applicable Law: The Colombian law**
- **Language: Spanish**

SK energy

Summary

Proven Area

- Source : Surrounded by Existing Fields
- Multi Reservoirs
- Trap Type : On trend of discovery
- Relatively High API Oil
- Expected Reserve : 40 ~ >150 MMBO Recoverable each

Excellent working Environment

- Near P/L
- Ease of Access Roads
- No Indigenous Reservation Area
- All year round Working

Main Risk : **Existence of Trap (New Seismic will verify)**

Farm-out Plan

- Looking for Technical Partner : First come First served
- Up to 50% (2 Parties)
- FO Terms & Conditions : Open
- Data Room : From middle of April

Thank you !!

EXHIBIT 12

10-Q 1 form10q.htm HOUSTON AMERICAN ENERGY CORP 10-Q 9-30-2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

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 1-32955

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in its charter)

Delaware	[redacted]
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

[redacted]
(Address of principal executive offices)(Zip Code)

[redacted]
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. Yes ☐ No ☐

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	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 November 4, 2009, we had 28,000,772 shares of $0.001 par value Common Stock outstanding.

HOUSTON AMERICAN ENERGY CORP.

FORM 10-Q

INDEX

Index

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements

HOUSTON AMERICAN ENERGY CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	$ 4,709,078	$ 9,910,694
Accounts receivable – oil and gas sales	1,251,374	315,631
Escrow receivable	514,938	1,673,551
Prepaid expenses and other current assets	418,757	20,240
Total current assets	6,894,147	11,920,116
PROPERTY, PLANT AND EQUIPMENT		
Oil and gas properties – full cost method		
Costs subject to amortization	20,809,009	17,550,268
Costs not being amortized	2,212,258	2,064,566
Office equipment	11,878	11,878
Total property, plant and equipment	23,033,145	19,626,712
Accumulated depreciation, depletion, and impairment	(15,485,333)	(14,363,581)
Total property, plant and equipment, net	7,547,812	5,263,131
OTHER ASSETS		
Deferred tax asset	5,800,509	5,277,354
Other assets	176,453	176,453
Total Assets	$ 20,418,921	$ 22,637,054
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 33,578	$ 1,363,827
Accrued expenses	6,069	9,264
Foreign income taxes payable	27,309	10,191
Total current liabilities	66,956	1,383,282
LONG-TERM LIABILITIES		
Deferred rent obligation	17,639	19,614
Reserve for plugging and abandonment costs	252,252	185,910
Total long-term liabilities	269,891	205,524
Commitments and Contingencies	—	—
SHAREHOLDERS' EQUITY		
Preferred stock, $0.001 par value: 10,000,000 shares authorized; 0 shares outstanding	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 28,000,772 shares issued and outstanding	28,001	28,001
Additional paid-in capital	22,603,231	22,631,773
Accumulated deficit	(2,549,158)	(1,611,526)
Total shareholders' equity	20,082,074	21,048,248
Total liabilities and shareholders' equity	$ 20,418,921	$ 22,637,054

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

Index

HOUSTON AMERICAN ENERGY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Revenue:				
Oil and gas	$ 3,983,256	$ 8,616,868	$ 2,403,996	$ 2,350,782
Total revenue	3,983,256	8,616,868	2,403,996	2,350,782
Expenses of operations:				
Lease operating expense and severance tax	2,644,359	2,789,630	1,021,312	747,740
Joint venture expenses	127,487	144,919	48,780	43,225
General and administrative expense	2,013,955	2,616,714	620,642	609,398
Depreciation and depletion	1,121,752	913,214	580,020	147,311
Gain on sale of oil and gas properties	—	(7,615,236)	—	—
Total operating expenses	5,907,553	(1,150,759)	2,270,754	1,547,674
Income (loss) from operations	(1,924,297)	9,767,627	133,242	803,108
Other income:				
Interest income	53,886	232,870	9,350	72,427
Total other income	53,886	232,870	9,350	72,427
Net income (loss) before taxes	(1,870,411)	10,000,497	142,592	875,535
Income tax expense (benefit)	(932,777)	5,130,141	(285,986)	76,703
Net income (loss)	$ (937,634)	$ 4,870,356	$ 428,578	$ 798,832
Basic income (loss) per share	$ (0.03)	$ 0.17	$ 0.02	$ 0.03
Diluted income (loss) per share	$ (0.03)	$ 0.17	$ 0.02	$ 0.03
Basic weighted average shares	28,000,772	27,903,915	28,000,772	28,000,772
Diluted weighted average shares	28,000,772	28,065,640	28,023,559	28,209,632

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

Index

HOUSTON AMERICAN ENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (937,634)	$ 4,870,356
Adjustments to reconcile net income (loss) to net cash from operations:		
Depreciation and depletion	1,121,752	913,214
Stock based compensation	811,501	833,623
Accretion of asset retirement obligation	10,221	15,546
Amortization of deferred rent	(1,975)	(198)
Increase in deferred tax asset	(523,155)	—
Gain on sale of oil and gas properties	—	(7,615,236)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(935,743)	(172,109)
Increase in prepaid expense	(398,517)	(30,767)
Increase (decrease) in accounts payable and accrued liabilities	(1,316,324)	290,323
Net cash used in operating activities	(2,169,874)	(895,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	—	9,650,000
Payments for acquisition and development of oil and gas properties	(3,704,208)	(7,180,675)
Proceeds from sale of oil and gas properties, net of expenses	353,896	10,146,655
Decrease in escrow receivable	1,158,613	—
Payments for issuance of notes receivable	(115,724)	—
Receipts for notes receivable	115,724	—
Increase in other assets	—	(98,287)
Net cash provided by (used in) investing activities	(2,191,699)	12,517,693
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(840,043)	(562,015)
Exercise of warrants	—	375,000
Net cash used in financing activities	(840,043)	(187,015)
Increase (decrease) in cash and equivalents	(5,201,616)	11,435,430
Cash, beginning of period	9,910,694	417,818
Cash, end of period	$ 4,709,078	$ 11,853,248
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ —	$ —
Taxes paid	$ 122,190	$ 5,107,652
NONCASH INVESTING AND FINANCING INFORMATION		
Cash proceeds from sale of oil and gas properties escrowed	$ —	$ 1,673,551
Change in asset retirement obligation	$ 56,121	$ —

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

Index

HOUSTON AMERICAN ENERGY CORP.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements of Houston American Energy Corp., a Delaware corporation (the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for a complete financial presentation. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

These financial statements should be read in conjunction with the financial statements and footnotes, which are included as part of the Company's Form 10-K for the year ended December 31, 2008.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk include cash, cash equivalents and any marketable securities. The Company had cash deposits of approximately $3,889,073 in excess of the FDIC's $250,000 current insured limits at the period end. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Earnings per Share

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares that then shared in the earnings of the Company. The Company's only outstanding potentially dilutive securities are options and warrants. Dilutive options and warrants had the effect of increasing diluted weighted average shares outstanding by 22,787, 208,860 and 161,725 common shares, respectively, for the three months ending September 30, 2009 and 2008, and the nine months ending September 30, 2008.

For the three and nine months ended September 30, 2009, options and warrants to purchase 1,706,211 and 1,728,998 shares of common stock, respectively, were excluded from the diluted EPS calculation because their effect would have been antidilutive. For the three months and nine months ended September 30, 2008, options and warrants to purchase 1,373,743 and 1,420,608 shares of common stock were excluded from the diluted EPS calculation because their exercise price was greater than the average market price of common shares during those periods.

NOTE 2 – CHANGES IN PRESENTATION

Certain financial presentations for the periods presented for 2008 have been reclassified to conform to the 2009 presentation.

Index

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168" or ASC 105-10). SFAS 168 (ASC 105-10) establishes the Codification as the sole source of authoritative accounting principles recognized by the FASB to be applied by all nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS 168 (ASC 105-10) was prospectively effective for financial statements issued for fiscal years ending on or after September 15, 2009, and interim periods within those fiscal years. The adoption of SFAS 168 (ASC 105-10) on July 1, 2009 did not impact the Company's results of operations or financial condition. The Codification did not change GAAP; however, it did change the way GAAP is organized and presented. As a result, these changes impact how companies reference GAAP in their financial statements and in their significant accounting policies. The Company implemented the Codification in this Report by providing references to the Codification topics alongside references to the corresponding standards.

In June 2008, the FASB issued FSP EITF 03-6-1 (ASC 260-10), *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF 03-6-1" or ASC 260-10). FSP EITF 03-6-1 (ASC 260-10) addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128 (ASC 260-10), *Earnings Per Share*. FSP EITF 03-6-1(ASC 260-10) is effective for the Company as of January 1, 2009 and in accordance with its requirements it will be applied retrospectively. The adoption of FSP EITF 03-6-1 (ASC 260-10) did not have a material impact on the Company's consolidated financial statements.

On December 31, 2008, the SEC published the final rules and interpretations updating its oil and gas reporting requirements. Many of the revisions are updates to definitions in the existing oil and gas rules to make them consistent with the petroleum resource management system, which is a widely accepted standard for the management of petroleum resources that was developed by several industry organizations. Key revisions include changes to the pricing used to estimate reserves to the utilization of a 12-month average price rather than a single day spot price which eliminates the ability to utilize prices subsequent to the end of a reporting period in those instances where the full cost ceiling was exceeded and subsequent pricing exceeds pricing at the end of a reporting period, the ability to include nontraditional resources in reserves, the use of new technology for determining reserves, and permitting disclosure of probable and possible reserves. The SEC will require companies to comply with the amended disclosure requirements for registration statements filed after January 1, 2010, and for annual reports on Form 10-K for fiscal years ending on or after December 15, 2009. Early adoption is not permitted. The Company is currently assessing the impact that the adoption will have on the Company's disclosures, operating results, financial position and cash flows.

In August 2009, the FASB issued ASU 2009-05 (ASC 820-10) to provide clarification on measuring liabilities at fair value when a quoted price in an active market is not available. In particular, ASU 2009-05 specifies that a valuation technique should be applied that uses either the quote of the liability when traded as an asset, the quoted prices for similar liabilities when traded as assets, or another valuation technique consistent with existing fair value measurement guidance. ASU 2009-05 (ASC 820-10) is prospectively effective for financial statements issued for interim or annual periods ending after October 1, 2009. The Company is currently assessing the impact the adoption of ASU 2009-05 (ASC 820-10) will have on its results of operations or financial condition.

Index

With the exception of the pronouncements noted above, no other accounting standards or interpretations issued or recently adopted are expected to a have a material impact on the Company's consolidated financial position, operations or cash flows.

NOTE 4 – SALE OF OIL AND GAS PROPERTIES - CARACARA AND OTHER

Gain on Sale of Oil and Gas Properties

In June 2008, the Company, through Hupecol Caracara LLC as owner/operator under the Caracara Association Contract, sold all of its interest in the Caracara Association Contract and related assets for a total cash consideration of $11,917,418.

The following table presents pro forma data that reflects revenue, income from continuing operations, net income and income per share for the three and nine months ended September 30, 2008 as if the Caracara transaction had occurred at the beginning of that period.

Pro-Forma Information:	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Oil and gas revenue	$ 2,350,782	$ 5,612,003
Income (loss) from operations	824,561	(70,203)
Net income (loss)	$ 820,285	$ (24,459)
Basic income (loss) per share	$ 0.03	$ (0.00)
Diluted income (loss) per share	$ 0.03	$ (0.00)

Escrow Receivable

Pursuant to the terms of the sale of the Caracara assets, on the closing date of the sale, a portion of the purchase price was deposited in escrow to settle post-closing adjustments under the purchase and sale agreement. The Company's proportionate interest in the escrow deposit totaled $1,673,551, and was recorded as Escrow receivable. On June 17, 2009, $1,158,613 of the funds deposited in escrow was released to the Company based on post-closing adjustments. At September 30, 2009, the balance of the funds held in escrow, including $514,938 representing the Company's proportionate interest in the escrow deposit, continued to be held in escrow pending resolution of disputes among Hupecol, the purchaser of the Caracara assets and Ecopetrol.

The net proceeds and the gain realized from the sale of the Caracara assets may be adjusted based on post-closing adjustments.

Sale of Domestic Leasehold Interests

On July 16, 2009, the Company received $353,896 from the sale of part of its interest in the Profit Island and North Profit Island prospects. The proceeds received were recorded as a reduction of oil and gas properties. The Company retained an interest in both of the prospects. See "Note 9 – Oil and Gas Acquisitions – Domestic Leases".

Index

NOTE 5 – NOTES RECEIVABLE

On February 4, 2009, the Company entered into a letter agreement (the "Letter Agreement") with Yazoo Pipeline Co., L.P., Sterling Exploration & Production Co., L.L.C., and Matagorda Operating Company (together, the "Debtors"), pursuant to which the Company agreed to provide debtor-in-possession financing ("DIP Financing") to the Debtors subject to approval of the Letter Agreement by the U.S. Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). On February 4, 2009, the Bankruptcy Court entered an order approving the DIP Financing on the terms set out in the Letter Agreement.

Under the terms of the Letter Agreement, the Company advanced a total of $115,724 to the Debtors. Advances incurred interest at 10% per annum and were to be repaid in full ninety (90) days from approval of the DIP Financing by the Bankruptcy Court, or the earlier consummation of a sale of the principal assets of the Debtors to the Company.

Pursuant to its rights under the Letter Agreement, after conducting due diligence with respect to the Debtors, the Company elected to terminate negotiations with the Debtors with respect to the potential acquisition of the assets of the Debtors. On April 10, 2009, the Debtors repaid the DIP Financing in full in the amount of $117,897, including principal and interest, and at September 30, 2009, no amounts were owed to the Company relative to the DIP Financing.

NOTE 6 – STOCK-BASED COMPENSATION EXPENSE AND WARRANTS

The Company periodically grants options to employees, directors and consultants under the Company's 2005 Stock Option Plan and the Company's 2008 Equity Incentive Plan. The Company is required to make estimates of the fair value of the related instruments and recognize expense over the period benefited, usually the vesting period.

In 2008, the Company's Board of Directors adopted the Houston American Energy Corp. 2008 Equity Incentive Plan (the "2008 Plan" and, together with the 2005 Plan, the "Plans"). The terms of the 2008 Plan allow for the issuance of up to 2,200,000 shares of the Company's common stock pursuant to the grant of stock options and restricted stock. Persons eligible to participate in the Plans are key employees, consultants and directors of the Company.

During the nine months ended September 30, 2008, the Company granted 3,333 options to the members of the Board of Directors, 1,050,000 options to employees and 55,600 shares of restricted stock. Shares available for issuance under the Plans as of September 30, 2009 totaled 1,161,002.

2009 Stock Option and Warrant Activity

A summary of stock option activity and related information for the nine months ended September 30, 2009 is presented below:

	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2009	1,392,333	$ 6.21	
Granted	146,665	2.05	
Exercised	—	—	
Forfeited	—	—	
Outstanding at September 30, 2009	1,538,998	$ 5.81	$ 301,731
Exercisable at September 30, 2009	568,998	$ 4.53	$ 129,541

Index

In June 2009, the Company granted to its Chief Financial Officer 120,000 options to purchase shares of the Company's common stock. The exercise price is $2.05 per share. The options have a term of ten years and vest over three years.

Also in June 2009, the Company granted to its directors 26,665 options to purchase shares of the Company's common stock. The options vest immediately, and have an exercise price of $2.05 per share and a term of ten years.

The above options were valued at a total of $221,006 using the Black-Scholes option-pricing model and the following parameters: (1) 3.19% risk-free discount rate, (2) expected volatility of 87.625%, (3) $0 expected dividends, and (4) an expected option life of 6.0 years for each grant calculated pursuant to the terms of SAB 107 as the options granted qualify as 'plain vanilla' under that literature.

As of September 30, 2009, total unrecognized stock-based compensation expense related to non-vested stock options was $4,125,115. The unrecognized expense is expected to be recognized over the weighted average period of 2.62 years and the weighted average remaining contractual terms of the outstanding options and exercisable options at September 30, 2009 are 8.32 and 7.49 years, respectively.

Also at September 30, 2009, the Company had 190,000 warrants outstanding with a remaining contractual life of 1.23 years. The weighted average exercise price for all remaining outstanding warrants was $3.00. The warrants had an intrinsic value of $96,900 at September 30, 2009.

Share-Based Compensation Expense

The following table reflects share-based compensation, all of which has been included in general and administrative expense, recorded by the Company for the three months ended September 30, 2009 and 2008:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Share-based compensation expense included in reported net income	$ 268,627	$ 256,023
Basic and diluted EPS effect of share-based compensation expense	$ (0.01)	$ (0.01)

The following table reflects share-based compensation, all of which has been included in general and administrative expense, recorded by the Company for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Share-based compensation expense included in reported net income	$ 811,501	$ 833,626
Basic and diluted EPS effect of share-based compensation expense	$ (0.03)	$ (0.03)

Index

NOTE 7 – INCOME TAXES

Deferred income taxes are provided on a liability method whereby deferred tax assets and liabilities are established for the difference between the financial reporting and income tax basis of assets and liabilities as well as operating loss and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company has computed the tax provision for the nine months ended September 30, 2009 in accordance with the provisions of FASB Interpretation No. 18 (ASC 740 and ASC 270), *Accounting for Income Taxes in Interim Periods* and Accounting Principles Board Opinion No. 28, *Interim Financial Reporting.*

During the third quarter, the Company updated its tax projection for the remainder of the year based upon events through September 30, 2009 and management's expectations for the balance of 2009, and consequently, recorded a tax benefit of $285,986 during the three months ended September 30, 2009. The income tax benefit for the three and nine months ended is attributable primarily to net operating losses generated in Colombia and the United States, and the refund of approximately $548,000. The Company recognized the benefit based upon management's expectations that the Company will be able to realize these losses during the remainder of fiscal year 2009 or is expected to recognize a deferred tax asset related to such losses at December 31, 2009 that will more likely than not be realized.

NOTE 8 – DIVIDEND

During the quarter ended September 30, 2009, the Company declared and paid cash dividends to its shareholders of $0.005 per share, or an aggregate of $140,014. During the nine months ended September 30, 2009, the Company declared and paid cash dividends to its shareholders of $0.03 per share, or an aggregate of $840,043.

NOTE 9 – OIL AND GAS ACQUISITIONS

Domestic Leases

During the nine months ended September 30, 2009, the Company acquired interests in four prospects in Louisiana, the N. Jade and W. Jade prospects, acquired for $67,480, and the Profit Island and North Profit Island prospects, acquired for $350,644. Subsequent to purchasing its interest in the Profit and North Profit Island prospects, on July 16, 2009, the Company sold down part of its interest in the Profit Island and North Profit Island prospects. The Company retained an interest in both of the prospects.

During the nine months ended, September 30, 2009, we acquired (1) a 2.5% working interest in over 4,500 acres under lease within a 50,000 acre area of mutual interest (AMI) in Karnes County, Texas, for a purchase price of $75,000, and (2) a 1.25% Overriding Royalty in the same leases and all acreage within the AMI, for a purchase price of $100,000. Per the contract, we will be carried to the completion point on the first well.

Serrania Contract Farmout

In June 2009, the Company entered into a farmout agreement with Shona Energy Limited pursuant to which the Company will pay 25% of designated Phase 1 geological and seismic costs in return for a 12.5% interest in the Serrania Contract for Exploration and Production covering the approximately 110,769 acre Serrania Block in Colombia.

Index

Los Picachos TEA

On September 2, 2009, the Company elected to participate at its percentage interest (12.5%) in the Los Picachos Technical Evaluation Agreement (the "TEA").

The TEA was entered into on August 26, 2009 by and between the Columbian National Hydrocarbons Agency and Hupecol Operating Co. LLC and encompasses an 86,235 acre region located to the west and northwest of the Serrania block, which is located in the municipalities of Uribe and La Macarena in the Department of Meta in the Republic of Colombia.

As a result of the election to participate, the Company agreed to pay its proportionate share, or 12.5%, of the acquisition costs and costs for the minimum work program contained in the TEA.

NOTE 10 – GEOGRAPHICAL INFORMATION

The Company currently has operations in two geographical areas, the United States and Colombia. Revenues for the nine months ended September 30, 2009 and Long Lived Assets as of September 30, 2009 attributable to each geographical area are presented below:

	Nine Months Ended September 30, 2009	
	Revenues	Long Lived Assets, Net
United States	$ 117,895	$ 2,271,603
Colombia	3,865,361	5,276,209

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Lease Commitment

The Company leases office facilities under an operating lease agreement that expires May 31, 2012. The lease agreement requires future payments as follows:

Year	Amount
2009	$ 19,746
2010	84,315
2011	86,684
2012	36,530
Total	$ 227,275

For the three and nine months ended September 30, the total base rental expense was $18,446 and $65,686, respectively, in 2009 and $20,919 and $52,746, respectively, in 2008. The Company does not have any capital leases or other operating lease commitments.

Possible Hupecol Transaction

On September 21, 2009, management of the Company was advised that Hupecol LLC ("Hupecol") had retained Scotia Waterous for purposes of evaluating a possible transaction (a "Transaction") involving the monetization of five exploration and production contracts covering approximately 413,000 acres comprising the Leona Block, La Cuerva Block, Dorotea Block, Las Garzas Block and Cabiona Block in Colombia. The Transaction may involve the sale of some or all of the assets and operations of the subject properties, an exchange or trade of assets, or other similar transaction and may be effected in a single transaction or a series of transactions.

Index

Scotia Waterous has established a process whereby interested parties may evaluate a potential Transaction with the objective of completing one or more Transactions before year-end 2009.

The Company is an investor in Hupecol and the Company's interest in the assets and operations of Hupecol that would be included in any Transaction represent a substantial portion of the Company's assets and operations in Colombia and are the principal revenue producing assets and operations of the Company. The Company's management intends to closely monitor the nature and progress of the Transaction in order to protect the interests of the Company and its shareholders. However, the Company has no effective ability to alter or prevent a Transaction and is unable to predict whether or not a Transaction will in fact occur or the nature or timing of any such Transaction. Further, the Company is unable to estimate the actual value that it might derive from any such Transaction and whether any such Transaction will ultimately be beneficial to the Company and its shareholders.

NOTE 12 - SUBSEQUENT EVENTS

CPO 4 Farmout

On October 16, 2009, the Company announced the approval by the National Hydrocarbon Agency in Colombia ("ANH") of a Farmout Agreement and Joint Operating Agreement with SK Energy Co. LTD., a Korean multinational conglomerate ("SK"), relating to the CPO 4 Contract for Exploration and Production (the "CPO 4 Contract") covering the 345,452 net acre CPO 4 Block located in the Western Llanos Basin in the Republic of Colombia.

Under the Joint Operating Agreement, effective retroactive to May 31, 2009, SK will act as operator of the CPO 4 Block and the Company will pay 25.0% of all past and future cost related to the CPO 4 block, as well as an additional 12.5% of the Seismic Acquisition Costs incurred during the Phase 1 Work Program, for which the Company will receive a 25.0% interest in the CPO 4 Block. The Company's share of the past costs incurred is $194,584.

The Phase 1 Work Program consists of reprocessing approximately 400 kilometers of existing 2-D seismic data, the acquisition, processing and interpretation of a 2-D seismic program containing approximately 620 kilometers of data and the drilling of two exploration wells. The Phase 1 Work Program is estimated to be completed by June 17, 2012. The Company's costs for the entire Phase 1 Work Program are estimated to total approximately $15,000,000 over the next three years.

Index

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Information

This Form 10-Q quarterly report of Houston American Energy Corp. (the "Company") for the nine months ended September 30, 2009, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. To the extent that there are statements that are not recitations of historical fact, such statements constitute forward-looking statements that, by definition, involve risks and uncertainties. In any forward-looking statement, where we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

The actual results or events may differ materially from those anticipated and as reflected in forward-looking statements included herein. Factors that may cause actual results or events to differ from those anticipated in the forward-looking statements included herein include the Risk Factors described in Item 1A of our Form 10-K for the year ended December 31, 2008.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. We believe the information contained in this Form 10-Q to be accurate as of the date hereof. Changes may occur after that date, and we will not update that information except as required by law in the normal course of our public disclosure practices.

Additionally, the following discussion regarding our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part 1 of this Form 10-Q, as well as the Risk Factors in Item 1A and the financial statements in Item 7 of Part II of our Form 10-K for the fiscal year ended December 31, 2008.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We believe certain critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements. A description of our critical accounting policies is set forth in our Form 10-K for the year ended December 31, 2008. As of, and for the quarter ended, September 30, 2009, there have been no material changes or updates to our critical accounting policies other than the following updated information relating to Unevaluated Oil and Gas Properties:

Unevaluated Oil and Gas Properties. Unevaluated oil and gas properties not subject to amortization include the following at September 30, 2009:

	September 30, 2009
Acquisition costs	$ 286,933
Evaluation costs	1,898,703
Retention costs	26,622
Total	$ 2,212,258

Index

The carrying value of unevaluated oil and gas prospects above is attributable, in full, to properties in the United States. We are maintaining our interest in these properties and development has or is anticipated to commence within the next twelve months.

Current Year Developments

Production Levels, Commodity Prices and Revenues

Our production levels and revenues during the quarter and nine months ended September 30, 2009, as compared to the same period in 2008, were affected by the sale of our Caracara prospect in 2008 and the sharp decline in oil and natural gas prices that began during the second half of 2008 and continued through the third quarter of 2009. As a result of depressed commodity prices, our operator in Colombia temporarily shut-in production from a majority of our Colombian properties and we had no sales in Colombia from February 13, 2009 through April 5, 2009.

During the nine months ended September 30, 2008, the Caracara prospect accounted for approximately 29,954 barrels of oil (net to the Company) produced, or 49% of our oil production, and $3,004,865 of revenues.

Drilling Activity

During the nine months ended September 30, 2009, we drilled 12 international wells in Colombia, as follows:

- Nine wells were drilled on concessions in which we hold a 12.5% working interest, of which four were in production at September 30, 2009, one was shut in, and four were dry holes.
- One well was drilled on a concession in which we hold a 6.25% working interest and was a dry hole.
- Two wells were drilled on a concession in which we hold a 1.6% working interest and both were in production at September 30, 2009

During the nine months ended September 30, 2009, we drilled one domestic well, the Wilberts & Sons #1 (Home Run Prospect) which was a dry hole and re-completed one domestic well, the Allar # 1 which was placed into production on May 27, 2009.

At September 30, 2009, drilling operations were ongoing in Colombia on 1 well.

Domestic Leasehold Activity

During the nine months ended September 30, 2009, we acquired interests in four additional prospects in Louisiana, the N. Jade and W. Jade prospects, acquired for $67,480, and the Profit Island and North Profit Island prospects, acquired for $350,644. Subsequent to purchasing our interest in the Profit and North Profit Island prospects, on July 16, 2009 we received $353,896 from the sale of part of our interest in the Profit Island and North Profit Island prospects. We still retain an interest in both of the prospects.

During the nine months ended, September 30, 2009, we acquired (1) a 2.5% working interest in over 4,500 acres under lease within a 50,000 acre area of mutual interest (AMI) in Karnes County, Texas, for a purchase price of $75,000, and (2) a 1.25% Overriding Royalty in the same leases and all acreage within the AMI, for a purchase price of $100,000. Per the contract, we will be carried to the completion point on the first well.

Index

Colombian Farm-Outs and Participations.

In June 2009, we entered into a farmout agreement with Shona Energy Limited pursuant to which we will pay 25% of designated Phase 1 geological and seismic costs relating to the Serrania Contract for Exploration and Production relating to the approximately 110,769 acre Serrania Block in Colombia and for which we will receive a 12.5% interest in the Serrania Contract.

In September 2009, we elected to participate for our percentage interest (12.5%) in the Los Picachos Technical Evaluation Agreement (the "TEA"). The TEA was entered into in August 2009 by and between the Columbian National Hydrocarbons Agency (the "ANH") and Hupecol Operating Co. LLC and encompasses an 86,235 acre region located to the west and northwest of the Serrania block, which is located in the municipalities of Uribe and La Macarena in the Department of Meta in the Republic of Colombia. As a result of the election to participate, we agreed to pay our proportionate share, or 12.5%, of the acquisition costs and costs for the minimum work program contained in the TEA.

On October 16, 2009, we announced the approval by the ANH of a Farmout Agreement and Joint Operating Agreement with SK Energy Co. LTD., a Korean multinational conglomerate ("SK"), relating to the CPO 4 Contract for Exploration and Production (the "CPO 4 Contract") covering the 345,452 net acre CPO 4 Block located in the Western Llanos Basin in the Republic of Colombia.

Under the Joint Operating Agreement, effective retroactive to May 31, 2009, SK will act as operator of the CPO 4 Block and we agreed to pay 25.0% of all past and future cost related to the CPO 4 block as well as an additional 12.5% of the Seismic Acquisition Costs incurred during the Phase 1 Work Program, for which we will receive a 25.0% interest in the CPO 4 Block. Our share of the past costs is $194,584.

The Phase 1 Work Program consists of reprocessing approximately 400 kilometers of existing 2-D seismic data, the acquisition, processing and interpretation of a 2-D seismic program containing approximately 620 kilometers of data and the drilling of two exploration wells. The Phase 1 Work Program is estimated to be completed by June 17, 2012. Our costs for the entire Phase 1 Work Program are estimated to total approximately $15,000,000 over the next three years.

Acquisition Activity

In light of our debt-free capital structure, solid cash position and low overhead and in response to conditions in the oil and gas market, in particular the non-economical cost and capital structures of many operators and financiers following the sharp decline in commodity prices during the second half of 2008 continuing into early 2009, during the first half of 2009, we began actively seeking opportunistic oil and gas acquisitions.

Pursuant to those efforts, on February 4, 2009, we entered into a letter agreement (the "Letter Agreement") with Yazoo Pipeline Co., L.P. ("Yazoo"), Sterling Exploration & Production Co., L.L.C. ("Sterling"), and Matagorda Operating Company (together with Yazoo and Sterling, the "Debtors"), pursuant to which we agreed to provide debtor-in-possession financing ("DIP Financing") to the Debtors subject to approval of the Letter Agreement by the U.S. Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). On February 4, 2009, the Bankruptcy Court entered an order approving the DIP Financing on the terms set out in the Letter Agreement.

Under the terms of the Letter Agreement, we agreed to advance to the Debtors up to $300,000, with all advances bearing interest at 10% per annum and being repayable in full ninety (90) days from approval of the DIP Financing by the Bankruptcy Court, or the earlier consummation of a sale of the principal assets of the Debtors to our company. Under the Letter Agreement, we and the Debtors agreed to commence negotiations and due diligence with respect to the potential acquisition by our company of the principal assets of the Debtors based on certain financial terms described in the Letter Agreement. Advances were made under the Letter Agreement in the total amount of $115,724.

Index

Pursuant to our rights under the Letter Agreement, after conducting due diligence with respect to the Debtors, we determined to terminate negotiations with the Debtors with respect to the potential acquisition of the assets of the Debtors. On April 10, 2009, the Debtors repaid the DIP Financing in full in the amount of $117,897, including principal and interest, and at September 30, 2009 no amounts were owed to us relative to the DIP Financing.

We intend to continue to seek out and evaluate opportunities to acquire existing oil and gas assets and operations where we determine attractive returns on invested capital can be realized in current market conditions and superior returns can be derived from a recovery in primary prices. There is no assurance, however, that we will be successful in our efforts to identify and acquire oil and gas assets or operations or that any acquisitions that may be consummated will provide the returns expected by management.

Possible Hupecol Transaction

In September 2009, we were advised that Hupecol LLC had retained Scotia Waterous for purposes of evaluating a possible transaction (a "Transaction") involving the monetization of five exploration and production contracts covering approximately 413,000 acres comprising the Leona Block, La Cuerva Block, Dorotea Block, Las Garzas Block and Cabiona Block in Colombia. The Transaction may involve the sale of some or all of the assets and operations of the subject properties, an exchange or trade of assets, or other similar transaction and may be effected in a single transaction or a series of transactions. Scotia Waterous has established a process whereby interested parties may evaluate a potential Transaction with the objective of completing one or more Transactions before year-end 2009.

We are an investor in Hupecol and our interest in the assets and operations of Hupecol that would be included in any Transaction represent a substantial portion of our assets and operations in Colombia and are our principal revenue producing assets and operations. We intend to closely monitor the nature and progress of the Transaction in order to protect the interests of our company and our shareholders. However, we have no effective ability to alter or prevent a Transaction and are unable to predict whether or not a Transaction will in fact occur or the nature or timing of any such Transaction. Further, we are unable to estimate the actual value that we might derive from any such Transaction and whether any such Transaction will ultimately be beneficial to our company and our shareholders.

Seismic Activity

During the nine months ended September 30, 2009, our operator in Colombia acquired approximately 155 square miles of additional seismic and geological data. The additional data relates primarily to the Serrania and La Cuerva concessions where we hold 12.5% and 1.59% working interest, respectively. Our share of the costs of such data acquisition was $438,875.

Compensation Expense – Stock Options

During the nine months ended September 30, 2009, we granted 120,000 stock options to our Chief Financial Officer and 26,665 stock options to our non-employee directors. Our total non-cash compensation expense for the three and nine months ended September 30, 2009 was $268,627 and $811,501, respectively.

Index

Results of Operations

Oil and Gas Revenues. Total oil and gas revenues increased 2.3% to $2,403,996 in the three months ended September 30, 2009 compared to $2,350,782 in the three months ended September 30, 2008. For the nine month period, oil and gas revenues decreased 53.8% to $3,983,256 in the 2009 period from $8,616,868 in the 2008 period.

The decrease in revenue for the nine month period is principally due to (1) the sale of our Caracara interest during 2008, which accounted for $3,004,865 of our revenue in the 2008 nine month period, (2) lower oil and gas prices during the 2009 period and (3) the cessation of production and sales from the majority of our Colombian properties for 52 days during the 2009 nine month period.

The following table sets forth the gross and net producing wells, net oil and gas production volumes and average hydrocarbon sales prices for the quarter and nine months ended September 30, 2009 and 2008:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross producing wells	27	19	23	39
Net producing wells	2.38	1.59	2.25	1.61
Net oil and gas production (BOE)	35,131	23,995	71,274	88,243
Average sales price – BOE (per barrel)	$ 68.43	$ 97.96	$ 55.89	$ 97.65

The change in gross and net producing wells reflects the 2008 sale of our Caracara interest offset by the increase in average working interest during 2009, while the change in net oil and gas production reflects the same factors plus the effects of the temporary cessation of production of a majority of our Colombian properties during the 2009 period. Giving pro forma effect to exclude sales revenues from the Caracara interest, which was sold in June 2008, oil and gas revenues for the first nine months of 2008 would have been $5,612,003.

Oil and gas sales revenues for the first nine months of 2009 and 2008, by region, were as follows:

	Columbia	U.S.	Total
2009 Nine Month Period			
Oil sales	$ 3,865,361	$ 51,090	$ 3,916,451
Gas sales	$ —	$ 66,805	$ 66,805
2008 Nine Month Period			
Oil sales	$ 8,206,600	$ 146,153	$ 8,352,753
Gas sales	$ —	$ 264,115	$ 264,115

Lease Operating Expenses. Lease operating expenses, excluding joint venture expenses relating to our Columbian operations discussed below, increased 36.6% to $1,021,312 in the 2009 quarter from $747,740 in the 2008 quarter. For the nine month period, lease operating expenses decreased 5.2% to $2,644,359 in the 2009 period from $2,789,630 in the 2008 period.

The increase in lease operating expenses as a percentage of revenues, from 32.4% of revenues for the 2008 nine month period to 66.4% of revenues for the 2009 period, was primarily attributable to the temporary cessation of production from a majority of our Colombian properties during the 2009 period as discussed above, the steep decline in oil and gas prices and an increase in our average working interest following the Caracara sale, as well as increased cost in Colombia relating to personnel expenses, facilities and equipment expenses, catering expenses, road maintenance, as well environmental services expenses. Following is a summary comparison of lease operating expenses for the periods.

Index

		Columbia	U.S.	Total
Quarter	- 2009	$ 991,090	$ 30,222	$ 1,021,312
	- 2008	$ 714,443	$ 33,297	$ 747,740
Nine Months	- 2009	$ 2,604,799	$ 39,560	$ 2,644,359
	- 2008	$ 2,673,584	$ 116,046	$ 2,789,630

Hupecol, our operator in Colombia, has implemented cost cutting measures in order to improve field economics from our Colombian operations. We have also seen declines in drilling and operating costs in the Llanos Basin which, together, are expected to result in improved margins during the balance of 2009 and beyond.

Joint Venture Expenses. Our allocable share of joint venture expenses attributable to the Colombian Joint Venture totaled $48,780 during the 2009 quarter and $43,225 during the 2008 quarter. For the nine month period, joint venture expenses totaled $127,487 during 2009 as compared to $144,919 during 2008.

The decrease in joint venture expenses for the nine months ended September 30, 2009, was attributable to a decrease in drilling activity.

Depreciation and Depletion Expense. Depreciation and depletion expense was $580,020 and $147,311 for the quarters ended September 30, 2009 and 2008, respectively, and $1,121,752 and $913,214 for the nine months ended September 30, 2009 and 2008, respectively.

The increase in depreciation and depletion is due to increased production accompanying an increase in our average working interest position, and a decrease in Colombian reserves primarily attributable to lower commodity prices.

General and Administrative Expenses. General and administrative expense increased by 1.8% to $620,642 during the 2009 quarter from $609,398 during the 2008 quarter and decreased by 23% to $2,013,955 during the 2009 nine month period from $2,616,714 during the 2008 period.

The decrease in general and administrative expense was primarily attributable to decreases in employee compensation and professional fees, including a decrease of $750,000 related to cash bonuses paid in 2008 not repeated in 2009, $400,320 related to restricted stocks grants in 2008 and partially offset by a $355,187 increase in the stock option portion of stock based compensation.

Gain on Sale of Oil and Gas Properties. The sale of our Caracara assets resulted in a gain of $7,615,236 during the 2008 nine month period.

Other Income. Other income consists of interest earned on cash balances and marketable securities. Other income totaled $9,350 during the 2009 quarter as compared to $72,427 during the 2008 quarter and $53,886 during the 2009 nine month period as compared to $232,870 during the 2008 period.

The decrease in other income resulted from the sale of the balance of our marketable securities during early 2008 and a reduction in interest rates on short-term cash investments, partially offset by interest earned on DIP Financing provided to the Creditors under the Letter Agreement.

Income Tax Expense/Benefit. Income tax expense decreased to a benefit of $285,986 during the 2009 quarter from an expense of $76,703 during the 2008 quarter and to a benefit of $932,777 during the 2009 nine month period from an expense of $5,130,141 during the 2008 period. The income tax benefit during 2009 was primarily attributable to net operating losses generated in Colombia and the United States and the refund during the third quart of 2009 of approximately $548,000.

Index

The decrease in income tax expense during the 2009 quarter and nine month period was attributable to higher commodity prices and the one time sale of the Caracara assets which resulted in profitable operations during 2008 as compared to 2009, when we incurred a loss from operations due to the steep decline in oil and gas prices and other factors discussed above. Currently, the Company expects to be able to utilize the incremental foreign tax credit carry forward and net operating loss generated during the 2009 periods and therefore, no additional valuation allowance has been recorded to date. The Company recorded no U.S. income tax liability in the 2009 or 2008 quarter or nine month periods.

Financial Condition

Liquidity and Capital Resources. At September 30, 2009, we had a cash balance of $4,709,078 and working capital of $6,827,191 compared to a cash balance of $9,910,694 and working capital of $10,536,834 at December 31, 2008. The change in working capital during the nine month period was primarily attributable to the drilling of wells, the acquisition of oil and gas properties, payment of dividends and the payment of operating cost in Colombia.

Operating activities used $2,169,874 of cash during the 2009 nine month period as compared to $895,248 used during the 2008 period. Excluding the decrease in operating cash from the gain on the Caracara sale in 2008, the change in operating cash flow was primarily attributable to the current net loss, increases in current receivables and decreases in current payables.

Investing activities used $2,191,699 during the 2009 nine month period compared to $12,517,693 provided during the 2008 period. The funds used in investing activities principally reflect investments in oil and gas properties and assets of $3,704,208 during the 2009 period and $7,180,675 during the 2008 period. For the 2009 period, funds used in investing activities was partially offset by the receipt of $1,158,613 in monies from the escrow account related to the sale of the Caracara assets. For the 2008 period, funds used in investing activities were more than offset by funds provided by the sale of marketable securities of $9,650,000 and the net funds provided by the sale of the Caracara assets of $10,146,655.

Financing activities used $840,043 during the 2009 period, consisting of cash dividends paid. Financing activities used $187,015 during the 2008 period, consisting of cash dividends paid of $562,015 partially offset by $375,000 of proceeds from the exercise of warrants.

Long-Term Liabilities. At September 30, 2009, we had long-term liabilities of $269,891 as compared to $205,524 at December 31, 2008. Long-term liabilities at September 30, 2009 and December 31, 2008 consisted of a reserve for plugging costs and a deferred rent obligation.

Capital and Exploration Expenditures and Commitments. Our principal capital and exploration expenditures relate to ongoing efforts to acquire, drill and complete prospects. We expect that future capital and exploration expenditures, other than anticipated capital expenditures associated with our interest in the CPO 4 Contract, will be funded principally through funds on hand and funds generated from operations.

During the first nine months of 2009, we invested $3,704,208 for the acquisition and development of oil and gas properties, consisting of (1) drilling of 12 wells in Colombia $2,325,438, (2) seismic cost in Colombia $426,017, (3) delay rentals on U.S. properties $19,112, (4) leasehold costs on U.S. properties $644,094, and (5) drilling of one U.S. well $289,547.

Index

At September 30, 2009, our only material contractual obligation requiring determinable future payments was a lease relating to the Company's executive offices which was unchanged when compared to the 2008 Form 10-K.

At September 30, 2009, our acquisition and drilling budget for the balance of 2009 totaled approximately $2,119,584, which consisted of the drilling of three wells in Colombia for $1,125,000, additional seismic cost of $800,000, and payment to SK of past cost related to the CPO 4 block of $194,584. Our acquisition and drilling budget has historically been subject to substantial fluctuation over the course of a year based upon successes and failures in drilling and completion of prospects and the identification of additional prospects during the course of a year. In particular, we note that, in light of the sharp decline in commodity prices during the second half of 2008 and early 2009, we expect to see an increase in asset acquisition opportunities as operators and financiers are faced with uneconomical cost and capital structures resulting in forced liquidations of holdings. We intend to evaluate, and as appropriate pursue, asset acquisition opportunities. Should we pursue any such opportunities, our acquisition and drilling budget could be materially altered.

Management anticipates that, depending on the timing of activities relating to the CPO 4 Contract, our current financial resources combined with expected operating cash flows will meet our anticipated objectives and business operations, including planned property acquisitions and drilling activities, for at least the next 12 months without the need for additional capital. Management presently anticipates that our expenditures relating to the CPO 4 Contract will be approximately $15 million through 2011. We do not presently have adequate funds on hand to finance our anticipated expenditures on the CPO 4 contract and expect to seek additional financing to support our undertakings in that regard. The timing, amount and terms of funding that we may seek to support our CPO 4 Contract undertakings is dependent upon the timing of development of the CPO 4 Block, the results of efforts to sell a portion of our assets, and the results of our operations generally, in addition to prevailing market conditions. Further, management continues to evaluate producing property acquisitions as well as a number of drilling prospects. It is possible that we may require and seek additional financing if additional drilling prospects are pursued beyond those presently under consideration. We have no commitments to provide any additional financing should we require and seek such financing and there is no guarantee that we will be able to secure additional financing on acceptable terms, or at all, to support our undertakings relative to the CPO 4 Contract or other prospects that we pursue.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements or guarantees of third party obligations at September 30, 2009.

Inflation

We believe that inflation has not had a significant impact on operations since inception.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

The price we receive for our oil and gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Crude oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and gas have been volatile, and these markets will likely continue to be volatile in the future. The prices we receive for production depends on numerous factors beyond our control.

Index

We have not historically entered into any hedges or other transactions designed to manage, or limit, exposure to oil and gas price volatility.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of September 30, 2009 of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2009.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 6 EXHIBITS

Exhibit Number	Description
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Index

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

By: /s/ John F. Terwilliger
John F. Terwilliger
CEO and President

By: /s/ James J. Jacobs
James J. Jacobs
Chief Financial Officer

Date: November 5, 2009

EX-31.1 2 ex31_1.htm EXHIBIT 31.1

Exhibit 31.1

CERTIFICATION OF CEO PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Terwilliger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Houston American Energy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 5, 2009

/s/ John F. Terwilliger
John F. Terwilliger,
Chief Executive Officer

EX-31.2 3 ex31_2.htm EXHIBIT 31.2

Exhibit 31.2

CERTIFICATION OF CFO PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Jacobs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Houston American Energy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 5, 2009

/s/ James J. Jacobs
James J. Jacobs,
Chief Financial Officer

EX-32.1 4 ex32_1.htm EXHIBIT 32.1

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John Terwilliger, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Houston American Energy Corp. on Form 10-Q for the quarterly period ended September 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Houston American Energy Corp.

By: /s/ John F. Terwilliger
Name: John F. Terwilliger
Title: Chief Executive Officer
Dated: November 5, 2009

EX-32.2 5 ex32_2.htm EXHIBIT 32.2

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Jacobs, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Houston American Energy Corp. on Form 10-Q for the quarterly period ended September 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Houston American Energy Corp.

By: /s/ James J. Jacobs
Name: James J. Jacobs
Title: Chief Financial Officer
Dated: November 5, 2009

EXHIBIT 13

Global Hunter Securities, LLC
Institutional Sales & Trading: (949) 274-8050
Research: (949) 274-8052
660 Newport Center Dr. Suite 950
Newport Beach, CA 92660
www.ghsecurities.com

October 19, 2009
Company Update
Energy: Exploration & Production

Analyst: Phil McPherson
[redacted]ghsecurities.com
Direct: (949) 274-8056

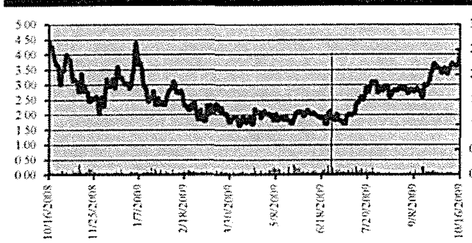
Houston American Energy
(Nasdaq: HUSA)

Rating:	**Buy**
Price Target:	**$7.00**

Price Target Metrics: DNAV - Discounted Net Asset Value

Closing Price:	**$4.70**
Diluted Shares:	28.3MM
Float:	15MM
Short Interest:	0.62MM
Average Daily Volume:	86k
52-week Range:	$1.58 - $4.74
Market Cap:	**$133MM**
Cash & Investments(E):	$5MM
Debt	$0MM
Enterprise Value:	$128MM
Net Cash/Sh:	$0.17
Proved Reserves (MBOE)	217

PRICE CHART



ESTIMATES - US $ (MMs except multiples & EPS)

		2008	2009 Prior	2009 New	2010 Prior	2010 New
Revenues						
Q1	Mar	$2.9 A	$0.4	$0.4 A	N/A	$2.6 E
Q2	Jun	$3.3 A	$1.3	$1.1 A	N/A	$3.3 E
Q3	Sep	$2.4 A	$2.0	$2.3 E	N/A	$4.3 E
Q4	Dec	$2.0 A	$2.8	$3.3 E	N/A	$5.2 E
FY		$10.6 A	$6.5	$7.1 E	N/A	$15.4 E
EV/Sales				**18.0x**		**8.3x**
EPS						
Q1	Mar	$0.03 A	($0.05)	($0.05) A	N/A	$0.01 E
Q2	Jun	$0.11 A	($0.01)	$0.00 A	N/A	$0.02 E
Q3	Sep	$0.03 A	$0.00	$0.01 E	N/A	$0.03 E
Q4	Dec	($0.14) A	$0.01	$0.02 E	N/A	$0.04 E
FY		$0.03 A	($0.05)	($0.02) E	N/A	$0.10 E
P/E				**Neg**		**45.9x**
CFPS						
Q1	Mar	$0.05 A	($0.03)	($0.03) A	N/A	$0.05 E
Q2	Jun	$0.14 A	$0.03	$0.00 A	N/A	$0.06 E
Q3	Sep	$0.04 A	$0.04	$0.05 E	N/A	$0.09 E
Q4	Dec	$0.05 A	$0.06	$0.07 E	N/A	$0.11 E
FY		$0.28 A	$0.09	$0.11 E	N/A	$0.30 E
P/E				**43.56x**		**15.5x**
EBITDA						
Q1	Mar	$1.9 A	($1.0)	($1.0) A	N/A	$1.6 E
Q2	Jun	$8.5 A	$0.6	($0.6) A	N/A	$2.1 E
Q3	Sep	$1.2 A	$2.0	$1.4 E	N/A	$2.8 E
Q4	Dec	$1.3 A	$2.8	$2.3 E	N/A	$3.6 E
FY		$4.6 A	$4.4	$2.8 E	N/A	$10.1 E
EV/EBITDA				**46.0x**	**2.6x**	**12.7x**

Event: Company expanding operations in Colombia.

Summary: Signs Joint Venture with SK Energy Co. (SK) for 25% interest in the CPO-4 Block in Colombia. Sets 2010 CAPEX budget of $15MM. Partners in other Colombian project, Hupecol, announce retention of Scotia Waterous to sell certain producing assets. Maintain Buy rating while raising our price target from $3.50 to $7.00.

Highlights

SK Energy joint venture. Houston American Energy (HUSA) signed a joint operating agreement with SK Energy Co. (SK). SK Energy is one of 92 susidiaries of the SK Group, South Korea's fourth largest conglomerate and multinational. The SK Energy group currently operates over 1MM barrels/pd of refining capacity. Under this agreement HUSA has agreed to pay 25% of all past and future costs related to CPO-4 block as well as an additional 12.5% of the seismic acquisition costs incurred during the Phase I work program. For this HUSA will receive 25% interest in the entire 345,452 acres encompassing this lease. The joint venture (JV) has already reprocessed vintage 2D seismic which has generated over 100 leads and prospects. The JV will shoot 530 square kilometers of high resolution 3D seismic during the 1st half of 2010, with the first exploration well expected in 1Q11. This block is located along the western margin of the Llanos Basin, in close proximity to the Apiay field operated by Ecopetrol, which is estimated to have in excess of 600MM barrels of oil. On the opposite of the CPO-4 block is the Corcel Block where wells have had intial production rates of 2,000 to 10,000 barrels per day. There is ample infrastructure in place, which should accelerate the timing from discovery to production.

2010 CAPEX. HUSA has set a 14-month CAPEX plan of $15MM to complete seismic work at CPO-4 and drill at least 2 exploration wells. Additionally, the company will SPUD its first exploration well at Serrania in 1Q10. These wells have gross costs of $5MM with unrisked reserve potential in excess of 1MM barrels of oil.

Asset sale expected before year-end. Hupecol LLC recently announced the hiring of Scotia Waterous to market the sale of six exploration and production contracts covering approximately 413,000 acres comprising the Leona, La Cuerva, Dorotea, Las Garzas and Cabiona blocks in Colombia. Gross production is approximately 5,000 – 8,000 barrels/pd. Utilizing a $50,000 per flowing barrel multiple, this transaction could yield gross proceeds of $250MM to $400MM. HUSA owns a 12.5% interest in these leases, which could yield approximately $30MM - $50MM in gross proceeds to the company. Longtime investors will recall Hupecol having monetized the Cara Cara concession in 2Q08 for $920MM, which netted HUSA $10.5MM in proceeds. Proceeds from this sale will be used to accelerate exploration efforts in the company's two new areas, the Serrania block, 12.5% working interest with Hupecol as operator and the CPO-4 block 25% working interest with SK Energy.

Maintain Buy rating while raising price target to $7.00. We believe HUSA's management has again proven to be savvy in navigating the foreign waters of exploration and production. This agreement with SK Energy gives the company another exploration leg to complement the success achieved with its JV partner Hupecol. HUSA has continued to increase its working interests in Colombia following exceptional success. We believe the CPO-4 block could expose investors to over 1 billion barrels of gross oil reserves. HUSA continues to be unleveraged with $5MM in cash on the balance sheet, while the pending asset sale by Hupecol could allow the company to accelerate activities. The next 18 months should be both exciting and rewarding for investors. We are therefore maintaining our Buy rating while raising our price target to $7.00 per share.

Company Description: *Houston American Energy is a Houston Based E&P company with operations focused in the Llanos Basin of Columbia and Northeast Louisiana. The company was founded in 2001 and has two employees.*

Exhibit 1

Discounted Net Asset Value (DNAV)

Houston American Energy (HUSA) Discounted Net Asset Value (DNAV)								October-09
Reserves	Oil (BBL)	Gas (MCF)	PV-10 Value	Discount Factor	Discounted Value		Discounted Per Share Value	
Proved Developed	213	19	3,151	0%	$	3,151	$	0.11
Proved Undeveloped	-	-	-	0%	$	-	$	-
Total Proved Reserves	213	19	3,151	0%	$	3,151	$	0.11
Other Assets			191,431	0%		191,431	$	6.82
Net Working Capital						4,800	$	0.17
Debt						-	$	-
Total Discounted Net Asset Value							**$**	**7.11**
Outstanding Shares			**28,062**					

Other Assets	Net Locations	EUR-MBOE	Per BOE		Value	Discount	DNAV	Per Share	
Las Garzas Field - 75 Locations	9.375	1,000	$	14.55	136,418	75%	34,104	$	1.22
Leona Field - 25 Locations	3.125	2,000	$	14.55	90,945	75%	22,736	$	0.81
Dorotea Field - 20 Locations	3.75	2,000	$	14.55	109,134	75%	27,284	$	0.97
Cabion Field - 12 Locations	1.5	1,000	$	14.55	21,827	75%	5,457	$	0.19
Serrania Block	20	1,000	$	14.55	291,000	90%	29,100	$	1.04
CPO-4 Block	50	1,000	$	14.55	727,500	90%	72,750	$	2.59
Total Other Assets & Liabilities							191,431	$	6.82

Commodity Price Deck	Yr-End 08		GHS Deck		Difference
Oil	$	44.60	$	65.00	46%
Natural Gas	$	5.60	$	5.00	-11%

Source: Company data, Global Hunter Securities, LLC

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(E)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Income Statement (U.S. $000s)													
Total Revenues	3,203	4,977	10,622	445	1,134	2,268	3,270	7,117	2,625	3,275	4,250	5,225	15,375
Lease Operating Expense (LOE)	1,017	1,841	3,366	910	713	649	811	3,083	817	1,017	1,317	1,617	4,767
Joint Venture Expenses	167	149	183	41	38	-	-	79	-	-	-	-	-
DD&A	888	1,100	5,816	254	287	725	963	2,230	500	500	500	500	2,000
G&A	1,231	1,568	3,152	721	672	550	550	2,493	735	915	1,185	1,455	4,290
Other	-	348	(1,994)	-	-	-	-	-	-	-	-	-	-
Total Expenses	3,303	5,006	10,523	1,926	1,710	1,924	2,323	7,884	2,052	2,432	3,002	3,572	11,057
Income from Operations	(101)	(29)	99	(1,481)	(576)	344	947	(767)	573	843	1,248	1,653	4,318
Other Income (expense)													
Total Other Income (Expense)	99	650	295	18	27	20	20	85	25	25	25	25	100
Income (loss) from operations	(1)	621	394	(1,464)	(550)	364	967	(682)	598	868	1,273	1,678	4,418
Income Tax expense (benefit) - current	511	127	(73)	15	(662)	127	338	(239)	209	304	446	587	1,546
Net income (loss)	(512)	493	467	(1,478)	112	237	628	(444)	389	564	828	1,091	2,872
EPS F/D	(0.02)	0.02	0.02	(0.05)	0.00	0.01	0.02	(0.02)	0.01	0.02	0.03	0.04	0.10
Basic shares outstanding	25,088	27,920	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Diluted shares outstanding	25,088	28,132	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062
Cash Flow Items													
Net Income	(512)	493	467	(1,478)	112	237	628	(444)	389	564	828	1,091	2,872
DD&A	1,231	1,568	3,152	254	287	725	963	2,230	735	915	1,185	1,455	4,290
Deffered Tax	-	-	-	-	(662)	-	-	-	105	152	223	294	773
Non-Cash Compensation	290	335	1,050	247	295	350	350	1,242	150	150	150	150	600
Other	171	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow	1,180	2,397	4,669	(977)	33	1,312	1,941	3,028	1,379	1,781	2,386	2,990	8,535
Cash Flow per share F/D	0.05	0.09	0.17	(0.03)	0.00	0.05	0.07	0.11	0.05	0.06	0.09	0.11	0.30
EBITDA	1,690	2,524	4,596	(952)	(629)	1,439	2,279	2,789	1,588	2,085	2,831	3,577	10,082
EBITDA per share F/D	0.07	0.09	0.16	(0.03)	(0.02)	0.05	0.08	0.10	0.06	0.07	0.10	0.13	0.36

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(E)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Production Model													
Total Oil Production (thousands)	50	71	122	13	19	38	50	119	40	50	65	80	235
Avg. Price per Bbl	55.55	65.61	90.60	33.32	58.47	60.00	65.00	54.20	65.00	65.00	65.00	65.00	65.00
Oil Sales	2,763	4,672	10,823	447	1,082	2,250	3,250	7,028	2,600	3,250	4,225	5,200	15,275
Total Natural Gas Production (000's)	78	44	34	-	4	4	4	12	5	5	5	5	20
Avg. Price per Mcf	6.75	6.90	9.48	4.70	4.50	4.50	5.00	4.68	5.00	5.00	5.00	5.00	5.00
Natural Gas Sales	527	305	320	22	18	18	20	78	25	25	25	25	100
Total Oil & Gas Sales	3,290	4,977	11,143	468	1,100	2,268	3,270	7,106	2,625	3,275	4,250	5,225	15,375
Total Oil & Gas Production (BOE)	63	79	128	13	19	38	51	121	41	51	66	81	238
Oil & Gas Production (BOE/PD)	**174**	**218**	**355**	**149**	**213**	**424**	**563**	**337**	**454**	**565**	**731**	**898**	**662**
% Increase from prior period	0.0%	25.2%	62.7%					-5.0%					96.3%
Avg. Price per BOE	**52.43**	**63.34**	**87.16**	**34.94**	**57.38**	**59.42**	**64.54**	**58.53**	**64.29**	**64.43**	**64.56**	**64.64**	**64.51**
Cost Model													
Lease Operating Expense (LOE) per BOE	16.21	23.43	26.33	67.94	37.18	17.00	16.00	25.39	20.00	20.00	20.00	20.00	20.00
DD&A per BOE	19.62	14.00	45.50	18.98	14.99	19.00	19.00	18.37	18.00	18.00	18.00	18.00	18.00
G&A per BOE	19.62	19.96	24.65	53.79	35.08	14.41	10.86	20.54	13.47	10.82	8.35	6.80	9.23
Interest Expense per BOE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost	55.44	57.38	96.47	140.72	87.25	50.41	45.86	64.29	51.47	48.82	46.35	44.80	47.23
Net per BOE	(3.01)	5.95	(9.31)	(105.78)	(29.88)	9.01	18.68	(5.76)	12.82	15.61	18.20	19.84	17.28
Profit Margin	-5.7%	9.4%	-10.7%	-302.8%	-52.1%	15.2%	29.0%	-9.8%	19.9%	24.2%	28.2%	30.7%	26.8%
Balance Sheet Items													
Cash and investments	14,409	418	11,583	6,455	4,886								
Accounts receivable	325	9,650	316	7	376								
Oil and Gas properties - Full Cost Method	6,796	12,715	5,263	4,263	5,455								
Accounts payable	399	260	1,363	592	229								
Debt (short-term and long-term)	-	-	-	-	1								
Stockholders' equity	19,415	20,243	21,049	19,257	19,525								

Houston American Energy (HUSA) Disclosures

Analyst Certification

I, Phil McPherson, certify that the views expressed in this report accurately reflect my personal beliefs about this company and that I have not and will not receive compensation directly or indirectly in connection with my specific recommendations or views contained in this report.

Important Disclosures

- GHS does and seeks to do business with the company covered in this research report.
- As with all employees of GHS, a portion of this analyst's compensation is based on investment banking revenues.

Risks & Considerations

Price Target Risks & Related Risk Factors:

Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Global Hunter Securities, LLC production and cash flow estimates; unforeseen geopolitical influences or changes in supply and demand for crude oil and natural gas that negatively affect commodity prices that could differ from our projected commodity price deck; changes to investor sentiment regarding the energy sector in general and the exploration and production segment in particular; effects of severe weather or unpredictable negative developments in exploration efforts of the company.

Valuation Methodology:

In developing our ratings and price targets we include a number of quantitative and qualitative factors that affect the ability of a company to craft and develop its operating plan including managerial capacity and quality, access to sufficient tools and services necessary to develop oil and natural gas properties, financial situation and liquidity, geographic base of properties, relation of the exploration and production sector to the overall equity market and macroeconomic environment, and ability to execute in a cost effective manner. We base our valuations on the ability of a company to generate cash flow sufficient to fund both its maintenance capital expenditures and its plans for future growth. Accurate forecasts of future crude oil and natural gas production rates, commodity prices , and operating costs, all of which can be highly variable and difficult to predict, drive cash flow and, as a result, valuation.

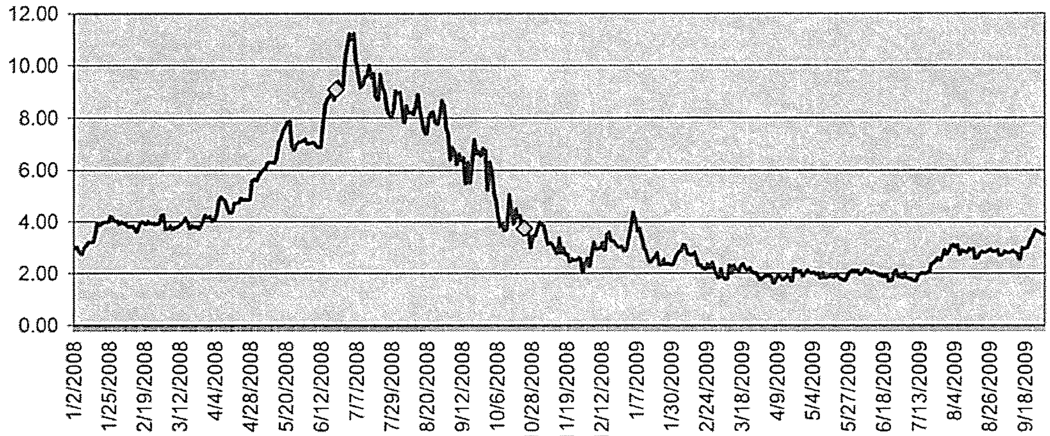
See the Company's most recent SEC filings, including 10-Ks, 10-Qs, 8-Ks and proxy filings, for additional risks and considerations.

Other Companies Mentioned In This Report

- **None**

Houston American Energy (HUSA) Disclosures (Continued)

Historical Recommendations



Initiated coverage on 06/20/08 with a Buy rating and price target of $15.00.

	Date	Rating	Price Target	Closing Price	
1.	6/20/2008	Buy	$15.00	$8.72	
2.	10/22/2008	Buy	$8.00	$3.94	
3.	5/18/2009	Buy	$3.50	$1.85	* Intraday
4.	10/19/2009	Buy	$7.00	$4.70	

Explanation of Ratings

Buy: We expect the stock to outperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Neutral: We expect the stock to perform in line with the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Sell: We expect the stock to underperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.

Ratings Distribution

	Research Coverage		Investment Banking Clients*		
Rating	Count	% of Total	Count	% of Total	% of Rating Category
Buy	38	67.9%	1	100.0%	2.6%
Neutral	18	32.1%	0		
Sell	0	0.0%	0		
Total	56	100.0%	1	100.0%	1.8%

*Investment banking clients are companies from whom GHS or an affiliate received compensation from investment banking services provided in the last 12 months.

Note: Ratings Distribution as of September 30, 2009

Disclaimer & Other Disclosures

This material has been prepared by Global Hunter Securities, LLC ("Global Hunter") a registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Information, opinions or recommendations contained in the reports and updates are submitted solely for advisory and information purposes. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore except for any obligations under law, we do not guarantee its accuracy. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and is subject to change without notice. Global Hunter and our affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account. Not all products and services are available outside of the US or in all US states. Copyright 2009.

EXHIBIT 14

GLOBAL HUNTER SECURITIES

Global Hunter Securities, LLC
Institutional Sales & Trading: (949) 274-8050
Research: (949) 274-8052
660 Newport Center Dr. Suite 950
Newport Beach, CA 92660
www.ghsecurities.com

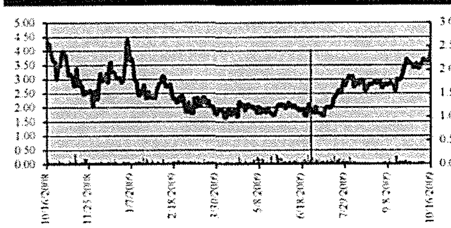
November 9, 2009
Company Update
Energy: Exploration & Production
Analyst: Phil McPherson
[redacted]ghsecurities.com
Direct: (949) 274-8056

Rating:	**Buy**
Price Target:	**$7.00**

Price Target Metrics: DNAV - Discounted Net Asset Value

Closing Price:	$3.99
Diluted Shares:	28.3MM
Float:	15MM
Short Interest:	0.62MM
Average Daily Volume:	86k
52-week Range:	$1.58 - $4.74
Market Cap:	$113MM
Cash & Investments(E):	$5MM
Debt	$0MM
Enterprise Value:	$108MM
Net Cash/Sh:	$0.17
Proved Reserves (MBOE)	217

PRICE CHART



ESTIMATES - US $ (MMs except multiples & EPS)

		2008	2009 Prior	2009 New	2010 Prior	2010 New
Revenues						
Q1	Mar	$2.9 A	$0.4	$0.4 A	$2.6	$2.6 E
Q2	Jun	$3.3 A	$1.1	$1.1 A	$3.3	$3.3 E
Q3	Sep	$2.4 A	$2.3	$2.4 A	$4.3	$4.3 E
Q4	Dec	$2.0 A	$3.3	$3.3 E	$5.2	$5.2 E
FY		$10.6 A	$7.1	$7.3 E	$15.4	$15.4 E
EV/Sales				14.9x		7.0x
EPS						
Q1	Mar	$0.03 A	($0.05)	($0.05) A	$0.01	$0.01 E
Q2	Jun	$0.11 A	$0.00	$0.00 A	$0.02	$0.02 E
Q3	Sep	$0.03 A	$0.01	$0.02 A	$0.03	$0.03 E
Q4	Dec	($0.14) A	$0.02	$0.02 E	$0.04	$0.04 E
FY		$0.03 A	($0.02)	($0.03) E	$0.10	$0.10 E
P/E				Neg		39.0x
CFPS						
Q1	Mar	$0.05 A	($0.03)	($0.03) A	$0.05	$0.05 E
Q2	Jun	$0.14 A	$0.00	$0.00 A	$0.06	$0.06 E
Q3	Sep	$0.04 A	$0.05	$0.05 A	$0.09	$0.09 E
Q4	Dec	$0.05 A	$0.07	$0.06 E	$0.11	$0.11 E
FY		$0.28 A	$0.11	$0.09 E	$0.30	$0.30 E
P/E				45.70x		13.1x
EBITDA						
Q1	Mar	$1.9 A	($1.0)	($1.0) A	$1.6	$1.6 E
Q2	Jun	$8.5 A	($0.6)	($0.6) A	$2.1	$2.1 E
Q3	Sep	$1.2 A	$1.4	$1.0 A	$2.8	$2.8 E
Q4	Dec	$1.3 A	$2.3	$1.9 E	$3.6	$3.6 E
FY		$4.6 A	$2.8	$2.0 E	$10.1	$10.1 E
EV/EBITDA				53.4x	2.6x	10.7x

Houston American Energy
(Nasdaq: HUSA)

Event: Company reports 3Q09 results.

Summary: Houston American Energy (HUSA) reported 3Q09 results in line with our estimates. Colombian operations continue to drive results. Expect asset sale to be announced before year-end. Maintain Buy rating with $7.00 price target.

Highlights

3Q09 results. HUSA's 3Q09 production averaged 390 BOE/pd versus our estimate of 424 BOE/pd, essentially in line with our estimates. Higher commodity price realization of $68.43 per BOE versus our estimate of $58.42 lead to $2.4MM in revenues versus our estimate of $2.2MM. Total costs were in line with our estimates resulting in net income of $429k versus our estimate of $237k.

2009 recap. Thus far in 2009 HUSA has participated in twelve wells in Colombia with varying interests as low as 1.5% and as high as 12.5%. Six of those wells are now on production, one is shut-in and five were dry holes. A 50% success rate is in line with previous drilling in Colombia. The company currently has one well drilling and we would expect at least one more well to start before year-end. The company's partner in Colombia, Hupecol LLC should have bids shortly on the approximate 413,000 gross acres it is marketing for sale. We would not be surprised to see an announcement on this asset package post Thanksgiving. This asset sale could result in $30MM in net cash proceeds to HUSA or $1.00 per share.

2010 focus. Once the asset sale is completed, HUSA will focus its attention on its recently announced acquisition of a 25% interest in SK Energy's CPO-4 block. This block encompasses 345,000 acres. The joint venture will shoot 530 square kilometers of 3D seismic to further delineate prospects already identified by 2D seismic. We would expect the shooting of seismic and reprocessing to take nine to twelve months, with the first exploration well to be drilled in 1Q11. This acreage lies in an area enjoying a tremendous amount of exploration success, with recent discoveries having initial production rates in excess of 10,000 BOE/pd. HUSA started out in Colombia having a small non-operated interest of 1.6%, then moved up to 12.5% on a second area with Hupecol. Now after having had years of success the company is increasing its working interest to 25% in this new area, as well as setting of a field office for the first time in Bogata. This logical progression has thus far served the company and investors well.

Maintain Buy rating with $7.00 price target. HUSA's current production level coupled with its low overhead has allowed the company to continue exploration efforts without having to decrease its cash balance. At the end of 3Q09 HUSA had $4.7MM in cash on the balance sheet identical to 2Q09. We believe the potential asset sale coupled with new exploration wells sets the stage for HUSA to exit 2009 in a position of strength.

Company Description: *Houston American Energy is a Houston Based E&P company with operations focused in the Llanos Basin of Columbia and Northeast Louisiana. The company was founded in 2001 and has two employees.*

Exhibit 1

Discounted Net Asset Value (DNAV)

Houston American Energy (HUSA) Discounted Net Asset Value (DNAV)							November-09
Reserves	Oil (BBL)	Gas (MCF)	PV-10 Value	Discount Factor	Discounted Value		Discounted Per Share Value
Proved Developed	213	19	3,151	0%	$ 3,151		$ 0.11
Proved Undeveloped	-	-	-	0%	$ -		$ -
Total Proved Reserves	213	19	3,151	0%	$ 3,151		$ 0.11
Other Assets			191,431	0%	191,431		$ 6.82
Net Working Capital					4,800		$ 0.17
Debt					-		$ -
Total Discounted Net Asset Value							$ 7.11
Outstanding Shares			28,062				

Other Assets	Net Locations	EUR-MBOE	Per BOE	Value	Discount	DNAV	Per Share
Las Garzas Field - 75 Locations	9.375	1,000	$ 14.55	136,418	75%	34,104	$ 1.22
Leona Field - 25 Locations	3.125	2,000	$ 14.55	90,945	75%	22,736	$ 0.81
Dorotea Field - 20 Locations	3.75	2,000	$ 14.55	109,134	75%	27,284	$ 0.97
Cabion Field - 12 Locations	1.5	1,000	$ 14.55	21,827	75%	5,457	$ 0.19
Serrania Block	20	1,000	$ 14.55	291,000	90%	29,100	$ 1.04
CPO-4 Block	50	1,000	$ 14.55	727,500	90%	72,750	$ 2.59
Total Other Assets & Liabilities						191,431	$ 6.82

Commodity Price Deck	Yr-End 08	GHS Deck	Difference
Oil	$ 44.60	$ 65.00	46%
Natural Gas	$ 5.60	$ 5.00	-11%

Source: Company data, Global Hunter Securities, LLC

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Income Statement (U.S. $000s)													
Total Revenues	3,203	4,977	10,622	445	1,134	2,404	3,270	7,253	2,625	3,275	4,250	5,225	15,375
Lease Operating Expense (LOE)	1,017	1,841	3,366	910	713	1,021	1,165	3,810	817	1,017	1,317	1,617	4,767
Joint Venture Expenses	167	149	183	41	38	49	-	127	-	-	-	-	-
DD&A	888	1,100	5,816	254	287	621	912	2,074	500	500	500	500	2,000
G&A	1,231	1,568	3,152	721	672	580	550	2,523	735	915	1,185	1,455	4,290
Other	-	348	(1,994)	-	-	-	-	-	-	-	-	-	-
Total Expenses	3,303	5,006	10,523	1,926	1,710	2,271	2,627	8,535	2,052	2,432	3,002	3,572	11,057
Income from Operations	(101)	(29)	99	(1,481)	(576)	133	643	(1,282)	573	843	1,248	1,653	4,318
Other Income (expense)													
Total Other Income (Expense)	99	650	295	18	27	9	20	74	25	25	25	25	100
Income (loss) from operations	(1)	621	394	(1,464)	(550)	143	663	(1,208)	598	868	1,273	1,678	4,418
Income Tax expense (benefit) - current	511	127	(73)	15	(662)	(286)	232	(423)	209	304	446	587	1,546
Net income (loss)	(512)	493	467	(1,478)	112	429	431	(785)	389	564	828	1,091	2,872
EPS F/D	(0.02)	0.02	0.02	(0.05)	0.00	0.02	0.02	(0.03)	0.01	0.02	0.03	0.04	0.10
Basic shares outstanding	25,088	27,920	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Diluted shares outstanding	25,088	28,132	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062	28,062
Cash Flow Items													
Net Income	(512)	493	467	(1,478)	112	429	431	(785)	389	564	828	1,091	2,872
DD&A	1,231	1,568	3,152	254	287	621	912	2,074	735	915	1,185	1,455	4,290
Deffered Tax	-	-	-	-	(662)	-	-	-	105	152	223	294	773
Non-Cash Compensation	290	335	1,050	247	295	269	350	1,161	150	150	150	150	600
Other	171	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow	1,180	2,397	4,669	(977)	33	1,318	1,693	2,450	1,379	1,781	2,386	2,990	8,535
Cash Flow per share F/D	0.05	0.09	0.17	(0.03)	0.00	0.05	0.06	0.09	0.05	0.06	0.09	0.11	0.30
EBITDA	1,690	2,524	4,596	(962)	(629)	1,032	1,925	2,027	1,588	2,085	2,831	3,577	10,082
EBITDA per share F/D	0.07	0.09	0.16	(0.03)	(0.02)	0.04	0.07	0.07	0.06	0.07	0.10	0.13	0.36

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Production Model													
Total Oil Production (thousands)	50	71	122	13	19	35	50	117	40	50	65	80	235
Avg. Price per Bbl	55.55	65.61	90.60	33.32	58.47	68.43	65.00	56.31	65.00	65.00	65.00	65.00	65.00
Oil Sales	2,763	4,672	10,823	447	1,082	2,404	3,250	7,182	2,600	3,250	4,225	5,200	15,275
Total Natural Gas Production (000's)	78	44	34	-	4	-	4	8	5	5	5	5	20
Avg. Price per Mcf	6.75	6.90	9.48	4.70	4.50	4.50	5.00	4.68	5.00	5.00	5.00	5.00	5.00
Natural Gas Sales	527	305	320	22	18	-	20	60	25	25	25	25	100
Total Oil & Gas Sales	3,290	4,977	11,143	468	1,100	2,404	3,270	7,242	2,625	3,275	4,250	5,225	15,375
Total Oil & Gas Production (BOE)	63	79	128	13	19	35	51	118	41	51	66	81	238
Oil & Gas Production (BOE/PD)	174	218	355	149	213	390	563	329	454	565	731	898	662
% Increase from prior period	0.0%	25.2%	62.7%					-7.4%					101.4%
Avg. Price per BOE	52.43	63.34	87.16	34.94	57.38	68.43	64.54	61.18	64.29	64.43	64.56	64.64	64.51
Cost Model													
Lease Operating Expense (LOE) per BOE	16.21	23.43	26.33	67.94	37.18	29.07	23.00	32.19	20.00	20.00	20.00	20.00	20.00
DD&A per BOE	19.62	14.00	45.50	18.98	14.99	17.67	18.00	17.53	18.00	18.00	18.00	18.00	18.00
G&A per BOE	19.62	19.96	24.65	53.79	35.08	16.51	10.86	21.32	13.47	10.82	8.35	6.80	9.23
Interest Expense per BOE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost	55.44	57.38	96.47	140.72	87.25	63.25	51.86	71.03	51.47	48.82	46.35	44.80	47.23
Net per BOE	(3.01)	5.95	(9.31)	(105.78)	(29.86)	5.18	12.68	(9.85)	12.82	15.61	18.20	19.84	17.28
Profit Margin	-5.7%	9.4%	-10.7%	-302.8%	-52.1%	7.6%	19.7%	-16.1%	19.9%	24.2%	28.2%	30.7%	26.8%
Balance Sheet Items													
Cash and investments	14,409	418	11,583	6,455	4,886	4,709							
Accounts receivable	325	9,650	316	7	376	1,251							
Oil and Gas properties - Full Cost Method	6,796	12,715	5,263	4,283	5,455	20,809							
Accounts payable	399	260	1,363	592	229	34							
Debt (short-term and long-term)	-	-	-	-	1	1							
Stockholders' equity	19,415	20,243	21,049	19,257	19,525	20,082							

Houston American Energy (HUSA) Disclosures

Analyst Certification

I, Phil McPherson, certify that the views expressed in this report accurately reflect my personal beliefs about this company and that I have not and will not receive compensation directly or indirectly in connection with my specific recommendations or views contained in this report.

Important Disclosures

- GHS does and seeks to do business with the company covered in this research report.
- As with all employees of GHS, a portion of this analyst's compensation is based on investment banking revenues.

Risks & Considerations

Price Target Risks & Related Risk Factors:

Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Global Hunter Securities, LLC production and cash flow estimates; unforeseen geopolitical influences or changes in supply and demand for crude oil and natural gas that negatively affect commodity prices that could differ from our projected commodity price deck; changes to investor sentiment regarding the energy sector in general and the exploration and production segment in particular; effects of severe weather or unpredictable negative developments in exploration efforts of the company.

Valuation Methodology:

In developing our ratings and price targets we include a number of quantitative and qualitative factors that affect the ability of a company to craft and develop its operating plan including managerial capacity and quality, access to sufficient tools and services necessary to develop oil and natural gas properties, financial situation and liquidity, geographic base of properties, relation of the exploration and production sector to the overall equity market and macroeconomic environment, and ability to execute in a cost effective manner. We base our valuations on the ability of a company to generate cash flow sufficient to fund both its maintenance capital expenditures and its plans for future growth. Accurate forecasts of future crude oil and natural gas production rates, commodity prices , and operating costs, all of which can be highly variable and difficult to predict, drive cash flow and, as a result, valuation.

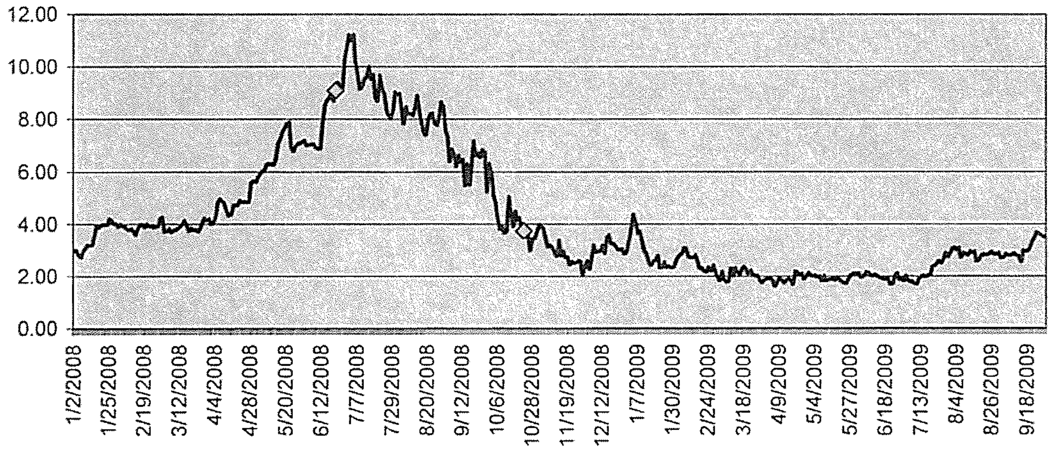
See the Company's most recent SEC filings, including 10-Ks, 10-Qs, 8-Ks and proxy filings, for additional risks and considerations.

Other Companies Mentioned In This Report

- **None**

Houston American Energy (HUSA) Disclosures (Continued)

Historical Recommendations



Initiated coverage on 06/20/08 with a Buy rating and price target of $15.00.

	Date	Rating	Price Target	Closing Price	
1.	6/20/2008	Buy	$15.00	$8.72	
2.	10/22/2008	Buy	$8.00	$3.94	
3.	5/18/2009	Buy	$3.50	$1.85	* Intraday
4.	10/19/2009	Buy	$7.00	$4.70	

Explanation of Ratings

Buy: We expect the stock to outperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Neutral: We expect the stock to perform in line with the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Sell: We expect the stock to underperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.

Ratings Distribution

	Research Coverage		Investment Banking Clients*		
Rating	Count	% of Total	Count	% of Total	% of Rating Category
Buy	37	67.3%	1	100.0%	2.7%
Neutral	18	32.7%	0		
Sell	0	0.0%	0		
Total	55	100.0%	1	100.0%	1.8%

*Investment banking clients are companies from whom GHS or an affiliate received compensation from investment banking services provided in the last 12 months.

Note: Ratings Distribution as of September 30, 2009

Disclaimer & Other Disclosures

This material has been prepared by Global Hunter Securities, LLC ("Global Hunter") a registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Information, opinions or recommendations contained in the reports and updates are submitted solely for advisory and information purposes. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore except for any obligations under law, we do not guarantee its accuracy. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and is subject to change without notice. Global Hunter and our affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account. Not all products and services are available outside of the US or in all US states. Copyright 2009.

EXHIBIT 15

In Re:

Houston American Energy Corp. Sec Litig.

Philip McPherson

November 20, 2014

Q Houston American.

And if we wanted a date for when you started covering Houston American, we could just go back and look at your analyst reports; is that correct?

09:55:52 A Correct.

Q Now, I want to ask you a few questions about the reports you prepared on Houston American, but first I want to ask you some general questions about your reports in general when you were at Global

09:56:10 Hunter.

Am I correct that you prepared your reports?

A Yes.

Q And that the reports contained your work product and opinions?

09:56:18 A Yes.

Q And that some of your reports, in fact, contained price targets, for example?

A Yes.

Q And the price targets were your opinion

09:56:27 based on the information you had reviewed?

A Yes.

Q And the reports contained other opinions and work product prepared by you as well; is that correct?

09:56:37 A I don't follow. What do you mean?

Q Well, other than price targets, would you have other opinions in your reports?

A Can you elaborate -- what do you mean? I don't know -- price targets is kind of what you base your analysis on.

09:56:51

Q What about opinions concerning the attractiveness of an investment, would you include opinions like that in your reports?

A Yes.

09:57:08

Q In fact, you certify in your reports that the views in the report accurately express your personal beliefs; is that correct?

A Yes.

Q And do your research reports reflect your professional judgment about a particular investment?

09:57:27

A Yes.

Q And is that important to you -- to your reputation as an equity analyst, that your research reports reflect your professional judgment?

09:57:40

A Yes.

Q And why is that?

A When you're writing research, you're giving people advice on what you think is potentially going to happen to a stock. So, you know, the more you're right, the better your reputation is and the more

09:57:53

people will tend to believe what you have to say.

Q When you're preparing a report on a particular company, do you ask company management to review drafts of that report?

A No.

Q In fact, am I correct that company management never sees your report until it's made available publicly?

A Correct.

Q And this is true to the reports you prepared on Houston American?

A Yes.

Q John Terwilliger and Houston American did not participate in drafting any of your reports?

A No.

Q I think we may have had a double negative and I just want to make sure it's clear on the record.

Am I correct -- so John Terwilliger and Houston American never participated in drafting your reports?

A They never wrote the reports.

Q Okay.

A The word "drafting" is meaning writing the report.

Q Thank you.

And when you prepare a report on a company such as Houston American, you're not purporting to act as a proxy for that company; is that correct?

09:59:13 A Meaning?

Q You're not purporting to speak on behalf of that company?

A No.

Q And your clients understand that you're

09:59:20 speaking for yourself and not on behalf of the company?

A Correct.

Q In fact, you didn't have authority to speak on behalf of Houston American or probably any of the

09:59:34 other companies you covered; is that correct?

A No.

Q So you did have authority or did not have authority?

A I'm not speaking on behalf of them.

09:59:46 Q Okay. All right. I'm sorry. I understand your answer.

A You asked me the same question four different ways. So....

Q Exactly. I understand your answers, but

09:59:56 sometimes when you read it on the transcript, it will page, there's a paragraph at the bottom, and it starts with the bold heading "Maintain buy rating while raising price target to $7." Do you see that?

A Yes.

10:07:54 Q And if you go down six lines, there's a sentence that starts "We believe," which is the sentence I want to ask you about.

A Uh-huh. Yes.

Q And it says "We believe the CPO 4 Block 10:08:06 could expose investors to over 1 billion barrels of gross oil reserves." Do you see that?

A Yes.

Q Mr. McPherson, am I correct that the meaning of the term "reserves" in the oil and gas industry 10:08:25 depends on the context in which it is used?

A Yes.

Q And here, when you're talking about CPO 4, these are predrill estimates; is that correct?

A Correct.

10:08:35 Q And we'll talk about this in a little bit, but Houston American later comes out with an estimate of CPO 4 of 1 to 4 billion barrels recoverable. Do you recall that?

A Yes.

10:08:48 Q And you recall that the estimate is based on leads or prospects?

A I mean, leads and prospects are the same thing. So, yeah.

Q Okay. And you understood -- and we're going to look at the estimate in a minute, but you understood that Houston American's estimate was a predrill estimate; is that correct?

A Correct.

Q And that sometimes E&P companies use the term "resources" to describe these estimates but sometimes they use the term "reserves"?

A Correct.

Q In fact, when you testified to the SEC previously, you testified that sometimes these -- the terms "resources" and "reserves" are used interchangeably; is that correct?

A Yes.

Q And you can tell from the context here in your report that you're talking about a predrill estimate?

A Yes.

Q And, in fact, your report says the first well is not going to be drilled until 2011; is that right?

A Correct.

A Yes.

Q The e-mail refers to a meeting that's going to take place the following Tuesday, which would be November 17th. I'm going to ask you a few questions about that meeting, but first I want to go through a few questions about this presentation that was attached.

And I want to have you turn to page 12. And I'm going to ask you about the third bullet point on page 12, which states "The CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels."

Do you see that?

A Yes.

Q First, you see that the term "recoverable reserves" is used there?

A Yes.

Q And you understood this was a predrill estimate by Houston American?

A Yes.

Q And you understood that whether commercially viable hydrocarbons were present would not be known until the wells were drilled and tested; is that correct?

A Yes.
Q Now, you see here that Houston American's estimate is 1 to 4 billion barrels? Do you see that?
A Yep.
10:13:07 Q And you testified, I believe, at your SEC deposition that SK Energy's estimate was approximately 1 billion barrels; is that correct?
A Yes.
Q Am I correct that you understood that
10:13:32 Houston American's estimate of 1 to 4 billion overlapped with SK's estimate but was different?
A I don't -- I don't know what you mean, "overlap."
Q Well, SK's was a billion; right? And -- am
10:13:43 I right about that?
A Yes.
Q And Houston American's was 1 to 4 billion barrels; correct?
A Correct.
10:13:48 Q So Houston American's estimate includes a billion but it also includes a higher end in the range; is that correct?
A Yes.
Q Okay. I want to read you a question and
10:14:07 answer from your SEC testimony and see if this is

A I believe so.
Q And were you present for the meeting?
A I was for part of it. I don't know that I was there the whole time.
10:26:17 Q Who else was at the meeting?
A All of the current salesmen at Global Hunter.
Q Do you remember specifically anyone you actually remember being at the meeting?
10:26:35 A Greg Tuerk.
Q Anyone else?
A Tim Arthurs, I think, Brandon. I don't remember.
Q Okay. In any event, a number of individuals
10:26:54 from the sales team; is that right?
A Correct.
Q Am I correct that Mr. Terwilliger used the November 2009 presentation during that meeting?
A Yes.
10:27:02 Q And at this meeting, did Mr. Terwilliger use any estimate other than the 1 to 4 billion barrel estimate that's contained in that November 2009 presentation?
A No.
10:27:12 Q Do you ever recall at any time

that was previously marked as Exhibit 118.

A Okay.

(Exhibit 118 was previously marked for identification by the Court Reporter.)

10:29:35 BY MR. OAKES:

Q There's a sentence in here I want to ask you about. Do you see the section where there's a bold heading "CPO 4"?

A Yes.

10:29:44 Q And three lines down in the middle, there's a sentence that says "SK Energy has estimated potential of 3 to 5 billion barrels of oil under this property."

Do you see that?

10:29:55 A Uh-huh. Yes.

Q Do you know where Mr. Tuerk got this figure, 3 to 5 billion barrels of oil under the property?

A I don't.

Q And you don't remember Houston American ever

10:30:08 using 3 to 5 billion?

A I don't.

Q And you never used 3 to 5 billion; is that correct?

A Correct.

10:30:14 Q Am I correct that the November 17th meeting where Mr. Terwilliger presented to the sales force -- that was the only meeting between Mr. Terwilliger and the sales folks prior to this December 1 e-mail?

A I believe so.

10:30:32 Q And am I also correct that this appears to be an oil-in-place number where Mr. Tuerk writes "3 to 5 billion barrels of oil under this property"?

Do you see that?

A Yes. I -- I don't know what he means by it.
10:30:50 That's not my -- that's not my work.

Q But are you -- you are familiar, I take it, with an oil -- the term "oil in place"?

A Correct.

Q And am I correct that that differs from a
10:31:00 recoverable estimate?

A Typically, you have oil in place and then you assign a number of how much that is recoverable.

Q Okay. And Houston American's figure, the 1 to 4 billion, was a recoverable figure; correct?

10:31:13 A I don't know.

Q Well, it referred to recoverable reserves; right?

A Then that's what they would be referring to.

Q Do you recall correcting any items in this
10:31:37 e-mail from Mr. Tuerk or any variation of this

EXHIBIT 16

In The Matter Of:

Paul Spitzberg, et al. v.

Houston American Energy Corp., et al.

David Gould Snow

November 19, 2014

NEXTGEN|REPORTING

Making Litigation Easier. www.nextgenreporting.com

WORLDWIDE COVERAGE | (888) 267-1200 PHILADELPHIA | NEW YORK CITY | WILMINGTON | SILICON VALLEY

Min-U-Script® with Word Index

DAVID GOULD SNOW

Petromineralés?

A. No.

Q. When did you speak with Petrominerales?

A. Prior to writing this report.

Q. Are you familiar with the term "CPO-4 Block"?

A. Yes.

Q. Are you familiar -- based on your 40-plus years of experience analyzing energy company stocks -- with the term "reserves"?

A. Yes.

Q. Are you familiar with the SEC categories of proved, probable and possible reserves that go into SEC reports?

A. Yes.

Q. So if I use the term "reserves" -- unless I say otherwise -- can we agree that I'm referring to the SEC definition?

A. No.

I use the word "potential reserves," which is an oxymoron.

Q. I'll get to that.

I want to talk about the reserves

DAVID GOULD SNOW

to qualify the word "reserves."

Do you recall that discussion?

A. Yes.

Q. So you used the word "potential" and not "actual," correct?

A. Correct.

Q. That's because you understood at the time that there weren't actual reserves on the property, just potential reserves.

A. Correct.

Q. There were no actual reserves on the CPO-4 Block at the time, correct?

A. Correct.

Q. That's what you wanted to convey to the readers of this report -- that there were no actual reserves that had been discovered.

A. Correct.

Q. That's because there was no known accumulation at that time of commercially-recoverable oil on the property that had been discovered, correct?

A. Unless, possibly, the discovery back in the early '60s in the other end of the block.

I don't know if it was produced or

DAVID GOULD SNOW

But you may answer if you can.

A. I don't think so.

Q. You are not aware of any facts -- outside of what is disclosed in your report -- that influenced your decision to invest in Houston American, correct?

A. Correct.

Q. With respect to statements that were made by Mr. Terwilliger to you, or by Mr. Tawes to you that you did not include in your report, you are unaware of anyone purchasing or selling Houston American stock in connection with those statements, correct?

MR. McGRATH: Objection.

MR. LONGMAN: Object also.

A. No.

Q. Was my statement correct?

A. Correct.

MR. LONGMAN: Would you mind just reading back the question?

MR. STOKES: Yeah -- please do.

(Question read)

BY MR. STOKES:

Q. That's a correct statement, correct?

DAVID GOULD SNOW

A. Correct.

MR. McGRATH: I'm going to put in an objection to that.

I think that was a compound question and very confusing. There were a few double negatives there. So I'm not sure the witness's "no" and then "yes" answer makes any sense.

MR. STOKES: The witness has answered that question --

MR. LONGMAN: Why don't you say: Were you aware? -- instead of saying -- it's confusing.

(Pause)

(Exhibit 93, Document Bates stamped EEI 000202, single-page document bearing handwritten notations, marked for identification)

BY MR. STOKES:

Q. Mr. Snow, if you could turn to Exhibit 93?

A. Okay.

Q. This document is Bates stamped EEI 00202?

A. Yeah.

DAVID GOULD SNOW

Q. -- dollars a barrel was an example of a calculation provided by Mr. Terwilliger?

A. Yes. A hypothetical --

Q. It was all -- you understood it was hypothetical, correct?

A. Yes.

Q. You understood, again, that no oil in the ground had actually been discovered at that point?

A. Correct.

Q. And your reference to $20 to $25 per barrel in the ground -- let me try to explain it in my words, and see if you agree with me.

My understanding is that you were coming up with a price at which you could ultimately -- strike that.

Let me start over.

A calculation of $20 to $25 per barrel in the ground reflects the fact that, if oil was actually discovered, and produced, and sold from CPO-4 Block, you could potentially obtain $20 to $25 net to Houston American for that sale per barrel, correct?

MR. McGRATH: Objection.

DAVID GOULD SNOW

A. The 20 to 25 a barrel represented the experience that they had when they sold their other properties. And --

Q. Was this Caracara?

A. No.

They had an operation in which they did early-stage discovery and then sold the properties.

And a typical experience in that would have been 20 to 25 a barrel of sales value as they monetized or sold their discoveries.

Whether or not that would be applicable here, it seemed reasonable that it would be.

Q. This is a hypothetical number, again, that refers to the price they would expect to receive if they actually did discover oil in the ground that they could produce, correct?

A. Correct.

Q. Correct?

A. Correct.

Q. So the fact that they discussed a price per barrel in the ground during the conversation was not a representation that there

DAVID GOULD SNOW

actually was commercially-viable oil in the ground, correct?

A. Correct.

Q. Does the one to four gross refer to the range of -- what you described as potentially-recoverable reserves?

A. Yes.

Q. Again, you used the phrase "potential" and not actual reserves, correct?

A. Yes.

Q. So you interpreted Mr. Terwilliger as describing only potential reserves that might be found, not actual reserves.

A. Yes.

MR. McGRATH: Yeah -- I am just going to lodge an objection.

We have been giving you a lot of leeway. Some of this is getting a little redundant.

MR. STOKES: It should actually get a lot faster as we complete this. And I thank you --

THE WITNESS: It's a valid point --

MR. STOKES: -- very much --

DAVID GOULD SNOW

And then the end was 30?

THE WITNESS: 300-something.

I'm not sure what that refers to.

BY MR. STOKES:

Q. Does it say justify?

Or just seis?

A. Oh, "just seismic" is what it says.

Q. You did not agree -- based on your 40 years of experience dealing with oil exploration companies -- that seismic would be sufficient to substantiate the existence of oil reserves on CPO-4, correct?

A. Yes.

Bright spots are occasionally a close indication.

But it's only close. It's not -- you got -- doesn't indicate oil.

Q. That doesn't tell you what --

A. It doesn't tell you there is oil there.

Q. Seismic doesn't tell you whether there is a known accumulation of oil on the property.

A. That's correct.

Q. To determine whether there is a known

DAVID GOULD SNOW

accumulation of oil on a property, you actually have to drill.

A. That's correct.

Q. Do you recall anything else about the notes that you took on page 243?

A. No, I don't.

Q. Any recollection at all as to when they occurred?

Or whether they occurred before or after your February, 2010, report?

A. Would have been after.

Q. It would have been after?

A. Yeah.

Q. How about page 244?

Do you recall anything at all about the notes you took on page 244?

A. No.

Q. Do you have any recollection at all about the conversations reflected by the notes contained on page 245 of Exhibit 104?

(Pause)

A. No.

Q. No recollection at all?

A. No.

DAVID GOULD SNOW

BY MR. STOKES:

Q. Do you recognize these exhibits?

A. Yeah.

Q. Do these reflect your trades in Houston American securities?

A. Yeah.

Q. Can you recall sitting here today whether you made any other trades in Houston American stock, other than those reflected on these three exhibits?

A. No.

Q. Did you provide copies of your notes to any other parties beside yourself?

A. To the SEC.

MR. McGRATH: Objection, time period.

Q. I'm talking ever?

A. SEC.

Q. Aside from providing them to the SEC in response to their subpoena, did you provide copies of your notes to any other --

A. No.

Q. -- third parties?

Did you provide copies of your notes to any potential investors in Houston American

Energy?

A. No.

Q. Other than the statements that actually made it into your final February, 2010, report that we marked as Exhibit 91, did you convey any other information reflected in your notes to any third parties?

A. I'm sorry?

Could you repeat the question?

Q. Sure.

Other than the information that actually made its way into your final February 20 -- strike that.

Other than information that was actually included in your February, 2010, report that we marked as Exhibit 91, did you convey any other information from your notes to any third parties, other than your production of the notes to the SEC?

A. Yes -- just as an ongoing commentary on what was going on.

Q. What do you mean by that?

A. Well, you know: They are drilling, or: They are not drilling, or: There is

DAVID GOULD SNOW

MR. McGRATH: Objection, asked and answered.

And he hasn't even read through it all to make sure it's not in the report.

Q. Can you take the time to --

A. I can't say whether I would have referred to that or not.

Q. You can't recall any specific instance --

A. No.

Q. -- where you refer to that?

A. No, I can't recall any specific instance.

Q. You were not paid anything by Houston American or --

A. No.

Q. -- its officers or directors in connection with this report, correct?

A. No.

Q. You issued this report on your own, correct?

A. Correct.

MR. LONGMAN: Who received this report?

EXHIBIT 17

In Re:

Houston American Energy Corp. Sec Litig.

Gregory Tuerk

November 19, 2014

Q But you do recall hearing that number at some point, 1 to 4 billion?

A Correct.

03:28:15 Q Okay. Putting aside this 1 to 4 billion barrel estimate that's in this presentation here, am I correct that you don't recall John Terwilliger discussing any estimates -- any estimates at the November meeting?

A Correct.

03:28:27 Q In fact, you don't even recall him discussing the 1 to 4 billion at the November meeting.

A I don't. Correct.

03:28:36 Q Am I correct that you don't recall Mr. Terwilliger using an estimate of 3 to 5 billion barrels at the November meeting?

A Correct.

Q Am I correct that you don't recall Mr. Terwilliger using an estimate of 1 to 5 billion barrels at the November meeting? 03:28:48

A Correct.

Q And is it correct that you don't recall Mr. Terwilliger using an estimate of 3 to 5 billion barrels for the CPO-4 concession at any time?

03:29:06 A Correct.

03:29:15 03:29:29 03:29:53 03:30:05 03:30:23

Q Am I correct that you don't recall Mr. Terwilliger using an estimate of 1 to 5 billion barrels for the CPO 4 concession at any time?

A Correct.

Q Am I correct that you do not recall hearing any estimates from Houston American or Mr. Terwilliger concerning CPO 4 other than the 1 to 4 billion estimate that we discussed earlier?

A Correct.

Q You testified to the SEC that you understood that the investment was a, quote, "high-risk, high-reward kind of a situation." What did you mean by that?

A Well, I meant that -- exactly what it sounds like. I don't -- I don't -- do you want me to go deeper into that? I think it's pretty self-explanatory, isn't it?

Q Well, let me ask some follow-up questions.

Is it true that you understood that Houston American had only recently acquired the concession in 2009?

A Yes. Yes.

Q All right. Did you understand that it was an exploratory concession, CPO 4?

A Yes.

Q And -- and did you understand that Houston American and its partner, SK Energy, hadn't yet drilled any wells on the concession -- on the concession, and that the drilling was, in your words, far away?

A Yes.

Q And did you understand that whether any leads or prospects on the concession on CPO 4 -- whether those contained commercially viable oil would not be known until after they were actually drilled and tested?

A Yes.

Q And you understood that drilling was to occur at some point in the future?

A Yes. And, again, that was the plan. It wasn't like I didn't understand that it was going to definitely happen. I don't know if that's what that question was. But there were no guarantees that drilling was going to occur. It was in the plans, not it was going to happen.

Q But you understood they hadn't drilled yet, and the plan was to drill in the future and see what they find.

A Yes. I'm comfortable with that.

Q So this -- this meeting in November, to the

Q Do you see that?

A Yes.

Q And do you know whether the offering did, in fact, close on December 4th, 2009?

03:33:58 A I don't.

Q Do you have any reason to doubt that it did close on or about December 4th, 2009?

A No.

Q Okay. So just to orient you, we talked

03:34:08 about the meeting with Mr. Terwilliger on November 17th, 2009. And we're talking about the end of the offering -- this offering closing on December 4th, 2009.

A 12/4. Okay.

03:34:18 Q And my question is between that first meeting where you met Mr. Terwilliger on November 17th, 2009, and the offering closed -- and when the offering closed on December 4th, 2009, am I correct that you didn't participate in any more

03:34:39 meetings with Mr. Terwilliger?

A To the best of my recollection, no.

Q Okay. So you don't remember participating in any more meetings with Mr. Terwilliger?

A No.

03:34:49 Q And what about telephone conversations? Am

I correct that you didn't have any telephone conversations with Mr. Terwilliger during that time frame between November 17th 2009 and --

A Not that I recall.

Q -- December 4th?

And am I correct that Mr. Terwilliger didn't participate in any more meetings with the sales team between the first meeting and when the offer closed?

A I didn't know of any. I don't recall any.

Q Okay. You think you would have known of them given your position at the company, if they did occur?

A I don't know. The answer to that is I don't know.

Q Okay.

A Maybe, maybe not.

Q But you're not aware of any additional meetings?

A Yeah, no. Yeah.

Q All right. We can put those to the side.

Skip this one for now. We're going to come back to it in just a minute.

All right. Am I correct that in -- a company called Colombia Wanger purchased 2.4 million out of the 3 million shares that Houston American was

04:10:57 04:11:09 04:11:23 04:11:32 04:11:52

Q Okay. And you actually attached that presentation to your e-mails, Exhibits 116, 117, and 118; correct?
A Yeah, I think. I mean, that's -- I'm going to take your word for it. If I'm just looking at this, it says here's the presentation. And I know we've got PDFs. So I've assuming that's it.
Q And were you asking for a copy so you could attach it to the e-mail?
A I would assume that's a good -- that's a reasonable -- reason why I would have asked for that copy.
Q Okay. And I'm correct that Mr. -- John Terwilliger didn't draft these e-mails that are Exhibits 116, 117 and 118; is that correct?
A Correct.
Q And Mr. Terwilliger did not help you draft these e-mails; is that correct?
A Correct.
Q And nobody else at Houston American helped you draft these e-mails, Exhibits 116, 117, and 118?
A Correct.
Q And you didn't send these e-mails, Exhibits 116, 117, 118 or any variation of those -- you didn't send those e-mails to anyone at Houston

may have -- I may have shared it after I made these e-mails but never before I made this e-mail.

Q Okay.

A I mean, and again, when I'm saying "made," my definition of that is I sent them to my clients. And I may have sent them to John at the same time. But I would imagine that would be in records. So it would be pretty easy to figure that one out.

Q Okay. So you didn't confer with Houston American before these e-mails were sent; correct?

A Correct.

Q You may have included them on the distribution list, but you don't recall?

A Exactly.

Q And if you did, you would expect that those e-mails would exist?

A They would have to exist, yes.

Q Okay. And am I correct that these e-mails, Exhibits 116, 117, 118 and other variations of the e-mail -- those are your e-mails and those aren't an e-mail from Houston American?

A Correct.

Q Am I correct that this e-mail contains your own personal opinions?

A Yes.

there's so much emphasis on 3 to 5 billion barrels -- because I'm off by a billion barrels to the upside, yes, but when I come down to the point of the e-mail, the point of crazy math, what I'm doing is I'm looking at the $150 a share. That's what -- again, crazy math. But that's based off of a billion barrels.

So again, a billion barrels, you look at this -- and if you look at the Houston America presentation, in it, it says 1 to 4, I think. Again, this is -- so the 3 to 5, I may have been -- I'm saying it's personal opinion because I may have been just a little bit overly -- I don't know what -- just overly aggressive with that. But I -- but, again, knowing my nature, I didn't think that that was the point of the e-mail. The point of the e-mail was the billion barrels.

3 to 5 to me is a very minor point. Billion barrels is what I'm going with my calculations on. And that's where I'm getting that piece from the bottom end of what's in this Houston America presentation.

Q Okay. Just a couple follow-up --

A This is all from '09 too.

Q Yeah -- no. No. No. I understand.

EXHIBIT 18

In The Matter Of:

Paul Spitzberg, et al. v.

Houston American Energy Corp., et al.

Brett Allen Hendrickson

November 12, 2014

NEXTGEN|REPORTING

Making Litigation Easier. www.nextgenreporting.com

WORLDWIDE COVERAGE | (888) 267-1200 PHILADELPHIA | NEW YORK CITY | WILMINGTON | SILICON VALLEY

MR. PECHT: It's Mathes to Hendrickson with, from Mathes to Hendrickson with the -- that's marked as Exhibit 54.

(Deposition Exhibit Number 55 was marked for identification.)

Q. (BY MR. PECHT) And Exhibit 55 is the full Global Hunter report dated January 19th, 2010, correct?

A. Yes.

Q. And you said you believed you would have looked at the full report after having received Mr. Mathes's e-mail with the link to it.

A. Yes.

Q. And if you look at Exhibit Number 54, where it says, "Base production of 1,000 barrels of oil per day" --

A. Yes.

Q. -- you knew that the production of a thousand barrels of oil per day net was out of blocks -- not the CPO-4 block?

A. Yes.

Q. Because you knew there was no production --

A. Yes.

Q. -- and no reserves on the CPO-4 block, correct?

A. Yes.

Q. And then it goes on to say, "This is an

Q. And then if you look at: "Who needs friends with neighbors like these?" It is says, "Petrominerales has announced another significant discovery, the Guatiquia," which is what we just saw on the Petrominerales document marked as Exhibit Number 53, correct?

A. Yes.

Q. And then it says at the bottom, "SK Energy has identified 22 prospects with unrisked oil exposure of 1 billion barrels." You see where it says, "unrisked oil exposure of 1 billion barrels"?

A. Yes.

Q. You recognized that that was a resource potential, correct?

A. Yes.

Q. And that was SK's estimate, which was about a billion barrels of resource potential, right?

A. Yes.

Q. And resource potential does not mean booked reserves or SEC reserves, correct?

A. Yes. That's why they used the term. "Unrisked" would indicate that.

Q. And if you look at Exhibit Number 55 on Page Number 6, there's an exhibit there --

MR. LONGMAN: I'm sorry, what is 55 again?

MR. PECHT: 55 is the Global Hunter January 19th, 2010, report, analyst report.

MR. LONGMAN: Oh, that's it . . .

Q. (BY MR. PECHT) And if you look at the top page, it says -- top of the page on page 6, it says, "SK Energy spent nearly two years reviewing and reprocessing vintage 2-D seismic data before bidding and eventually winning the CPO-4 block. From that vintage data, the company has found over 100 prospects. Thus far they have high-graded 22 of those prospects which contain an estimated 1 billion barrels of unrisked oil potential."

So you knew that SK's estimate was 1 billion barrels of unrisked oil potential, which is also known as resource potential, correct?

A. Yes. That's what I recall, yeah.

Q. Okay. And you know that a resource potential is just an estimate. And until you actually drill a well, you don't know what is on that block, correct?

A. Yes.

Q. And there's a lot of risk between --

MR. LONGMAN: Is that a reserve? I'm sorry to interrupt. Is that considered a reserve?

THE WITNESS: No. The term "resource potential" would indicate it's not a reserve. And the term "unrisked" would also indicate it's not a reserve.

A. Yeah. There's a -- I just happened to see it. There's a reference in the table on page 4 where, if you if a word search, it might not come up --

Q. I see.

A. -- but the 10th stock down is Houston American Energy.

Q. Got it. And it says, Attribution and gross percentage points, 2.9. What does that mean?

A. So attribution points are the amount of performance they've generated before fee, so that means gross as opposed to net of fees. So if you look at the top, Rambus contributed 7.6 points of return. So if everything else was flat that year, and we made or lost nothing on all of our other investments, the fund would have been up 7.6 before fees because that's what Rambus contributed. In the case of Houston American, it contributed 2.9 points.

Q. By the way, did you see that as Petrominerales was announcing the success of its wells on the Guatiquia, that the stock price for Houston American, which was on the adjacent block, was going up in response to those announcements?

A. Those are generally true, particularly if you move past 2009; particularly in 2010, the stock would move on those announcements.

Q. On the announcements of Petrominerales?
A. Yes.
Q. And you actually witnessed that in the market place as that was coming out --
A. Yes.
Q. -- as you were tracking it?
A. Yes.
MR. LONGMAN: The HUSA you're talking about?
THE WITNESS: Yeah. Houston American stock would tend to move up if Petrominerales announced a big well.
Q. (BY MR. PECHT) Take a look at Exhibit Number 57, and that is the April 28th, 2010, report correct?
A. Yes.
Q. And this one starts discussing Houston American on page 3 and goes to page 8, correct?
A. Definitely starts on page 3. And, yes, it goes till page 8.
Q. And you describe it in the first sentence that "HUSA definitely fits with our preference for special situations that have a little hair on them and therefore require a lot of research."
So this was actually the kind of stock that

Q. Yes, sir. It says, "The conclusion: unless the maps and logs were completely fabricated (and we have verified some of them ourselves)" -- you actually did your own verification of them, right?

A. Well, we verified that Petrominerales -- that they were from Petrominerales and they were -- I mean, they were available online at Petrominerales' website, so they weren't -- if someone fabricated them, it wasn't Houston American.

Q. And "much of the CPO-4 block is structurally similar to PMG" -- that's Petrominerales, right?

A. Yes.

Q. -- "blocks to the east and northeast, and that similarly prolific fields could likely be identified and drilled with the aid of 3-D seismic maps."

So you've said -- so what you were saying there is, there's no promises here that the wells are going to be productive or produce hydrocarbons in commercial quantities; but that it's possible that they could be going forward. And that's what you understood, correct?

A. Yes.

Q. And then the next paragraph, it says, "More recently, our consultant was nice enough to visit Houston American with us again on April the 15th, and

Q. (BY MR. PECHT) And on page 6 in the second paragraph there, it says," Again, we realize that this sounds completely bizarre for a block that could be worth several billions of dollars if everything works out."

Again, that was based on your independent work and research, correct?

A. Yeah.

Q. And then -- then you say at the bottom, with regard to Mr. Terwilliger, you said, "We note that" Mr. -- "that CEO John Terwilliger has" never -- "still never sold a single share of Houston American stock since he took it public, and we believe that he has the vast majority of his net worth tied up in this company."

And you go on to say, "Further, we have back checked several things that he has told us and never found him to be dishonest."

That's a true statement, right?

A. That was certainly true at the time, yeah. Certainly.

Q. And then if you go down further on page 6, that you say in the last paragraph, "So, in summary, the CEO's interests are significantly aligned with ours," and that's because he was also a significant shareholder in Houston American, correct?

A. Yes.
Q. And then looking at your chart of buys and sells, Exhibit 38 --
A. (Witness examined exhibit.)
Q. And I'm correct that you continued to buy the stock after the Seeking Alpha article came out?
A. Oh, I'm sure we made purchases after it went down, yeah.
Q. And you bought -- you bought throughout 2010, 2011 and into 2012, right?
A. Yeah, anything, I believe, with the "BY" symbol should indicate a buy. So we bought stock -- yeah, we bought stock on the way down in 2012, as well.
Q. And just so -- to put, sort of, our arms around this a little bit. You first bought on November the 20th of 2009, correct?
A. Yes.
Q. And you last bought on what day?
A. It's going to be towards the end of this here. It looks like -- it looks like in April of 2012, we had a purchase. April the 9th for the transaction date.
Q. It looks like you had a July the 9th, 2012, buy, right?
A. Oh, is this not in order? Oh, this is not in order. It's on the last page, if I'm looking at the

Q. All right. And take a look at -- well, okay.

Take a look at page 14. It says, "Surrounded area by existing fields." There's some notes at the bottom of that page. Can you just read them to me, please?

A. Yeah. The line from the Apiay field says, Ecopetrol owns it, bought from XON, which is Exxon. To the right of that, with the arrow from somewhere in the -- from the lower right of that CPO-4 block says. "One well drilled in CPO-4 and '61 or '62," meaning 1961 or 1962.

Q. And take a look at page 12 where it says, "CPO-4 block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels.

Do you see that reference?

A. Yes.

Q. You understood that 1 to 4 not to be proven reserves as possible or probable reserves, correct?

A. Yes.

Q. You understood that to be resource potential?

A. Yes.

Q. And you understood that to be Houston American's estimate, the 1 to 4 billion?

A. Yes. Houston American's or --

on this block."

A. SK Energy acquired it.

Q. No, it's below that, right below that.

A. "SK found over 100 prospects on this block and they estimate mid-range recovery of 3.5 billion barrels."

Q. All right. And then right below that, it says -- what does it say?

A. "HUSA uses a range of 1 to 5 billion."

Q. Okay. Now, I don't see any of that information at all in any of your investor presentations.

A. I think that's true. That's a number that -- I don't think I'd want to write a letter claiming that they're going to have 5 billion barrels. A claim like that could be a home run, but 5 billion barrels makes it like a mini-Exxon. So I wasn't trying to claim it was going to be a $300 stock when I thought it had the potential to be a $50 stock.

Q. So that wasn't material to your investment decision?

A. The fact that SK thought they had three -- let's say this: You can't take something that someone said to the bank. So, no, it wasn't -- I didn't rely on the 3.5 billion barrels in buying the stock.

Q. It didn't cause you to buy them?

being said?

A. I don't -- maybe. But, I mean, like I -- like I told you before, I only have to go on what my notes say. And the notes say that it's SK found over 100 prospects on this block, and they estimate -- I guess the "they" --

Q. Is ambiguous.

A. The "they" could possibly refer to Houston American and not SK. The way it reads in the sentence, if you asked me today, I'd say I was referring to SK in this sentence.

Q. But it's not perfectly clear?

A. I can't be 100 percent clear.

Q. In any event, I don't see any of this information working its way into any of your investor presentations, right?

A. I think that's consistent with all of our investor letters, that we try not to just take stuff verbatim from management, we'd put our own . . .

Q. You make your own --

A. We put our own assumptions and metrics in there.

Q. And in making your own investment decision, you rely on your own assumptions and metrics, and not anything management tells you?

A. 126 -- sorry. "For $26 per barrel in the ground."

Q. And what does that mean?

A. That refers to some measure of barrels that were still in the ground, reserves or estimated reserves, or something like that.

Q. All right. And you knew that CPO-4 had no reserves or estimated reserves in the ground?

A. No actual reserves, yes.

Q. Okay. And this $26 a barrel number would not apply to CPO-4 reserves because CPO-4 didn't have any reserves.

A. Yeah, that's true. That only -- that would only come into play if you could actually get reserves on it and then get someone else to pay $26 for whatever other reserves you had.

Q. And so what you're doing is you're saying hypothetically, if you do get reserves on it and if you get somebody else to pay, you might look at Cara Cara as a possibility in this hypothetical world?

A. As a comparison valuation.

Q. Okay. And you did a similar type comparison valuation, but you used $31 a barrel, correct?

A. If that's what I had in that spreadsheet, I may have. Like I said, we don't primarily rely on reserves

EXHIBIT 19

In The Matter Of:

Paul Spitzberg, et al. v.

Houston American Energy Corp., et al.

William Doyle

December 4, 2014

NEXTGEN|REPORTING

Making Litigation Easier. www.nextgenreporting.com

WORLDWIDE COVERAGE | (888) 267-1200 PHILADELPHIA | NEW YORK CITY | WILMINGTON | SILICON VALLEY

Min-U-Script® with Word Index

one of the most prospective hydrocarbon sectors of the Andean area with Paleozoic graben systems and Cretaceous source rocks similar to those of the analogous Orinoco Heavy Oil Belt of Eastern Venezuela; do you see that?

A. Yes.

Q. And what does it mean for the Llanos Basin to be one of the most prospective hydrocarbon sectors of the Andean area?

A. These are not my words, so you'd be asking me to reference what other people have put out, submitted.

Q. What do you understand that to mean as the global energy analyst for Columbia Wanger?

A. He's stating it's a large prospective area for hydrocarbons.

Q. And comparable to the Orinoco, which is a very successful area of hydrocarbons, correct?

A. He's stating it's similar to those of the analog Orinoco Heavy Oil Belt.

Q. And do you agree that the Llanos Basin is one of the most prospective hydrocarbon sectors?

A. I would agree with that. For relative purposes, it's a large basin that's produced billions of barrels of oil. So that would rank it well on a global basis.

Q. The Llanos is a large basin that has produced

A. Yes.
Q. What is an exploratory well?
A. It's drilling a well where no hydrocarbons have been produced.
Q. And do you know what a development well is?
A. A generic term referred to producing hydrocarbons that have already been discovered.
Q. And do you know what an appraisal well is?
A. A generic term that I believe refers to referencing the outer limits of the field.
Q. Did you indicate when Columbia Wanger started investing in Canacol?
MS. SHEELY: Objection. Asked and answered. Answer to the extent you can recall.
BY THE WITNESS:
A. Do I recall when?
Q. Yeah, approximately when they started investing in Canacol?
MS. SHEELY: Same objection.
BY THE WITNESS:
A. 2000 -- in early 2009.
Q. And were you the analyst of record from the beginning of that investment?
A. Yes, sir.
Q. And did you meet with representatives of

Q. Yeah. And that's gross meaning that's -- you'd have to -- on a net basis, you'd take the 10 percent interest that Canacol held, right?

A. That's correct.

Q. Okay. And then he's telling you that Canacol's former partner in Emerald block was purchased by a Chinese entity at $26.58 approved barrel, correct?

A. That's what it states here.

Q. And then right above that, on 12/16/09, it says, Updating reserve estimates for Canacol. BD trimming Canacol's reserve upside at Capella's main reservoir; do you see that reference?

A. Yes.

Q. BD references you, correct?

A. That is correct.

Q. And you say in caps, in that paragraph, Much more importantly, Canacol will shortly have acreage and locations lined up to five target wells and reservoirs that total a combined 7 billion barrels. Do you see that reference?

A. Yes.

Q. That is huge prospectivity; do you see that?

A. Yes.

Q. What does prospectivity mean?

A. In this case, I'm referring to the upside for the entity.

Q. What does it mean in an E&P context?

A. Discovering reserve barrels.

Q. It means the possibility of discovering oil?

A. Commercial quantities of oil.

Q. Commercial quantities of oil. It doesn't mean that you're going to actually discover it, and there is no guaranty you're going to discover it, correct?

A. That's correct.

Q. And you don't know whether you discovered it until you drill a well on the prospect that actually discovers the oil, correct?

A. That's correct.

Q. Then if you look at the December 29th, 2010 entry, in the center of that, it says, Canacol also begins drilling large Colombia prospects in the second half of 2011. Do you see that reference?

A. Yes.

Q. The Colombian prospects are very large targets and defined stock markers if successful; do you see that?

A. Yes.

Q. And then, if you look at the March 23rd, 2011 reference, they're updating that estimate for a share offer in January; do you see that?

correct?

A. Sorry. You're on the second part of it?

Q. Yes.

A. I'm searching for -- oh, BD continues to like Canacol.

Q. So just so we understand, this is a company that had some reserves?

A. Correct.

Q. But also had interest in blocks that had potential prospectivity, correct?

A. Yes.

Q. And it was a company that was an E&P company doing business in Colombia, correct?

A. Yes.

Q. Houston American was also a company that had some reserves and prospectivity on the CPO-4 and Serrania blocks, correct?

A. My recollection was they had a small amount of reserves in the Serrania block and the CPO-4 block.

Q. Were prospective blocks, correct?

A. Yes.

Q. There had been no exploration on those blocks, correct? There had been no drilling on those blocks of commercial quantities of hydrocarbons?

A. My recollection was there was no commercial quantities on CPO-4, but there had been some drilling in the past. But that's a vague recollection.

Q. Okay. But nothing that's produced commercially, correct?

A. Not that I recall, right.

Q. Do you recall there was -- there had been one well drilled on CPO-4?

A. My recollection was there had been some past activity, but I don't recall specifics.

Q. You don't recall any specifics about when it had been drilled or what was the result of that drilling?

A. Vaguely 1950s, 1970s, something along those lines.

Q. But no -- any recollection about any of the specifics about what resulted from that drilling?

A. I don't recall, no.

Q. Okay. And then looking at the 9/27/2011 entry, this in the middle of that paragraph, it says, CEO is quite excited. This is the CEO of Canacol?

A. Yes.

Q. Quite excited on the three large heavy oil formations. It's pure wildcatting. No previous wells exist. Do you see that reference?

A. Yes.

Q. And what do you mean by pure wildcatting?
A. Drilling where there is no history of production or past well successes.
Q. Okay. And, to your knowledge, on CPO-4 there had been no history of past production or past well successes at the time you invested in Houston American, correct?
A. My recollection was there was no commercial success.
Q. And you were continuing to invest in Canacol through this period of time? You would invest, you would sell, you would invest, you would sell, right?
A. I don't recall the specifics.
Q. But do you recall continuing to make investments in Canacol in 2011 and 2012?
A. I don't recall the specifics.
Q. But do you recall it enough that you made any investments in 2011 and 2012 in Canacol?
A. I couldn't state that emphatically.
Q. Do you believe you did?
A. In 2011 you're asking?
Q. Yes, 2010 and 2011.
A. My belief would be we added to our position in 2009, in 2009 and 2010. In 2011, I'd be guessing.

Q. And is this a discussion or a meeting that you had?

A. It doesn't state on here.

Q. Can you review it and tell us where you're getting this information?

A. My belief is this is a call with Charle Gamba.

MR. LEVINE: Is there a Bates stamp on it you can just read into the record so we are on the same page.

BY MR. PECHT:

Q. Yeah. It says -- it says -- on the top line, it says Canacol 2,800 barrel gross. What do those numbers refer to and what are the total numbers? Sir, at the top of the page, what do those numbers refer to?

A. It doesn't state clearly.

Q. Okay. These are your notes?

A. That's correct.

Q. Okay. Sometimes, in your notes, you don't take down everything that's said?

A. My goal is to take down everything that's said, but not all. It's not going to be perfect.

Q. And look at page CWA 12. And at the top of the page, it says, We say over 2.8 billion barrels in place. Is that barrels of oil?

A. It says, We say over 2 billion barrels in place.

A. I don't recall. So my belief would be I certainly have answered one or two questions. The number and specificity, I don't recall.

Q. But back to the meeting with Mr. Terwilliger, when you met with him on November the 20th, 2009, do you know whether you asked him any questions one way or the other?

A. Again, I would think logically that we certainly had at least one question to ask him.

Q. All right. But in terms of what questions you asked --

A. Yes.

Q. -- in your SEC testimony, you say it was mostly asking questions, that you didn't go through the presentation?

A. If that's what it states, that's what it states.

Q. Is that correct? Is that a correct reflection of your memory, that you were mostly asking questions and not going through his presentation?

A. My assertion would be that it was a combination of both, of both myself and Ben asking questions as well as John sharing information.

Q. Okay. Can you remember any of the specific questions that you asked with specificity?

A. Only if they would have been in the notes.
Q. But you don't write down the questions in your notes, correct?
A. There are meetings I've been in where my notes are in the -- where my questions are in the notes.
Q. Okay. And if the questions are not in the notes, then you can't remember what the question was, right?
A. I wouldn't say that. I might be able to remember them.
Q. Can you remember any of the questions that you asked?
A. Not without looking at the notes.
Q. Okay. If you looked at the notes, you'd be able to tell what the questions were?
A. I could take a shot at it.
Q. But, as you're sitting here without looking at the notes --
A. Yeah.
Q. -- can you tell me any of the specific questions that you asked Mr. Terwilliger at the meeting?
A. I would be guessing wildly.
Q. Okay. And can you recall any specific questions that Ben Andrews asked at the meeting?
A. No.

Q. That would also be a wild guess?
A. Search for a second, but -- no. I mean, I could -- no.
Q. Okay. And I'm not -- I'm not -- you know, look. You attend a lot of meetings with a lot of people, right?
A. Do you have any idea how many?
Q. Tell me how many.
A. It could be eight a day. It could be 12 or 13 a day. That could go on for three or four days at a stretch. When you add it all up, it's easily 250, 300 meetings a year.
Q. So it is very difficult for you to remember any particular meeting, what was said and what was asked, right?
A. No. As I stated earlier, some meetings I am exactly -- or I'm very specific about what was asked and what was said. Other meetings, less so. Given the number of meetings, some meetings stand out very strongly, most don't.
Q. Okay. The meeting you had with Mr. Terwilliger, when you gave the SEC testimony, you didn't even know that Phil Mc- -- you hadn't recalled Phil McPherson was present at the meeting, right?
A. My recollection is he was not in the meeting,

A. Yeah. I don't want to portray that necessarily in this case, but it's certainly one of the realities facing any portfolio manager in publicly traded stocks.

Q. But you don't recall that specifically happening with Houston American, correct?

A. No, that's correct.

Q. All right. And you do your own modeling?

A. Yes, sir.

Q. And you had a good deal of experience with modeling E&P companies that were doing business in Colombia from the other investments that you made?

A. I would have modeled the companies that I'm the analyst of record for. So the experience in this case would have consisted of whatever names were in the fund at that time, to be specific. When you say modeling investments in Colombia, E&P in Colombia, if I heard that right.

Q. Okay. In terms -- would you do your own modeling of cash flow from a potential investment before you made the investment?

A. I would do my own modeling of what I think is relevant to the investment.

Q. All right. And in doing your modeling, do you make your own assumptions with regard to what is the

A. I haven't found that to be the case.

Q. Okay. Do you -- do you see here it says prospects for Houston American are defined as properties where there are indications of oil and natural gas. Do you see that?

A. Yes, sir.

Q. And it goes on to say that, Our prospects are in various stages of evaluation ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data, processing, and interpretation; do you see that?

A. Yes, sir.

MS. SHEELY: The document speaks for itself.

BY MR. PECHT:

Q. So you understood that, for Houston American, a prospect is just an indication of oil or gas -- natural gas, and it may require substantial additional seismic data processing and interpretation, right?

A. That's correct.

Q. It goes on to say, there is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable; do you see that?

A. Yes, sir.

Q. And this is a reasonable definition of prospects that's used by a number of different E&P companies, correct?

A. Yes.

Q. And if you look back -- and, by the way, publicly traded E&P companies, they provide their reserve reports as part of their 10-K every year?

A. That's correct.

Q. And if you look at page F28 --

A. Yes.

Q. -- do you see where it says South America Oil?

A. Yes, sir.

Q. And if you look down at what the approved developed reserves are as of December 31, 2008, do you see that?

A. Yes, sir.

Q. There is 211,475 barrels of oil as of that time, correct?

A. Correct.

Q. All right. And that's information that you would have had at the time you made your decision, right?

A. Yes, sir.

place for some period of time until the future, correct?

A. Correct.

Q. And so, at the time you made your investment with regard to the CPO-4 block, you knew that the exploration wells had not yet been drilled on the block? You knew that -- let me back up. At the time you made your investment, you knew that there was no wells that had been drilled on the block that were producing in commercial quantities, correct?

A. Correct.

Q. You knew that that Houston American was going to reprocess some existing seismic data?

A. Yes.

Q. They were going to shoot additional data, correct?

A. Correct.

Q. And then they were going to, at some time in the future, drill exploration wells to try to see if there was any oil or gas on the prospect?

A. Correct.

Q. And when they say up here in the second paragraph that the CPO-4 block consists of the 345,452 net acres and contains over 100 identified leads or prospects, you understood that those leads or prospects were going to be detailed during the first exploration phase? That is, they hadn't been detailed yet. They were going to be detailed during that first exploration phase of reprocessing the seismic, shooting new seismic, and drilling the exploration wells, correct?

A. Correct.

MS. SHEELY: Object, the document speaks for itself.

BY MR. PECHT:

Q. And you knew that, by prospects, when they said over 100 leads or prospects, you knew, from the earlier definition of prospects in the 10-K, that those were just indications of oil or natural gas, and they could require substantial additional seismic data processing interpretation, correct?

A. Correct.

Q. And let me hand you -- what number are we on?

MR. BYRON: 156.

(Doyle Deposition Exhibit No. 156 was marked for identification.)

BY MR. PECHT:

Q. Let me hand you Exhibit 156. And this is the Houston American Energy Corp Form 10-Q. And you can see -- and this is for the third quarter of 2009, the period ending September 30, 2009. You can see that on the cover, right?

Q. And just we mentioned the Ombu field earlier. And I just want to -- I'm going to show you something and I just wanted to see if you could confirm that Ombu was not actually in Llanos. It's in the Putumayo Basin?

A. Capella --

Q. Look over there on the left-hand side.

A. Okay. Thank you. That's correct.

Q. All right. And looking at this document with regard to plays, do you have an understanding of what play is in this context?

A. My belief is that play is a generic term that refers to geologic concept for prospectivity.

Q. That there may be some hydrocarbons in this area?

A. To me play references, as one example, the North Dakota BakkenShale is a play so that people will refer to that as one example of a play even though it's clearly producing hydrocarbon.

Q. Okay. Or the Eagle Ford Shale, you might --

A. That's a play, what's going on in this play.

Q. Okay. But these plays that are represented here on page 18, on CPO-4, you knew that on CPO-4 there was no actual production in any of those plays?

A. That's correct.

Q. Okay. These are concepts, right?

A. Are you asking for my definition, or are you asking what's on the page?

Q. I'm asking for your -- for what you understood when you saw this? Did you understand these were -- these were concepts of where there might be oil hydrocarbons?

A. My belief here is that play referred to different types of hydrocarbon deposition and then resulting potential for hydrocarbon production.

Q. Okay. So there was a potential there could be hydrocarbons, but you wouldn't know until you drilled; is that fair?

A. Correct.

Q. And then, if you look at page 18, there is a reference there to Corcel?

A. Yes.

Q. And then, on page 20, there is a reference to several Corcel wells that were, as we indicated, adjacent to the CPO-4 block, correct?

A. Page 20 depicts Corcel wells. My recollection is Corcel is next to the block, but page 20, I don't think, shows the proximity, unless I'm missing it.

Q. It doesn't show the proximity, but I'm just saying it shows wells --

A. Yes.

A. Yes.

Q. You'd call CPO-4 an exploration block or a prospective block, correct?

A. Yes.

Q. Let me just show you, because I want to make sure that -- I want to discuss this with you. But you were asked some questions on page 83 of your testimony by Mr. Cave at the SEC starting at line 7, And do you recall, sitting here today, what number you used for the amount of oil originally in place? And you can look at it. You were talking about CPO-4. And, you said, I believe I used a billion barrels. I just want to confirm that that was your testimony?

A. Yes, sir.

Q. You used a billion barrels of oil in place. And then it says here that you used a number that is lower than the numbers that were reflected in this November presentation by Houston American, correct?

A. Yeah. Yes.

Q. And then below that you said, The second input is a recovery factor? You were asked the question, the second input is a recovery factor. Do you recall what recovery factor you used? And, you said, I probably would have used 10 percent, right?

A. Yes.

Q. And so that gets you to 100 million barrels of oil, right?
A. Yes.
Q. And do you recall, again, what price per barrel you would have used?
A. I don't recall specifically.
Q. But what you're trying to do, when you're modeling, is you're trying to project in the future, if reserves are discovered, hypothetically, what would those -- what would be the value of those reserves and that cash flow from those reserves?
A. That is correct.
Q. All right. And you're not saying, when you put a value on them, that -- that there is any reserves there. You're just saying that, if there are reserves, if they are developed in the future, this could be a value in a hypothetical world?
A. Well, just to maybe clarify a bit, our database will have room to show the historical values as well as the future values. So a database will often have the value of reserves that are disclosed as well as then what we project those values to be in the future.
Q. All right. So for Houston American, outside of CPO-4, they had some reserves. On the other concessions, you would have valued those?

Q. Okay. And then below that, it says, Book reserve CPO initialing 2011, 2012. What does that reference?

A. I believe I'm asking when will you book reserves.

Q. When will you first start actually being able to book reserves?

A. Yes, sir.

Q. And you weren't going to have any reserves at the earliest, if you had any reserves at all, until 2011 or 2012?

A. My read of this states that Serrania would be at the end of 2010 and CPO would be initially in 2011 and 2012.

Q. And you recognize that that was assuming that the drilling was successful and resulted in reserves, correct?

A. That's correct.

Q. But you knew that reserves -- no reserves on CPO-4 would be booked unless there was drilling, and that wouldn't happen until sometime in the future and it would be sometime in 2011 or 2012?

A. That's what this states, correct.

Q. And you wouldn't know whether there were any reserves until the wells were actually drilled and the wells were producing?

A. Generically correct, yes.

Q. Okay. The next page, November 22, '09, it says, John T., November 22, '09. And November 22, '09, would have been a Sunday?

A. Yes.

Q. Did you ever talk to John Terwilliger on a Sunday?

A. No.

Q. Are sometimes the numbers in here just wrong?

A. Yes. Yes.

Q. Does it happen on more than one occasion?

A. Yes.

Q. Okay. I notice you take handwritten notes and then you have a database?

A. Yes.

Q. Okay. And do you try to, in your database, put in it the material information about your conversations?

A. Sometimes, yes. Sometimes, no.

Q. Okay. When you say sometimes yes, sometimes no, what do you mean by that?

A. Well, so you're asking on what's in a database or our conversations included in a database.

Q. No, no. I'm asking really a different for prospectivity in large block next to very successful Candelia field. Do you see that?

A. Yes.

Q. And the Candelia field is the Corcel block, correct?

A. That's correct.

Q. So what you liked about HUSA was its prospectivity in large block next to a very successful Candelia field, and so you're referring there to the CPO-4 block, correct?

A. Correct.

Q. And by prospectivity, you meant that there was a potential that there could be something there on the CPO-4 block, but you wouldn't know until you drilled, right?

A. That's correct.

Q. And then, if you look at the entry on November the 2nd, 2010, you say there that big risk for CPO-4 is assigning value with no wells drilled. You knew there had been no wells drilled on the block, and so you had to make certain assumptions of your own about what the value was going to be, correct?

A. Correct.

Q. And if you look under the entry on January the 5th, 2011, you indicate that, in the second sentence,

A. Are these -- well, I don't have the -- to be precise, I don't have the sale prices on this sheet.

(Doyle Deposition Exhibit No. 167 was marked for identification.)

BY MR. PECHT:

Q. Yeah. Let me just give you the sale prices. And we'll mark this as Exhibit 167, and those are stock prices over time. And you can look at the stock price on July the 7th of 2011. And it opened at $20.63 and closed at 19.85 -- $19.85; do you see that?

MS. SHEELY: Again, the document speaks for itself.

BY THE WITNESS:

A. 20.63 and 19.85, open and close.

Q. Yeah. So you had taken a $4.68-a-share investment and turned it into about a $20 realized gain on that -- or $20 sale for about a $15 gain on each share of stock, correct?

A. That's approximately correct on the original 2.4 million shares. Other shares would have been bought at different amounts.

Q. Yeah. But on that 2.4, that's about what you made on the sale of that -- of those shares, correct?

A. Some percent of the 2.4 begins being sold at these prices we see on July 7th.

Q. All right. And, by the way, you're not -- you haven't ever gone to John Terwilliger and said, I want to reverse this purchase. I want my money back and I'm willing to return the profits. You've never said that to him, right?

A. No.

Q. You don't want to return the profits. You don't want to reverse the sale of Houston American's stocks to Columbia Wanger, right? That's not something you're trying to accomplish?

A. I have not -- I have not communicated any desire to do that.

Q. All right. And you haven't communicated to John Terwilliger or anyone at Houston American that you thought you were defrauded into your purchase in Houston American stocks and that offering in late November of 2009, correct?

A. I don't believe I've ever asserted that I was or our organization was defrauded.

Q. All right. And looking at the database, Exhibit 165, at the top there, it says, Reasons to own. And right above it, it says, Concept. Do you see that, Concept?

A. Yes.

Q. And, it says, Tiny company well-funded. Did you believe Houston American to be a well-funded

Q. And then you say, Tiny company exposed to billion-barrel prospects in Colombia. And then, you say, Serrania block close to Canacol discovery. And by the Canacol discovery, you're talking about the Ombu field, correct?

A. Correct.

Q. And then the CPO-4 block, next to the large Corcel discovery, correct?

A. Correct.

Q. And so the reasons to own Houston American were that Houston American's blocks, these two block CPO-4 and the Serrania blocks which had no wells drilled on them, were close to blocks that did have successful wells drilled on them, correct?

A. That's correct.

MS. SHEELY: Objection. Asked and answered. And the document speaks for itself. I'm getting a little frustrated, Gerry, because I clearly want to make my plane because I've changed it once already.

MR. PECHT: I'm trying. I'm trying.

MS. SHEELY: And I hear you reading the documents and I'm getting a little frustrated with that.

BY MR. PECHT:

Q. And -- and this is the idea that you discussed in your testimony with the SEC about closology, correct?

be prolific based on the fact that it is close to other blocks that have demonstrated the production of hydrocarbons?

A. Yes.

MS. SHEELY: And the document speaks for itself.

BY MR. PECHT:

Q. And you go on to say that CPO-4 adjoins Corcel Guatiquilla and Apiay?

MS. SHEELY: The document speaks for itself.

BY MR. PECHT:

Q. Do you see that?

A. Yes.

Q. Producing fields. And we said that Apiay was in the southwest portion corner of the CPO-4 block, correct?

A. Yes.

Q. And the Corcel and Guatiquilla were in the northeast portion or adjacent northeast side of the CPO-4 block, correct?

A. Yes.

Q. And so you're investing in Gulf United based upon the fact that it has an interest in the CPO-4 block, and the CPO-4 block is near prolific fields?

A. Yes.

Q. But and you say it is likely prolific based on

Q. And you were aware that investing in Houston American, like investing in the other E&P companies in Colombia, involved a high degree of risk, correct?

MS. SHEELY: The document speaks for itself, and the document indicates that this was received Monday, December 7th, 2009.

BY MR. PECHT:

Q. Sir, were you aware of that?

A. Sorry. Can you repeat the question?

Q. You were aware that investing in Houston American involved a high degree of risk?

A. That's correct.

Q. And then turn to the next page. It says, A substantial percentage of our properties are undeveloped. Therefore, the risk associated with our success is greater than would be the case if the majority of our properties were categorized as proved developed producing. Do you see that reference?

A. You're on page 186?

Q. 185.

A. 185.

MS. SHEELY: Again, the document speaks for itself, and the date indicates Monday, December 7th, 2009.

BY THE WITNESS:

A. That is correct.

A. I took it at face value, that it was a resource estimate that they provided.

Q. Okay. That it's an estimate of what a potential is on the CPO-4 block, not what actual proven reserves are, correct?

A. It states they're resources, not reserves.

Q. Okay. And this range, which goes from 24 million barrels to 169 million barrels, you would have reviewed this range at the time that you received this on or about October of 2010, correct?

A. That's a rational assertion.

Q. That's rational?

A. Yeah.

Q. Okay. In other words, you believe you did, right?

A. I can't state that with accuracy.

Q. But you do reference, on the first page of it, resource estimate page 9?

A. Yeah.

Q. Okay. And after receiving this document, you didn't go back to John Terwilliger or anybody at Houston American and say, I was led to believe that the resource potential for this block was much larger than that?

A. I did not make that assertion.

Q. And you've never made that assertion, correct?

2014, but I don't recall spending time analyzing whether additional seismic was going to be processed or shot in 3D at the time I made the investment.

Q. Okay. You were told that, though, when you had the information from publicly filed documents?

A. The information was in publicly filed documents.

Q. And --

A. Whether I was told that, I cannot accurately state.

Q. Okay. And so, when additional work is done on the block, does it sometimes occur that as a result of that additional --

A. Can you be more specific what you mean by additional work?

Q. Additional seismic work?

A. Thank you.

Q. And reprocessing of seismic?

A. Yes.

Q. Does that sometimes result in a more refined reservoir potential number?

A. Industry convention, in my experiences, yes.

Q. So although you would like to see an original number hold steady of a resource potential, the fact that it decreased as a result of additional seismic is

BY THE WITNESS:

A. I'll tell you what. Let's do this. The notes that I have on here about which pages we talked about would certainly be pages that were of interest to me. And, in all likelihood, we referred to those pages. But can I absolutely assert that? I don't want to do that under oath.

Q. You can't absolutely assert that you looked at them?

A. I can give you a really high probability we did because I made notes about them. But if you're asking me for my exact recollection of what happened on November 20, 2009, when we're sitting in December 2014, that's going to be a tall order.

Q. All right. And just so I'm -- because I want to get -- I want to get precision here.

A. So do I.

Q. It's important to be precise. And --

A. You're asking a lot of questions that aren't precise.

Q. Okay. I'm trying to be precise.

A. Check.

Q. And could you have reviewed this slide deck after the meeting and made these notes?

A. Certainly.

prospects. Are you asking about reasons to own? I don't want to be imprecise. I don't want to get the words wrong.

Q. It says --

A. I believe what you are asking me was about reasons to own, and the word prospective is not in there.

Q. The word prospect is in there, correct?

A. Yeah. You were asking -- the other word you said was not in this, in this line.

Q. You said exposed to billion-barrel prospects, correct?

A. That's what I said.

Q. And a prospect is not a proof of hydrocarbons, correct?

MS. SHEELY: Asked and answered, repetitive, and argumentative. What are you getting at here? To the extent there is actually a question pending, you can go ahead and answer if you can.

BY THE WITNESS:

A. Okay. Gerry, what's the question?

Q. A prospect is not a proof of hydrocarbons, correct, as you've used the term?

A. A prospect is not a proof of hydrocarbons.

Q. What did I do with these notes here? Go back

EXHIBIT 20

CPO-4
Llanos Basin

Colombia

Farm-in Opportunity

2009. 10. 21.

SK energy

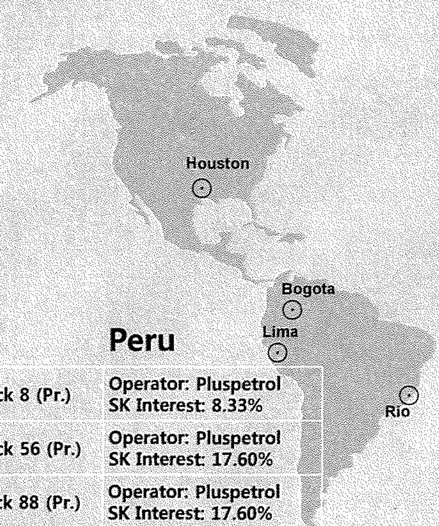
SK Energy E&P Activities

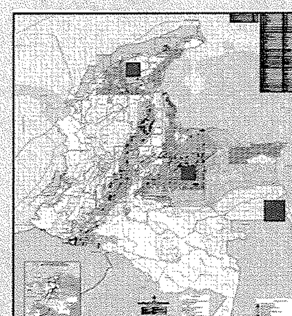
SK Energy

34 Blocks (11 Dev./Prod. and 23 Exp.) and 4 LNG Businesses in 19 Countries

- Reserves: 520 MM Boe at the end of 2008

⊙ Branch Offices
■ E&P Activities
☼ LNG Business



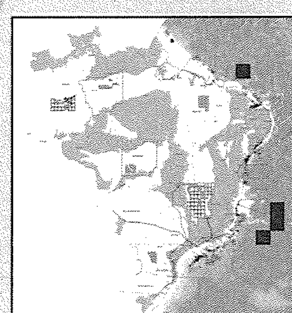


Colombia

CPE-5 (Ex.)	Operator: BHP SK Interest: 28.6%
CPO-4 (Ex.)	Operator: SK SK Interest: 75%
SSJN-5(Ex.)	Operator: SK SK Interest: 50%

Peru

Block 8 (Pr.)	Operator: Pluspetrol SK Interest: 8.33%
Block 56 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Block 88 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Z-46 (Ex.)	Operator: SK SK Interest: 90%
Peru LNG	Operator: Hunt SK Interest: 20%



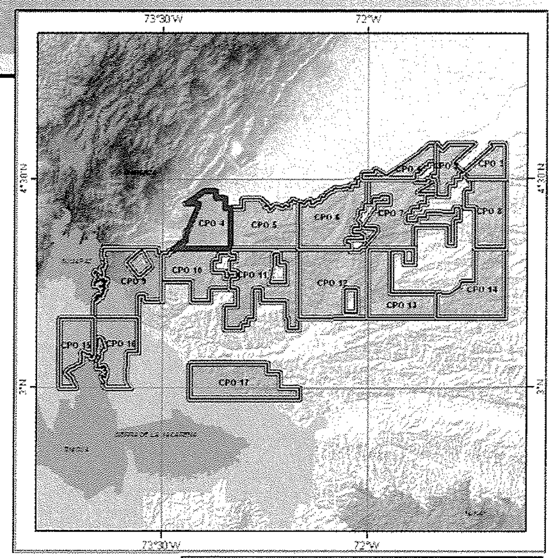
Brazil

BMC-8 (Pr.)	Operator: Devon SK Interest: 40%
BMC-30 (Ex.)	Operator: Anadarko SK Interest: 20%
BMC-32 (Ex.)	Operator: Devon SK Interest: 26.67%
Bar-3 (Ex.)	Operator: Devon SK Interest: 30%

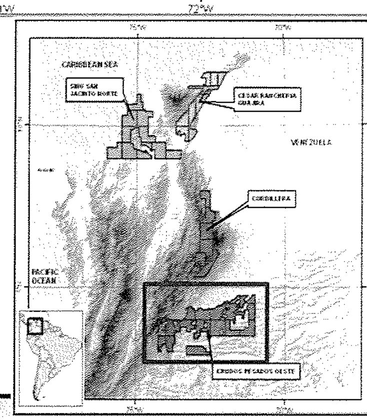
SK energy

CPO-4 Overview

- ❖ Location : Onshore, Central Colombia
- ❖ Basin : Western Llanos Basin
- ❖ Area : 139,859 ha (1,398.59 km^2)
- ❖ Effective Date : December 18, 2008
- ❖ Contract Type : E&P Contract(Royalty & Tax)
- ❖ Participant
  - SK Energy : 75 % (Operator)
  - Houston American Energy : 25 %
- ❖ Exploration Period & Work Obligation



PHASE	PERIOD	WORK OBLIGATION
Phase 0	'08.12.18 ~ '09.6.17 (6 mos.)	Phase 0 Report (Letter) (2009. 6.15.)
Phase 1	'09.6.18 ~'12.6.17 (3 yrs.)	• 400 km 2-D Seismic Reprocessing • 620 km 2-D New Seismic Acquisition • 2 Exploration Wells
Phase 2	'12.6.18 ~ '15.6.17 (3 yrs.)	• 400 km 2-D Seismic Reprocessing • 3 Exploration Wells



Current Status

Phase 0

- 2008. 12. 18 ~ 2009. 6.17
- Data Gathering
  - Old Seismic : 1,121 Km (Received)
  - Well Data : 3 wells
  - Landsat, Geological Map, Geographical Map
- Reconnaissance Survey
  - Logistic Survey
  - Working Environment Survey
  - Geological Survey

Phase 1

- 2009. 6.18 ~2012. 6.17
- Reprocessing : Completed
  - Plan : 1,350Km (Inside & Outside well tie)
- Acquisition : Bid Preparation
- PMA : Completed

SK energy

Summary

Proven Area
- Source : Surrounded by Existing Fields
- Multi Reservoirs
- Trap Type : On trend of discovery
- Relatively High API Oil
- Expected Reserve : 40 ~ >150 MMBO Recoverable each

Excellent Working Environment
- Near P/L
- Ease of Access Roads
- No Indigenous Reservation Area

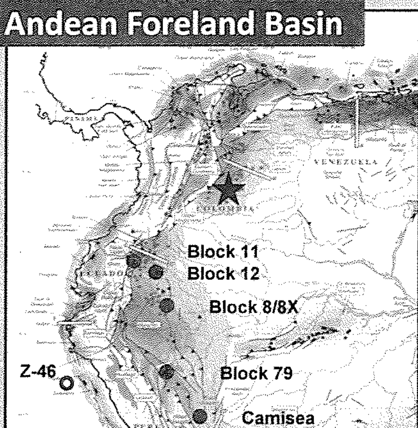
Main Risk : **Existence of Trap (New Seismic will verify)**

Farm-out Plan
- Available Interest : Up to 25 % (Minimum Operator's interest: 40%)

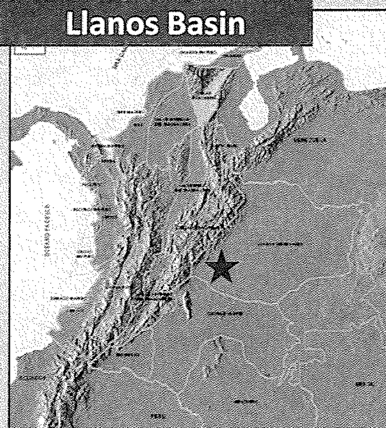
Location of CPO-4

Location

Andean Foreland Basin



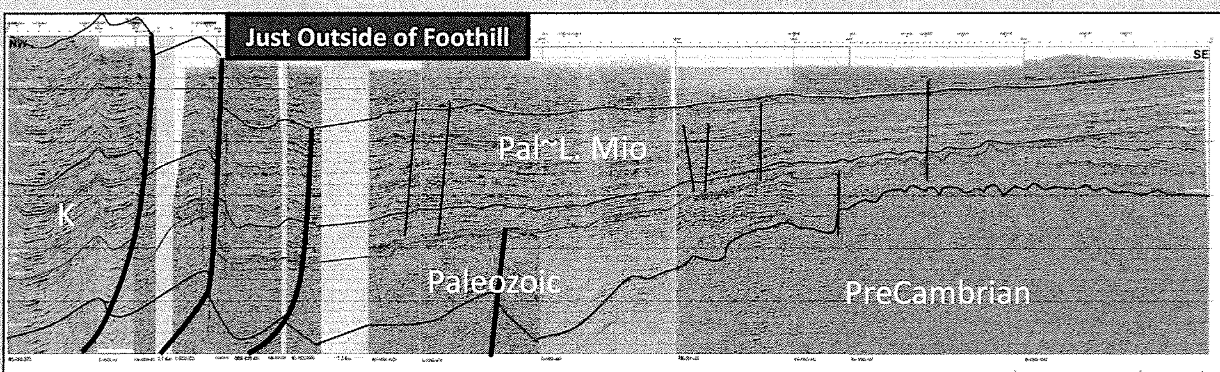
Llanos Basin



- 220,000 ㎢ (55 MM Acres)
- 4 Billion Barrels Proven

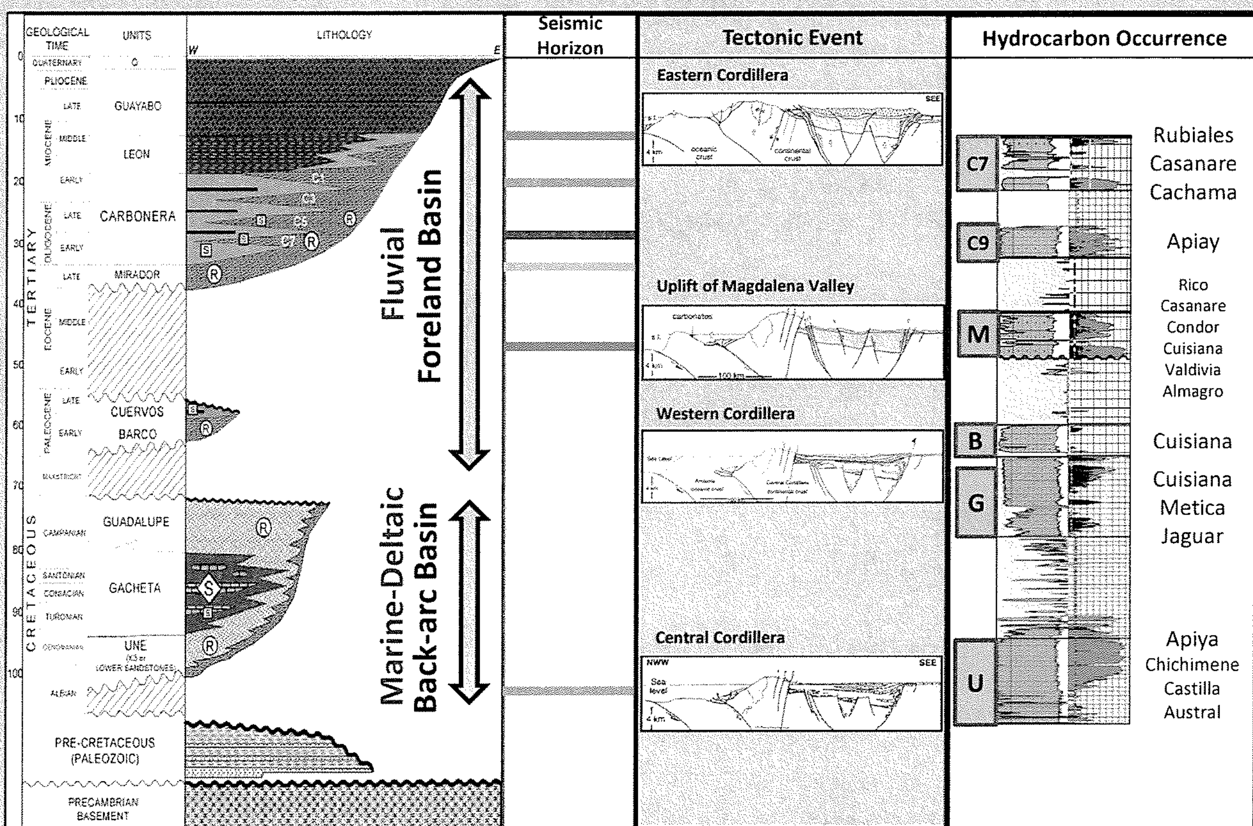
- History
  - '44 : San Martin-1, shell
  - '69 : Castilla-1, Chevron
  - '81 : Apiay-1, Ecopetrol
  - '81 : Rubiales, Intercol
  - '83 : Cano Limon, OXY
  - '88 : Cusiana, BP

Just Outside of Foothill



SK energy

General Geology

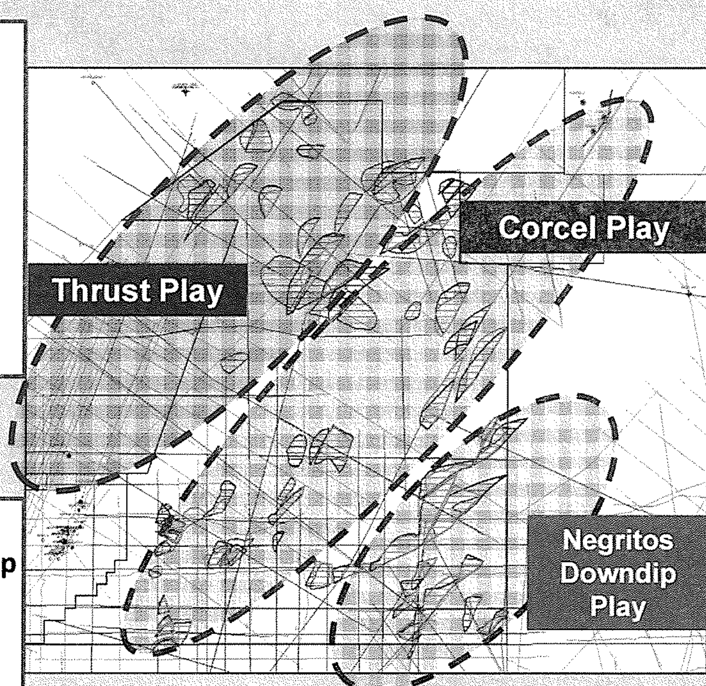


SK energy

Hydrocarbon Play

API

- Light Oil (25~35 API)
  - ➢ NW
  - ➢ K Ss
  - ➢ Young Structure
- Heavy Oil (15~25 API)
  - ➢ SE
  - ➢ T Ss
  - ➢ Old Structure



Reservoir

- Multi Target
  - ➢ C9
  - ➢ Mirador
  - ➢ Barco
  - ➢ Guadarupe
  - ➢ Une

Trap

- Thrust Play : NW
- Fault Bounded 3 Way Dip
  - ➢ Inversion
  - ➢ Antithetic
  - ➢ Synthetic
- Stratigraphic Trap
  - ➢ Une (SE)

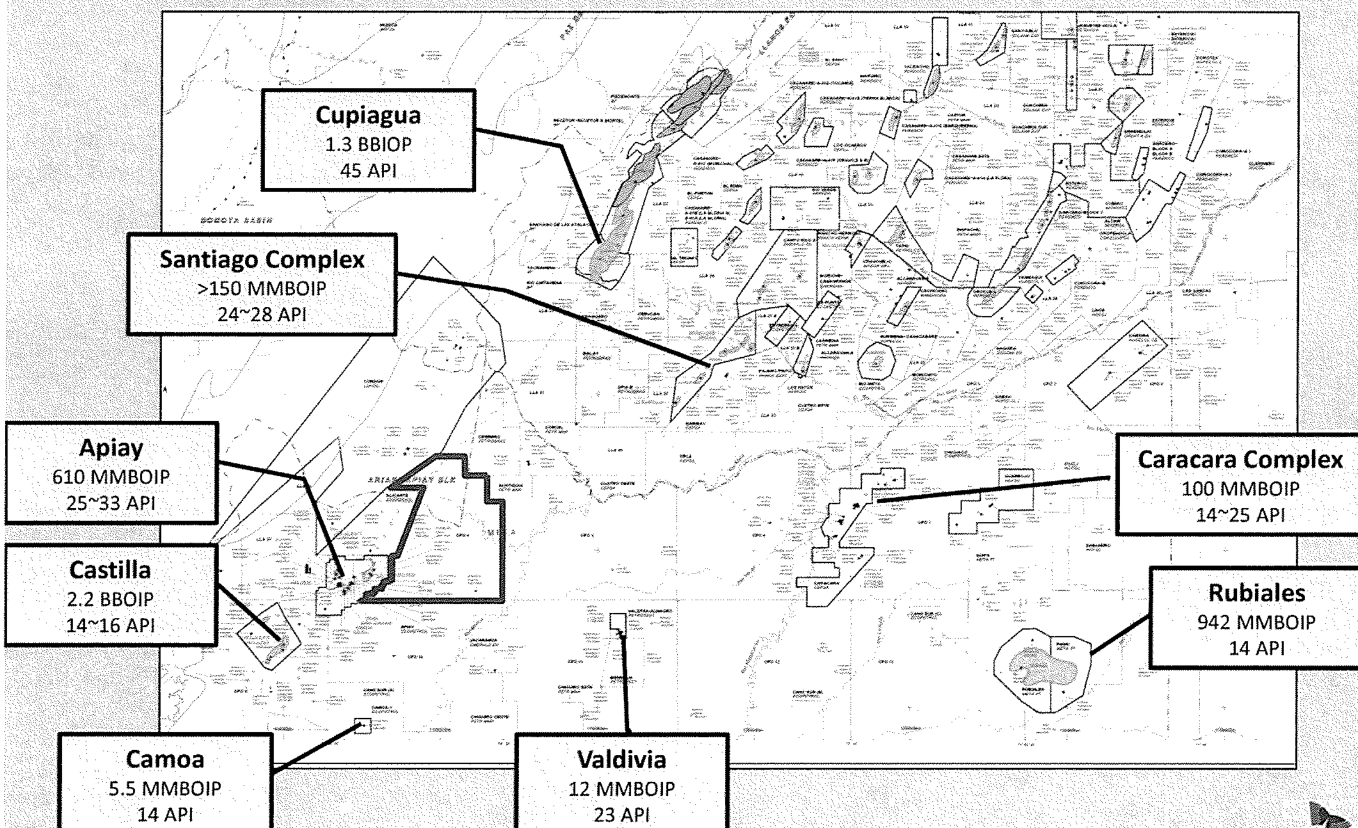
Seal

- 4 Way Dip Closure
  Thrust
- Fault Seal
  Juxtapose

SK energy

Surrounded Area by Existing Fields

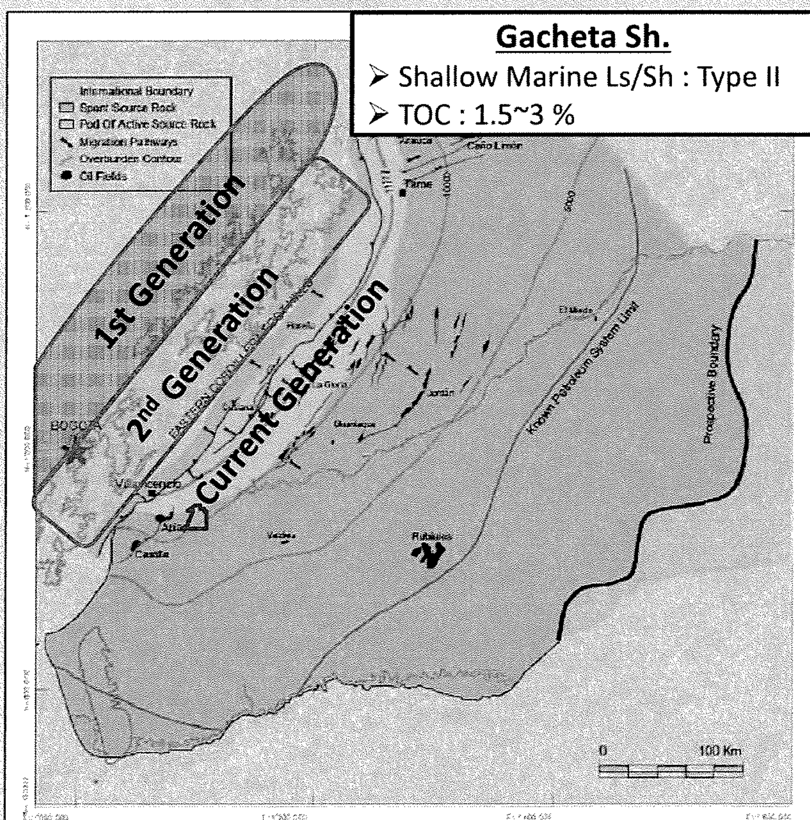
Source Rock



SK energy

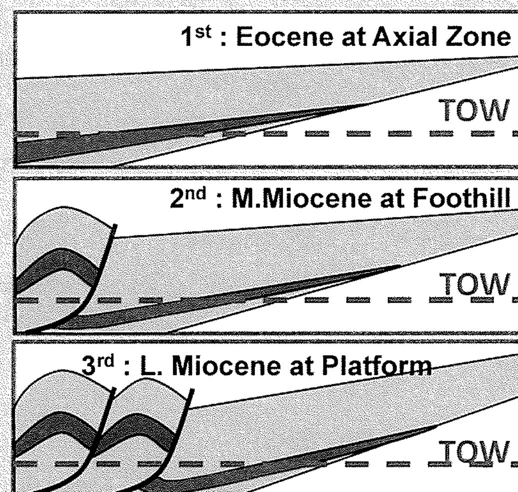
3 Times Generation

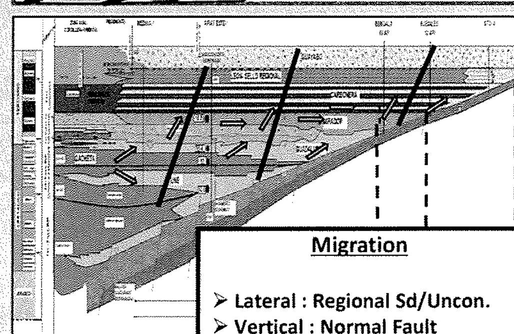
Source Rock



Gacheta Sh.

- Shallow Marine Ls/Sh : Type II
- TOC : 1.5~3 %





Migration

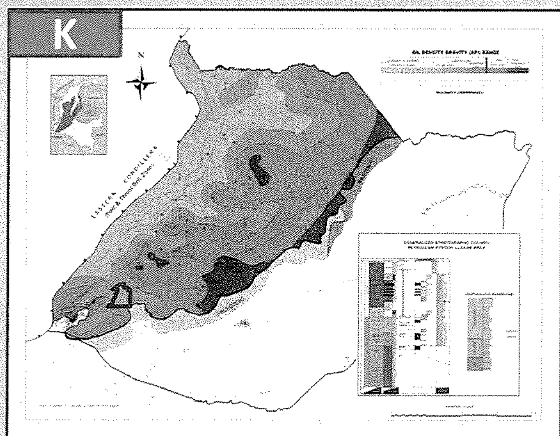
- Lateral : Regional Sd/Uncon.
- Vertical : Normal Fault

SK energy

Regional API Distribution

Source Rock

K



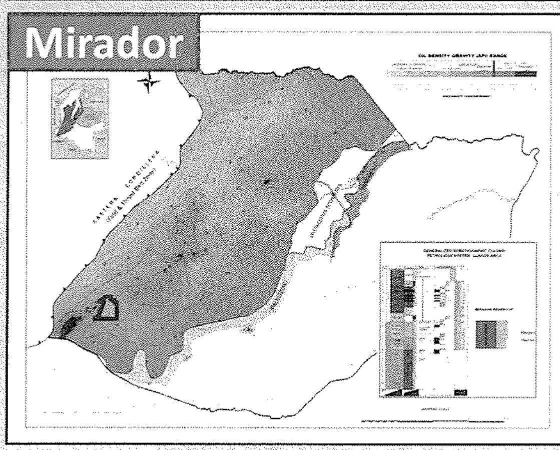
Regional Trend

- Biodegradation by fresh water
  - from Brazillian shield (East)
  - from Mountain (West & south)
- K > Mirador > Cabonera

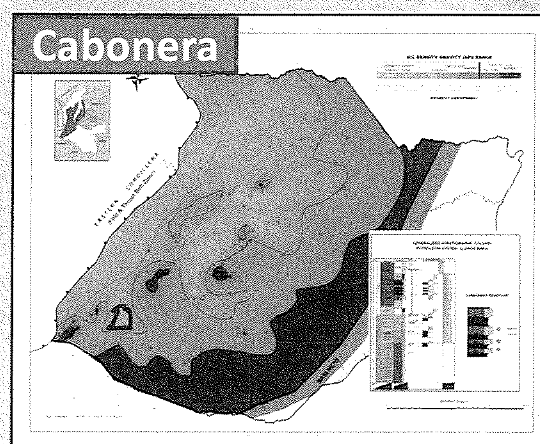
CPO-4

- ± 25 API

Mirador

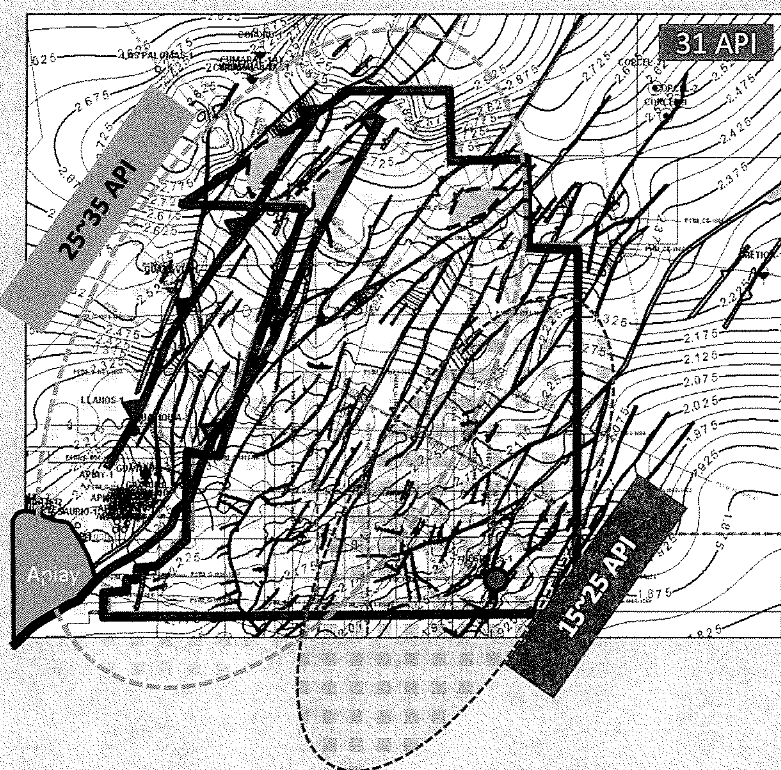


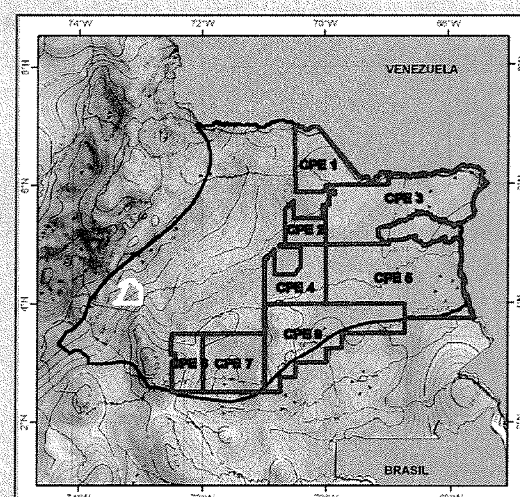
Cabonera



Expected API MAP on CPO-4

Source Rock

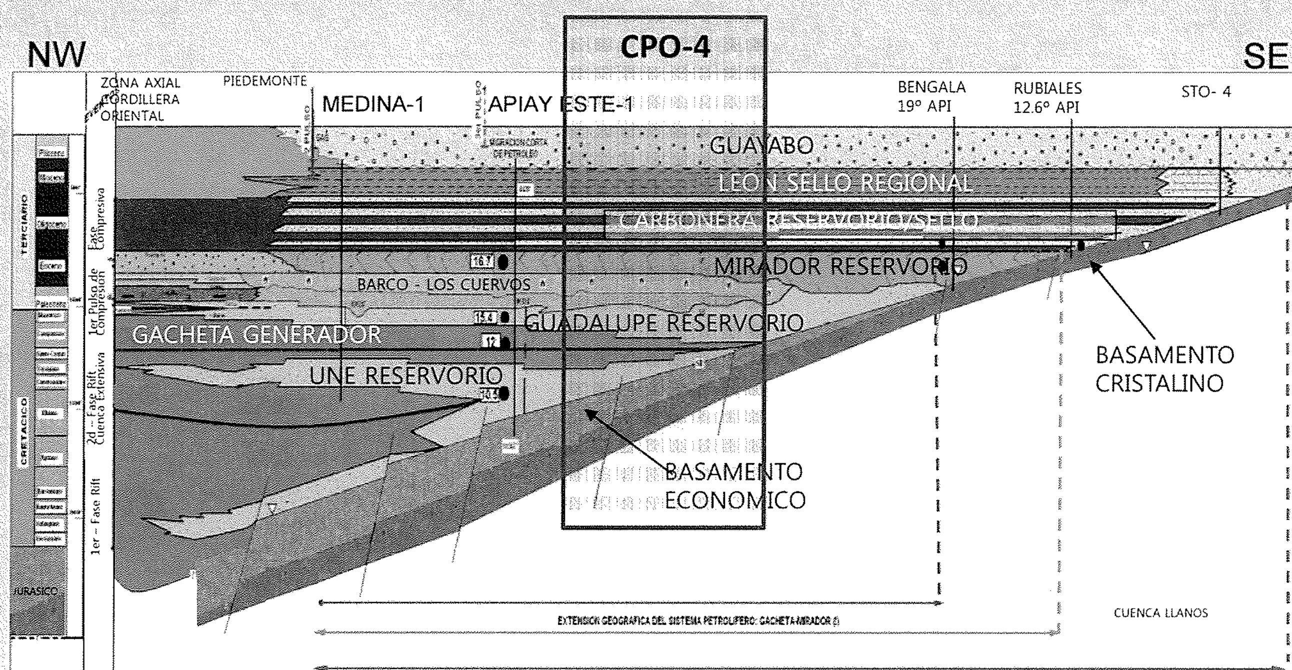




SK energy

Multi Reservoir

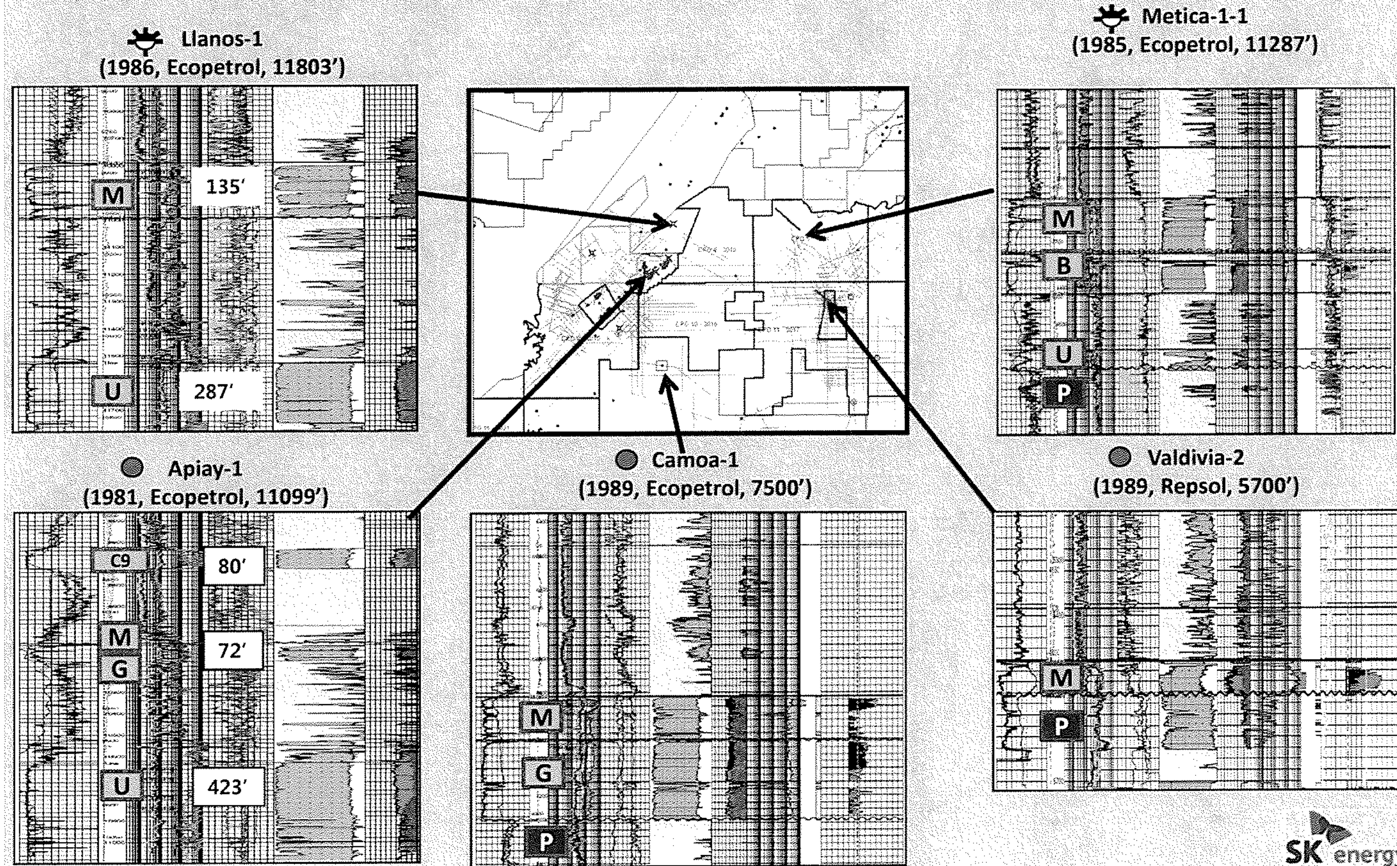
Reservoir Rock



SK energy

Proven Reservoir

Reservoir Rock

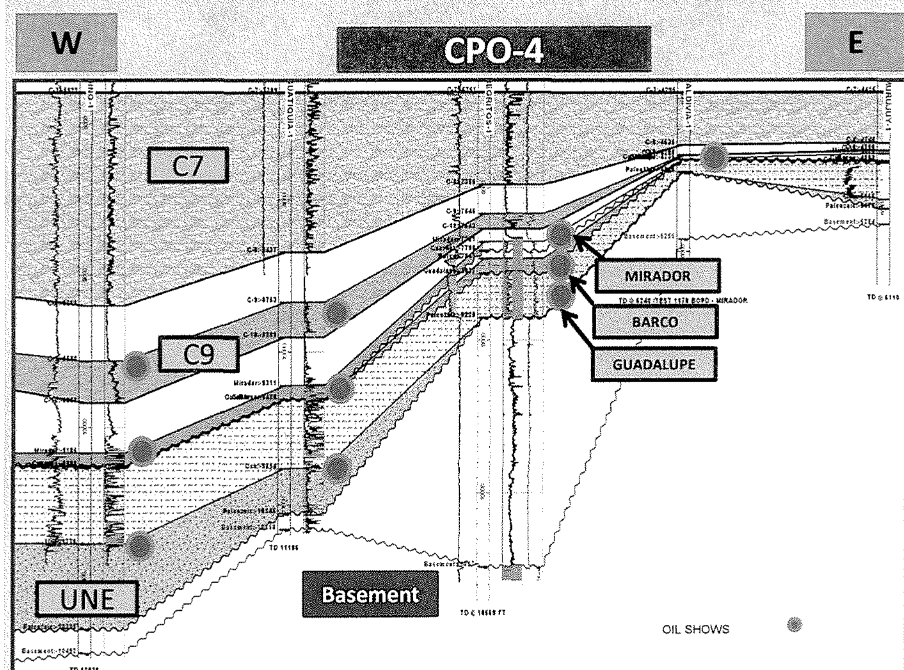


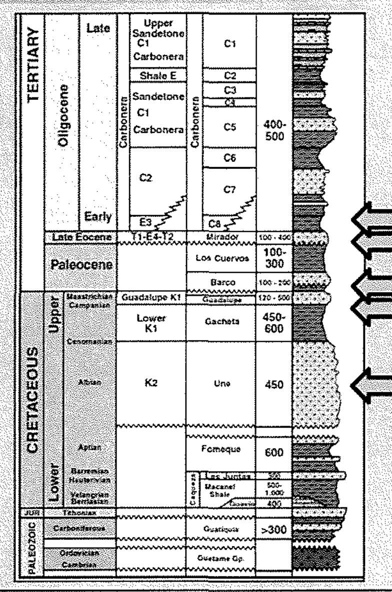
SK energy

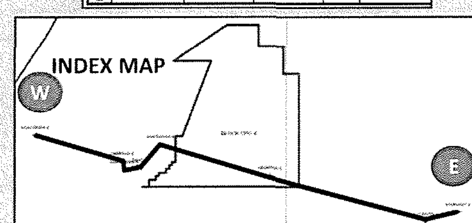
Multi Targets

5 Sand Horizons

C9 / Mirador / Barco / Gadalupe / Une



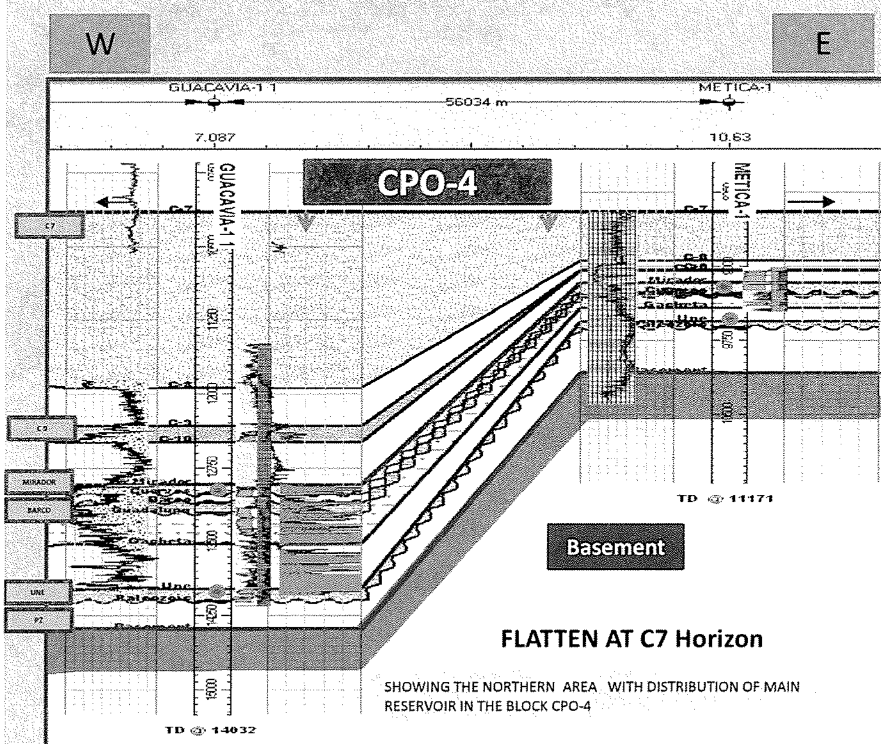


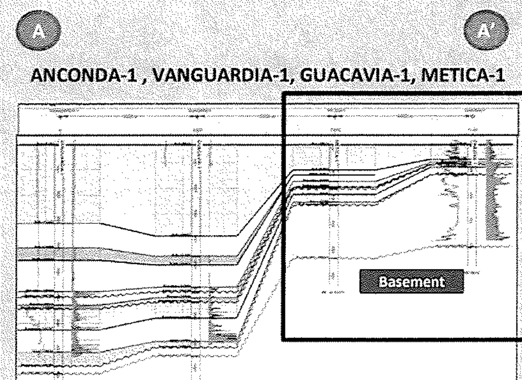


SK energy

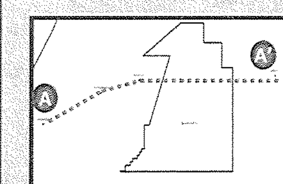
STRATIGRAPHIC SECTION A-A '

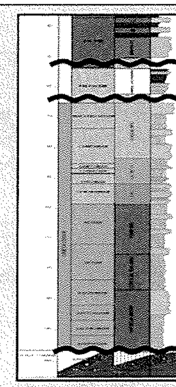
Reservoir





INDEX MAP

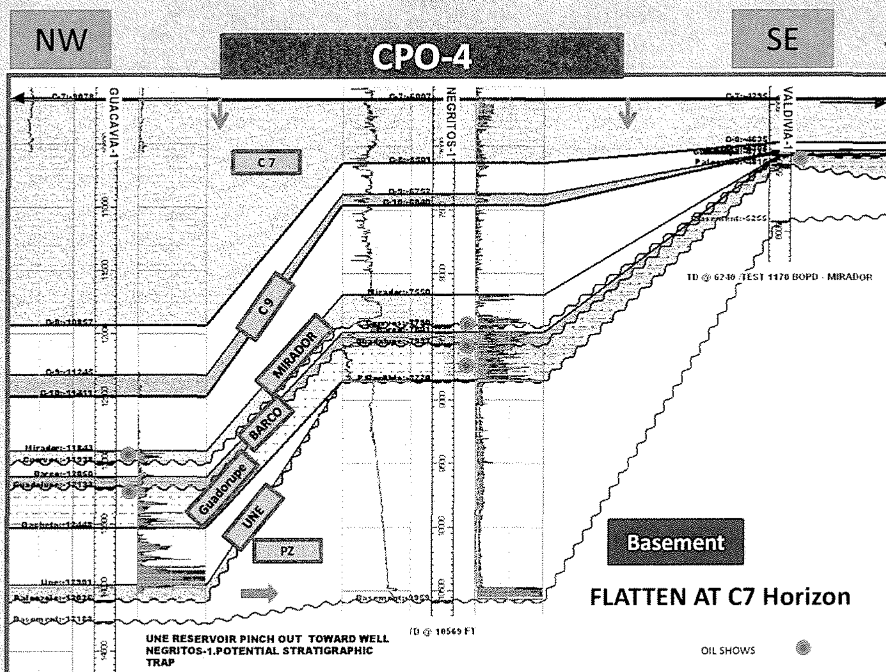


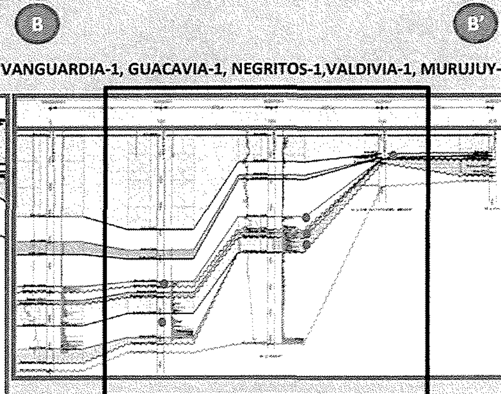


SK energy

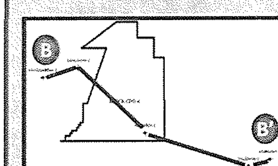
STRATIGRAPHIC SECTION B-B'

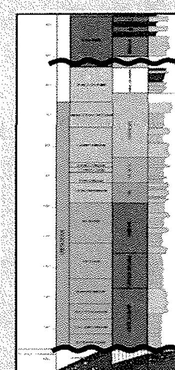
Reservoir





INDEX MAP

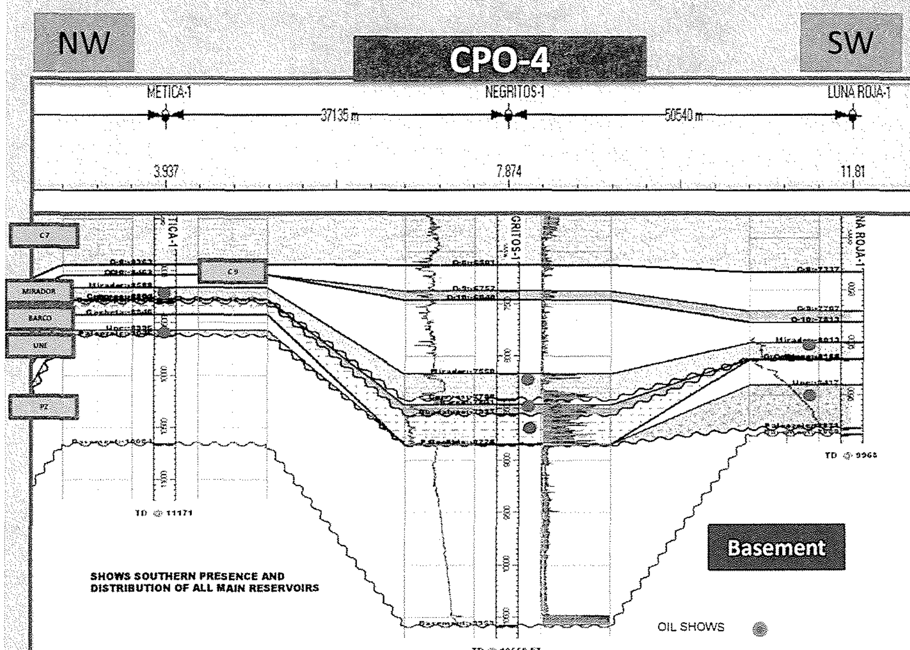




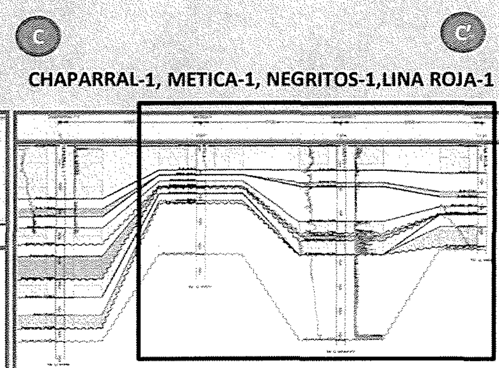
SK energy

STRATIGRAPHIC SECTION C-C'

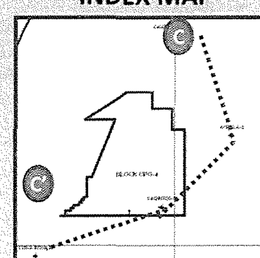
Reservoir

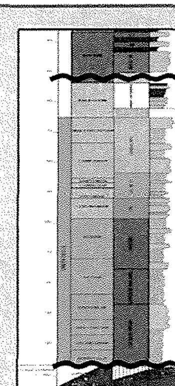


FLATTEN AT C7 RESERVOIR



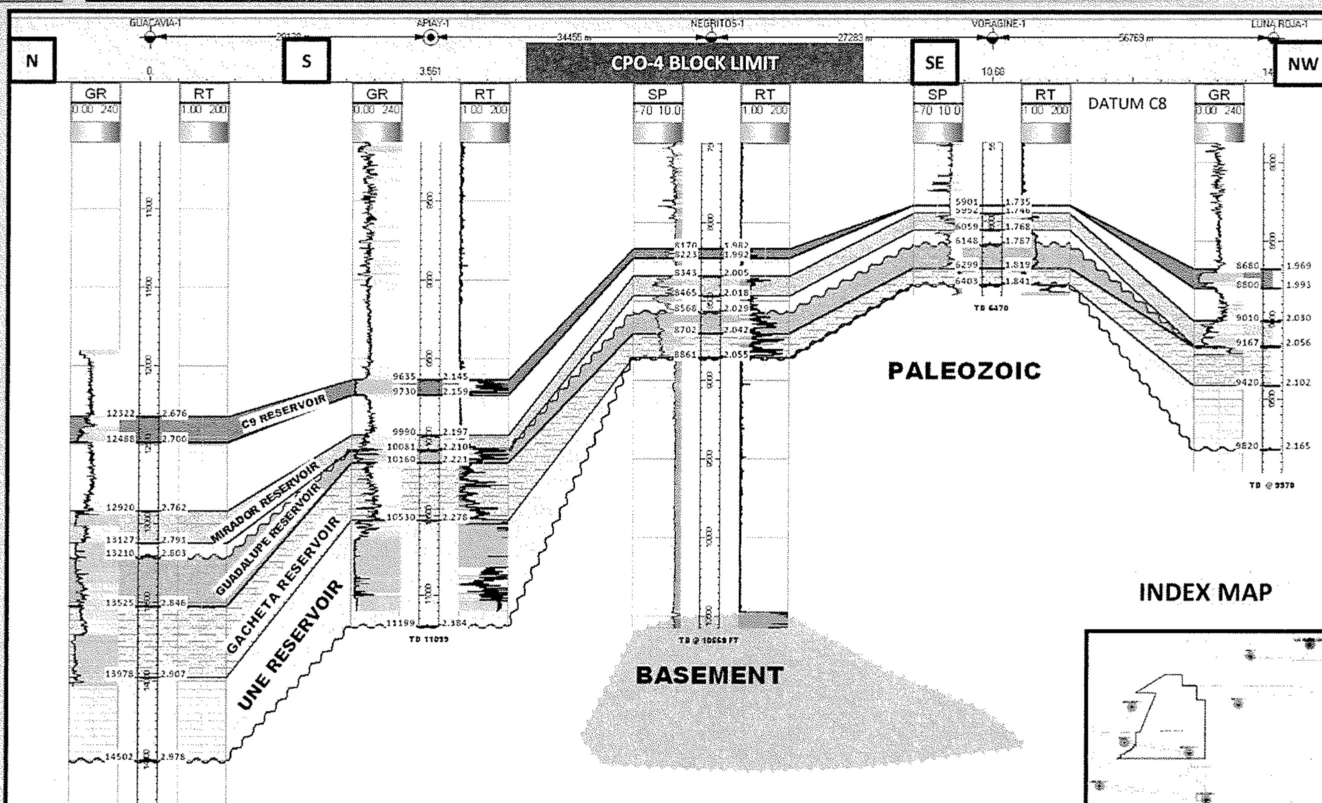
INDEX MAP





SK energy

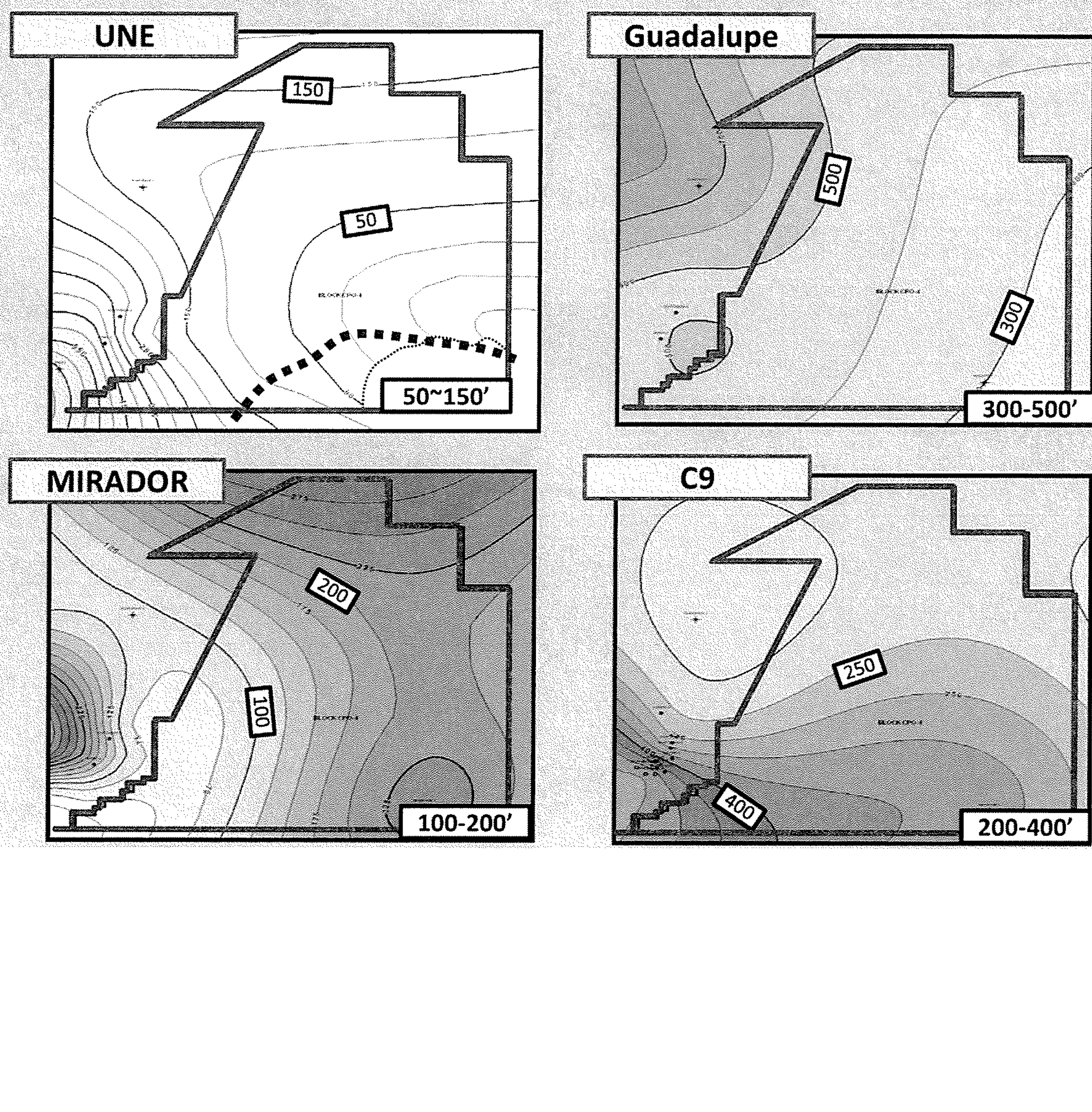
Strat. Correlation Wells Guacavia-1, Apiay-1, Negritos-1,Voragine-1, Luna Roja -1; Showing Main Tertiary & Cretaceous Reservoirs



SK energy

GROSS THICKNESS

Reservoir

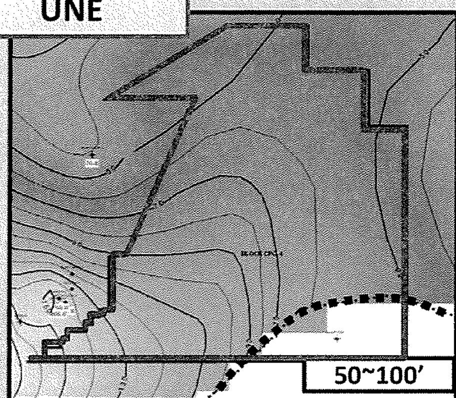


SK energy

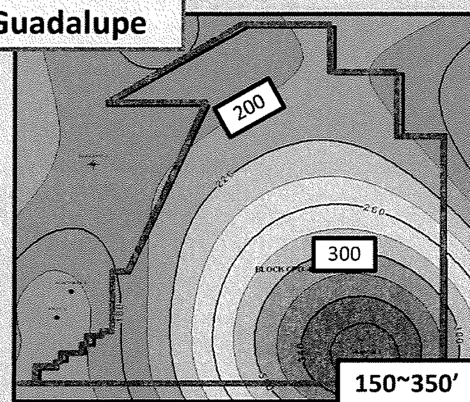
NET SAND THICKNESS

Reservoir

UNE

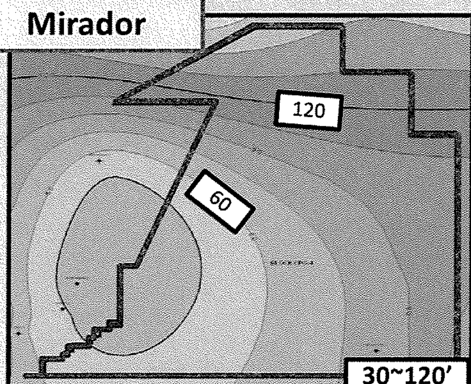


Guadalupe

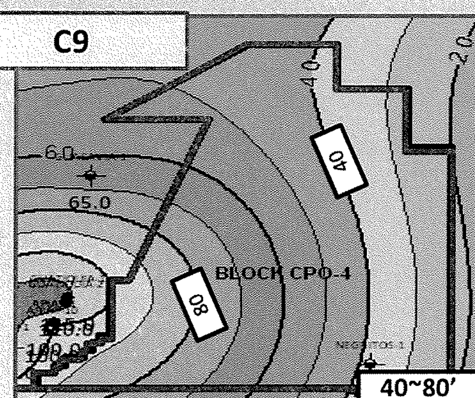


30~350'

Mirador



C9

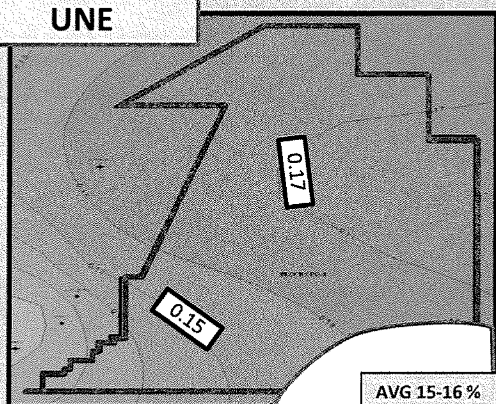


SK energy

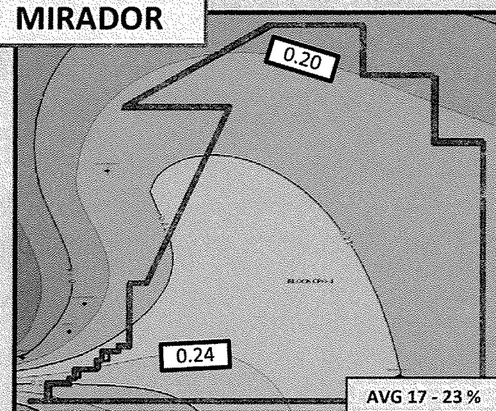
ISO-POROSITY RESERVOIR MAP

Reservoir

UNE

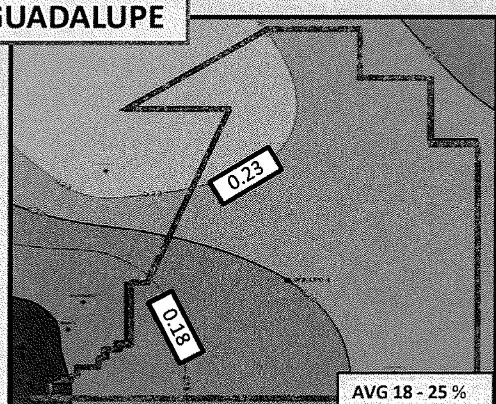


MIRADOR

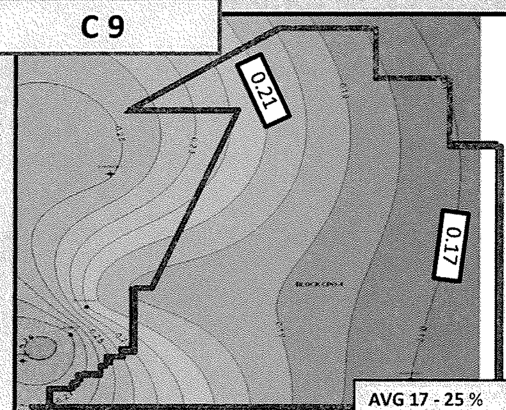


15~25%

GUADALUPE

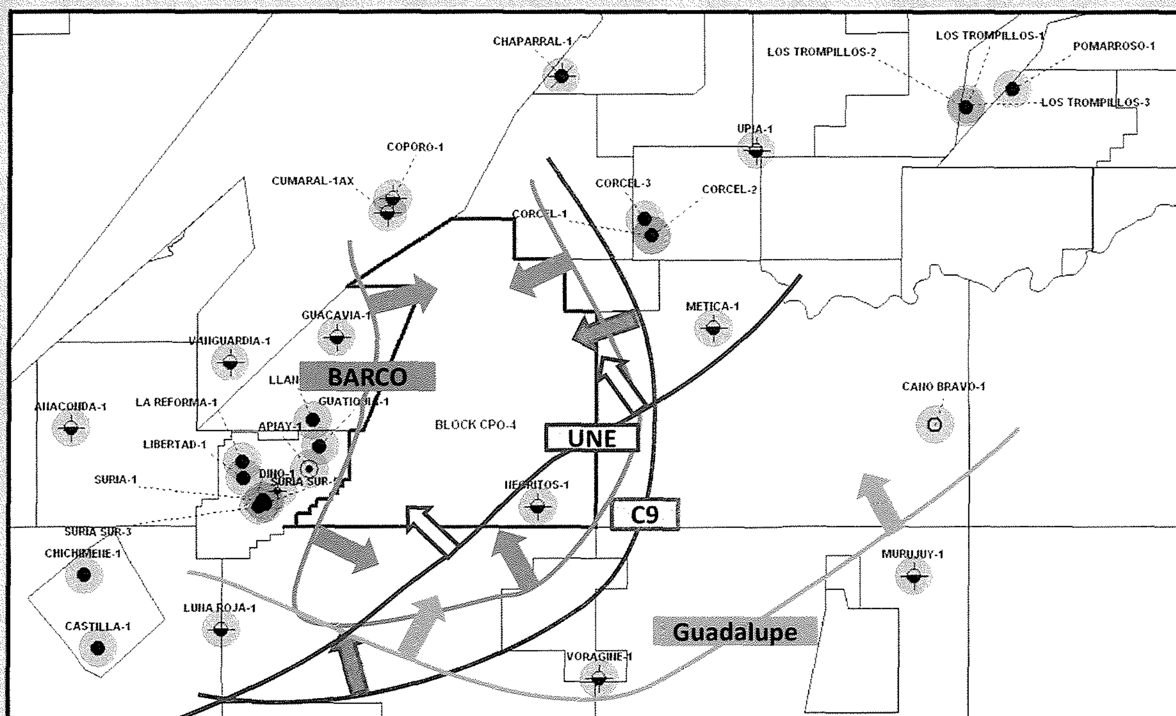


C 9



SK energy

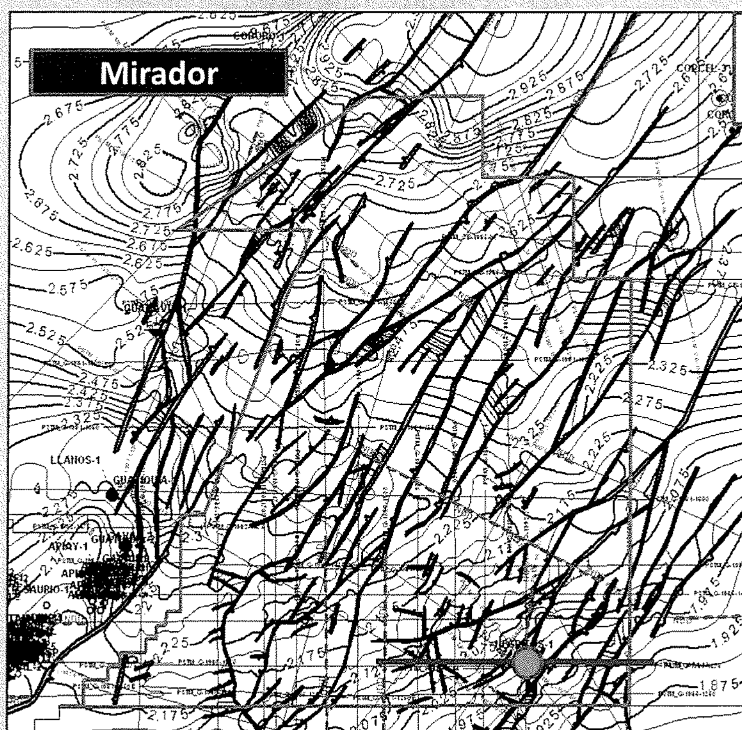
Reservoir Distribution

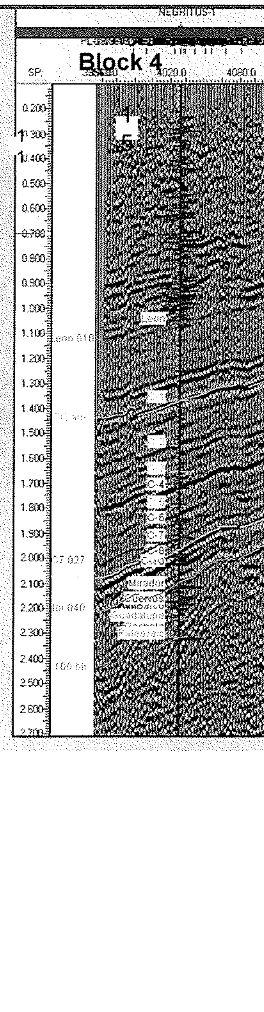


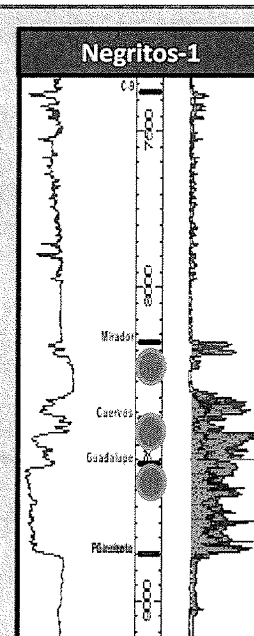
SK energy

Dry Well analysis : Negritos-1

- Downdip in K & T Structural Map ; Test Pz High
- Pz Section : all shale



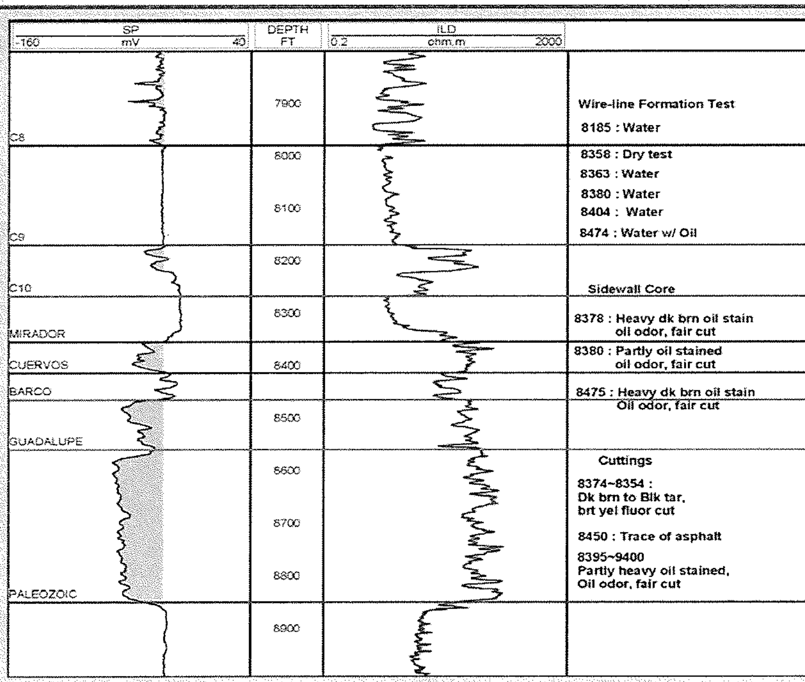




SK energy

Summary of Negritos-1

Operator : Int'l Petroleum Ltd.	**Location : N937236.68 E1111111.61**
Spud : Jun. 5, 1962	**P&A : Aug. 8, 1962**
Ground : 613' RKB : 624'	**TD : 10,569' Basement**

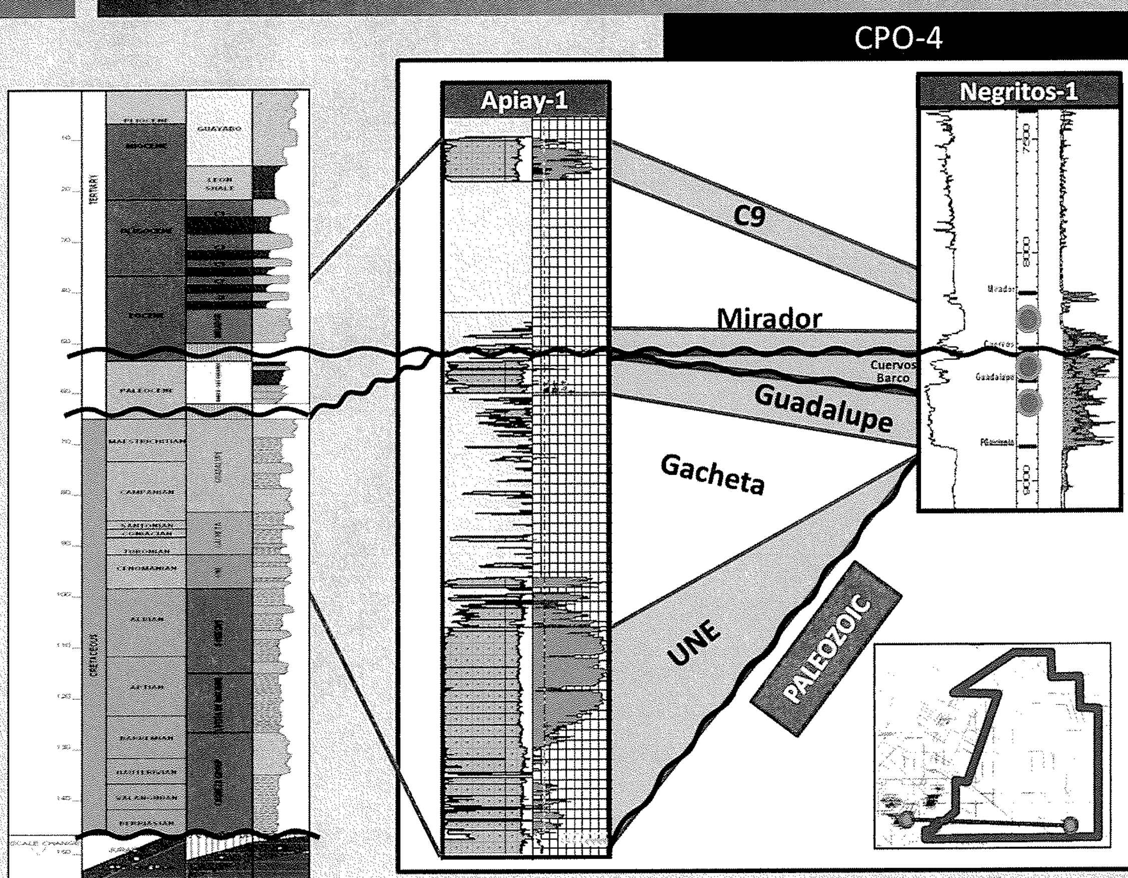


Not Tested

Oil Show

SK energy

Negritos-1 : Well Correlation



Φ : 22%

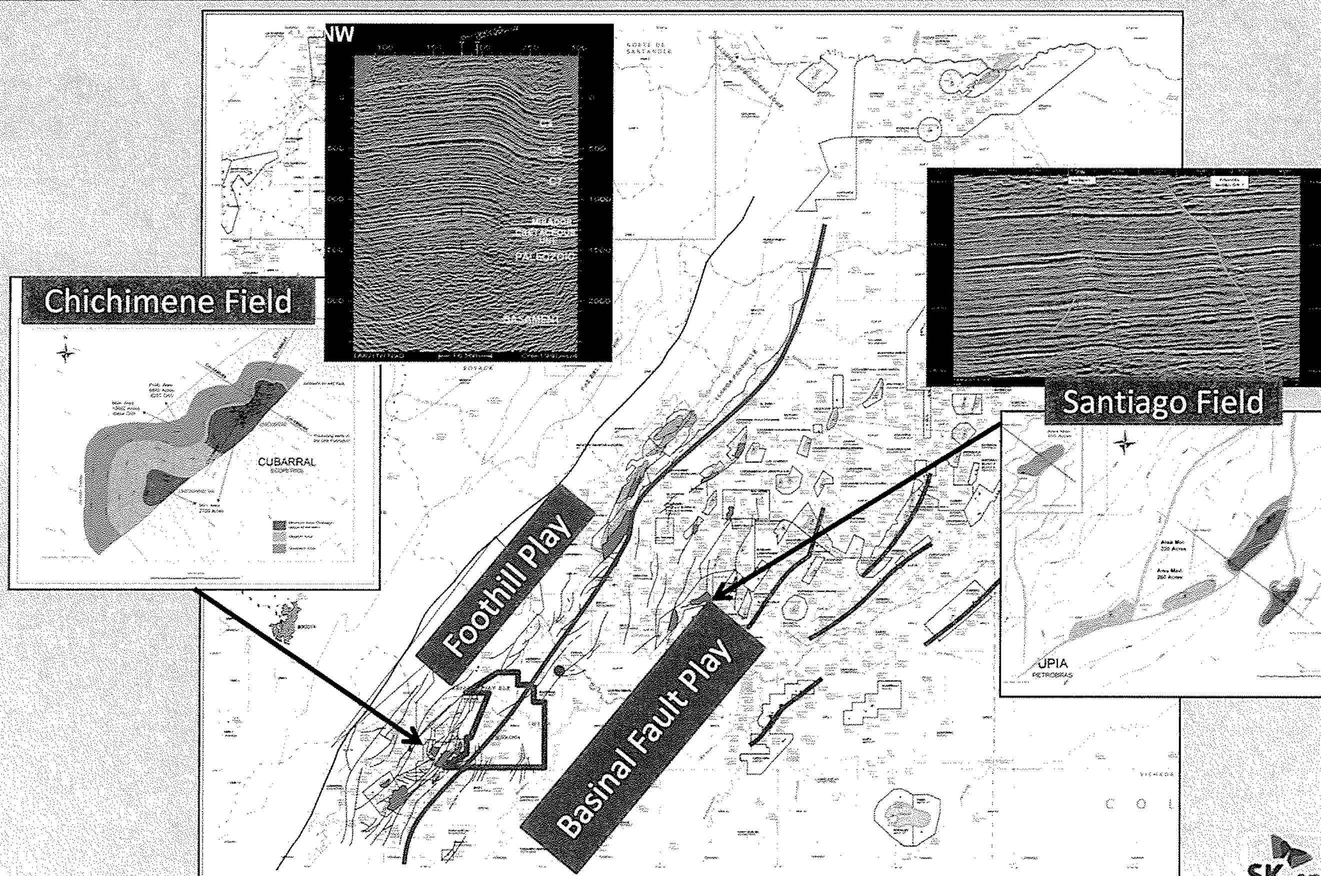
Φ : 22%

Φ : 21%

SK energy

On-trend of Discoveries

Trap

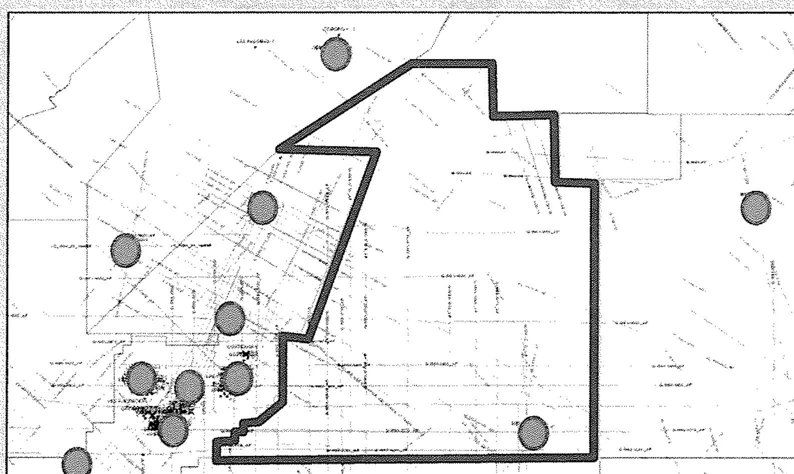


SK energy

Data Base

Trap

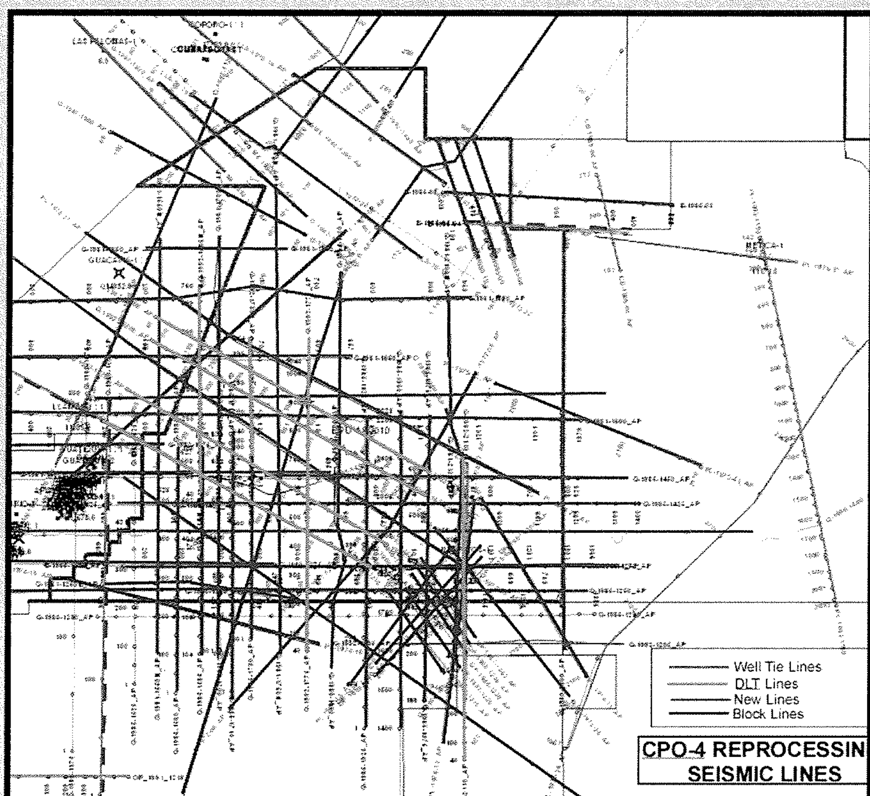
2 D Seismic : 1,825 Km ('70~'90)
15 Wells : 1 well inside of the block



Vintage	Type		Km
	Tapes	Images	
1970	4	3	140
1972	4	4	157
1974	8		180
1975	6	3	98
1980	9	1	177
1981	10	1	289
1982	2	1	15
1983	1		35
1985	17		274
1987	12		35
1988	6		142
1992	11		158
1994	3		97
1994	1		28
Total	**94**	**14**	**1825**

SK energy

Reprocessing



- ❖ Available field seismic data
  - 51 seismic lines : 1,825 Km
- ❖ Reprocessed Lines : 1,289Km
  - Inside of Block : 1,150 Km
  - Outside of Block : 200 Km
- ❖ Service Company : Crescent Geo
- ❖ Schedule : Completed by Aug.
- ❖ Estimated cost : $ 135,000
  - 100 USD/linear Km

SK energy

Result of Reprocessing

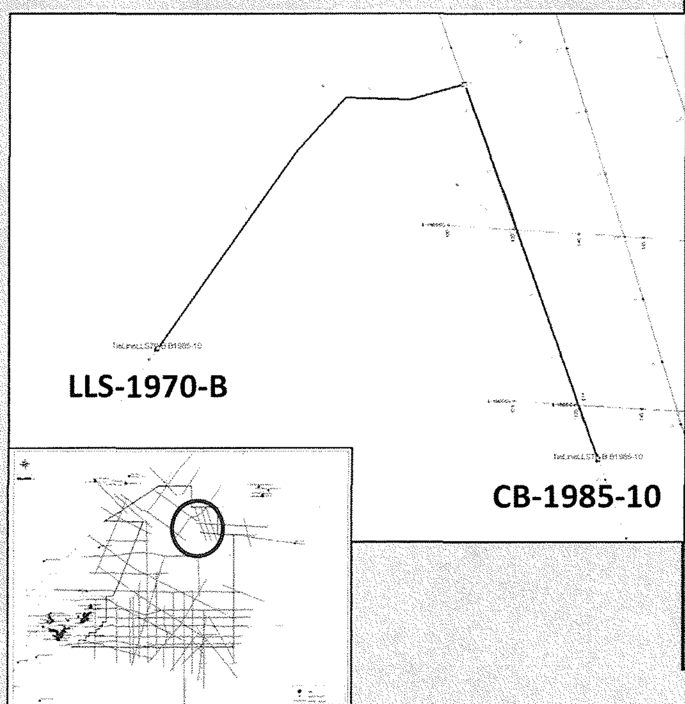
CPO-4

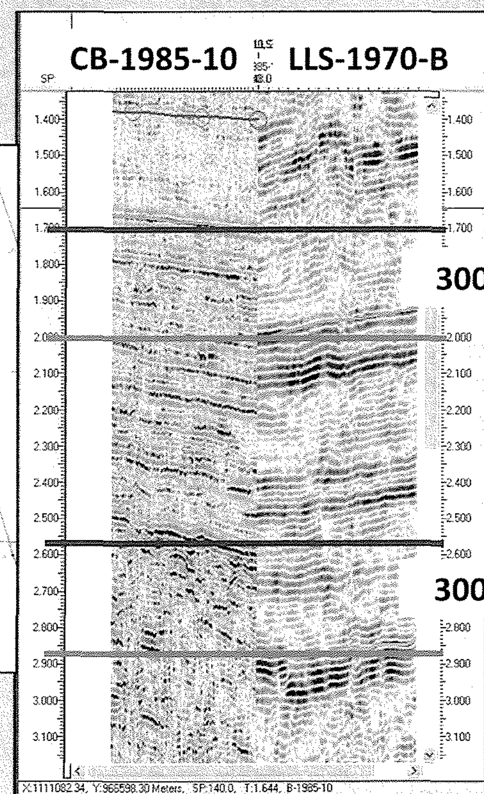
- Miss-ties removed
- Zero-phase conversion of dynamite lines further improved the tie between the dynamite and vibroseis lines
- Statics and Kirchhoff PSTM improved the quality of the images
  - Better continuity & fault definition
  - Preserved structural integrity

SK SK energy

Miss-tie Example

CPO-4

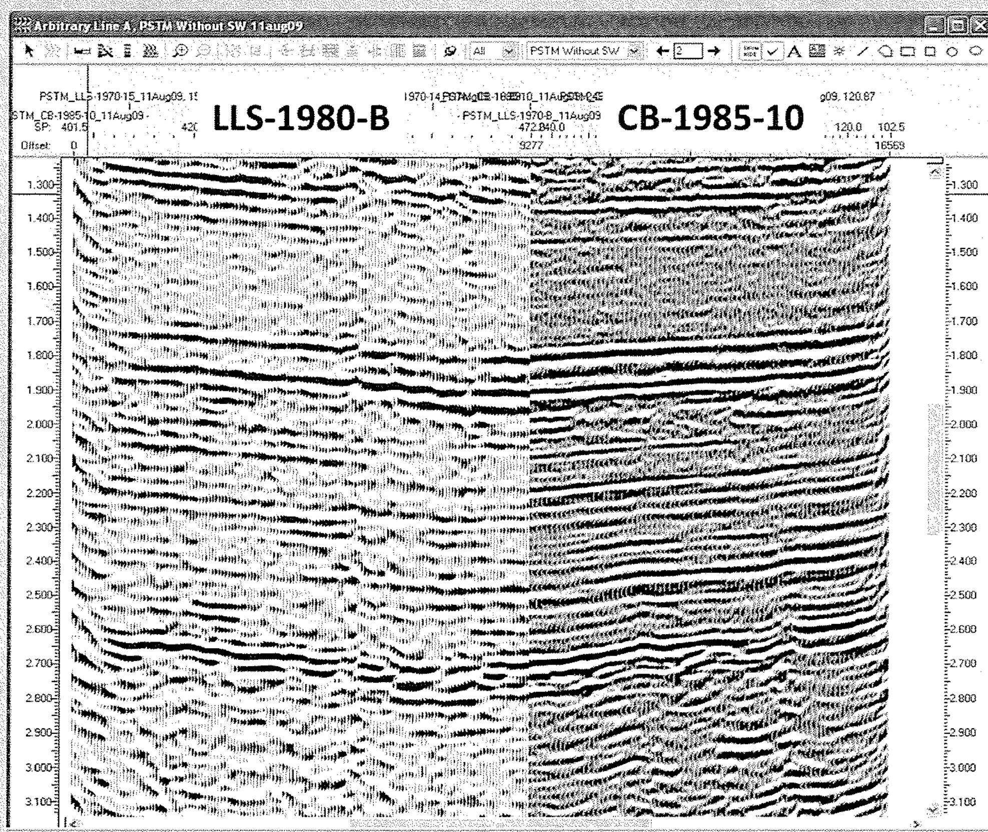




SK energy

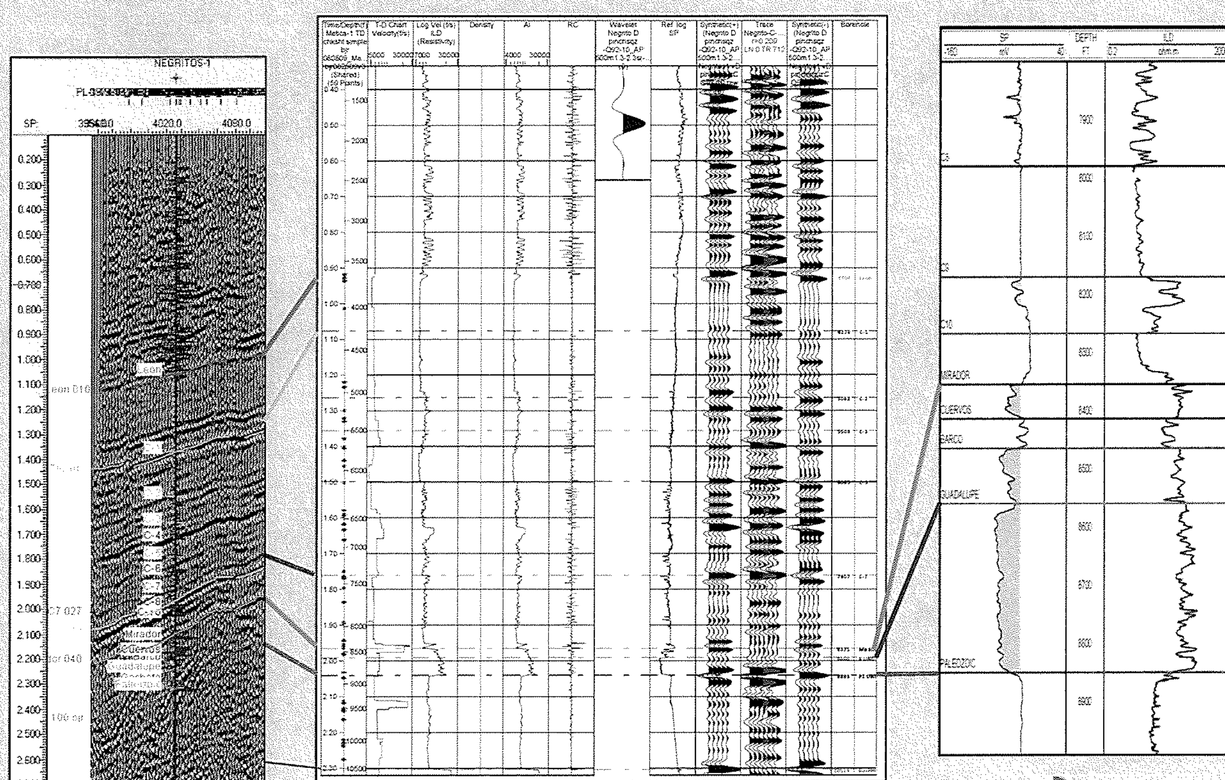
New Images: Minor mis-tie

CPO-4



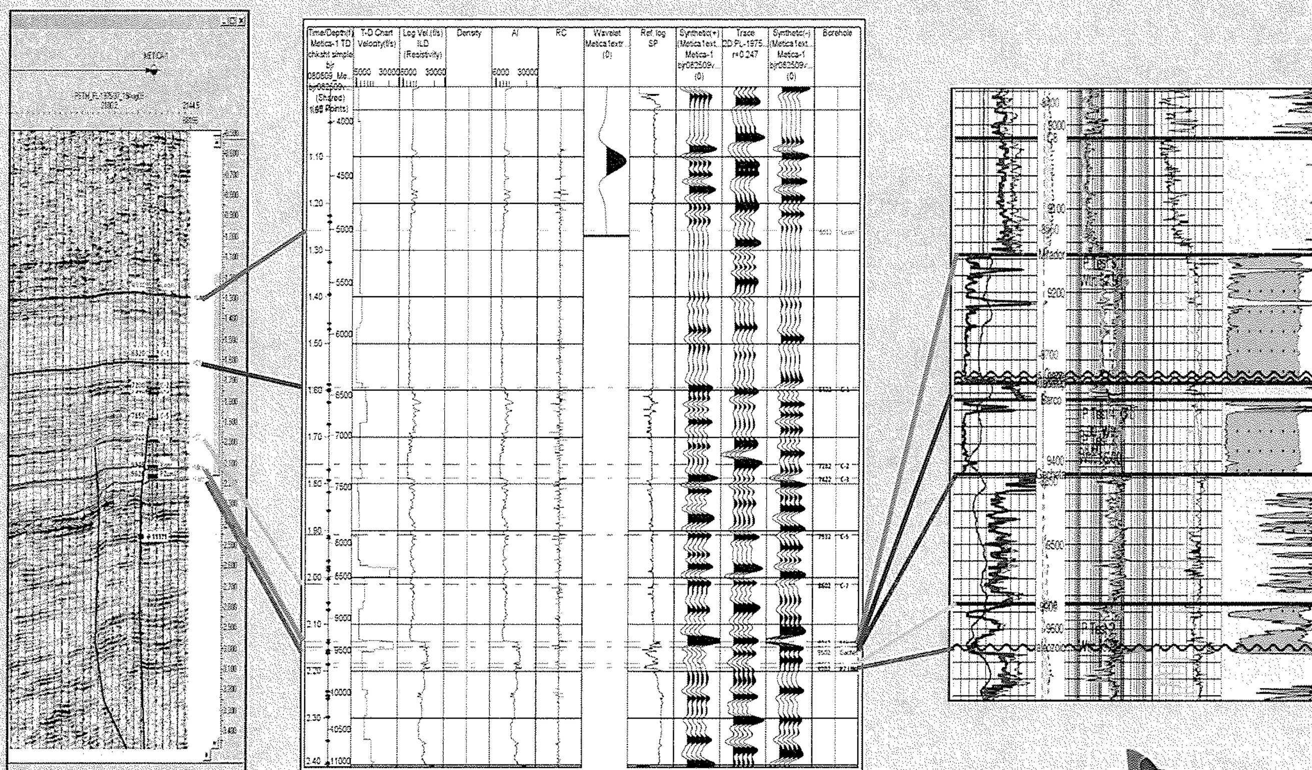
SK energy

Synthetic Well Tie (Negritos)



SK energy

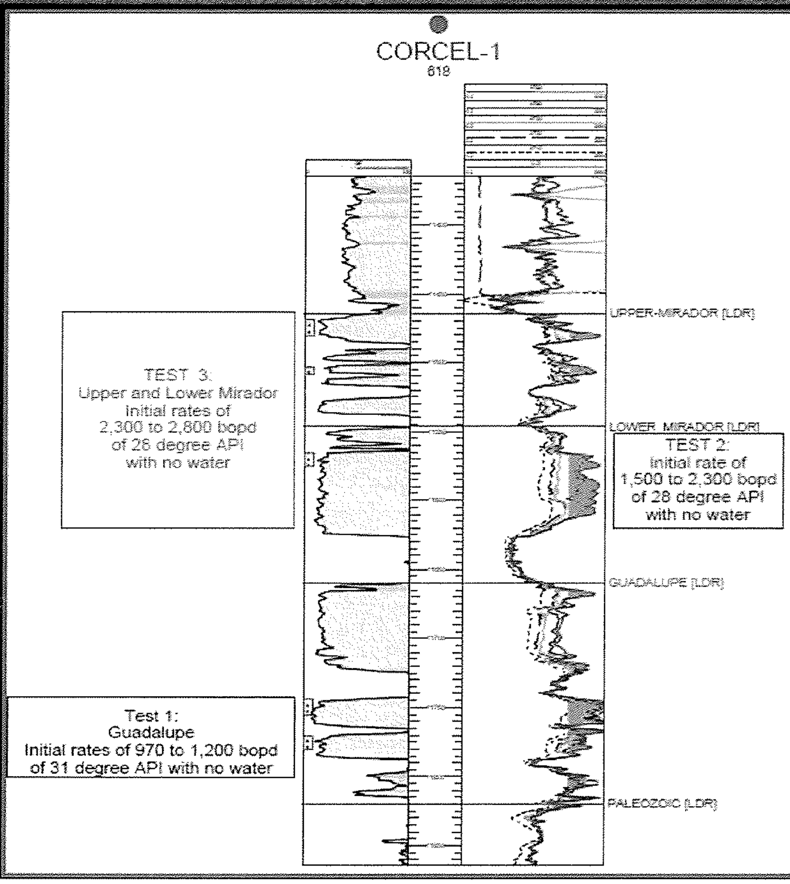
Synthetic Well Tie (Metica)



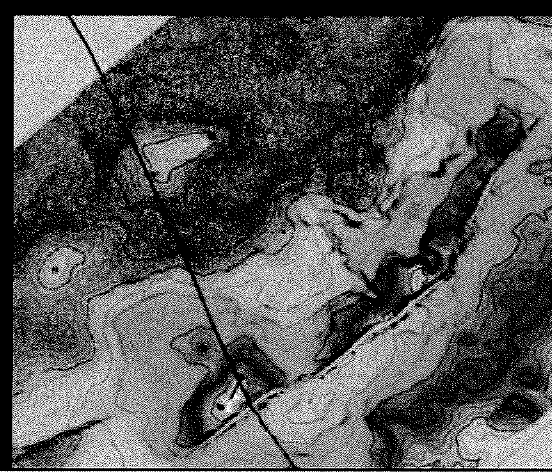
CORCEL

Corcel-1

Petrominerales



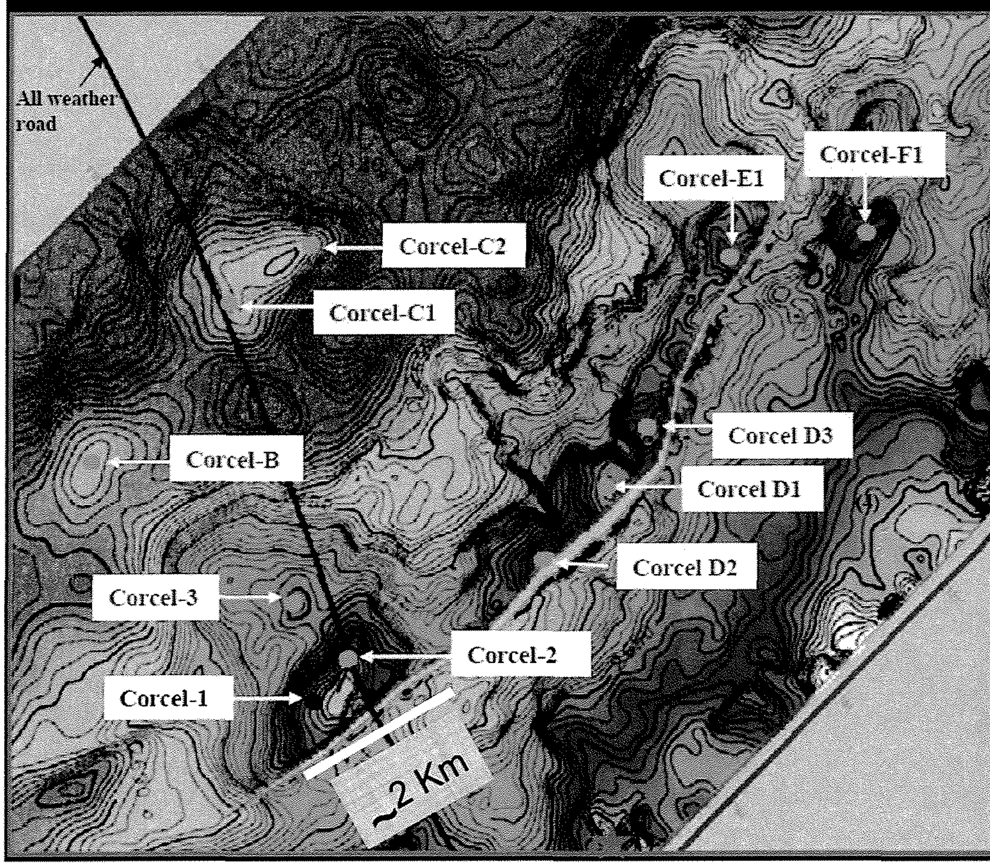
- Combined productive capacity > 10,000 bpd
- Completed 6-day test at restricted rates of up to 3,321 bpd
- 6-month test at 4,000 bpd commenced September 7th



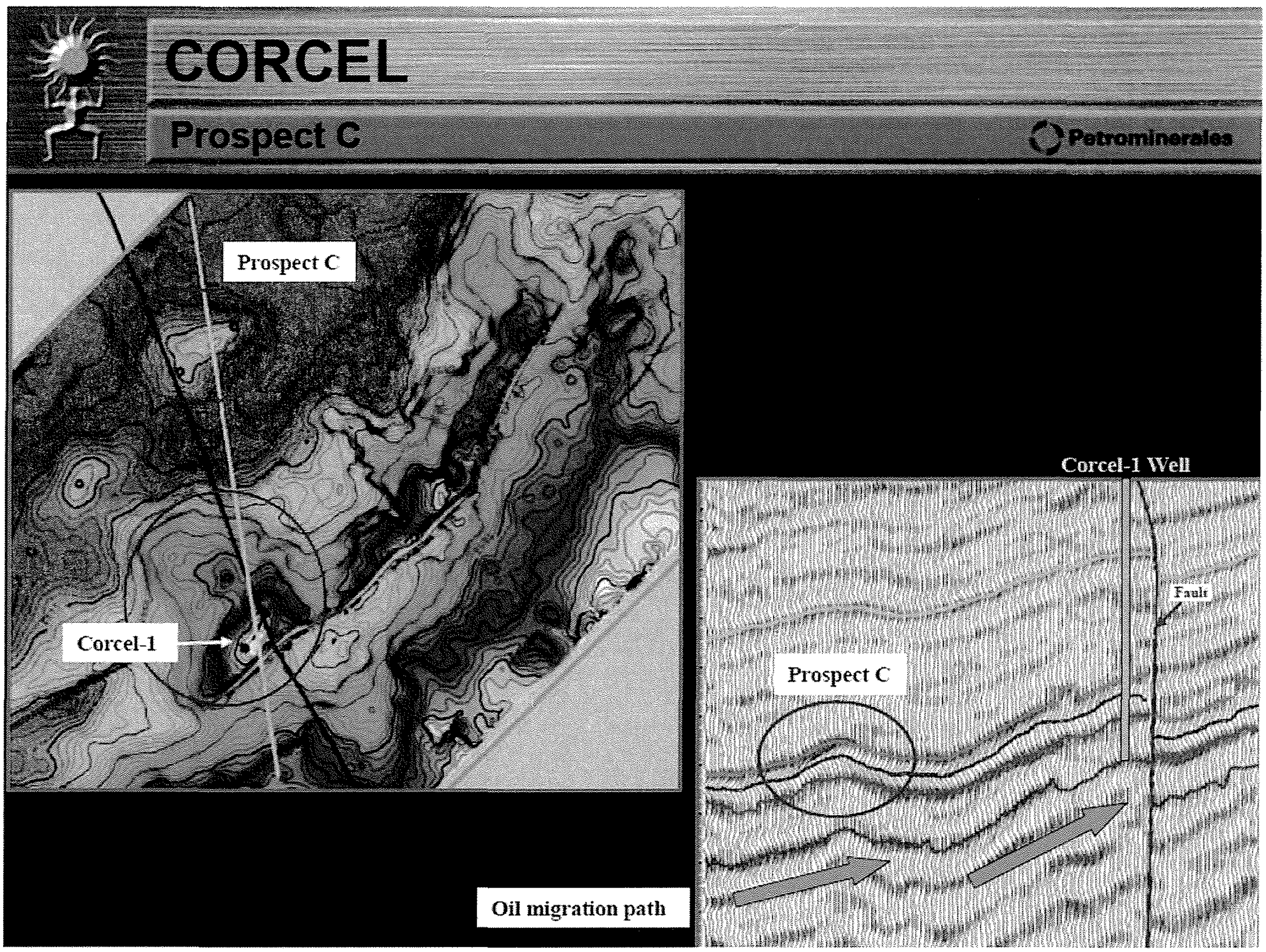
CORCEL

2007/2008 Drilling Locations

Petrominerales

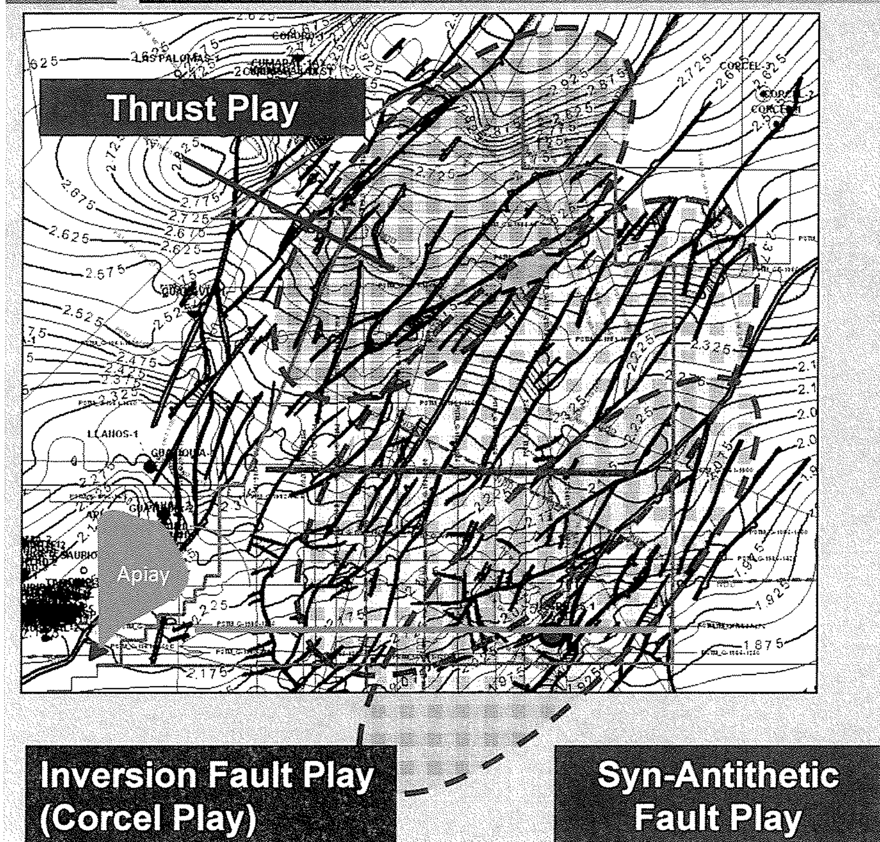


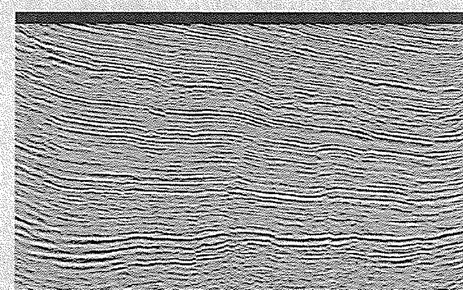
- Corcel 1, 2 producing
- Corcel 3 drilling
- Five additional prospects
- Three delineation locations
- Continuous drilling program
- 3-D seismic only covers 15% of the 79,815 acre block
- Adjoining Guatiquia Block – 26,341 acres

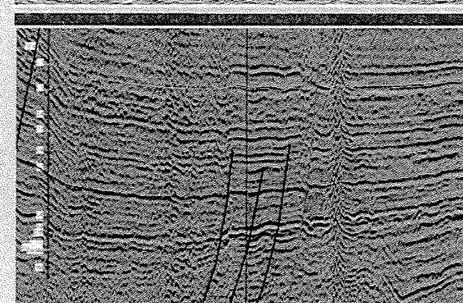

CORCEL
Prospect C
Petrominerales
Prospect C
Corcel-1
Corcel-1 Well
Fault
Prospect C
Oil migration path

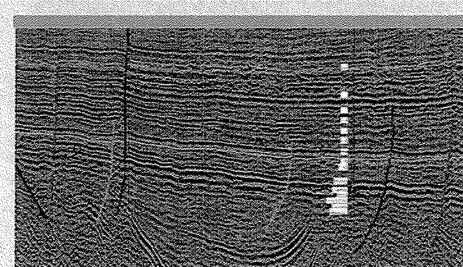
Structural Play

Trap



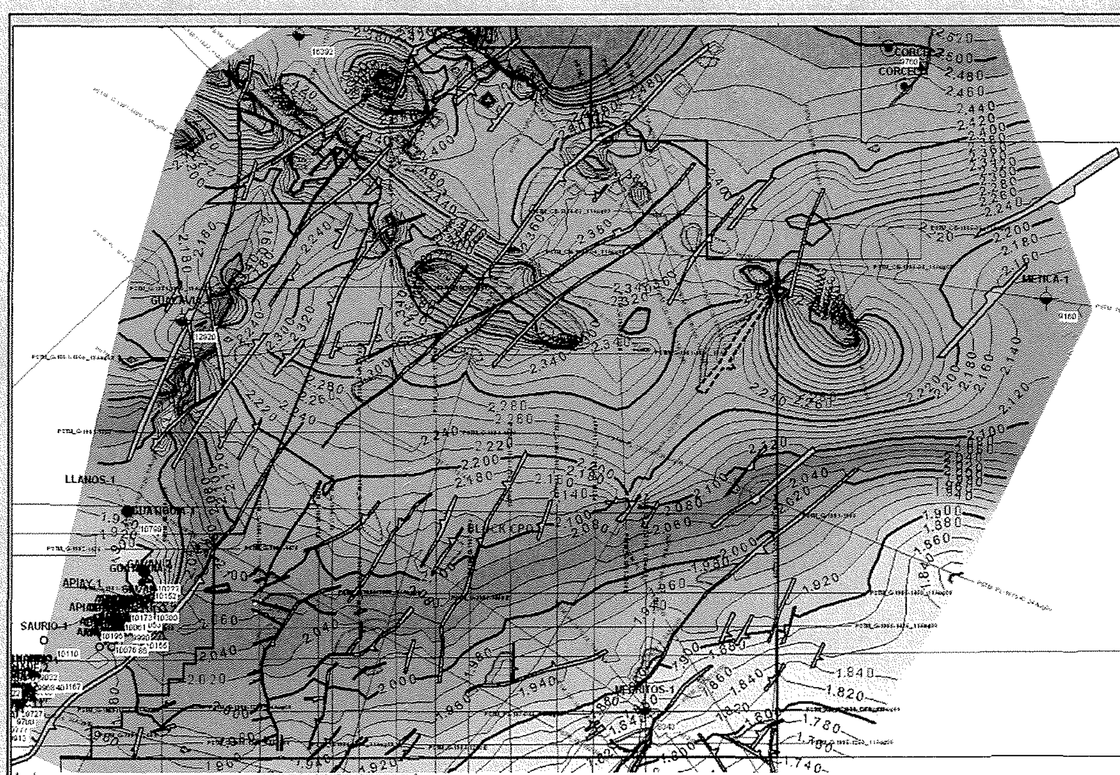




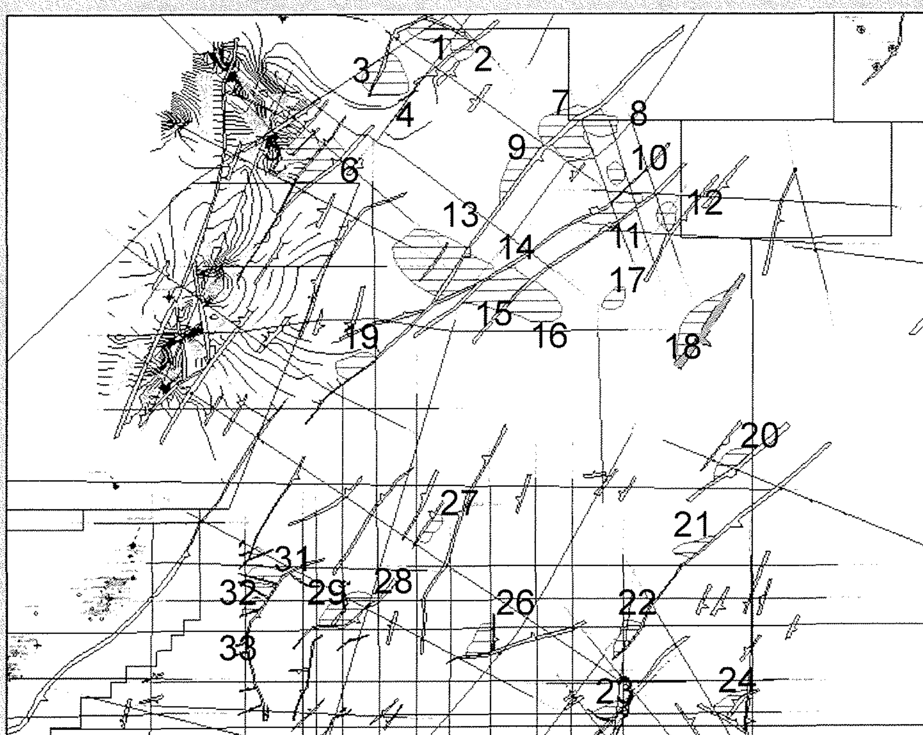


SK energy

C 9 STRUCTURAL MAP



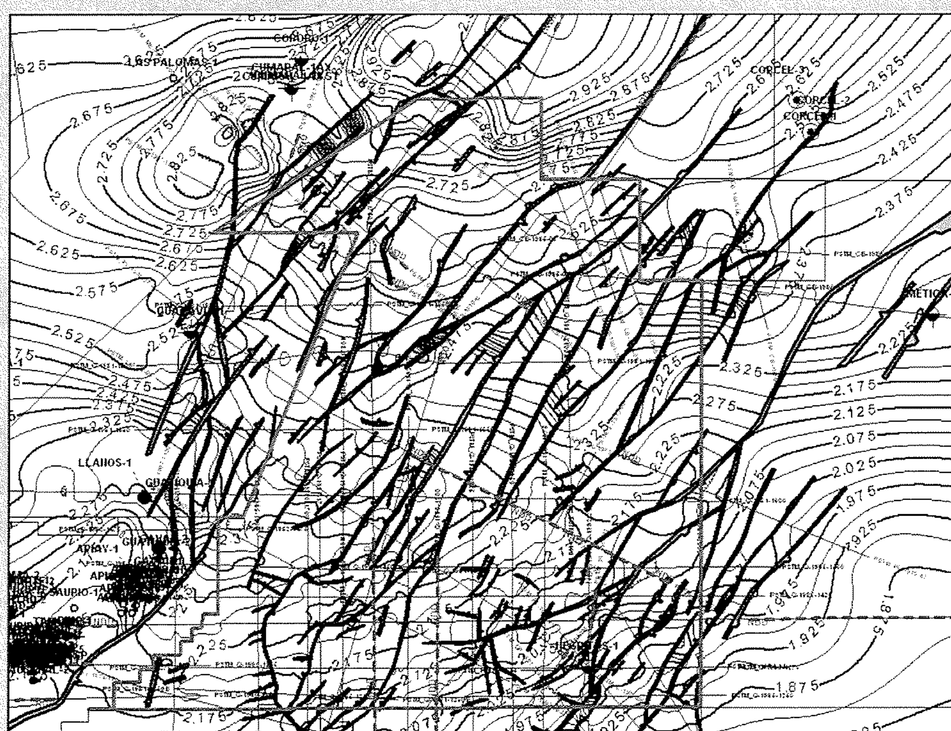
C-9 AOI'S



No.	Acre.	No.	Acre.
01	976ac	18	1247ac
02	197ac	19	678ac
03	355ac	20	600ac
04	1047ac	21	424ac
05	1455ac	22	516ac
06	1132ac	23	394ac
07	909ac	24	427ac
08	1665ac	25	118ac
09	852ac	26	666ac
10	335ac	27	320ac
11	944ac	28	756ac
12	450ac	29	390ac
13	3320ac	30	95ac
14	1161ac	31	423ac
15	1584ac	32	234ac
16	1576ac	33	233ac
17	399ac		

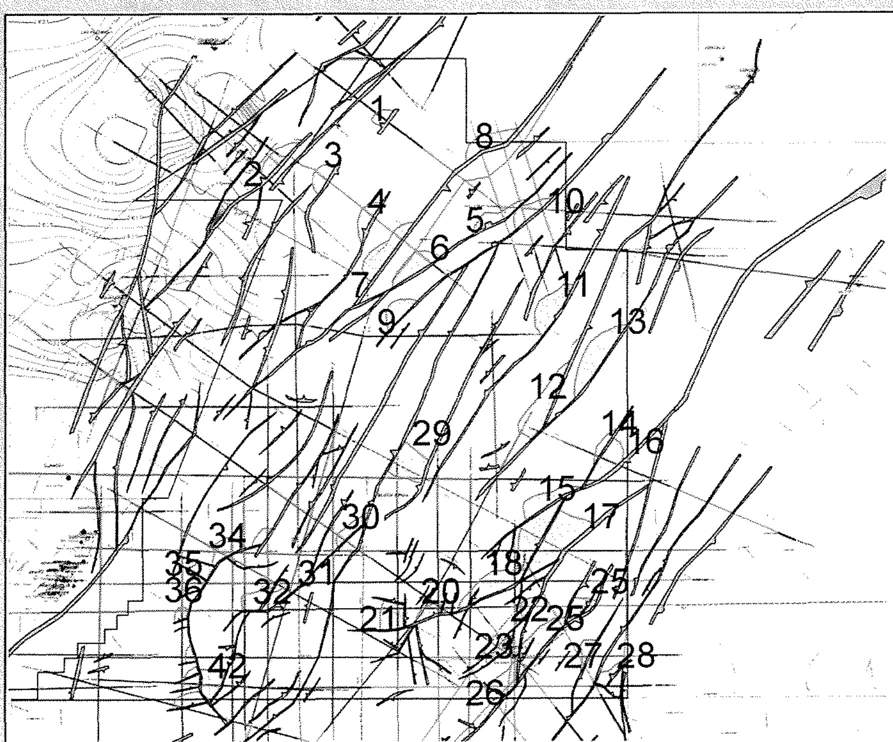
SK energy

Mirador Structural Map



SK energy

MIRADOR AOI'S

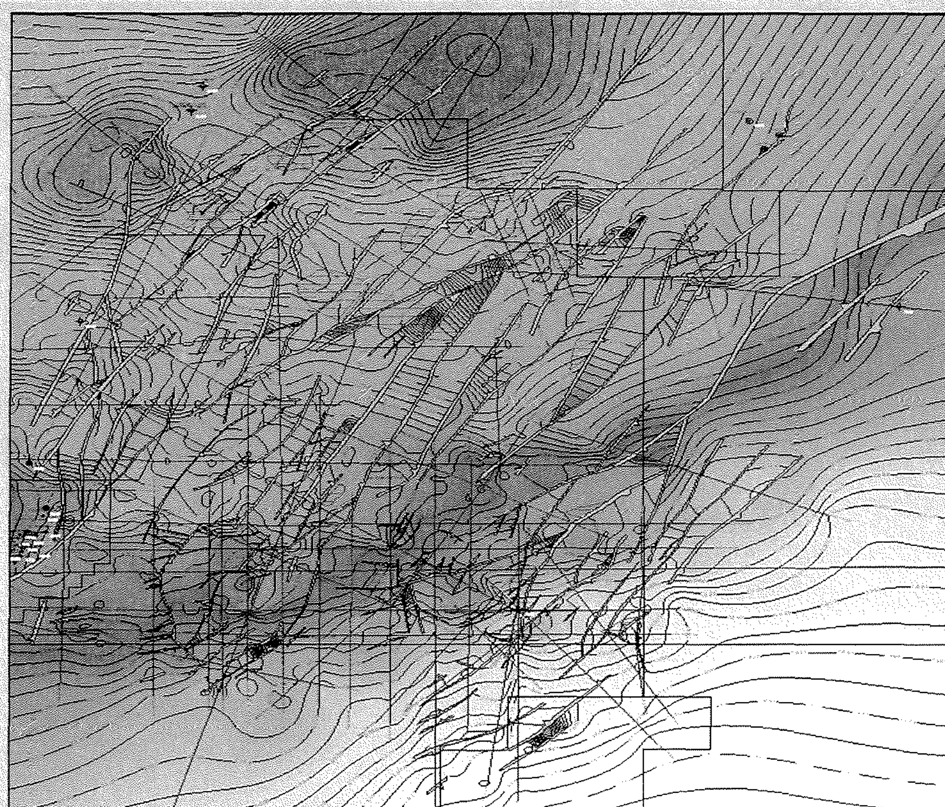


No.	Acre.
01	297ac
02	682ac
03	530ac
04	548ac
05	679ac
06	954ac
07	1238a
08	340ac
09	267ac
10	252ac
11	503ac
12	657ac
13	707ac
14	112ac
15	358ac
16	404ac
17	888ac

No.	Acre.
18	1201a
19	46ac
20	136ac
21	333ac
22	102ac
23	116ac
24	213ac
25	534ac
26	264ac
27	121ac
28	127ac
29	530ac
30	192ac
31	150ac
32	236ac
33	96ac
34	252ac

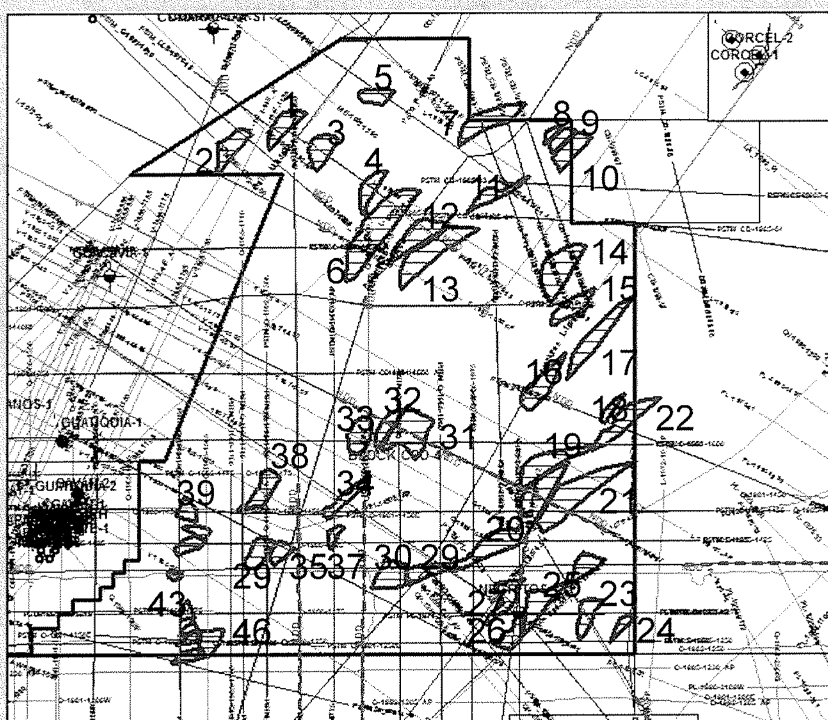
SK energy

PALEOZOIC STRUCTURAL MAP



SK energy

PALEOZOIC AOI'S

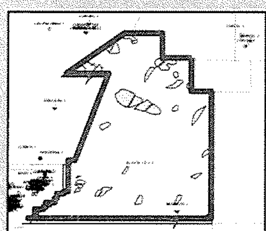


No.	Acre.
01	332ac
02	377ac
03	348ac
04	266ac
05	222ac
06	1273a
07	556ac
08	61ac
09	164ac
10	331ac
11	258ac
12	511ac
13	806ac
14	720ac
15	343ac
16	476ac
17	576ac
18	110ac
19	546ac
20	1290a
21	1012a
22	256ac
22	495ac
23	268ac
24	113ac

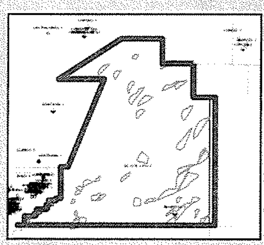
No.	Acre.
25	453ac
26	267ac
27	321ac
28	40ac
29	238ac
30	386ac
31	752ac
32	215ac
33	353ac
34	240ac
35	174ac
36	296ac
37	88ac
38	340ac
39	170ac
40	115ac
41	170ac
42	48ac
43	94ac
44	61ac
45	81ac
46	238ac
47	139ac

SK energy

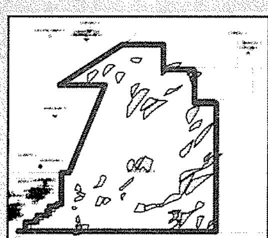
COMBINED AOI'S : 53 Structures



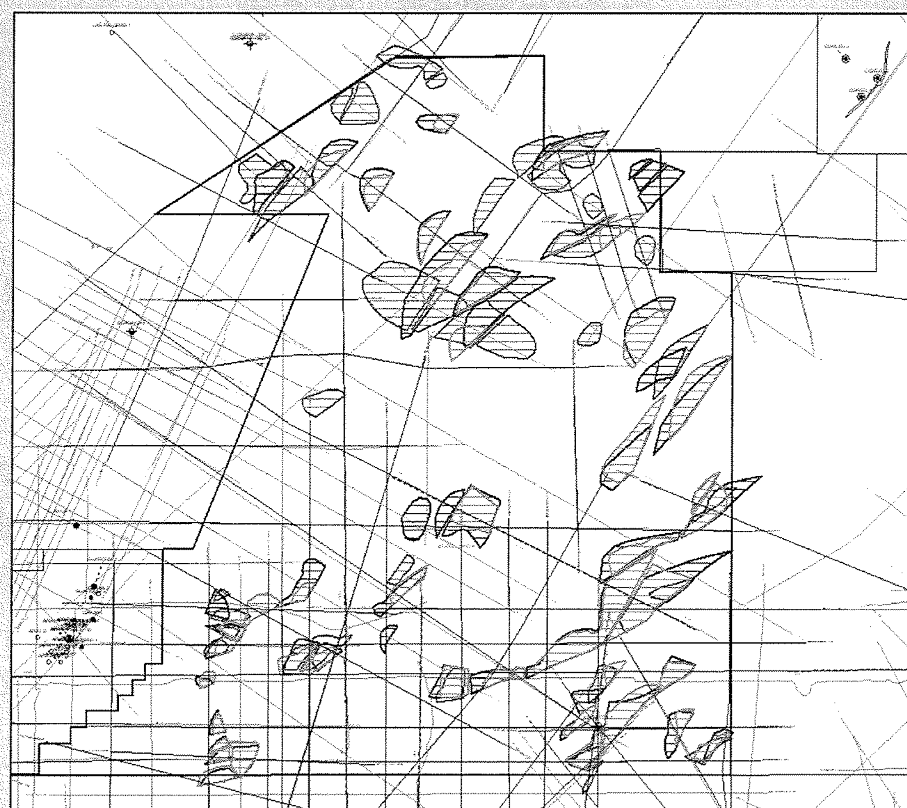
CARBONERA



MIRADOR/Gadalupe



Paleozoic



SK energy

High Potential

	Acres			Unit R.R.	Net Pay	Recoverable Reserve (MMBO)	Remark
	C7	Mirador	Une				
6	**1132**	**954**	**1273**	300	50'+100'+75'	74	Thrust
7	**1606**	**1238**	**556**	300	50'+100'+75'	74	Inversion
13	**3320**	**707**	**806**	300	50'+100'+75'	89	Inversion
16	**1576**	**404**	**476**	300	50'+100'+75'	46	Inversion
17	**399**	**888**	**576**	300	50'+100'+75'	46	Inversion
18	**1247**	**1201**	**110**	300	50'+100'+75'	57	Turust
19	**678**	**1201**	**546**	300	50'+100'+75'	58	Turust
Total Potential						445	

Unit R.R.

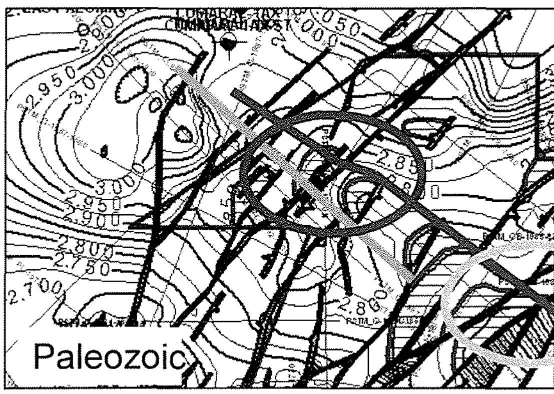
- Porosity : 20 %
- So : 70 %
- So/Bo : 0.9
- GF : 0.9
- RF : 40 %

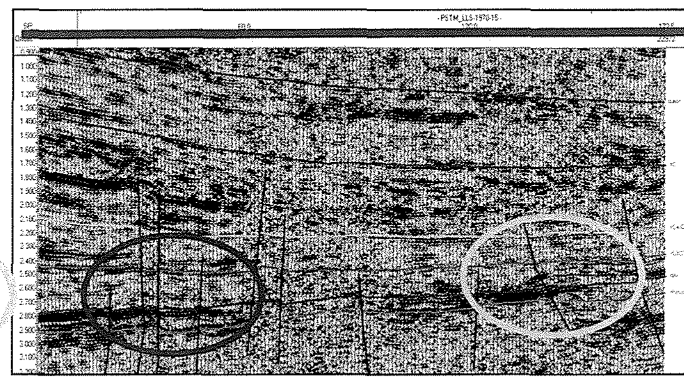
Net Pay

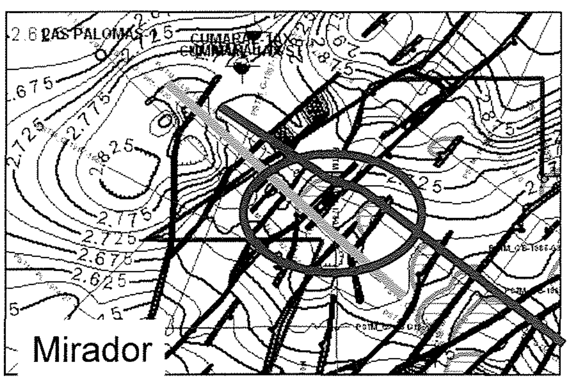
- Avg. Thickness
-From Net Sd Map

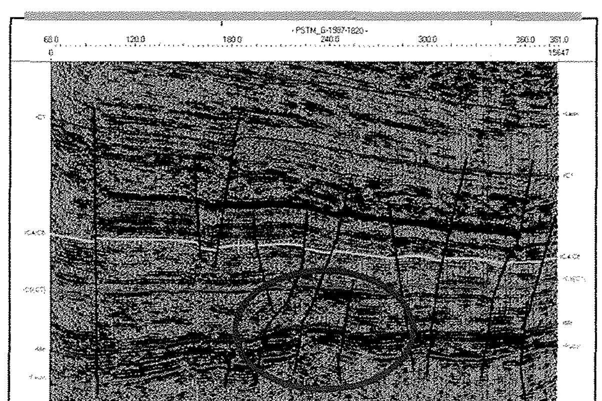
SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
Northwest



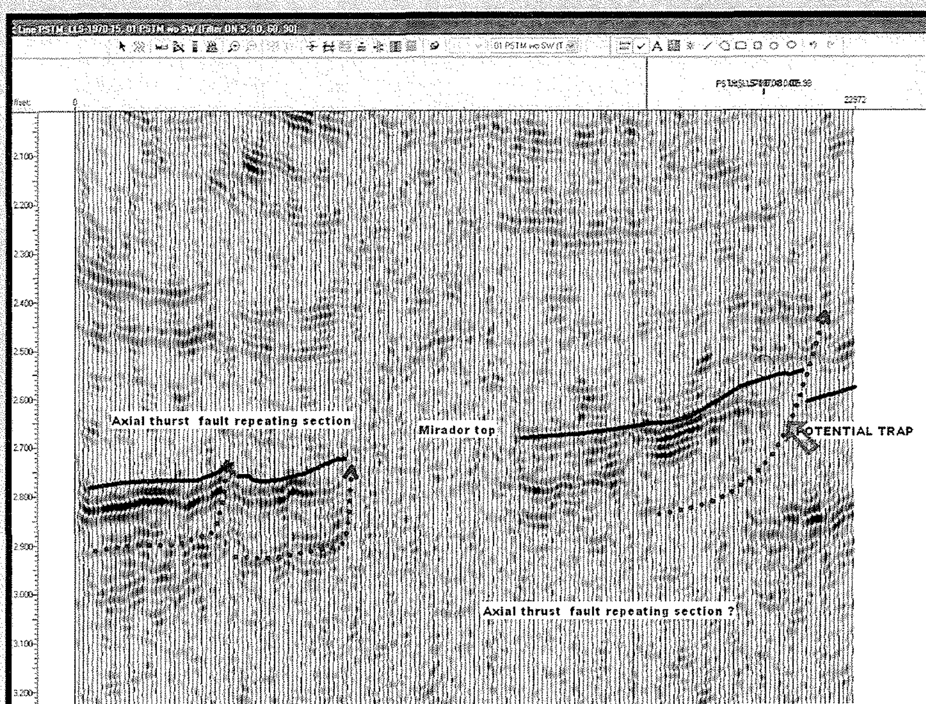




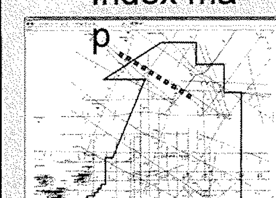


SK energy

Seismic line PSTM –LLS-1970-15 showing over thrust faulting possible TRAPPING HYDROCARBON in the Mirador - Cretaceous Reservoir

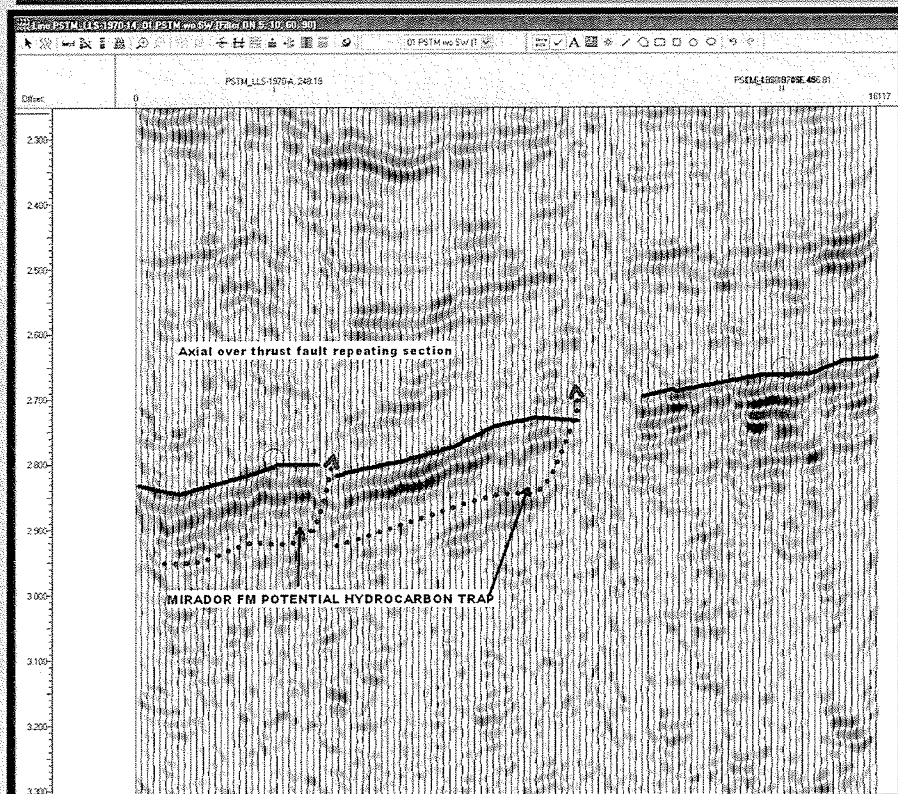


Index ma
p

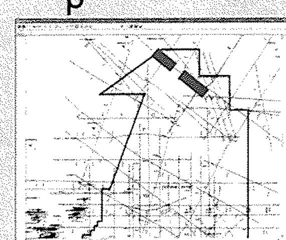


SK energy

Seismic line PSTM-LLS-1`970-14 showing over thrust faulting possible TRAPPING HYDROCARBON in the Mirador - Cretaceous Reservoir

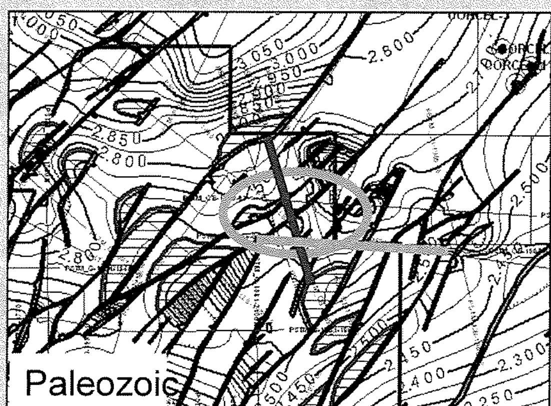


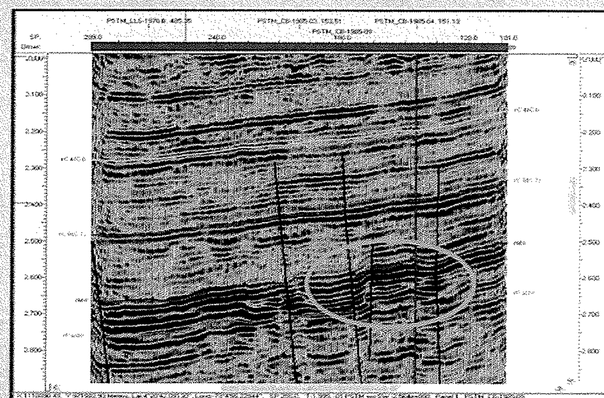
Index ma
p

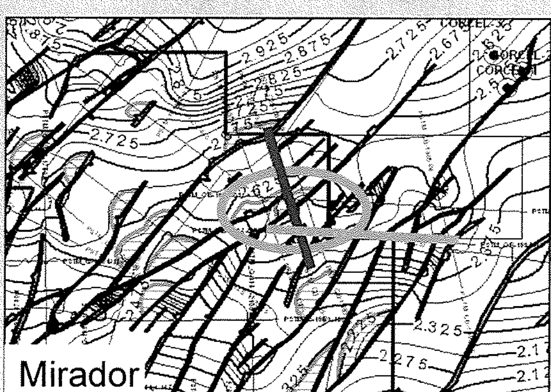


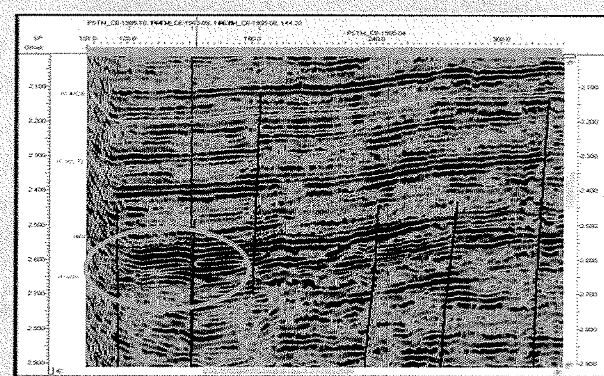
SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
Northeast





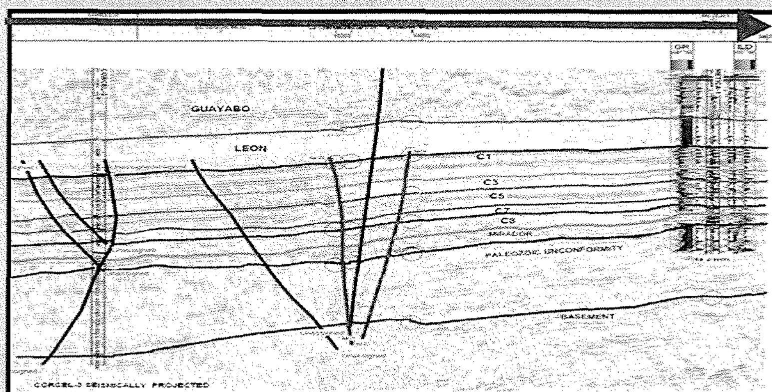


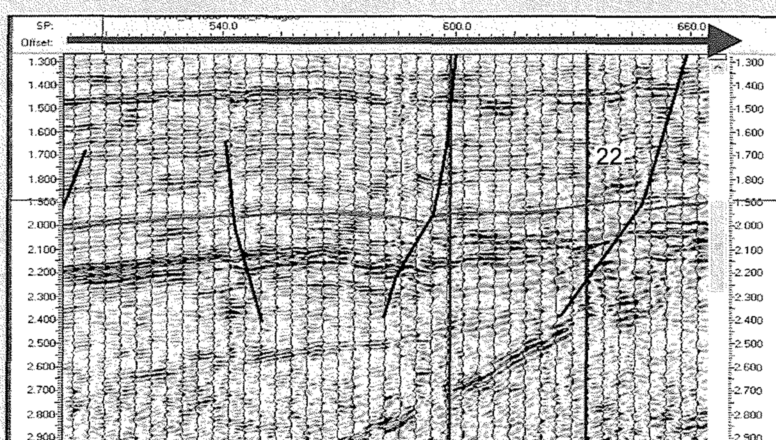


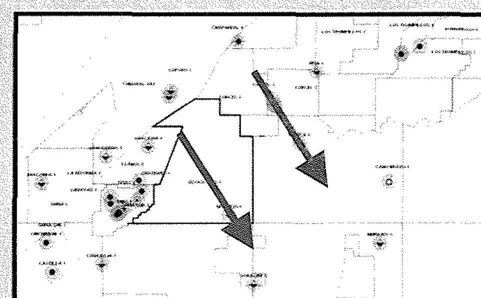
SK energy

Corcel Analogy

CPO-4

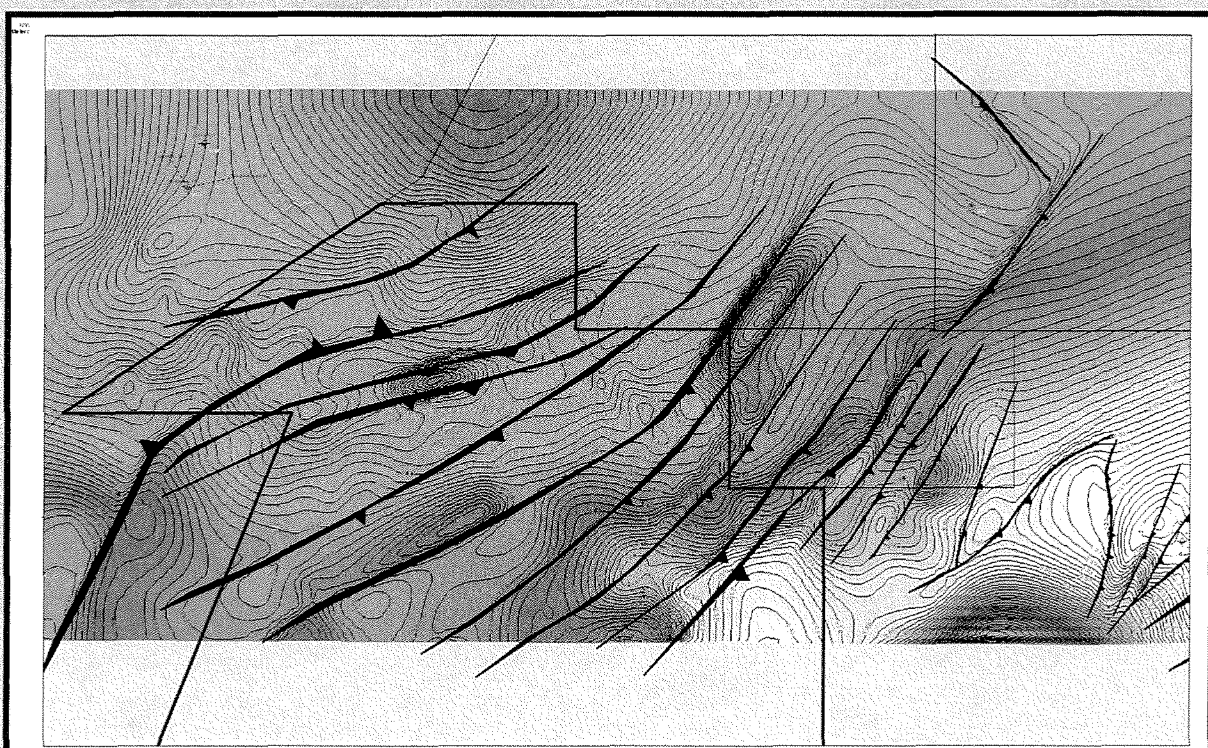




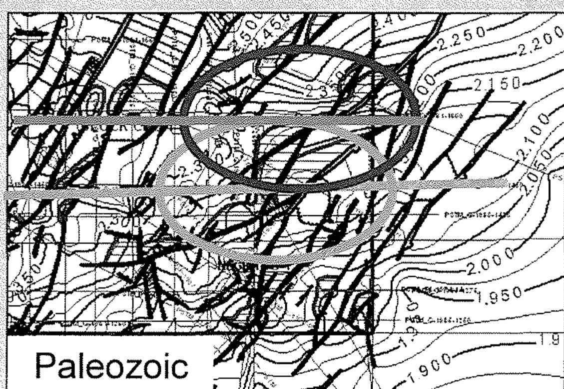


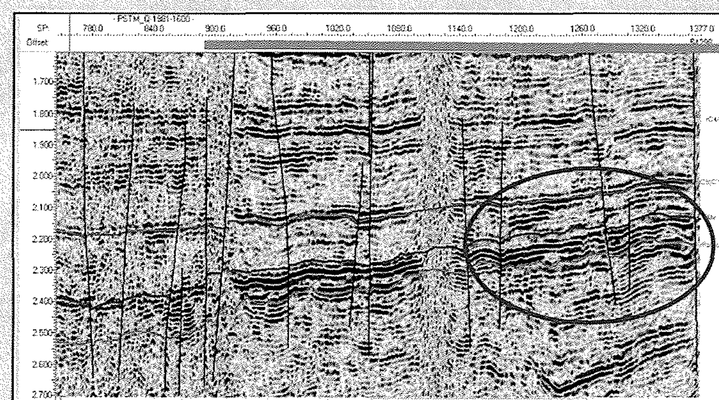
SK energy

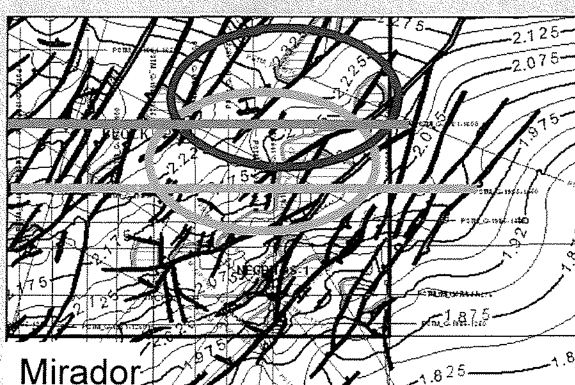
MIRADOR TIED TO CORCEL FIELD

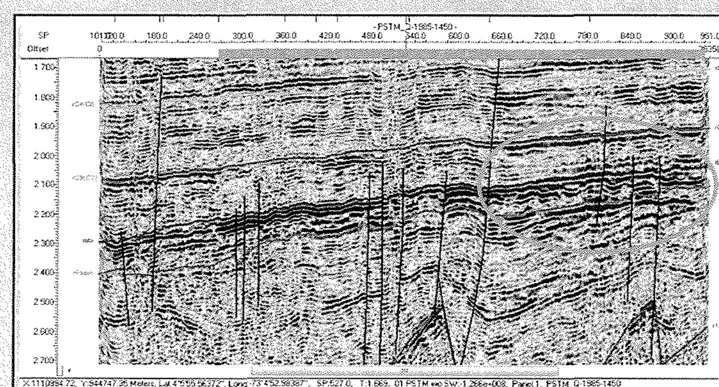


COMPOSITE STRUCTURE MAPS WITH LEADS
Southeast



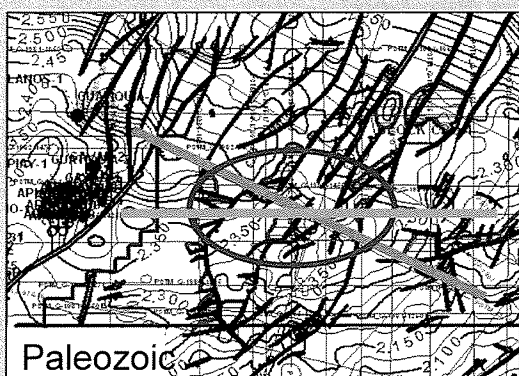


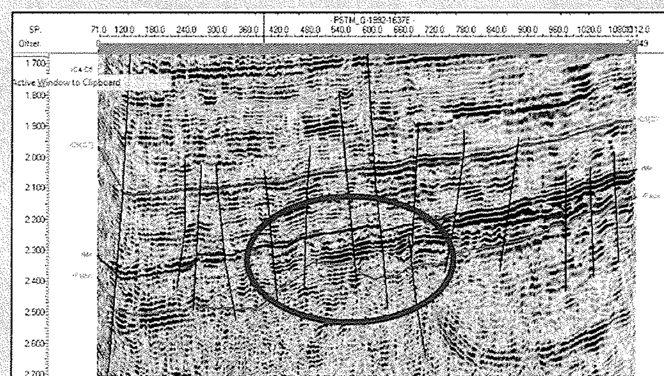


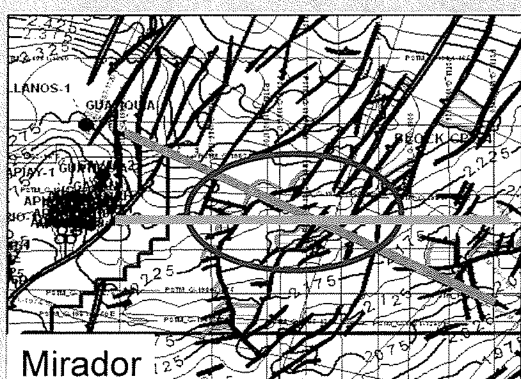


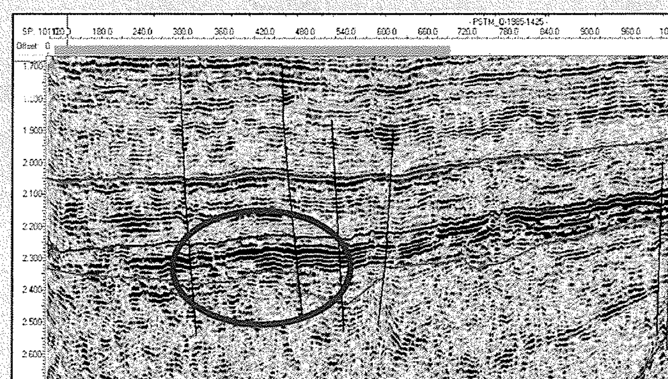
SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
West



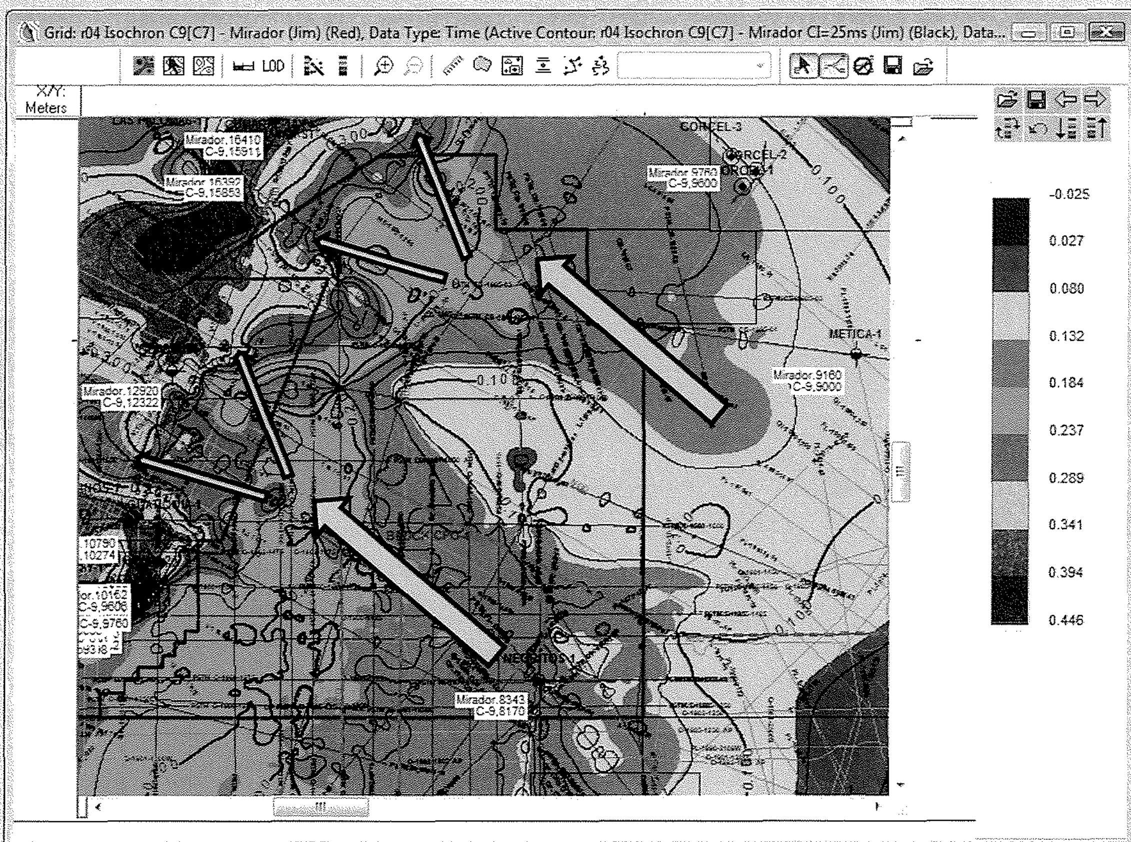






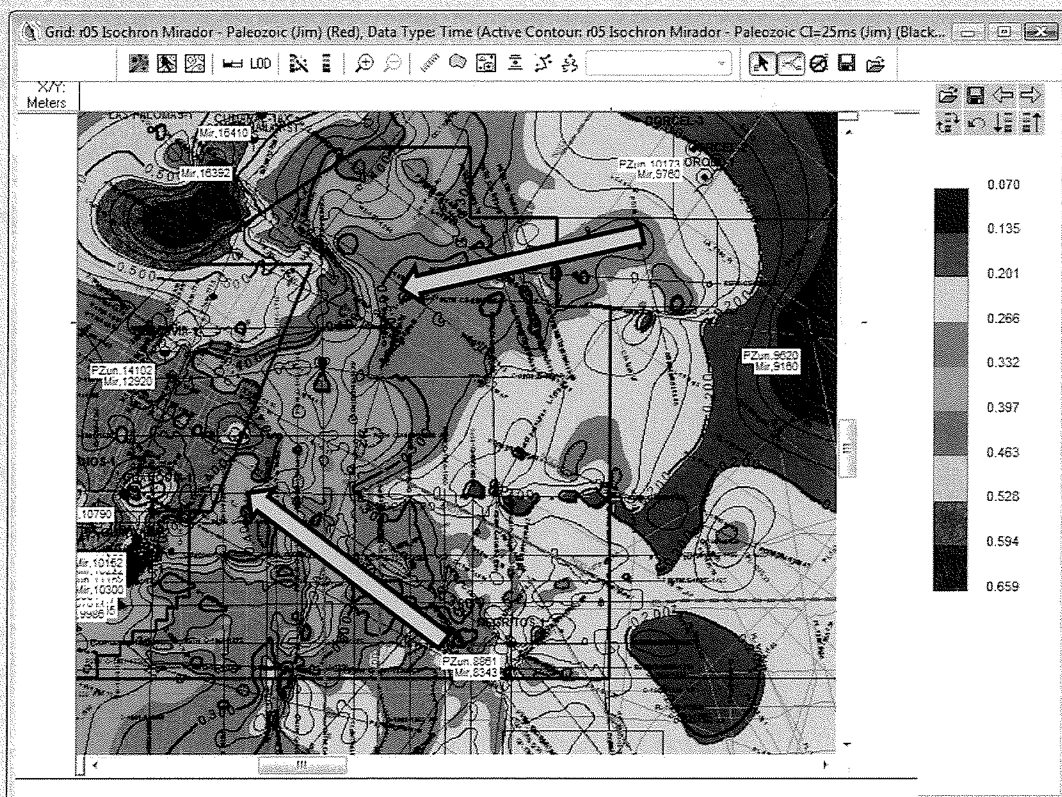
SK energy

Isochrone C7 ~ Mirador



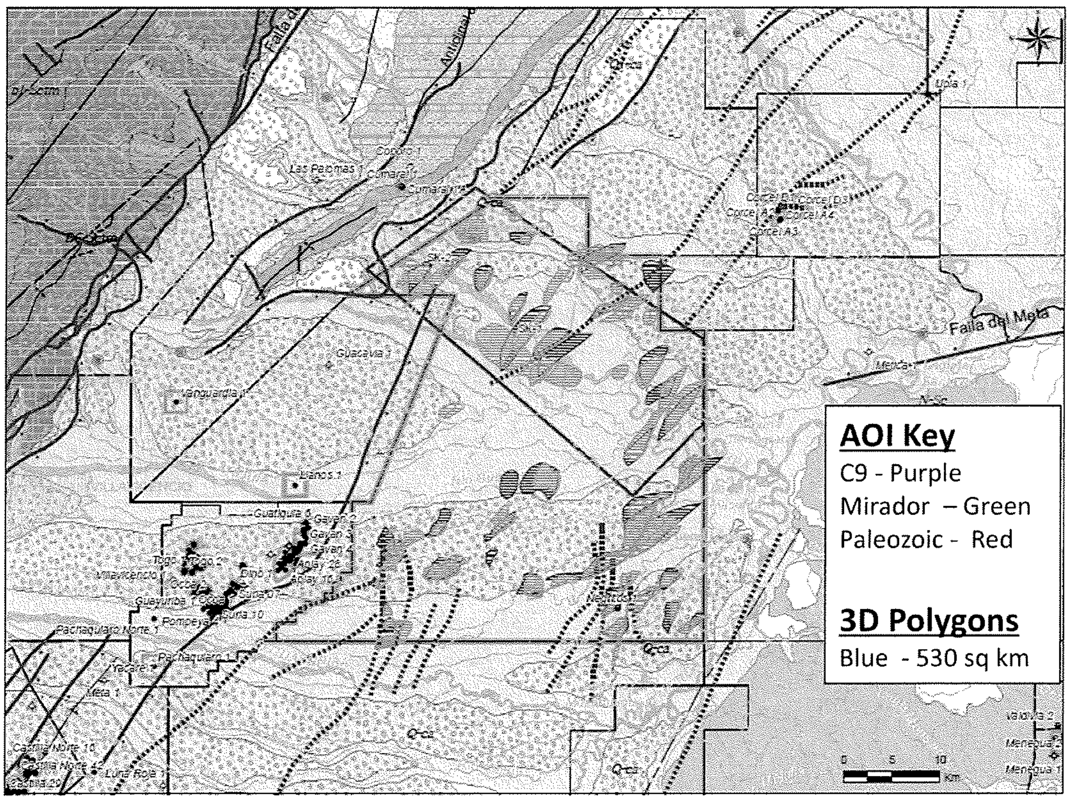
SK energy

Isochrone Mirador to Paleozoic



SK energy

New 3D Area 530 Km^2



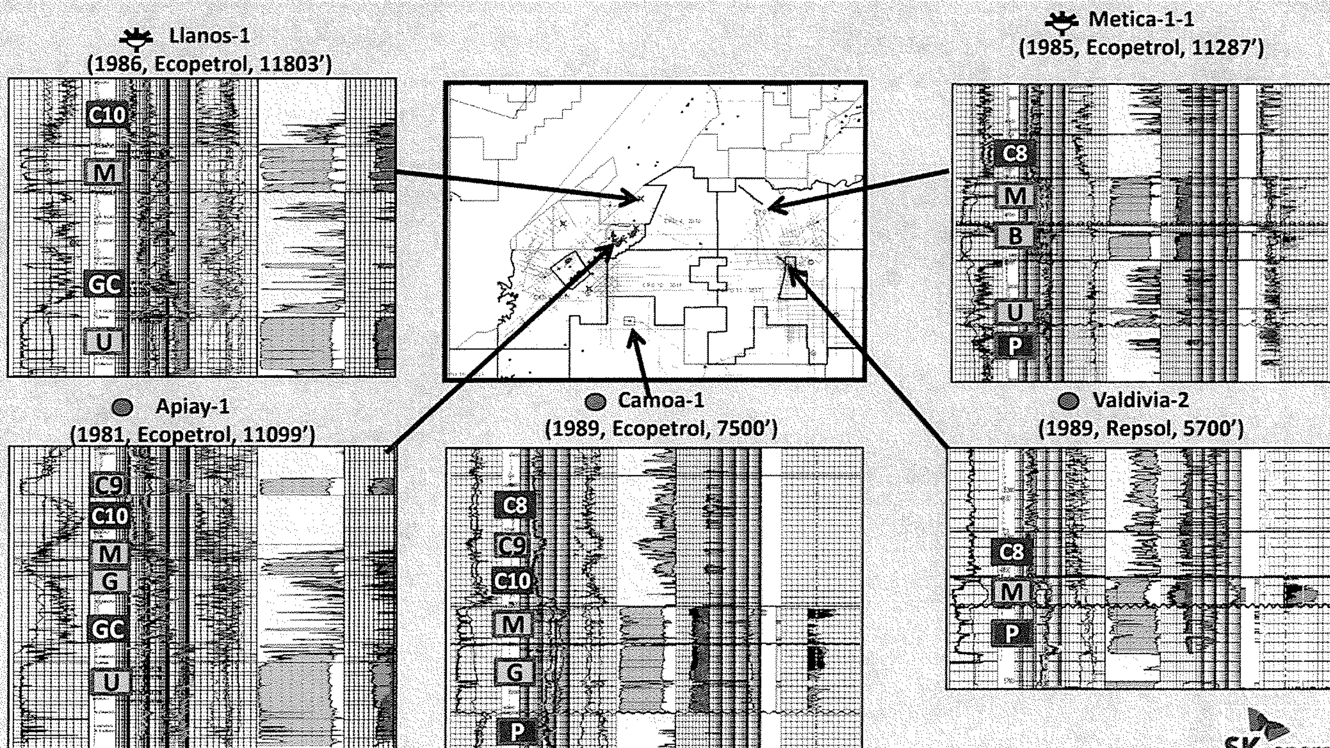
Faults INGEOMINAS Geologic Map 1:500.000, 2006

Faults depth. ECOPETROL. Petroleum Systems Project, 1997

SK energy

Seal

Regional Seal : C 10 / C 8
Local Seal : Gacheta at NW & Middle



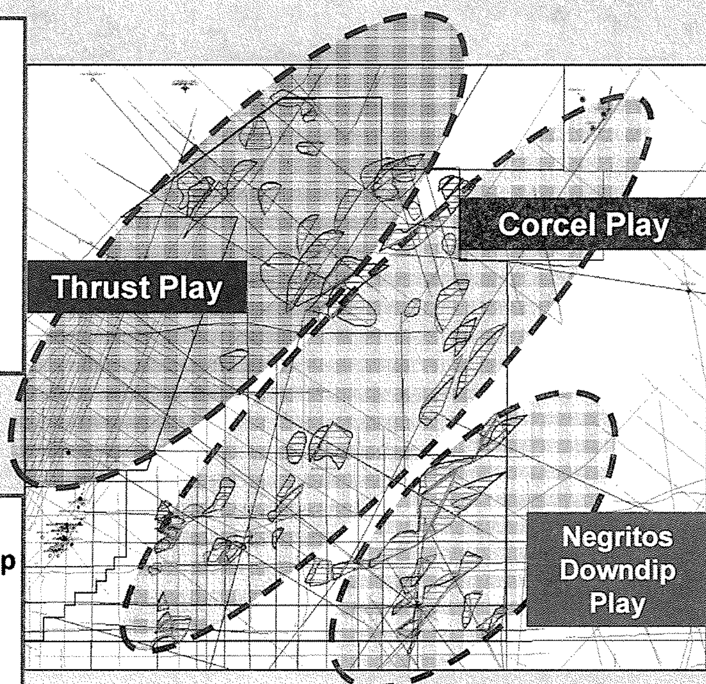
Hydrocarbon Play

API

- Light Oil (25~35 API)
  - NW
  - K Ss
  - Young Structure
- Heavy Oil (15~25 API)
  - SE
  - T Ss
  - Old Structure

Trap

- Thrust Play : NW
- Fault Bounded 3 Way Dip
  - Inversion
  - Antithetic
  - Synthetic
- Stratigraphic Trap
  - Une (SE)



Reservoir

- Multi Target
  - C9
  - Mirador
  - Barco
  - Guadarupe
  - Une

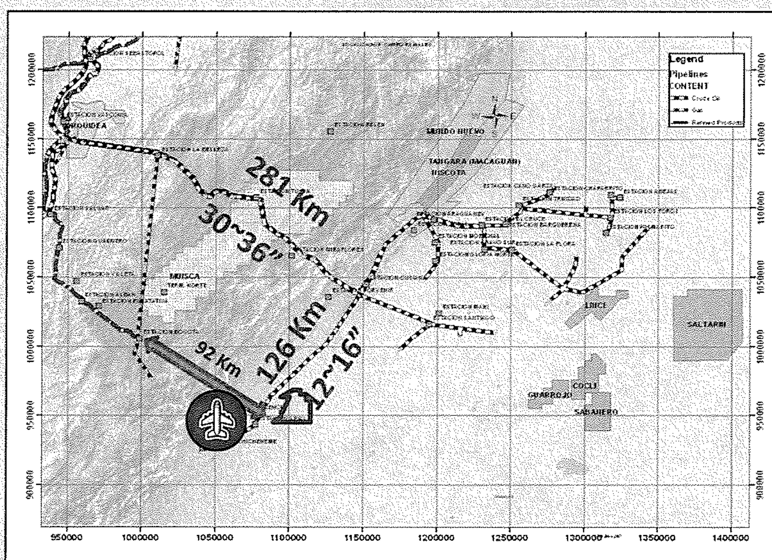
Seal

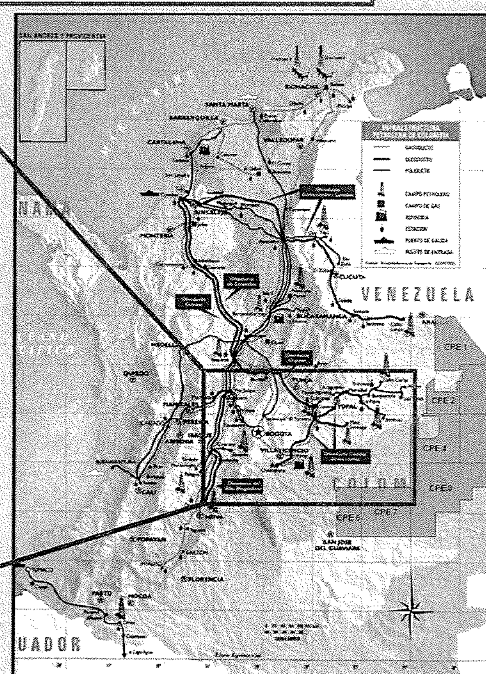
- 4 Way Dip Closure Thrust
- Fault Seal Juxtapose

Excellent Infra Structure

Infra

12~16" P/L
Need Light Oil for Blending

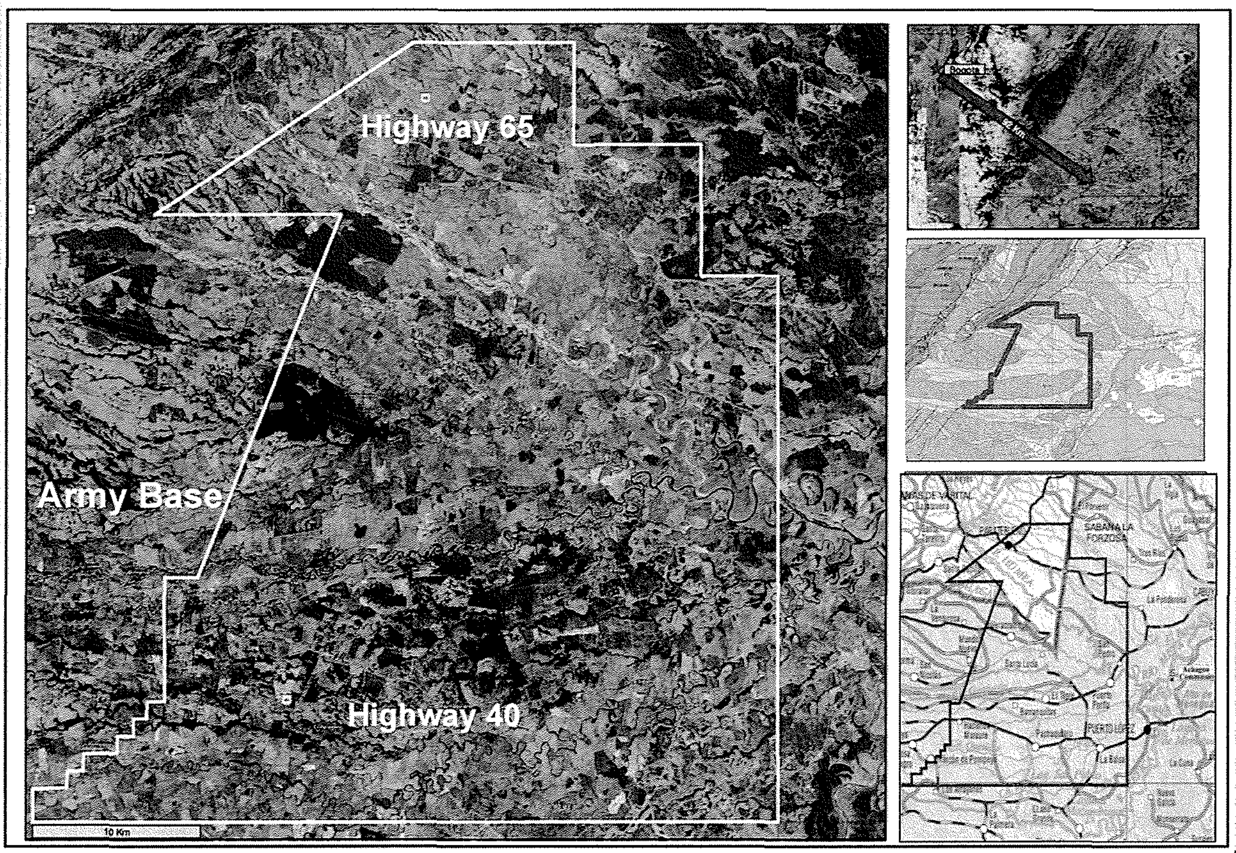




SK energy

Excellent Working Environment

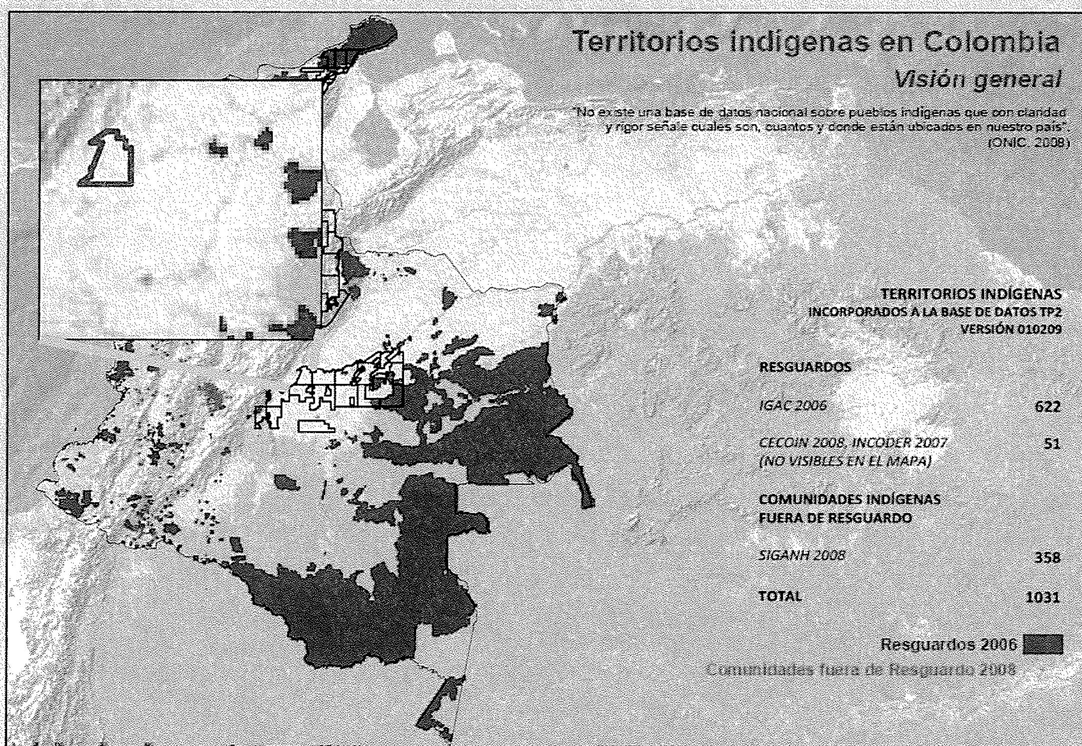
Working Environment



No Indian Reservation Area

Indigenous

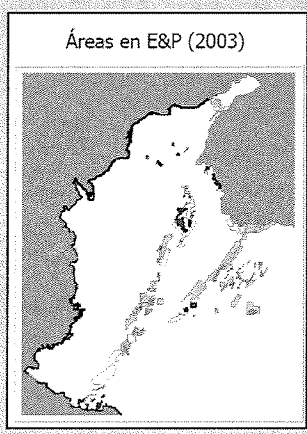
No Indigenous Reservation



SK energy

Activity in Colombia

Activity



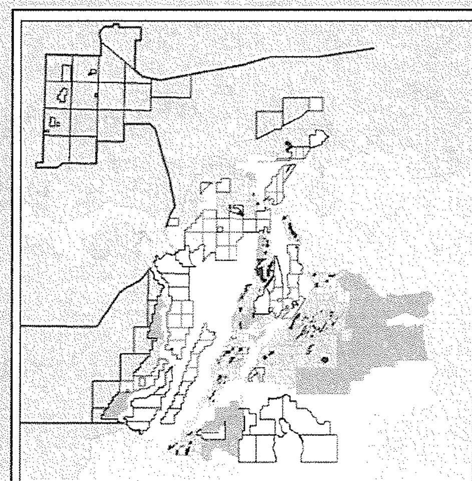
2008 Bid

152 ⇒ 80

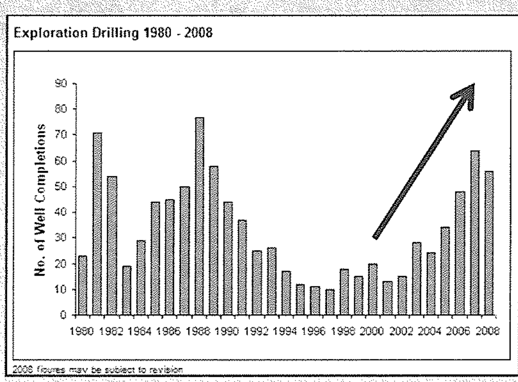
TEA : 8 ⇒ 8

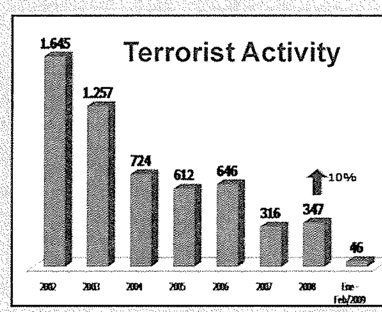
Regular : 42⇒ 22

Mini : 102⇒50



MARZO 26 DE 2009

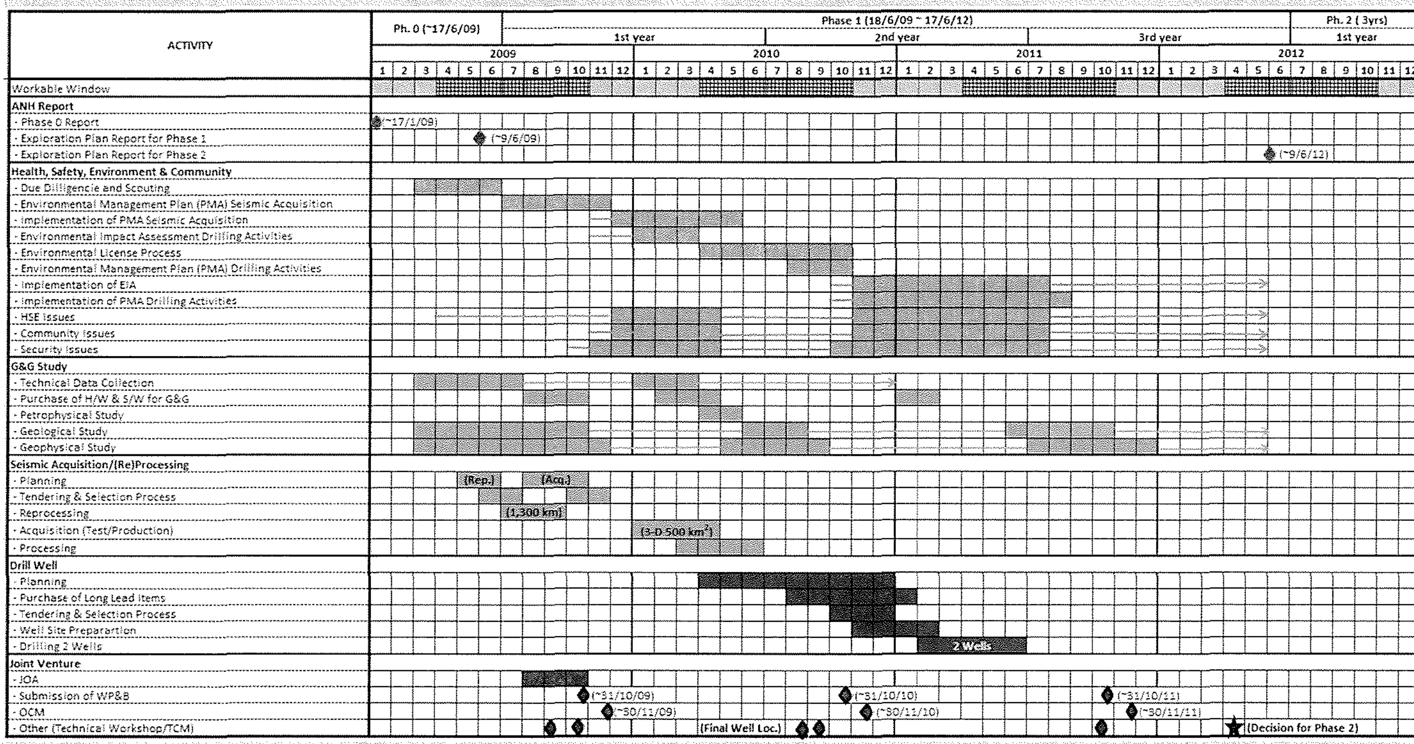




SK energy

Exploration Plan for Phase 1

CPO-4



SK energy

Phase 1 Budget Estimation

3yrs Budget

● Budget Estimation from 2009 to 2012

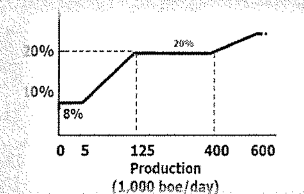
[Thousand US$]

(Unit : KU$)	2009	2010	2011	2012	Total (Phase 0&1)	
Drilling	-	9,585	16,109	238	25,932	2010: Long Lead Item+Well Prep. '2011: 1st Well - 9.89 MMU$ 2nd Well – 11.80 MMU$
G&G	1,129	15,900	558	525	18,112	'10 Seismic Acquisition (530 km^2 * USD 30,000/km^2)
G&A	1,465	2,661	2,547	2,259	8,932	
HSEC	202	664	1,093	460	2,419	
Contract Commitment	599	-	-		599	Obligation with ANH
TOTAL	3,395	28,810	20,307	3,482	55,994	

SK energy

E&P Contract Summary

- **Letter of Credit: 50% of the Phase one (1) Investment ($8.15 MM)**
  (Additional Investment was the 2nd bid parameter and the tie-breaker of Colombia Round 2008)
- **Economic Rights (Rentals): Each Phase US$470,177**
- **Royalties: 8~25%**
  (Gross/According to Monthly Avg. Production Rate)



- **Colombian Government Participation Fee: 31%**
  (After Royalty/The 1st bid parameter of Colombia Round 2008)

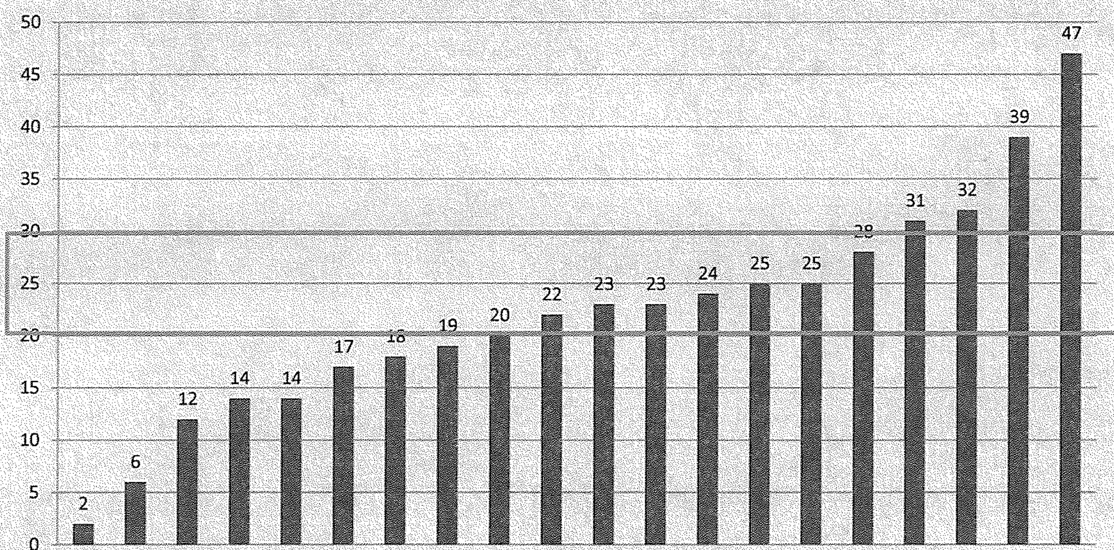
- **High Price Tax:** ***(Price @delivery point)x(Production Volume)x{(P-Po)/P} x S***
  P: Benchmark Price (WTI)
  Po: Reference Base Price (If API gravity of liquid is 22°~29°, Po is US$30.22/B)
  S: Percentage of Share (If $30.22/B ≤ P < $60.44/B, S is 30%)
  (Will be applied after accumulative 5 million Bbls oil production)

- **Colombian Income Tax (From 2008) : 33%**
- **Applicable Law: The Colombian law**
- **Language: Spanish**

SK energy

Winner's Bid in Colombia Round 2008

- 20~30% was the reasonable winner's X-factors

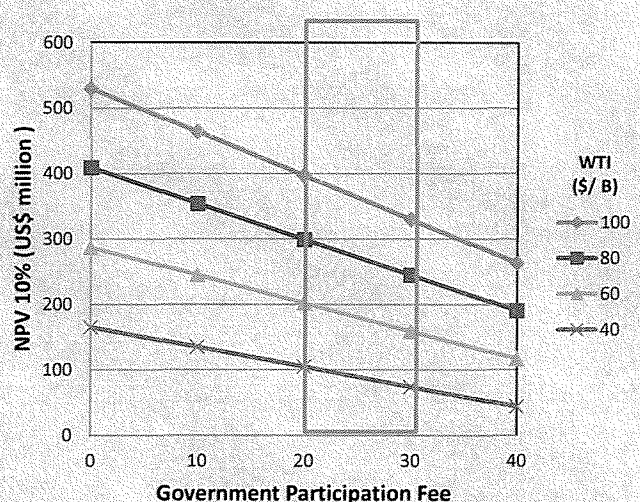


✓ Highest Winner: 47% (CPO-7/6 Bidders)
✓ Lowest Winner: 2% (CPO-14/ Single Bidder)

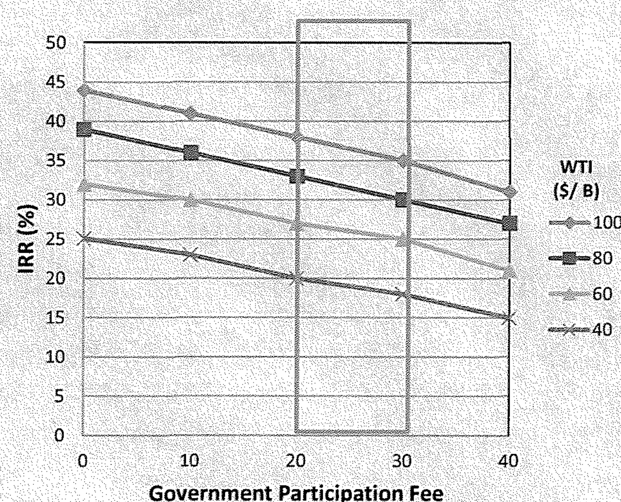
SK energy

Sensitivity

● NPV Sensitivity



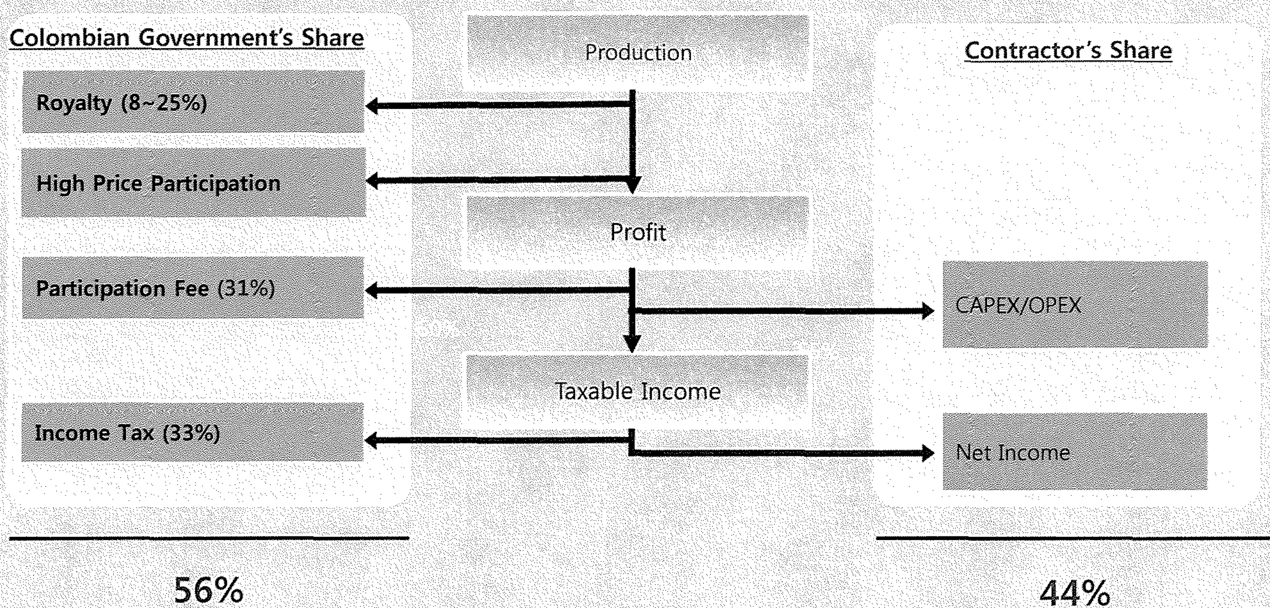
● IRR Sensitivity



※ Assumption: Oil Sale Price (20% Discount from WTI)/ Reserves 52.4 MM Bo/ API 25°
Production Facility & Pipeline to tie-in the existing pipeline (35 km)

SK energy

Fiscal Term Structure

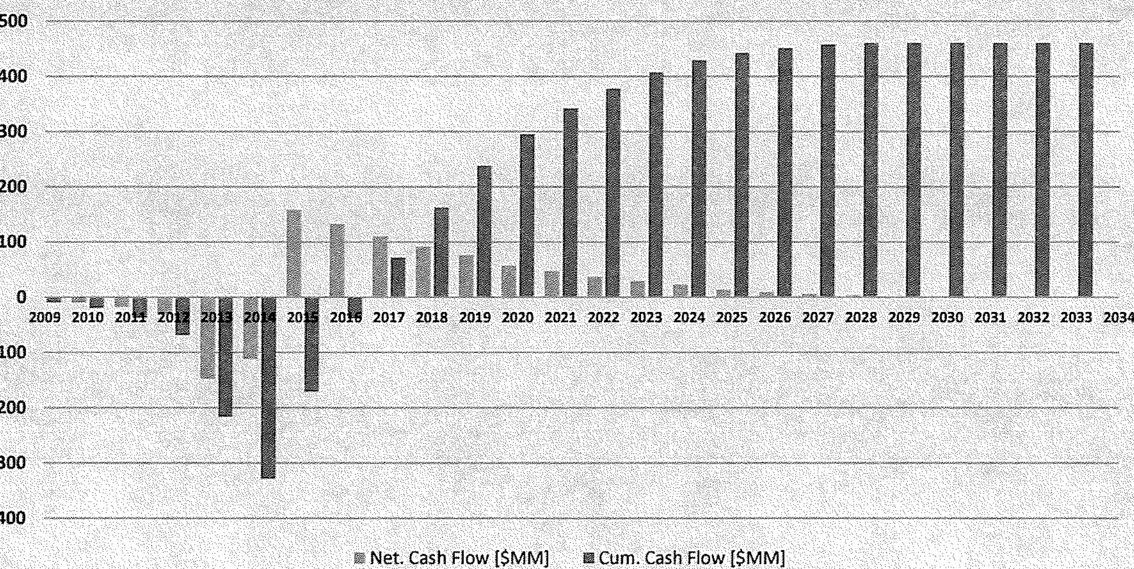


※ **Assumption: Oil Sale Price $48/B (20% Discount from WTI $60/B)**
Reserves 52.4 MM Bo/ API 25°
Production Facility & Pipeline to tie-in the existing pipeline (35 km)

SK energy

Cash Flow

● Cash Flow Estimation



※ **Assumption: Oil Sale Price $48/B (20% Discount from WTI $60/B)**
Reserves 52.4 MM Bo/ API 25°
Production Facility & Pipeline to tie-in the existing pipeline (35 km)

SK energy

Farm-out Term

FO Interest

- Up to 25%

Farmout Term

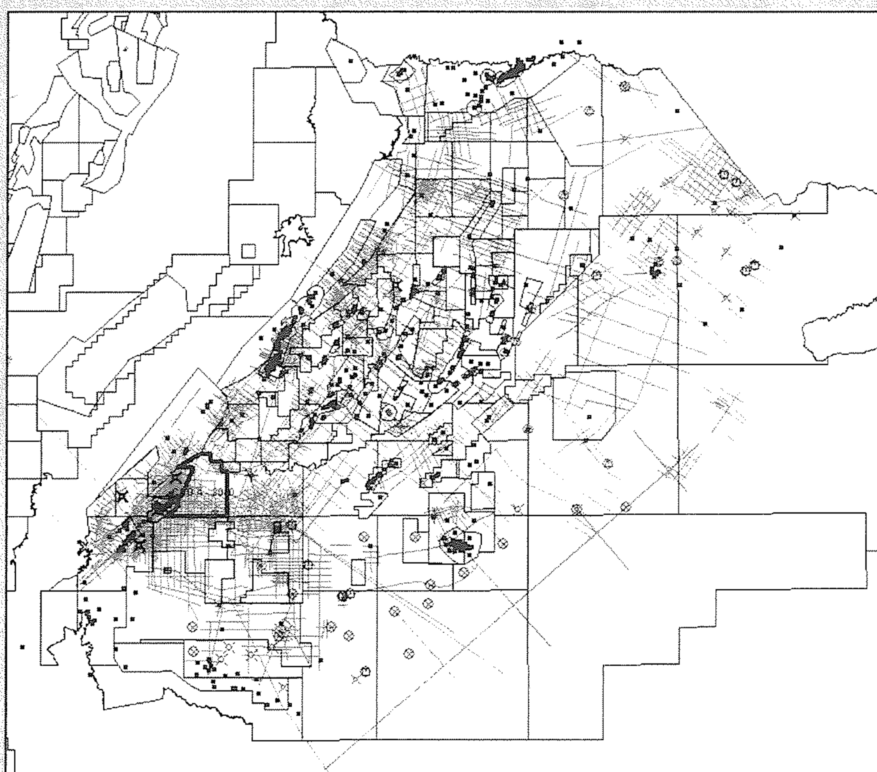
- 1 Phase Seismic Cost (Acquisition & Processing) : Two for one of WI
- Others : Ground floor (Pay the interest portion)
  - Bidding Stage : $ 255,785
  - Phase 0 ~ Present : Actual Expense * WI

※ This offer will be effective for a thirty day period from October 21st, 2009 and may be withdrawn at any time thereafter without notice.

SK energy

Under-explored Large Area

Potential



Area : 1.4 M ㎢

Sparse 2D : 1825 Km

Only 1 well

SK energy

감사합니다. !!

Thank You !!

Gracias !!

SK energy

EXHIBIT 21

CONFIDENTIAL
CONTAINS INFORMATION SUBJECT TO THE PROTECTIVE ORDERS IN ADMINISTRATIVE PROCEEDING FILE NO. 3-16000

TECHNICAL EXPERT SUMMARY

Assessment of Oil and Gas Resource Statements
Llanos Basin
Colombia, South America

Report Prepared By

Michael L. Wiggins, Ph.D., P.E.
Texas Registered Engineering Firm F-16321
[redacted]
USA

Michael L. Wiggins November 21, 2014

Michael L. Wiggins, Ph.D., P.E. Date

STATE OF TEXAS
MICHAEL L. WIGGINS
56184
REGISTERED
PROFESSIONAL ENGINEER

Table of Contents

Assessment of Oil and Gas Resource Statements
Llanos Basin
Colombia, South America

Introduction

1. Fulbright & Jaworski LLP (Fulbright) has requested that Michael L. Wiggins provide expert assistance in the field of petroleum engineering related to the estimation of hydrocarbon resources. In particular, Fulbright has requested assistance with understanding these estimates for reservoirs located in the Llanos Basin of Colombia, South America in relation to certain information provided by Houston American Energy Corp. (Houston American) in late 2009 and 2010.

2. In providing this assistance and forming the opinions presented herein, various documents furnished by Fulbright, publicly available information, and non-confidential information contained within Wiggins' files have been reviewed and analyzed.

3. Wiggins holds B.S. (1979), M.Eng. (1988), and Ph.D. (1991) degrees in petroleum engineering from Texas A&M University and is a registered professional engineer in the states of Texas and Oklahoma. Wiggins' professional experience covers approximately 35 years and spans the traditional areas of petroleum engineering including reservoir, drilling, and production engineering. He has been elected a Distinguished Member of the Society of Petroleum Engineers (SPE) and served on its Board of Directors. He has served as an expert in U.S. Federal and State Court proceedings, State regulatory hearings, and arbitration matters.

4. Wiggins' experience includes 15 years as a professor of petroleum engineering at the University of Oklahoma (1991-2006) where he taught courses and conducted research on topics related to reservoir engineering, estimating hydrocarbon resources, waterflooding, production operations, economic evaluation of oil and gas projects, and reservoir management. He has experience with international and independent exploration and production (E&P) companies and has provided consulting services for national oil companies, international oil companies, international service companies, and independent E&P companies. In addition, he teaches technical short courses related to reservoir engineering, estimating hydrocarbon resources, petroleum project evaluations, waterflooding, and production operations on an international basis.

5. Wiggins has assisted with the assessment and evaluation of several projects in Colombia including reservoirs located in the Llanos Basin. In this capacity, he has provided technical reservoir engineering services associated with evaluating exploration projects and estimating potential hydrocarbon resources for these projects. In addition, he has evaluated producing reservoirs to estimate original hydrocarbons-in-place, ultimate hydrocarbon recovery, and hydrocarbon resources and reserves.

6. Wiggins serves as a technical editor for several specialty journals including those for SPE. For three years, he served as the executive editor for the *SPE Production & Facilities* journal, which covered technical topics related to oil and gas production, separation processes, surface equipment, and facilities. He has authored numerous articles in his areas of technical expertise. Wiggins' resume is included as Appendix A.

7. Wiggins joined William M. Cobb & Associates, Inc. (Cobb & Associates) in Dallas, Texas as a Senior Vice President in 2006 where he provided technical consulting services to the oil and gas industry. He was elected President of the firm in January 2011. Cobb & Associates was organized in 1983 and is an international oil and gas consulting firm offering petroleum engineering and geological services to the industry. It provides reservoir engineering services to large and small E&P companies, international oil companies, national oil companies, banks, and financial institutions. It also offers litigation support and provides technical short courses on an international basis. In March 2013, Wiggins joined Mid-Con Energy Operating LLC as Executive Vice President and was named President of the firm in August 2014. In this capacity, he directs the operations of an independent E&P company headquartered in Dallas, Texas.

8. This report has been limited to those issues for which Wiggins has the necessary expertise to investigate, analyze, or opine. In addition, he has made all the inquiries that are relevant and appropriate in forming the opinions offered here in responding to the requests made by Fulbright. To his knowledge, no significant matters have been withheld in preparing this report related to the scope of this investigation. Wiggins is being compensated at the rate of $350 per hour for his time on this matter and his compensation is not contingent on the opinions issued in this report.

9. This report has been based on data and information available to Wiggins at the time the report was generated; however, he reserves the right to amend or supplement this report if additional facts or data comes to his attention relevant to his analysis and opinions. The documents that are referred to in this report are listed as References at the end of this report.

Background

10. In December 2008, SK Energy (SK) obtained an exploration concession in the western part of the Llanos Basin from the government of Colombia. This concession is referred to as CPO-4 and covers approximately 345,400 acres with an initial exploration period of six years to acquire and process seismic data, drill at least five exploration wells, and evaluate the concession for commercial hydrocarbon production. At the time of this concession, there had been one exploration well drilled on CPO-4, the Intercol Negritos No. 1. This well, which is located in the far southeast corner of the concession, was drilled and abandoned in 1962.[1]

11. Following a preliminary evaluation, SK began to solicit potential partners to explore the CPO-4 concession in early 2009 through a three-page flyer providing a description of the concession, its hydrocarbon potential, and a timeline for data room access and negotiating

[1] SK Energy, 2009b: "CPO-4 in Llanos Basin Colombia – Farm-in Opportunity," presentation dated 13 April 2009.

terms of an agreement.[2] This three-page flyer indicates CPO-4 is in a proven hydrocarbon area surrounded by producing fields and contains multiple structures with more than three reservoir horizons in each structure. In addition, SK prepared a management presentation dated 13 April 2009 to provide a technical overview of the concession.[3]

12. The April presentation includes a survey of the regional geology, stratigraphy across CPO-4, reservoir data from nearby reservoirs and fields, and an overview of a high-level screening of potential exploration leads or prospects in the concession. In this document, SK indicates there are multiple reservoir targets (leads or prospects) in each structure with qualitative information provided for 22 of these structures.[4] From a technical perspective, this document was a qualitative screening of the hydrocarbon potential of CPO-4 to encourage additional review of the concession by interested parties.

13. In mid-2009, Houston American entered into a farmout agreement with SK in which the company agreed to pay 25 percent of all past costs plus an additional 12.5 percent of the seismic acquisition costs in order to earn an undivided 25 percent interest in the CPO-4 concession.[5] This agreement was followed by a technical committee meeting led by SK in October 2009.[6] At this meeting, SK provided additional technical information and proposed plans for obtaining additional seismic data for analyzing the concession. While primarily covering geologic and geophysical data, the meeting presentation indicates additional formations of exploration interest to those reviewed in the April presentation. These additional formations would increase the exploration value of the CPO-4 concession relative to the review provided in April.

14. Houston American provided an investor presentation in November 2009 that indicates it had entered into an agreement with SK to explore CPO-4. Houston American provided a disclaimer at the beginning of the presentation related to the risks and uncertainties of forward-looking statements, which would be provided in the presentation. In addition, Houston American clearly indicated it would present hydrocarbon volume estimates that were not proved reserves and could not be used in the US Securities and Exchange Commission (SEC) filings. Furthermore, the statements indicated all volumes were unrisked, undiscounted, unadjusted and subject to substantial uncertainty. In this context, Houston American indicated "CPO-4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels."[7]

15. Wiggins has been engaged by Fulbright to assist in responding to claims presented by the SEC in its Order Instituting Proceedings (OIP) relative to Houston American's estimates of potential hydrocarbon resources associated with its interest in CPO-4. Specifically, Fulbright has asked him to review the SK presentations, Houston American's November 2009 investor

[2] SK Energy, 2009a: "Farm-in Opportunity: Block CPO-4, Llanos Basin in Colombia," flyer prepared early 2009.
[3] SK Energy, 2009b.
[4] As used in SK's presentations, a lead or prospect represents a potentially hydrocarbon bearing formation located on a geologic structure that may serve as a hydrocarbon trap. In this context, a structure that contains two potential hydrocarbon bearing formations represents two leads or prospects.
[5] Houston American Energy Corp., 2009: "Investor Presentation," November 2009, page 12.
[6] SK Energy, 2009c: "Technical Committee Meeting: CPO-4 Block, Colombia," presentation dated 14 October 2009.
[7] Houston American, 2009: pages 1 and 12.

presentation, OIP, information obtained from various parties involved in this matter, and public information regarding hydrocarbon resources in the Llanos Basin and opine on the reasonableness of Houston American's statements relative to the CPO-4 concession.

16. Exploration ventures carry great uncertainty and are high risk. Oil and gas exploration companies use regional geophysical and geological information, with limited drilling and hydrocarbon production information, in an attempt to identify potential hydrocarbon accumulations. This process includes a high-level survey to identify prospective production basins, regions, or areas. From this review, leads or prospects are identified for additional evaluation that may eventually result in the drilling of an exploration well. Technical personnel involved with these activities understand there is a wide range of potential outcomes in identifying these leads or prospects from drilling a dry hole to finding an uneconomic or marginal hydrocarbon accumulation to developing a world-class reservoir.

17. As a result, when industry professionals discuss exploration activities they understand the wide range of potential values that may be assumed in the preliminary evaluation of a particular project. Due to this range of potential values, organizations and individuals are driven by the corporate culture in which they have developed their experience and that organization's or individual's tolerance for risk. If the corporate culture is mildly tolerant of risk, then its perception and value of a particular lead or prospect will be less than that of one that has a higher tolerance for risk. In addition, if the corporation has past experience in a particular area, it will have a greater understanding of the uncertainties than one that has little experience in the area, which tends to make the less experienced organization more conservative in its evaluation of a particular lead or prospect.

18. In the case of the CPO-4 concession, Houston American had been operating in Colombia since 2001 through its partners, participating in drilling approximately 94 wells with a 67 percent success rate to November 2009. Based on its activities in the Llanos Basin, Houston American developed an understanding of the geological and production characteristics of the Basin through actual field operations. This first-hand knowledge provided Houston American and its management a perspective to review the exploration expectations provided by SK in 2009. Based on its experiences, Houston American was able to judge the information and develop its own perspective on the value of the CPO-4 concession to its operations.

19. In addition, during the period from 2007 through 2010, Petrominerales Ltd. (Petrominerales) discovered oil in the Corcel and Guatiquia concessions, which are on the northeast border of CPO-4.[8] Due to its operations in the Llanos Basin, Houston American was aware of Petrominerales' activity at Corcel and Guatiquia and closely monitored published results. These discoveries enhanced the quality of the exploration leads or prospects on CPO-4 and provided direct evidence of commercial production in the Mirador, Guadalupe, and Ubaque formations. At Corcel, Petrominerales reported test rates from a number of wells ranging from 1,200 BOPD to 8,000 BOPD during the period of 2007 to 2009. In January 2010, Petrominerales reported test rates of 11,000 BOPD of high gravity oil in a Candelilla well on

[8] Petrominerales Ltd.: Information from website http://www.petrominerales.com/. Various press releases from 2007 through 2010.

the Guatiquia Block after reporting the casing of this well in late 2009.[9] As shown in Fig. 1, the Candelilla area is southwest and on trend with Corcel and northeast and on trend with CPO-4.[10] The proximity of these new discoveries as SK and Houston American are developing plans for CPO-4 enhance the potential for this concession, which would be reflected in the exploration evaluation of CPO-4 by a competent professional.

20. Within the context of an exploration venture, Houston American utilized its experiences in other Colombia producing projects, along with the recent exploration results reported by Petrominerales, to evaluate CPO-4 based on information furnished by SK and develop its November 2009 investor presentation. In general, its November 2009 presentation is an overview of Houston American and its operations. The presentation is 38 pages in length and contains general technical information relative to CPO-4 and other Houston American operations. Of these 38 pages, 16 pages are related to SK and CPO-4 including 4 pages committed to an overview of Petrominerales' Corcel area. Within this information there is one page (page 12) that provides a summary of the farmout agreement with SK and the potential of CPO-4.[11] This is the only reference in the presentation to potentially recoverable reserves in the project and is the third of seven bullet points made on the page.

21. Wiggins has been asked to provide an opinion related to four specific issues:

- Was Houston American's estimate of "1 to 4 billion barrels" of recoverable reserves reasonable based on information available at the time the statement was made in November 2009?
- Is 500 barrels of oil per acre-ft a reasonable recovery factor in the western Llanos Basin area when compared to SK's estimate of 150 barrels of oil per acre-ft as used in its April 2009 presentation?
- Was it misleading to use the term "recoverable reserves" in the 2009 presentation?
- Is a value metric of $20 per barrel of recoverable oil reasonable when evaluating oil resources in the Llanos Basin in late 2009 or early 2010?

22. These questions are addressed in the following sections in the order they have been stated above. The responses have been based on information provided by Fulbright, data and information contained in the presentations and filings of SK and Houston American, publicly available data related to hydrocarbon production in the Llanos Basin, non-confidential information in Wiggins' files, and his professional experience.

23. Each topic is related to the reasonableness of the statement, which is dependent on the time the statement is offered, data available, experience of the statement maker, and the context in which it is offered. As such, the opinions provided in this report are placed within this context to determine reasonableness based on professional judgment. As in all aspects of hydrocarbon evaluation, there are uncertainties inherent in the interpretation of geologic and engineering data and conclusions necessarily represent informed professional judgments. Therefore,

[9] *Ibid.*
[10] IHS, 2011: Colombia Eastern Sheet Map (CO11H1EST), November 2011; Houston American, 2012: "Investor Presentation," March 2012, page 30.
[11] Houston American, 2009: page 12.

Houston American made its statements based on its experience while realizing any competent person would understand the statements were made in the context of an exploration venture, which could result in a range of potential outcomes, from bad to good.

Statement of Recoverable Reserves

24. In its November 2009 investor presentation, Houston American discusses its agreement with SK regarding the CPO-4 concession. In the information, it makes the following statement: *CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels.*[12] This statement was made after Houston American had provided several disclaimers related to the information being presented. Its disclaimers were related to the risk and uncertainty of forward-looking statements and that the presentation would contain references to resources and reserves that were prohibited in SEC filings as they were not proved reserves. In addition, it provided the alert that all reserve volumes presented were unrisked, undiscounted, unadjusted, and were subject to substantial uncertainty.[13]

25. The SEC has questioned whether Houston American had a basis to support its claim regarding the number of leads or prospects contained on CPO-4 and the recoverable reserve volumes as they were not supported by information provided by SK in its April 2009 presentation.[14]

26. The work presented by SK was developed based on various qualities of two-dimensional (2-D) seismic data dating from 1970 to 1994 and one well drilled on the concession in 1962. While this data was limited, it was supplemented with information from surrounding exploration wells and producing fields. It appears SK used 15 drilled wells and 1,825 km of 2-D seismic data in its scoping evaluation of CPO-4.[15] In addition, it appears that SK did not incorporate the results of recent exploration activities at Corcel from 2007 through 2009 into its evaluation, which would have enhanced SK's review. From this work, SK developed leads or prospects for CPO-4. A lead or prospect refers to a potentially hydrocarbon bearing formation on a geologic structure that might serve as a hydrocarbon trap.

27. The limited amount of data is typical for exploration projects, which often have less data to analyze when acquiring an exploration concession. The primary purpose of a State to create exploration concessions is to encourage a third-party to acquire data to evaluate the concessions potential for commercial production. The data acquired is usually regional geophysical and geologic data including seismic acquisition and the drilling of wells at prospective hydrocarbon-bearing areas to obtain subsurface data and assess the commercial feasibility of hydrocarbon production.

28. In this case, SK had recently acquired the CPO-4 concession and had undertaken a preliminary evaluation to assess the hydrocarbon potential of the concession and highlight promising areas for additional evaluation and to encourage potential partners for its project.

---

[12] *Ibid.*
[13] *Ibid.*: page 1.
[14] SK Energy, 2009b.
[15] *Ibid.*: page 22.

In its April presentation, SK highlights potentially productive reservoirs in CPO-4 based on hydrocarbon production in the near-vicinity of the concession. These prospective productive reservoirs included the Carbonera 7 (C7), Carbonera 9 (C9), Mirador, Barco, Guadalupe, and Une formations.[16] The electrical well log for the Negritos No. 1 drilled in 1962 on CPO-4 indicated potential reservoir quality rock in the C7, C9, Mirador, Barco, and Guadalupe formations (See Fig. 2). The highest quality rock in this particular well was in the Guadalupe followed by the Barco and Mirador formations.

29. SK's summary indicated recoverable hydrocarbon potential for 22 structures containing 56 leads or prospects totaling 974 MMBO as shown in Fig. 3.[17] In this analysis, SK only included potential for three prospective reservoirs: C7, Mirador, and Une. The recoverable volume estimates were prepared using an average thickness of 225 ft and a unit recovery rate of 150 STBO/acre-ft. It did not include the C9, Barco, or Guadalupe formations, with the latter two indicating the greatest potential in the Negritos well. Consequently, a competent person with experience in the Llanos Basin would understand the summary table included in the presentation dealt with only a subset of the prospective formations in CPO-4. As a result, SK's recoverable hydrocarbon potential of 974 MMBO was only a fraction of the total recoverable potential for CPO-4.

30. SK prepared a variation of this presentation with the same title and date.[18] In this presentation, SK indicates it had identified 22 structures on CPO-4 and then provided details for only 12 of the 22 structures as shown in Fig. 4. Its recoverable reserve estimate for these 12 structures was 2,489 MMBO from only three of the potentially six productive reservoir intervals (Carbonera, Mirador, and Paleozoic).[19] This estimate was prepared using an average thickness of 150 ft and a unit recovery rate of 200 STBO/acre-ft. This estimate of recoverable volumes from only a fraction of the structures and formations identified by SK on CPO-4 suggests that SK considered the potential recoverable volumes could be much higher than those reflected in its other April 2009 report. For example, if one increased the average thickness for these calculations to 225 ft as used by SK in its previous April calculations, then its recoverable reserve estimate would be over 3,700 MMBO for only three of the potentially six production formations and for only 12 of 22 identified structures.

31. A technical committee meeting concerning CPO-4 was held in October 2009 and was led by SK as operator of the concession.[20] The purpose of this meeting was to review additional analyses furnished by SK and approve three-dimensional (3-D) seismic acquisition. SK furnished a presentation at this meeting that included over 100 leads or prospects in the C9,

[16] *Ibid.*: page 17.
[17] *Ibid.*: pages 28-29. SK is inconsistent in its use of the terms leads and structures. In the table on page 29, it lists leads; however, these are the 22 structures mentioned on page 28. Each structure has multiple horizons present representing the 56 leads or prospects on these 22 structures. There is an error in the number of horizons mentioned on page 28 as page 29 indicates 56 horizons (leads or prospects) and not the 58 horizons noted on page 28.
[18] SK Energy, 2009b-2. "CPO-4 in Llanos Basin Colombia – Farm-in Opportunity," presentation dated 13 April 2009. This presentation contains 68 pages versus 53 pages in SK Energy, 2009b.
[19] *Ibid.*: pages 15-16 and 18-19.
[20] SK Energy, 2009c.

Mirador, and Paleozoic formations.[21] This work was in addition to that provided in the April 2009 presentation. It is significant to note that SK has now incorporated results from the Corcel area into its evaluation, which was absent in the April 2009 presentation.

32. In addition, SK prepared a presentation dated 21 October 2009 for use in soliciting additional partners for CPO-4.[22] This presentation clearly indicates additional technical work performed by SK since its initial presentation in April 2009 including seismic reprocessing and analysis, improved geologic correlation with commercial fields across the basin, and analysis of the Corcel play adjoining CPO-4. In this presentation, SK now identifies 53 structures on CPO-4 versus its original 22 structures in the April 2009 presentation. Further, SK indicates these 53 structures contain 114 leads or prospects in the C-9 (33), Mirador (34), and Paleozoic (47). In this presentation, SK uses a unit recovery rate of 300 STBO/acre-ft essentially doubling its unit recovery rate of 150 STBO/acre-ft from the April presentation.[23] If one performs the recoverable reserve volumes as SK did for all 114 leads or prospects, the recoverable reserves are approximately 1,192 MMBO. SK prepared a report in November 2009 that indicates 122 leads in the Carbonera, Mirador, and Paleozoic formations with estimated recoverable reserves of 1,372 MMBO.[24]

33. By November 2009, SK had identified 53 structures on CPO-4 that contained over 100 leads or prospects from three of six potential hydrocarbon bearing formations. Its recoverable reserve estimates ranged from 974 MMBO to over 2,400 MMBO, representing a fraction of the exploration potential for CPO-4.

34. When dealing with exploration projects, one is trying to capture a range of potential outcomes for an individual project realizing the uncertainties associated with the venture in order to manage the risk of the project. Consequently, SK's estimates would be adjusted based on the experience of the evaluator reviewing its work. For example, many reservoirs in the Llanos Basin are subject to active aquifer support that may result in recovery factors of 40 to 60 percent.[25] In this example, if one increases SK's recovery efficiency to 60 percent to account for active aquifer support then its recoverable resources range from 1.9 billion barrels to over 4 billon barrels, which is within the range of estimates provided by Houston American.

35. From deposition testimony, Fluker indicates that SK employees used varying ranges of recovery factors for CPO-4.[26] He stated he used a recovery factor of 500 STBO/acre-ft based on his experience while the Colombian employees of SK working in Bogota used higher recover factors. In particular, he indicated that geophysicist Reyes used a recovery factor of 1,000 STBO/acre-ft for the Llanos Basin based on his experience in the Basin. This range of

[21] *Ibid.*: pages 29, 31, 33, and 60. Minutes of CPO-4 Technical Committee Meeting indicate James Jacobs of Houston American was in attendance. His final note from the meeting states "more than 100 leads."
[22] SK Energy, 2009d: "CPO-4 Llanos Basin Colombia – Farm-in Opportunity," presentation dated 21 October 2009.
[23] *Ibid.*: pages 39-45.
[24] SK Energy, 2009e: CPO-4 Final Report dated November 2009, pages 1-5.
[25] Tudor, Pickering, Holt & Co., 2011: "Update on Colombia," 2011, pages 23, 35-36, and 38; Wood Mackenzie, 2010a: "Corcel Asset Analysis," August 2010, page 5; Wood Mackenzie, 2010b: "Condor Asset Analysis," August 2010, page 5.
[26] Fluker, 2012: Deposition of James C. Fluker, III taken on 17 July 2012 in Washington, D.C. pages 78-79; Fluker, 2014: Deposition of James C. Fluker, III taken on 10 November 2014 in Houston, Texas. pages 90-92.

recovery factors would increase SK's April 2009 recoverable reserve estimate from 974 MMBO to 5,000 MMBO or more. Once again, these volumes are within the range of volume estimates reported by Houston American.

36. By the time Houston American prepared its November 2009 investor presentation, it had received information from SK indicating SK had identified 53 structures on CPO-4 containing over 100 leads or prospects in three formations, which excluded the most attractive formations in the Negritos well, the Guadalupe and Barco formations. This information led Houston American to include in its investor presentation that it had entered into an agreement with SK to explore CPO-4, which had *"over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels"* as an individual bullet point among seven on the page.[27]

37. This statement by Houston American was based on information provided by SK within its presentations as SK had identified over 100 leads or prospects from 53 structures on CPO-4 from only three formations (C9, Mirador, and Paleozoic) containing over 1,300 MMBO. In addition, SK had conducted a preliminary evaluation of the concession and provided an estimate of recoverable reserves of 974 MMBO from 22 structures based on only three of six formations SK had indicated could be potentially productive on CPO-4. In another presentation, its estimate was over 2,400 MMBO from 12 structures. These estimates provide a range of potential outcomes that were being considered by SK as it conducted its evaluation of CPO-4. In addition, by using reasonable engineering and geologic assumptions, one can use SK's data to increase its recoverable reserve estimates to over 3,700 MMBO.

38. In its OIP, the SEC claims that Houston American had no basis for making the claims related to the 100 leads or prospects with recoverable reserves of one to four billion barrels. It further claims that CPO-4 "did not contain 'identified leads or prospects'" and "did not have 'estimated recoverable reserves.'" These claims are contrary to the evidence available for review. SK had identified more than 100 leads or prospects on 53 structures located in CPO-4. Multiple SK documents support that these leads or prospects had been identified through geologic and engineering analysis and Houston American's use of the terms "leads or prospects" was not misleading.

39. In these same materials, it is clear that SK have estimated recoverable reserve volumes that ranged from 1 billion barrels to over 2.5 billion barrels. In addition, by using professional judgment and SK's work, estimates of recoverable reserve volumes could exceed 4 billion barrels of oil for CPO-4. These estimates were based on data and information specific to concessions surrounding CPO-4 and to CPO-4 itself. Thus, these estimates were block specific. Finally, from the context of Houston American's presentation and its disclaimers, it is evident that SK had drilled no wells on the block and that the recoverable reserves discussed by SK and Houston American were estimates of potential resources, and the use of the word recoverable reserves in this context is not inconsistent with industry usage.

[27] Houston American, 2009: page 12.

Recovery Per Acre-Foot

40. Recovery efficiency, which is often referred to as recovery factor, is expressed as a percentage of hydrocarbons recovered or estimated to be recovered as a fraction or percentage of the original hydrocarbons-in-place (OHIP). An alternative measure of recovery factor is expressed as the ratio of estimated ultimate hydrocarbon recovery to the estimated hydrocarbon bulk volume (acre-ft). The hydrocarbon bulk volume represents that portion of the subsurface reservoir that is expected to contain hydrocarbons. The hydrocarbon bulk volume is estimated by mapping the areal extent of the reservoir formation and integrating it with the variation of formation thickness across the hydrocarbon accumulation. These parameters are estimated from geophysical and geologic data including seismic and well log data.

41. There are two basic approaches to estimate recovery factors. One is to take historical performance data to yield an estimate of ultimate hydrocarbon recovery and divide it by the hydrocarbon bulk volume of the reservoir. Incorporating the evaluator's experience, this approach provides quality estimates of recovery factor based on actual reservoir behavior. The second is to calculate the recovery factor by estimating the reservoir parameters from the available data and the recovery efficiency from the reservoir drive mechanism and the evaluator's experience. When determined by the second approach, the recovery factor is the product of several reservoir properties and can be calculated from the following relationship.

$$RF = \frac{7{,}758\, \emptyset\, (1 - S_w)}{B_o} E_R$$

Where,

RF = Recovery factor, STBO/acre-ft
ϕ = Porosity, fraction
S_w = Water saturation, fraction
B_o = Oil formation volume factor, Rbl/STB
E_R = Recovery efficiency, fraction

42. In estimating recoverable resources in its April 2009 presentation, SK used a unit recovery rate of 150 STBO/acre-ft as shown in its report summary.[28] In its table, SK utilized an average porosity of 20 percent, water saturation of 40 percent, oil formation volume factor of 1.11 Rbl/STB, and recovery efficiency of 30 percent. Applying these parameters in the equation yields a recovery factor of 251 STBO/acre-ft.

43. Based on the declaration of Choi,[29] SK adjusted this recovery factor by a geometric factor of 0.7 and a confidence level of 0.85, which yields SK's unit recovery rate of 150 STBO/acre-ft. Both of these adjustments would not be normally reflected in the recovery factor calculation of recoverable oil per hydrocarbon bulk volume. The geometric factor is used to account for the fraction of the hydrocarbon bulk volume that may not contribute to production

---

[28] SK Energy, 2009b: page 29.
[29] Choi, D.S., 2014: Declaration of Dong Soo Choi in the Matter of Houston American Energy Corp. (HO-11507) dated 24 July 2014.

due to geologic conditions, reservoir drive mechanisms, or operational strategies. This factor is not generally included when estimating the recovery factor as it is based on the acre-ft bulk volume, not a fraction of an acre-ft. When SK used the geometric factor of 0.7, it essentially was making a reservoir bulk volume adjustment that resulted in a lower recovery factor estimate inconsistent with general use. In addition, SK also incorporated a risk factor of 0.85 to further reduce the recovery factor. Once again, this adjustment is not consistent with the general use of the recovery factor as this risk adjustment is not generally made to the recovery factor.

44. These parameters are based on the quality and quantity of technical data available and the professional judgment of the evaluator. The judgment of the evaluator will be strongly influenced by his or her experience in a particular geologic basin, area, or field. SK could have provided a range of recovery factors based on its analysis and the range of rock and fluid properties estimated for its leads or prospects; however, it decided to provide a single recovery factor (really, unit recovery rate) in its April 2009 presentation. If one did create a range of parameters using information provided by SK and basic engineering knowledge of the area, then the recovery factors could be as low as 250 STBO/acre-ft, as used by SK, to as much as 785 STBO/acre-ft or higher. For example, if one assumes an average porosity of 25 percent, oil saturation of 75 percent, and a recovery efficiency of 60 percent with the other parameters used by SK, the unit recovery rate would be 465 STBO/acre-ft.

45. In fact, SK used a range of unit recovery rates in its analyses of CPO-4, including unit recovery rates higher than 150 STBO/acre-ft. In its October 2009 Farm-In Opportunity presentation, SK used a unit recovery rate of 300 STBO/acre-ft and this value still included geometric and confidence factors.[30] If the geometric and confidence factors are removed, SK's recovery factor would be 390 STBO/acre-ft. A Gulf United Energy presentation dated August 2010 confirms SK had increased its unit recovery rate to 300 STBO/acre-ft.[31]

46. By May 2012, SK used a range of estimated recovery factors, including 489 STBO/acre-ft that was used for at least one CPO-4 lead or prospect.[32] These values indicate the potential range of recovery factors developed by SK changed over time and captured a range from 150 STBO/acre-ft to at least 489 STBO/acre-ft. Therefore, SK did not develop one estimate of unit recovery rate and use it exclusively during its evaluation of CPO-4 but refined that estimate as time progressed. Its estimate of 489 STBO/acre-ft is consistent with the 500 STBO/acre-ft that the SEC indicates was used recklessly by Houston American.

47. As noted earlier, SK employees used a range of recovery factors during 2009. Based on Fluker's testimony, SK employees used recovery factors ranging from 150 STBO/acre-ft to 1,000 STBO/acre-ft.[33] The recovery factor is influenced by the recovery efficiency. As the recovery efficiency increases, the recovery factor will also increase assuming all other parameters remain constant. SK prepared a chart of recovery efficiencies (Fig. 5) for a

---

[30] SK Energy, 2009d.
[31] Gulf United, 2010: Gulf United Energy presentation covering CPO-4 and other South American areas, August 2010.
[32] Murphy, 2012: CPO-4 Volumetric Calculation, e-mail from Craig Michael Murphy to Ken Jeffers and Jim Fluker, 15 May 2012.
[33] Fluker, 2012: pages 78-79; Fluker, 2014: pages 90-92.

number of fields in the proximity to CPO-4 ranging from 35 percent to 68 percent.[34] These recovery efficiencies were developed by SK and are higher than the 30 percent recovery efficiency it used to estimate its April 2009 150 STBO/acre-ft unit recovery rate. If SK used a 68 percent recovery efficiency with its April 2009 parameters, its calculated recovery factor would increase from 250 STBO/acre-ft to over 550 STBO/acre-ft, which is consistent with the 500 STBO/acre-ft used by Houston American.

48. During the period of 2007 through 2010, Petrominerales discovered oil in the Corcel and Guatiquia concessions, which are adjacent to CPO-4. The SEC contacted Petrominerales' reservoir engineering manager to discuss Corcel. In handwritten notes, the SEC indicated that Petrominerales had estimated oil-in-place for Corcel at 940 STBO/acre-ft.[35] The notes further indicate that Petrominerales was estimating a recovery efficiency of 50 percent for Corcel resulting in a recovery factor of 470 STBO/acre-ft. This recovery factor is again consistent with the 500 STBO/acre-ft recovery factor used by Houston American.

49. In a 2003 report prepared relative to resource estimates for the Caracara area in the Llanos Basin, Greenberg used a recovery factor of 500 STBO/acre-ft.[36] DeGolyer and MacNaughton prepared a 2005 estimate of proved and probable reserves in the Caracara area for properties in which Houston American had an interest. DeGoyler and MacNaughton estimated recovery factors ranging from 147 STBO/acre-ft to 650 STBO/acre-ft, with an average of 368 STBO/acre-ft for proved reserves to 438 STBO/acre-ft for probable reserves.[37] In 2010, Petrotech Engineering Ltd. (Petrotech) prepared a report for Houston American that evaluated 16 areas representing 54 prospects with 152 prospective reservoirs on CPO-4 with recovery factors ranging from 105 to 470 STBO/acre-ft.[38] Lonquist & Co., LLC (Lonquist & Co.), a petroleum engineering consulting firm, provided a letter dated 12 April 2012 summarizing its experience with recovery factors in the Llanos Basin. Based on recent client work, it reported recovery factors ranging from 56 STBO/acre-ft to 1,372 STBO/acre-ft with an arithmetic average recovery of 454 STBO/acre-ft from reservoirs in the Carbonera to the Ubaque formations.[39]

50. In March 2010, Petrotech performed an engineering evaluation of properties operated by Hupecol Operating, LLC in the Llanos Basin.[40] Houston American had an operating interest in these properties for a number of years where they had participated in drilling approximately 100 wells. This report covered five exploration and production blocks where Houston American held working interests ranging from 1.6 percent to 12.5 percent. Recovery factors

[34] SK Energy, 2010: "CPO-4 Prospects & Resources," presentation dated 04 October 2010, page 11.
[35] Fluker, 2014: Exhibit 14. Notes of SEC interview with Ryan Adair dated 02 February 2012.
[36] Greenburg, R.L., 2003: "Caracara 3D Interpretation," 15 July 2003. [HUSASEC 000045-000053]
[37] DeGoyler and MacNaughton, 2005: Appraisal Report as of August 31, 2005 on Reserves of the Peguita and Elizita Fields in the Caracara Block, Llanos Basin, Colombia," dated 27 February 2006.
[38] Petrotech Engineering Ltd., 2010b: Evaluation of the Interests of Houston American Energy Corp. in the Serrania & Picachos Blocks in the Caguan-Putumayo Basin and in the CPO 4 Block in Llanos Basin, Colombia," 6 October 2010.
[39] Lonquist & Co., LLC, 2012: "Oil Recovery Overview, Llanos Basin, Republic of Colombia," letter to Houston American Energy Corp., 12 April 2012. [HUSASEC 000401]
[40] Petrotech Engineering Ltd., 2010a: Evaluation of the Interests of Hupecol Operating in the Cabiona, Dorotea, Laz Garzas, Leona and La Cuerva Exploration & Production Blocks in the Llano Basin, Colombia," 8 March 2010.

for these properties ranged from 175 STBO/acre-ft to 680 STBO/acre-ft based on Petrotech's evaluation and averaged 382 STBO/acre-ft for all estimated recovery factors. In its OIP, the SEC provided a range of estimates from this report based on only three of the five production blocks and appears to have excluded the Cabiona and Dorotea Blocks where the recovery factors where higher than those reported by the SEC. Thus its conclusion that Houston American was reckless in not knowing that SK's recovery estimate of 150 STBO/acre-ft was consistent with experience in the area is flawed as it did not capture the entire range of Houston American's experience in the Llanos Basin nor the future work of SK.

51. In addition, an analysis of public data obtained from IHS indicates recovery factors range from 133 STBO/acre-ft to greater than 1,300 STBO/acre-ft. The analysis of the IHS data included the Une, Guadalupe, Mirador, and C7 formations with an average recovery factor of 594 STBO/acre-ft.[41] This analysis was based on estimating the reservoir's ultimate recovery and dividing by the hydrocarbon bulk volume to yield the recovery factor. This empirical recovery factor is based on actual reservoir performance and removes many of the assumptions required in estimating the reservoir parameters required in the volumetric estimate of recovery factor.

52. Wiggins has prepared a technical estimate of recovery factors using the general information provided by SK in its April 2009 presentation and his experience in the Llanos Basin. Active aquifer support is common in the Llanos Basin and was assumed in this analysis. As shown in Figs. 6 and 7, the recovery factors range from 455 STB/acre-ft to almost 700 STBO/acre-ft when the porosity is increased to 25 percent and the water saturation is decreased to 30 percent. The analysis supports the range of recovery factors provided by Greenberg, Lonquist & Co., and the IHS data.

53. In deposition testimony, Fluker indicated he used recovery factor estimates of 500 STBO/acre-ft for leads or prospects in Colombia.[42] As a former employee of SK, he considered the 150 STBO/acre-ft initially used by SK as conservative, which is consistent with the fact that SK used higher unit recovery rates in other materials. Fluker later joined Gulf United when the company participated in the CPO-4 project. While at Gulf United, the company estimated potential resources for CPO-4 using 500 STBO/acre-ft for leads or prospects on CPO-4 that were on the Corcel Trend.[43]

54. Overall, these recovery factors are consistent with the recovery factor attributed to Houston American of 500 STBO/acre-ft. As the range of recovery factors is from 56 STBO/acre-ft to more than 1,300 STBO/acre-ft, estimating recoverable resources of 500 STBO/acre-ft is reasonable within the context of an exploration concession in the Llanos Basin and is supported by the average recoveries of 454 STBO/acre-ft to 594 STBO/acre-ft reported by Lonquist & Co. and calculated from the IHS data.

---

[41] Jeffers, K.A., 2012: "Llanos Basin Field Parameters and Computed Recovery Factors from IHS Data," 2012. [HUSASEC 000402-000404]
[42] Fluker, 2012: pages 78-79.
[43] Fluker, 2010: E-mail from Jim Fluker to Ken Jeffers dated 27 September 2010 with attachment.

55. The range of recoverable reserves presented by Houston American was consistent with the range of recovery factors it had experienced in the Llanos Basin as an operator with Hupecol, the range of recovery factors used by SK over time, and the various recovery factors reported by others that ranged from 50 STBO/acre-ft to 1,300 STBO/acre-ft. In using the 500 STBO/acre-ft to estimate potential recoverable reserves, Houston American did not mislead the reader of its November 2009 presentation as it clearly was a reasonable assumption based on its experience in the Llanos Basin and the work of others.

Use of the Term "Recoverable Reserves"

56. In its OIP, the SEC implies that Houston American improperly used the word "recoverable reserves" in its presentations to indicate "reserves" as defined by the Petroleum Resource Management System (PRMS). When one reviews the disclaimers and the context of Houston American's presentation, it is clear the term "recoverable reserves" is not used by Houston American to indicate PRMS reserves as implied by the SEC.

57. Further, it should be noted that industry uses the term "reserves" in ways that are not always consistent with SEC or PRMS definitions contrary to the claims of the SEC. In 2000, the SEC issued a release that addresses the use of the term "reserves" in documents not filed with the SEC: "We have seen in press releases and web sites disclosure language by oil and gas companies which would not be allowed in a document filed with the SEC."[44] One of the specific examples of such language provided in the release is the term "recoverable reserves," which is the term used in Houston American's November 2009 estimate challenged here. The release does not suggest or imply that the use of such terms is improper or contrary to SEC rules. Instead, the release requests that the use of such terms be accompanied by specific cautionary language. By acknowledging the use of the word reserves in a non-SEC context in press releases and web sites (non-SEC filings) and providing cautionary language to accompany such use, it is clear the SEC understood that the word "reserves" has multiple meanings depending on the context in which it is used. This is further demonstrated by the examples in Table 1, which is a chart of three SEC comment letters advising issuers to use the SEC's cautionary language when using "recoverable reserves."[45] In this case, Houston American included the cautionary language recommended by the SEC in its forward looking statements at the beginning of the presentation.

58. The SEC suggests in its OIP the word "reserves" is a term that has a specific, industry-accepted definition confined to the SEC definition or the PRMS definition while ignoring other potential definitions or uses. While this definition of "reserves" is the definition used by reserve engineers for preparing regulatory filings, the word "reserves" is often used to describe pre-drill estimates or exploration assessments of resource volumes that may be discovered in exploration ventures or future drilling activities. Exploration and production

[44] Excerpt Current Issues and Rulemaking Projects Outline, Securities and Exchange Commission (Nov. 14, 2000), *available at* http://www.sec.gov/divisions/corpfin/guidance/cfoilgasinterps.htm).

[45] See also HA-CORPFIN-000000859, 5 February 2003 SEC Comment Letter to Murphy Oil Corporation advising that issuers should use the cautionary language in non-SEC communications that contain statements about "preliminary," "predrill," or "recoverable reserves" among others.

companies frequently use terms such as "reserves" and "estimated recoverable reserves" and other such variants to describe pre-drill estimates or exploration assessments.

59. Examples of such use include those shown in Table 2. In each example, the context shows that these estimates of reserves do not conform to the SEC or the PRMS definition of reserves. These examples indicate that the word "reserves" does not have a specific, industry-accepted definition in all contexts. Like many words in the English language, the context in which a word is used provides the meaning or appropriate definition of the word.

60. In Houston American's November 2009 investor presentation, it is clear there are no productive wells on CPO-4 as the presented work plan indicates the requirement to obtain seismic data and drill two exploratory wells during the three year period of Phase 1. In addition, CPO-4 is depicted as being surrounded by existing fields. From the context, it is clear that CPO-4 is an exploration project containing no known or discovered reserves with all references to reserves being pre-drill estimates of potential resources.[46] Houston American's SEC filings did not indicate any drilled or producing wells on CPO-4 and described the exploration nature of the concession.[47]

61. From the discussion of CPO-4, lack of a producing well on the block, and the work obligations to obtain and process seismic data and drill exploration wells contained in Houston American's November 2009 investor presentation, it is evident that all hydrocarbon volumes discussed in association with CPO-4 were potential resource volumes and not reserves as defined by PRMS. In our opinion and the context in which it was used, the use of the term "recoverable reserves" by Houston American in its November 2009 presentation was not false or misleading and did not suggest proved reserves or reserves consistent with SEC or PRMS definitions as claimed by the SEC.

Value Per Barrel

62. Fair market values for hydrocarbon properties are generally estimated using a discounted cash flow analysis of the estimated hydrocarbons to be recovered and the costs associated with recovering those hydrocarbons.[48] These estimated values are then adjusted based on the quality of information supporting the hydrocarbon estimates, product price forecasts, and cost estimates.

63. In addition to the discounted cash flow analysis, there are three other general categories of methods encountered in estimating fair market values of hydrocarbon resources.[49] One subset is the price per hydrocarbon resource volume in the reservoir. These values are based on the purchase and sales prices of hydrocarbon properties divided by the estimated hydrocarbon resources associated with the property. This approach is dependent on the quality of the hydrocarbon resource estimate, which is not always reported in a transaction. However, the

[46] Houston American, 2009: pages 9-24.
[47] For example, see Houston American, 2010: SEC Form 10-K for the ended December 31, 2009, pages 5-6, 29-30, 36, F-18-F-19.
[48] Garb, F.A., 1990: "Which Fair-Market-Value Method Should You Use?," *JPT*, January 1990, pages 8-17.
[49] *Ibid.*

approach does provide a quick way to compare recent transactions if one has a general idea of the hydrocarbon resource estimates. Historically, the price per barrel of oil in the ground has been about one-quarter to one-third of the wellhead oil price.

64. In general, purchases are based on the perceived value of reserves or resources that have been identified by drilling and production on the prospective properties. For exploration projects, value is generally placed on lease or concession acquisition costs and not on potential resource volumes. In the acquisition of properties, the primary purchase value is placed on proved reserves with minor value associated with probable and possible reserves. Consequently, the predominant portion of value will be attributed to proved reserves.

65. In a 2009 survey of parameters used in property evaluation, there was a question related to transaction values measured by price per barrel.[50] This survey essentially covered transactions during 2008. Without distinction of reserve category, the range of average values was from $12.74 per barrel to $25.66 per barrel. For proved developed reserves the average values ranged from $16.52 to $25.56 per barrel, while possible reserves were valued at averages ranging from $0.65 to $2.23 per barrel. These later values highlight the fact that little value is attributed to possible or prospective resources on a per barrel basis. While a knowledgeable person would realize there may be some value included for unrealized potential, the purchaser rarely provides significant value for that potential as evidenced by the low values attributed to possible reserves.

66. In a summary of large Latin American E&P transactions during the period of 2008 through 2009, Scotia Waterous provided information on three transactions involving Colombia properties as shown in Fig. 8. Two of these were priced at $23.59 to $28.71 per barrel based on proved plus probable reserves.[51] These two transactions occurred in March and July 2008 when oil prices were averaging $100 to $130 per barrel. Applying the historical ratio, the price range would be $25 to $30 per barrel, which is consistent with the reported range.

67. In one of the transactions, Houston American had interests in properties operated by Hupecol that were transferred to the buyer (CEPSA) at the price of $23.59 per barrel of proved and probable reserves. The exchange price based on proved reserves only was $26.06 per barrel. This direct experience by Houston American in 2008 provided a basis to support its estimate of transaction values it may have provided in 2009.

68. In its OIP, the SEC has questioned Houston American referring to a value metric of $20 per barrel of producing resources during the period of 2009 to 2010. Houston American did not claim it had proven reserves on CPO-4, and it appears any such discussions took place in a hypothetical context of what oil would be worth if discovered. Based on the information provided by the SPEE survey, the Scotia Waterous information, and Houston American's

---

[50] SPEE, 2009: "Survey of Parameters Used in Property Evaluation," page 39.

[51] Scotia Waterous, 2009: "Large Latin American E&P Transactions." The third transaction was a transfer of assets from a company to the national oil company, Ecopetrol, at $6.39 per barrel of proved plus probable reserves. This transaction occurred in March 2009 when oil prices had suffered a steep decline in late 2009. For the first quarter of 2009, oil prices were approximately $40 to $45 per barrel. A rule-of-thumb for estimating exchange prices per barrel is that the value will be approximately one-quarter to one-third the current oil price. In this case, the value would have been approximately $10 per barrel, which is consistent with the price paid for the proved reserves ($9.67 per barrel).

own transaction experience, this price metric was reasonable in response to questions related to value of the properties **if** hydrocarbons were discovered and were economically producible. It appears the SEC has taken the comments out of context and there was nothing misleading about the value metric attributed to Houston American.

Summary

69. Wiggins has reviewed the statements made by Houston American in its November 2009 investor presentation regarding CPO-4. In our opinion, the statements are reasonable in the context of an exploration venture and supported by work completed by SK, analogous data from productive reservoirs in the Llanos Basin, and Houston American's experience in the Llanos Basin.

70. Information provided by SK supports Houston American's claim of over 100 leads or prospects on CPO-4. Its use of the term leads or prospects is consistent with the information provided by SK and was not misleading.

71. SK presented a range of recoverable reserves of approximately 1.0 to 2.5 billion barrels of oil based on only three of six potentially productive formations on CPO-4 during 2009. Adjustments to recovery factors to account for increased recovery efficiencies due to aquifer support or enhanced reservoir parameters due to the successful exploration results at Corcel would also increase recoverable resource estimates from 1.0 to approximately 4.0 billion barrels of oil. These values are within the range of recoverable resources provided by Houston American and are consistent with pre-drill resource estimates in an exploration venture.

72. A recovery factor of 500 STBO/acre-ft has been attributed to Houston American regarding CPO-4, which the SEC has indicated is inconsistent with those developed by SK and with other estimates in the Llanos Basin. This estimate is consistent with estimates of recovery factors: (1) provided by other evaluators; (2) calculated from the range of reservoir parameters for productive reservoirs in the vicinity of CPO-4; (3) developed by SK in other materials concerning CPO-4; (4) estimated from historical performance data for the Llanos Basin; and (5) estimates developed by Wiggins. Recovery factors range from 56 STBO/acre-ft to more than 1,300 STBO/acre-ft. This range of recovery factors captures Houston American's estimate of 500 STBO/acre-ft, which is reasonable for CPO-4 and is not inconsistent with recovery rates seen in the Llanos Basin.

73. Survey data from 2009 property acquisitions and Colombia-specific transaction data indicate a range of price metrics from $23 to $29 per barrel of proved and probable resources. These values are consistent with the price metric of $20 per barrel of recoverable resources attributed to Houston American and referenced by the SEC, which appears reasonable if the resources are discovered and developed on CPO-4.

74. In summary, claims by the SEC that Houston American was reckless in its evaluation of CPO-4 appear to lack technical merit when reviewed within the context of an exploration venture. The statements made by Houston American are reasonable based on information available at the time they were made, analogous performance of Llanos Basin reservoirs, and

the experience of Houston American in Colombia. In our opinion, the statements made or attributed to Houston American were not misleading within the context of an exploration venture, which is obvious from all materials and discussions, and are consistent with our professional judgment.

References

The following documents were used as references in compiling this report.

Choi, D.S.: Declaration of Dong Soo Choi in the Matter of Houston American Energy Corp. dated 24 July 2014.

DeGolyer and MacNaughton: "Appraisal Report as of August 31, 2005 on Reserves of the Peguita and Elizita Fields in the Caracara Block, Llanos Basin, Colombia," dated 27 February 2006.

Fluker, J. C. III: Deposition of James C. Fluker, III taken on 17 July 2012 in Washington, D.C.

Fluker, J. C. III: Deposition of James C. Fluker, III taken on 10 November 2014 in Houston, TX.

Fluker, J.: E-mail to Ken Jeffers dated 27 September 2010 with attachment.

Garb, F.A.: "Which Fair-Market-Value Method Should You Use?," *JPT*, January 1990, 8-17.

Greenberg, R.L.: "Caracara 3D Interpretation," report dated 15 July 2003. [HUSASEC 000045-000053]

Gulf United Energy Inc.: Untitled presentation dated August 2010.

Houston American Energy Corp.: "Investor Presentation," dated November 2009.

IHS: Colombian Eastern Sheet Map (CO11H1EST), November 2011.

Jacobs, James: Notes from CPO-4 Technical Committee Meeting held on 14 October 2009.

Jeffers, K.A.: "Llanos Basin Field Parameters and Computed Recovery Factors from IHS Data," undated spreadsheet analysis of recovery factors (STBO/acre-ft) for 46 fields based on publicly available data, 2012. [HUSASEC 000402-000404]

Lonquist & Co., LLC: "Oil Recovery Overview, Llanos Basin, Republic of Colombia," letter from D.E. Charbula to J.F. Terwilliger, Houston American Energy, dated 12 April 2012. [HUSASEC 000401]

Murphy, C.M.: "CPO-4 Volumetric Calculation," E-mail from Craig Michael Murphy to Ken Jeffers and Jim Fluker dated 15 May 2012.

Petrominerales Ltd.: Various press releases from 2007 through 2010 located on website http://www.petrominerales.com.

Petrotech Engineering Ltd.: "Evaluation of the Interests of Houston American Energy Corp. in the Serrania & Picachos Blocks in the Caguan-Putumayo Basin and in the CPO 4 Block in Llanos Basin, Colombia," as of 30 September 2010, report dated 6 October 2010.

Petrotech Engineering Ltd.: "Evaluation of the Interests of Hupecol Operating in the Cabiona, Dorotea, Laz Garzas, Leona and La Cuerva Exploration & Production Blocks in the Llanos Basin, Colombia," report dated 8 March 2010.

Scotia Waterous: "Large Latin American E&P Transactions," summary of six transactions from March 2008 through March 2009.

SK Energy: "Farm-in Opportunity: Block CPO-4, Llanos Basin in Colombia," undated three-page flyer announcing CPO-4 opportunity, prepared first-half 2009.

SK Energy: "CPO-4 Final Report," dated November 2009.

SK Energy: "CPO-4 in Llanos Basin Colombia: Farm-in Opportunity," presentation dated 13 April 2009.

SK Energy: "CPO-4 in Llanos Basin Colombia: Farm-in Opportunity," presentation dated 13 April 2009. (This version contains 68 pages versus the previous version with 53 pages.)

SK Energy: "CPO-4 Llanos Basin Colombia: Farm-in Opportunity," presentation dated 21 October 2009.

SK Energy: "CPO-4 Prospects & Resources," presentation dated 04 October 2010.

SK Energy: "Technical Committee Meeting: CPO-4 Block, Colombia," presentation dated 14 October 2009.

SPEE: "Survey of Parameters Used in Property Evaluation," 2009.

Tudor, Pickering, Holt & Co.: "Update on Colombia – Foothills, heavy oil, infrastructure and more in the Llanos and Putumayo," presentation dated 2011.

U.S. Securities and Exchange Commission: "Excerpt Current Issues and Rulemaking Projects Outline, Securities and Exchange Commission," dated 14 November 2000.

Wood Mackenzie: "Condor Asset Analysis," report dated August 2010.

Wood Mackenzie: "Corcel Asset Analysis," report dated August 2010.

TABLES

Table 1. SEC Comments on the Use of Recoverable Reserves

REFERENCE	SEC COMMENT LETTER
Nuevo Acquires Interests in Two Exploration Permits in the Republic of Tunisia http://www.prnewswire.com/news-releases/nuevo-acquires-interests-in-two-exploration-permits-in-the-republic-of-tunisia-73415957.html	November 29, 2000 SEC Letter to Nuevo Energy Company, HA-CORPFIN-000000490: We note your website discloses, "Nuevo Energy Company (NYSE: NEV) has reached agreement to enter into two highly prospective permits in the Republic of Tunisia, North Africa, that offer large reserve potential within world-class proven hydrocarbon trends." and "The Alyane Permit lies directly within the prolific nummulite limestone trend where many of Tunisia's and Libya's largest fields have been discovered. These fields, which include, among others, Hasdrubal, Salambo, Bouri and Ashtart, have **estimated recoverable reserves** which total over 1.5 billion barrels of oil equivalent." Only those measures of reserves set forth in SEC Industry Guide 2, and Section 4-10(a) of Regulation S-X are permitted in filings with the SEC . **If you continue to make references on your web site to terms and reserve measures (italicized above) other than those recognized by the SEC, accompany such disclosure with the following cautionary language:** Cautionary Note to U.S. Investors -- The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as [identify the terms], that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form XX, File No. X-XXXX, available from us at [address at which investors can request the filing]. You can also obtain this form from the SEC by calling 1- 800-SEC-0330.
Pioneer Sanctions Sable Field Development Offshore South Africa http://investors.pxd.com/phoenix.zhtml?c=90959&p=irol-newsArticle_print&ID=273372	July 20, 2001 SEC Letter to Pioneer Natural Resources Company, HA-CORPFIN-000000453: Your news releases use terms not allowed in filings with the SEC. Some examples are: "oil equivalent reserves", June 20, 2001; "**estimated recoverable oil reserves**", June 18, 2001; "four billion barrels of oil and gas reserves", May 30, 2001; "potential net gas equivalent reserves", "potential multi-TCF gas accumulation", April 25, 2001. Only those measures of reserves set forth in Industry Guide 2, and Section 4-lO(a) of Regulation S-X are permitted in filings with the SEC. **If you continue to make references on your web site to reserve measures other than those recognized by the SEC, accompany such disclosure in locations at least as prominent as the referenced terms with the following cautionary language:** Cautionary Note to U.S. Investors -- The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual

REFERENCE	SEC COMMENT LETTER
	production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as [identify the quoted terms above], that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 10-K, SEC File #1-13245 available from us at [registrant address at which investors can request the filing]. You can also obtain this form from the SEC by calling 1-800-SEC-0330.
Comments of ERHC Energy's Peter Ntephe from RedChip Small-Cap Investors Conference http://erhc.com/articles/comments-of-erhc-energys-peter-ntephe-from-redchip-small-cap-investors-conference/	February 27, 2008 SEC Letter to ERHC Energy Inc., HA-CORPFIN-000000806: We note your presentation of 14.4 billion barrels of oil as **"recoverable reserves potential."** Please modify this to explain your meaning for this term. **Also please include language similar to the following**: Cautionary Note to U.S. Investors- The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms on this web site, such as "recoverable reserves potential," that the SEC's guidelines generally prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 1 0-K. You may review our filings with the SEC at the following website: http://www.sec.gov/edgar/searchedgar/ company search.html.

Table 2. Industry Use of Reserves in a Pre-Drill Context

	DATE	SOURCE	STATEMENT
1	1/14	Relinquishment Report: Suncor Energy	"Predrill, Scotney was assessed to have a GCOS of 23% and mean recoverable reserves of 35 MMbbls. The key risks identified predrill were lack of lateral seal and reservoir. Overall predrill volumes for the prospect P90-P50-P10 were 33-82-181 MMbbls STOOIP and 10-27-70 MMbbls recoverable."
2	11/21/13	Quarterly Report: Daybreak Oil and Gas, Inc. for Period Ended August 31, 2013	"The drilling targets are the Olcese and Eocene sands between 1,000 and 2,000 feet deep. We plan to drill an exploratory well during 2014. We estimate that the Glide Kendall prospect is 200 acres in size with a gross recoverable reserve potential of 1.8 million barrels of oil."
3	06/30/13	Growing Upside As Ophir Maintains 100% Record, Business Monitor Online	"The discovery is expected to meet the pre-drill estimated mean recoverable reserves of around 17bn cubic maters (bcm) of gas."
4	02/26/13	OIL SEARCH LIMITED; 2012 Full Year results. 26 February 2013, ASX ComNews	"Our pre-drill estimate of potential recoverable reserves in the Jeribe and Euphrates remains unchanged, in the 250-500 million barrel range."
5	1/29/13	Quarterly Report: Beach Energy	"The joint venture has committed to drill an exploration well planned for the drill ready Kaheru prospect in the 2013/14 drilling season, subject to securing a suitable drilling rig. The Kaheru prospect lies to the east of the producing Kupe gas and oil field and lies just offshore from the onshore Rimu and Kauri oil fields. The operator, NZOG, estimates the mean recoverable reserves (unrisked) at 45 MMbbl in the case of an oil discovery . . ."
6	1/13	Investor Brochure: Key Petroleum Limited	"Seismically defined drillable prospect; Drilling Program lodged to drill in 2013; Potential recoverable reserves of 3-5MBO"
7	09/06/12	Victory Energy Announces Significant Commercial Flows At Pinetop, Benzinga.com	"Pre-drill gross recoverable reserve potential per well was estimated at 350,000 BOE to 450,00 BOE, with total recoverable reserve potential of 3,150,000 BOE to 4,050,00 (9 wells)."

	DATE	SOURCE	STATEMENT
8	09/6/12	Victor Energy Drills Largest Flowing Oil Well in Company History	"Pre-drill gross recoverable reserve potential per well was estimated at 350,000 BOE to 450,000 BOE, with total recoverable reserve potential of 3,150,000 BOE to 4,050,000 BOE (9 wells)."
9	05/04/12	Tower Looks to Namibia Campaign, International Oil Daily	"The firm has a fully carried 15% interest in the well, but is reliant on the operator, Arcadia, securing a farm-out before drilling can commence. An independent report last year identified five targets in the so-called Delta structure, which is estimated to hold over 9 billion bbl of recoverable reserves (IOD Feb.24'12)."
10	03/16/12	Naga Utara well plan for SPC, Upstream	"Estimated pre-drill recoverable reserves at Naga Utara were 80 billion cubic feet of gas. There are existing gas pipelines and processing infrastructure in close proximity to the field."
11	2012	Investor Presentation: Miesen Development Corp: West Gabrysch Prospect	"The West Gabrysch Prospect in Jackson County, Texas is a 3D seismic controlled, low risk drilling prospect in a Proven Producing trend with multiple drilling objectives. It is believed that the well should see all of the primary and secondary objectives in a very favorable structural position with respect to the sub-surface control. Based on 3D seismic and area well control, the estimated recoverable reserves for the lease are projected to be 800,000+ Bbls Oil and 535,000 MCF Natural Gas, with most of the reserves at 6,300 feet."
12	12/16/11	Edison Investment Research: Simba Energy	"Based on the data in Exhibit 8 it is conceivable that Simba could be targeting as much as 250m to 2.5bnbbls recoverable reserves on any of its prospects. As such our initial, indicative valuation focuses on the potential pre-drill value that can be ascribed to any of its key assets assuming seismic interpretation and preliminary exploration efforts prove encouraging and a potential farm-out deal can be achieved."
13	10/16/11	Tap seeks oil reserves with its New Zealand wildcat	"The well has a planned total depth of 3,000m and is targeting the Shag Point Formation for which pre-drill recoverable reserves have been estimated at 70-80 MMbo."
14	09/28/11	Gudrun field production to start Q1 2014 – Statoil, European Spot Gas Markets	"Pre-drilling began on the first of six wells in early September, according to Statoil. Recoverable reserves are estimated at 11.2 million cubic metres of oil and 6.6 billion cubic metres of gas."

	DATE	SOURCE	STATEMENT
15	09/28/11	Eni buys GDF stake in North Sea fields, European Spot Gas Markets	"Pre-drilling began on the first of six wells in early September, according to Statoil. Recoverable reserves are estimated at 11.2 million cubic metres of oil and 6.6 billion cubic metres of gas."
16	9/9/11	Magellan Petroleum Corporation Completes Farm Out of Bakken and Deep Rights to VAALCO Energy, and Further Consolidates Ownership of Its Montana Fields	"Among these risks and uncertainties are, the extent of the recoverable reserves in the Deep Intervals, whether the new wells to be drilled by VAALCO will be successful in extracting the recoverable reserves . . ."
17	7/13/11	Investor Presentation: Milagro Oil & Gas	"Estimates of resource potential, recoverable reserves or estimated ultimately recoverable amounts do not reflect volumes that are demonstrated as being commercially or technically recoverable. Even if commercially or technically recoverable, a significant recovery factor would be applied to these volumes to determine estimates of volumes of proved reserves. Accordingly, these estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being actually realized by us. The methodology for resource potential, recoverable reserves or estimated ultimately recoverable amounts may also be different than the methodology and guidelines used by the Society of Petroleum Engineers and is different from the SEC's guidelines for estimating probable and possible reserves."
18	7/1/11	STOS Bringing in Drillship for Ruru Well	"Jager, who is also chairman of Shell Companies in New Zealand, declined to give any details regarding the Ruru prospect, such as the size of the areal closure of the structure or any pre-drill recoverable reserves estimates."
19	6/11	LM Energy Investor Presentation	Listing "[m]ean recoverable oil rserves of c 2mmbbl" for "[w]ell to be spudded on 01 July 2011"
20	05/24/11	AUSTIN EXPLORATION LIMITED; Placement Prospectus, ASX ComNews	"Pre-drilling activities, will begin in July 2011 and the first well is projected to be drilled during, September 2011. It is planned that second and third wills will follow through, December 2011." "Investment highlights of the Birch Projects are as follows: (a) 5,000 net acres targeted – material for AKK.

	DATE	SOURCE	STATEMENT
			(b) Estimated recoverable reserves per vertical well at 200,000 barrels of oil."
21	3/29/11	Investment Research / Initiating Coverage: African Petroleum Corp. Ltd.	"The Company has a dominant acreage position, a rigorous technical evaluation approach, has established a reputation for meeting exploration commitments on a timely basis, and is expected to drill two high-impact exploration wells in 2011 providing investors with near-term potential upside." Charts list "Gross Estimated Recoverable Reserves"
22	02/09/11	UK's Premier clips Catcher oil reserves after poor well, Platts Oilgram News	"Previously the company had estimated gross recoverable reserves of 60-100 million barrels in the prospects and had expected up to 30 million barrels of oil in Catcher North. 'While the [gas] result was in line with Premier's pre-drill expectations, the [oil] result was a disappointment,' CEO Simon Lockett said in a statement."
23	1/21/11	Rocksource details 2011 drilling prospect sizes	"Norvarg, operated by Total in PL535 in the Barents Sea, is due to be drilled by the West Phoenix between May and June this year, and is forecast as having 270 m boe of mean recoverable reserves comprising both oil and gas. Norvarg is a four-way structural closure with Snadd and Kobbe formation reservoirs, a Jurassic shale sealing system and a Kobbe formation source rock which was proven in the Ververis prospect."
24	10/20/10	Industry Report: Patersons Oil and Gas Research	"TAP has a number of short term catalysts which include the drilling of Zola-1 in Q4 2010 targeting 1tcf of gas (+$0.30/sh unrisked upside), followed by the drilling of Craigow-1 in the Bass Basin in Q1 2011 targeting estimated recoverable reserves of 20mmbbls (+$0.40/sh unrisked upside)"
25	10/10	Presentation: Petroleum Exploration Opportunities in Jeanne d d'Arc Basin Arc Basin, Call for Bids NL10-01	"A fourth large compound field, Hebron (denoted Hebron in further discussions), estimated to contain 581 million barrels recoverable reserves/resources will be developed starting in 2012 with first oil expected in 2017."
26	09/10/10	Serica set to spud Dambus-1, Upstream	"The jack-up drilling rig Trident-IX has arrived on location off East Kalimantan to drill the Dambus-1 exploration well, which is targeting a propsect with pre-drill estimated recoverable reserves of about 130 million barrels of oil and 300 billion cubic feet of gas."

	DATE	SOURCE	STATEMENT
27	05/07/10	Salamander Energy Strikes Gas at Laotian Wildcat, IHS Global Insight	"Salamander Energy has discovered gas with Bang Nouan-1 wildcat exploration well on the Savannakhet production sharing contract in southern Laos. The well was drilled using the MB Century 26 rig to a total depth of 3400 metres and logging has been completed. Pre-drilling the well was believed to have prospective recoverable reserves estimated at 1.1 tcf."
28	2/22/10	Falklands: Desire Petroleum spuds Liz 14/19-A exploration well	"Pre-drill reserves estimates for the Liz Prospect are 990 mbo STOIIP (P50) and recoverable reserves 281 mmbo."
29	2010	Optimal Learning from Pre-Post Drill Evaluations. The Case of Multiple Target Prospects	"We often use a log-log format for the cross-plot in order to be able to accommodate programs with significant differences in pre-drill expected recoverable reserves."
30	10/09	Presentation: Delivering Growth through Acquisition of Proven Reserves & Enhancement of Producing Assets	"Major seismic interpretation executed on the 5,700 sq.km PSC area. Four prospects and five leads identified with gross mean 2P STOIIP of 5,7 billion barrels and recoverable reserves of 1,484 billion barrels."
31	9/25/09	Interim Results Presentation: Afren PLC	"Farm in agreement signed for the development of the Okwok field" "Estimated STOIIP of 225 mmbbls with recoverable reserves in excess of 70 mmbbls"
32	3/09	Update Presentation: Amerisur Resources PLC	Seismic Interpretation- Principal Leads with chart showing "Recoverable Reserves"
33	11/9/08	Investor Village Posting: Another DWY post from the American Politics Board	"Pre-drill estimates, based on 3D seismic, are six to ten million bbls of recoverable reserves on this 100% owned prospect."
34	10/09/08	Prime, Oil Search Spud Shakal-1 Well in Iraqi Kurdistan, IHS Global Insight	"The companies are targeting Tertiary and Cretaceous reservoirs similar to those in nearby discoveries, as the block is situated in the prolific Zagros fold belt, in trend with several other earlier and significant discoveries in the region. It has been suggested that the nearby Pulkhana structure, which holds the 300-million-barrel Pulkhana oilfield, could extent into the companies' block and pre-drilling estimates by the companies suggest there could be potential for the block to contain unrisked recoverable reserves of some 250 million barrels."

	DATE	SOURCE	STATEMENT
35	07/28/08	Rift makes gas find in Papua New Guinea, Oil & Gas Journal	"Puk Puk-1 was targeting an estimated predrill recoverable reserve of 226 bcf of gas."
36	02/22/08	Providence gets a Hook into Ireland	"According to partner Faroe Island-based minnow Atlantic Petroleum, Hook Head's pre-drill estimated recoverable reserves stood at about 70 million barrels of oil."
37	12/5/07	Drilling to start this week in PEL91 Cooper Basin	"Pre-drill P50 recoverable reserves of 0.5 million barrels of oil for the Birkhead/Hutton formations and 0.9 million barrels for the Namur Sandstone are estimated."
38	11/30/07	Serica has wildcats in sights, Upstream	"Toronto-listed Serica Energy is just days away from spudding the first of two wildcats with pre-drill estimated recoverable reserves of more than 100 million barrels of oil each on its Biliton production sharing contract off Indonesia, writes Amanda Battersby."
39	09/30/07	Providence Resources, Petroleum Review	"Pre-drill gross recoverable reserves were estimated at between 3.5bn to 5.8bn cf of gas."
40	9/07	Investors Presentation: Oil Basins Limited	"Recoverable reserves" 270 MMbbls (prospective potential recoverable) for drill ready prospect
41	5/07	Research Report: Black Rock Oil & Gas plc	"The Acacia Este prospect in Colombia, with estimated recoverable reserves of around 50m barrels (bbls), is expected to be spudded in the middle of May." "The first well on this prospect is expected towards the middle of May. The prospect is situated between the Arce oilfield and the Bukhara oil prospect, with estimated recoverable reserves of 50m bbls."
42	04/02/07	IMPRESS ENERGY LIMITED; Wirraway-1 Expected to Spud Shortly, ASX ComNews	Listing "Pre Drill Estimated Recoverable reserves"
43	02/23/07	Farm-out at Madura, Upstream	"The search is now on for a rig to drill the Kurnia-1 wildcat, which has estimated pre-drill recoverable reserves of 199 million barrels of oil and 256 billion cubic feet of gas."
44	1/25/07	Equity Report: Aminex Company Update: Ruvuma PSA	"Aminex has identified a series of prospects and leads from old Texaco maps. Initial targets are Cretaceous and Tertiary formations (as per Mnazi Bay), where a mixture of folding and faulting is believed to provide a trap for hydrocarbons. The largest of the mapped leads is estimated to contain potential recoverable reserves of 180 mmboe."

	DATE	SOURCE	STATEMENT
45	01/19/07	GREAT ARTESIAN OIL & GAS LIMITED; Appadare-1 Drilling Report, ASX Com News	"Pre-drill mean recoverable reserves of 1.2 million barrels of oil and a 'fill to spill' potential of 2.1 million barrels of recoverable oil are estimated. Appadare-1 will take about 10 days to drill and 3 days to evaluate."
46	01/17/07	GREAT ARTESIAN OIL AND GAS: APPADARE 1 DRILLING AHEAD, Australian Company News Bites	"The well will test the Poolowanna and Patchawarra potential of a combination structural-stratigraphic trap. Pre-drill mean recoverable reserves of 1.2 million barrels are estimated."
47	01/10/07	IMPRESS ENERGY LIMITED; Progress Report on Wilpinnie – 4, ASX ComNews	"The Wilpinnie-4 (Tomcat Prospect) structure has potential oil in place of 7.5 MMbbl (P50) and potential Recoverable reserves of 3.5 MMbbl (P50)." "Pre Drill estimated of Oil in Place and Recoverable Reserves"
48	11/10/06	Chevron targets Cambodia finds, Upstream	"Before Chevron's initial drilling on Block A, which it was awarded in march 2002, pre-drill estimated recoverable reserves were put at 400 million barrels of liquids and 3 trillion cubic feet of gas."
49	07/14/06	Cambodia push from Chevron, Upstream	"Pre-drill estimated recoverable reserves at Block A were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, with industry sources saying that the region was likely to be gas-prone."
50	07/14/06	Tullow gets set to tap Bangora field appraisal well, Upstream	"Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas before the discovery well came in at the top of this range."
51	7/2006	BHP sanctions Shenzi	"First production from Shenzi is expected in mid-2009 through seven pre-drilled subsea wells. Full field development will include 15 production wells and water injection facilities." "Gross recoverable reserves from Shenzi are estimated at 350-400 MMboe. BHP operates Shenzi with a 44% working interest. BP and Hess each hold a 28% stake."
52	05/19/06	Tullow's testing time at Bangora, Upstream	"Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas and came in at the top of this range when the discovery wild-cat flowed at a combined rate of more than 120 MMcfd of gas."

	DATE	SOURCE	STATEMENT
53	10/14/05	Cambodia attraction for Indocan, Upstream	"Sources said earlier that Block A and Cambodia's offshore waters were likely to be gas-prone, although estimated pre-drill recoverable reserves of 400 million barrels of oil were touted for Block A."
54	03/18/05	Cambodia top-level legwork, Upstream	"Pre-drill estimated recoverable reserves for block A were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, although some industry souces said they believd the acreage would likely be gas prone."
55	01/28/05	Oil Search eyes drilling bonanza to beat Kapul-1 woe, Upstream	"The well had pre-drill recoverable reserves potential of 113 million barrels of oil."
56	12/24/04	Cambodian confirmation, Upstream	"Pre-drill estimated recoverable reserves at the 6278-square kilometre block were put at 400 million barrels of liquids and 3 trillion cubic feet of gas, with sources saying the region is likely to be gas-prone."
57	12/24/04	KMG aiming deep with Gulf probes, Upstream	"Pre-drill estimates put the potential recoverable reserves between 40 million and 150 million barrels of oil equivalent."
58	12/03/04	Tullow well taps Bangora gas pay, Upstream	"Bangora had estimated pre-drill recoverable reserves of between 250 billion and 750 billion cubic feet of gas, and has come in at the top of this range."
59	11/05/04	Noble talks over Lorien prospects, Upstream	"Pre-drill estimates had put potential Lorien recoverable reserves somewhere between 50 million and 150 million boe, however Noble now carries the find as a 20 million to 30 million boe discovery with possible upside."
60	09/10/04	Edison pressing on with Munir drilling, Upstream	"Pre-drill estimates for Seqanat deep-1 pegged potential recoverable reserves there at up to 2 billion barrels. The Shakestan prospect is thought to have potential for between 500 million and 1 billion barrels."
61	06/25/04	Iran spurs Munir oil find hopes, Upstream	"Pre-drill estimates for Seqanat deep-1, which targeted seven reservoirs - including Sarvak, Dariyan, Fahliyan and Surmeh - pegged potential recoverable reserves at up to 2 billion barrels. The Shakestan prospect is thought to have potential for another 500 million to 1 billion barrels."

	DATE	SOURCE	STATEMENT
62	5/9/04	Petroleum News, Vol. 9, No. 19	"Because of the region's complex geology and reservoir imaging challenges, no one is certain of Thunder Horse's true potential. Some analysts believe the play could hold upward of 7 billion barrels of recoverable reserves, although 3 billion barrels is often cited as the likely mean."
63	02/20/04	Cambodia lures ChevronTexaco, Upstream	"A seismic survey was conducted last year and the results of this will be evaluated and used to help plan this summer's drilling campaign. Pre-drill estimated recoverable reserves for the 6278-square kilometre block were put at 400 million barrels of liquids and 3 trillion cubic feet of gas."
64	02/13/04	Noble hopes to play trump card at Queen of Hearts, Upstream	"Pre-drill estimates had placed recoverable reserves potential as high as 100 million barrels of oil equivalent."
65	2/04	Success Rate Makes for Good Year	"Pre-drill reserve estimates were in excess of 300 mmbo."
66	2004	Petroleum Reserves, Determination	"Reserve estimates during the pre-drill exploratory phase are often based on known geologic factors from other areas thought to be sufficiently similar to the area under study applied to a reservoir description based on site specific interpretive data. . . The range of uncertainty at this time can be quite large."
67	07/25/03	Lorien exploration well comes up with goods, Upstream	"Pre-drill estimates had put potential Lorien recoverable reserves somewhere between 50 million and 150 million barrels of oil equivalent."
68	11/08/02	Kerr-McGee Updates Gulf of Mexico Deepwater Drilling Activity, PR Newswire	"The rig is currently being moved from Hornet to the DeSoto prospect on East Breaks block 638. This satellite to the company's Boomvang field has pre-drill reserve estimates of 15 million to 25 million BOE and could be developed as a subsea tieback to the Boomvang spar facility."
69	7/2002	Gas pipeline down, but not out, Petroleum Economist	"Pre-drilling, potential recoverable reserves were placed at 30m barrels."
70	06/21/02	Bonus on..., Upstream	"The pre-drill potential recoverable reserve estimates for the Tariki sandstone reservoirs in the Huinga prospect were 46 million barrels of oil and 161 billion cubic feet of gas."

	DATE	SOURCE	STATEMENT
71	05/01/01	Pancontinental Oil & Gas NL, Jobson's Mining Year Book	"Based on the remapping carried out by the PNOC, the pre-drill potential total recoverable reserves for the Fuga Island prospect had been estimated at 5.24 Tcf (trillion cubic feet) gas or 1,3,57 million barrels (mmbl) oil for the sum of the Lubuagan, Sicalao and Ibulao reservoirs anticipated in the Fuga prospect."
72	02/19/01	WON NEW – ASX Company Announcement, AAP Newsfeed	"Puffin-6 is an appraisal well which will test the southwest culmination of the Puffin Oilfield which has the potential for recoverable reserves of 55 million barrels."
73	7/23/96	Blenheim Field: the appraisal of a small oil field with a horizontal well	"Pre-drill recoverable reserves in the prospect were estimated at 18x10 BBL oil."
74	06/14/95	SAGA OUTLINES FUTURE PLANS FOR GOLDEN BLOCK 34/7, FT Energy Newsletters	"The plan is to produce Tordis East through one or two wells tied back to a new template installed near the Tordis manifold . . . . Recoverable reserves for Tordis East are put at 28.2m boe."
75	06/18/92	PRE-PRODUCTION DRILLING SET BY CHEVRON AT ALBA, Oilgram News	"The pre-drilling will provide the first production well for Alba, to be hooked up along with others to the platform to be installed next summer . . . Alba is estimated to contain up to 400-million bbl of recoverable reserves, with production expected to peak at 60-70,000 b/d in the first phase."
76	01/15/92	HYDRO DELAYS OSEBERG EAST PDO SUBMISSION BY A YEAR, FT Energy Newsletters	"Recoverable reserves are estimated at 346m barrels and start-up is scheduled for late-1995, provided approval comes by Spring 1993. A steel jacket is planned, tied back to the Oseberg Field centre, plus a 16-slot template, enabling some of the wells to be pre-drilled."
77	09/1991	Progress on £ 1.1bn Nelson development, The Oilman	"If the project stays on schedule, Nelson could start producing by late 1993. . . Recoverable reserves are estimated by Shell to be 450 million barrels of oil, 185bcf of gas (84bcf sales gas) and 3.6 million tonnes of NGL."
78	04/10/90	NORSK HYDRO SETS SCHEDULE FOR OFFSHORE BRAGE DEVELOPMENT, Platt's Oilgram News	"Pre-drilling of three production wells and one water injection will start in 1992. Brage's total recoverable reserves are estimated at 250-million bbl of oil and 2.8-billion cu metters of gas."

	DATE	SOURCE	STATEMENT
79	11/16/87	Oil field off Tierra del Fuego under development, Oil & Gas Journal	"The Hidra field is medium-sized, in terms of recoverable reserves, and relatively costly to develop because of environmental factors. But the existence of nearby oil and gas accumulations discovered during a successful exploration campaign on the Austral permit was a boost to the decision and the key factor in the selection of the development scheme. . . The receoverable reserves are estimated at around 7 million cu m or 44 million bbl with pressure maintenance and artificial lift."
80		Prospect LKO	Listing "potential reserves" for drilling prospect.
81		Spanish Lake	Listing "potential reserves" for drilling prospect.
82		Eureka Prospect	Listing "estimated reserves" for drilling prospect.
83		S. University Prospect	Listing "reserve potential" for drilling prospect.
84		Southwest Holmwood Prospect	Listing "estimated reserves" for drilling prospect.
85		Phoenix Prospect	"Estimated Reserves Zone for Possible Pays"
86		Grosse Isle "B" Prospect	Listing "prospect reserve potential" for drilling prospect.
87		Barataria Bay North Prospect	Listing "reserve potential" for drilling prospect.
88		Bling Hog Prospect	"Potential reserves total 6.95 MMBO and 11.5 BCFG from all prospective reservoirs."

FIGURES

Fig. 1. CPO-4 Concession Relative to Area Fields.

Surrounded Area by Existing Fields

Source Rock

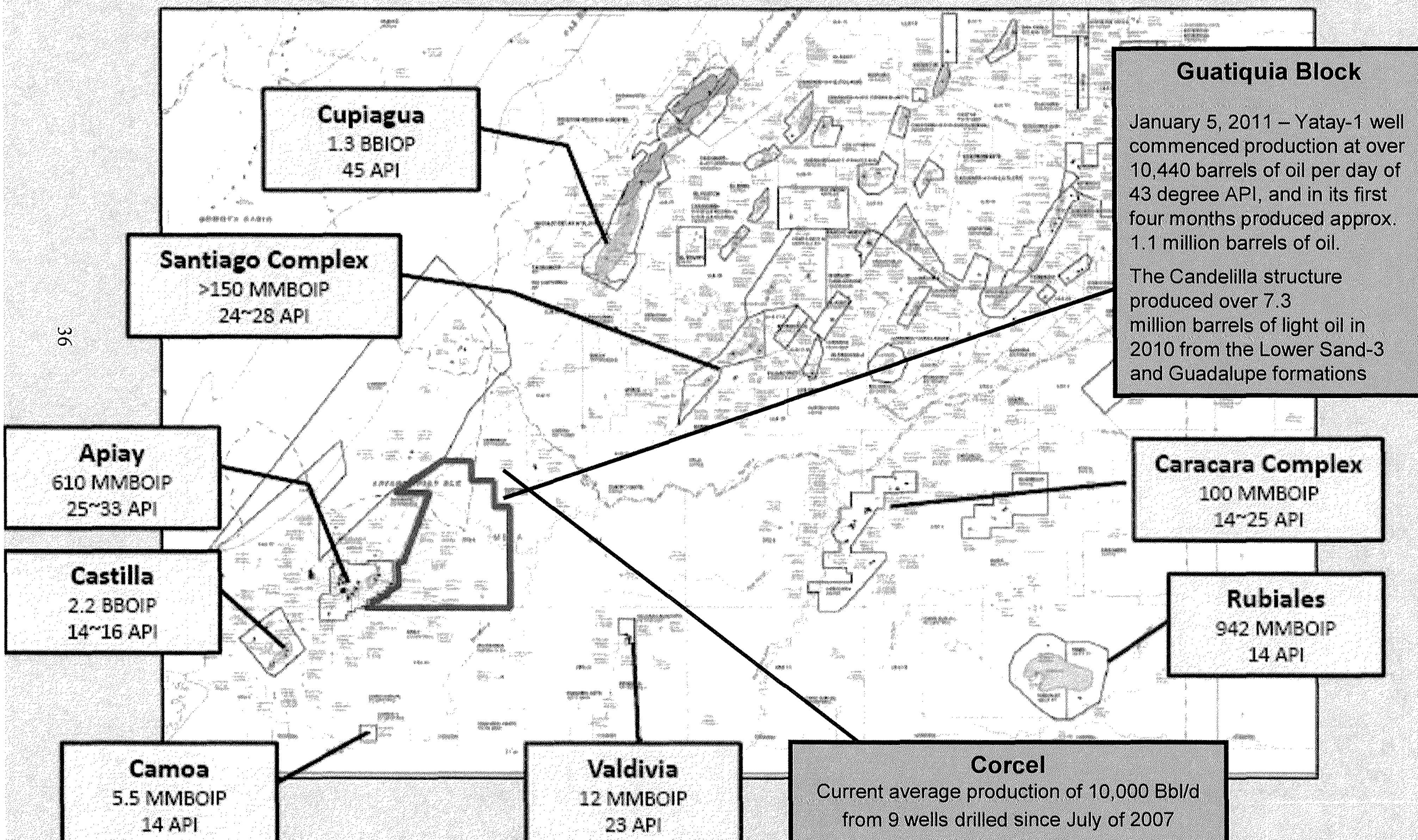


Fig. 2. Intercol Negritos No. 1 Well Log.

Company	INTERCOL				
Well	NEGRITOS-1				
Field	WILDCAT				
County		State	META	Country	COLOMBIA
Location	GAUSS ORIGIN BOGOTA				
Section		Township		Range	
API Num	NEGR0001				
Permanent Datum		Elevation		K.B.	
Log Measured From	,	Above Perm Datum		D.F.	
Drilling Meas From				G.L.	

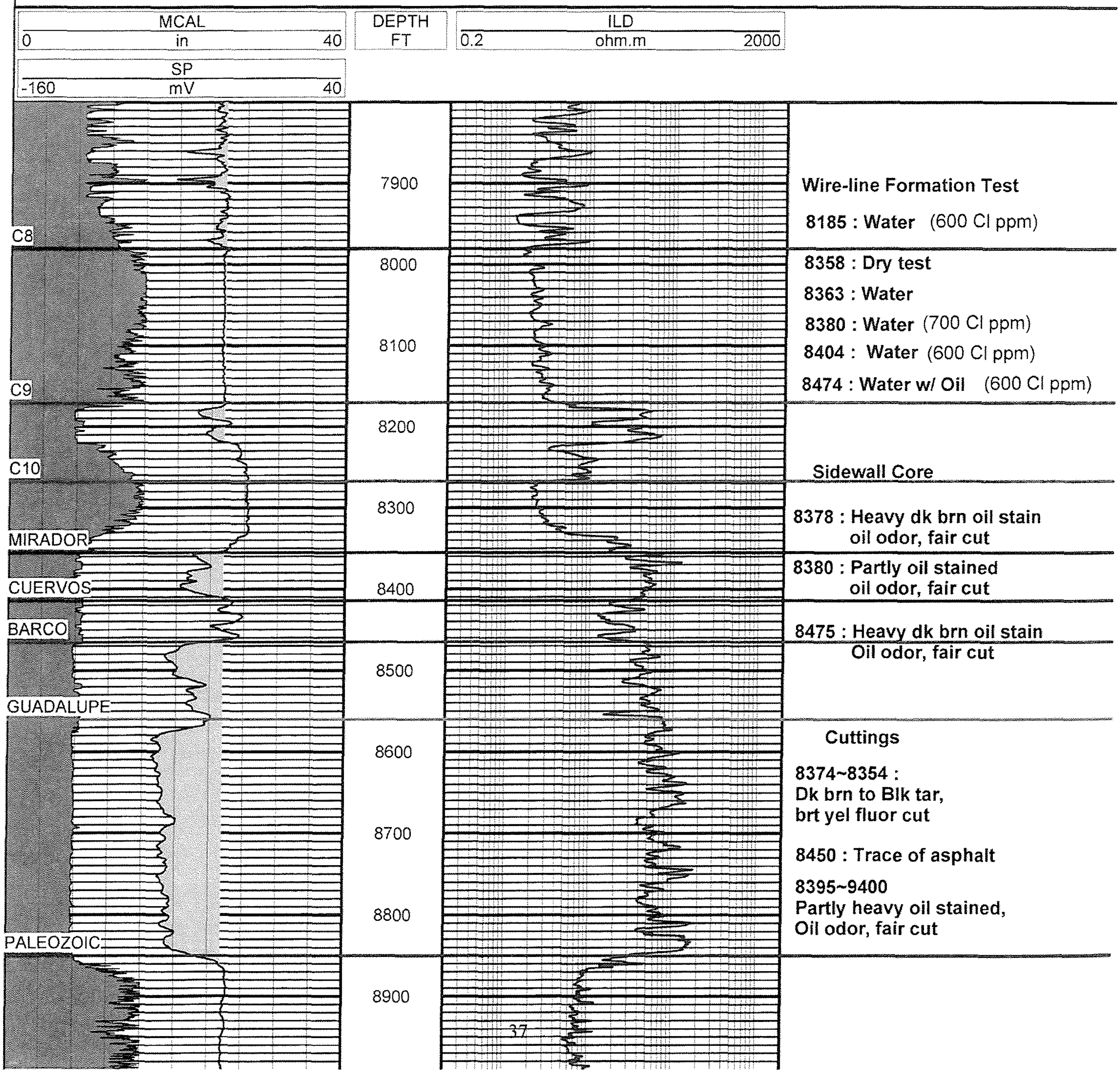


Fig. 3. SK Summary of Recoverable Reserves - 150 STBO/acre-ft.

Total Potential

Lead	Acres			Unit R.R.	Net Pay (C9+M+U)	Recoverable Reserve (MMBO)	Remark
	C7	Mirador	Une				
1	1055	724	899	150	50'+100'+75'	29	Synthetic
2	556	212	417	150	50'+100'+75'	12	Synthetic
3	420	291	0	150	50'+100'+75'	8	Synthetic
4	6358	6506	3495	150	50'+100'+75'	185	Thrust
5	1018	2119	1435	150	50'+100'+75'	56	Thrust
6	531	114	388	150	50'+100'+75'	10	Inversion
7	1097	657	311	150	50'+100'+75'	22	Inversion
8	1606	1074	694	150	50'+100'+75'	36	Inversion
9	3821	7037	420	150	50'+100'+75'	139	Inversion
10	469	0	0	150	50'+100'+75'	4	Inversion
11	447	622	509	150	50'+100'+75'	18	Inversion
12	664	659	0	150	50'+100'+75'	15	Inversion
13	2687	936	761	150	50'+100'+75'	43	Inversion
14	882	3399	1625	150	50'+100'+75'	76	Drapeover
15	993	1692	605	150	50'+100'+75'	40	Inversion
16	284	847	452	150	50'+100'+75'	20	Inversion
17	0	420	326	150	50'+100'+75'	10	Inversion
18	0	818	0	150	50'+100'+75'	12	Inversion
19	0	0	1247	150	50'+100'+75'	14	Inversion
20	3320	4029	2364	150	50'+100'+75'	112	Thrust
21	2510	2611	3162	150	50'+100'+75'	94	Thrust
22	790	1102	0	150	50'+100'+75'	22	Thrust
Total Potential						974	

Unit R.R.

- Porosity : 20 %
- So : 60%
- So/Bo : 0.9
- GF : 0.7
- RF : 30 %

Net Pay

- Avg. Thickness
-From Net Sd Map

SK energy

Fig. 4. SK Summary of Recoverable Reserves - 200 STBO/acre-ft.

Recoverable Reserves

● Recoverable Reserves by Lead

LEAD	A	B	C	D	E	F
Area [acre]	9,716	10,178	3,865	16,365	4,574	3,375
Rec. Reserve [MMBO]	291	305	116	491	137	101
LEAD	**G**	**H**	**I**	**J**	**K**	**L**
Area [acre]	3,099	15,550	1,579	4,386	5,908	4,379
Rec. Reserve [MMBO]	93	467	47	132	177	131
Total Rec. Reserve [MMBO]	2,489					

Assumption 1: Net Pay 150 ft
Assumption 2: Recoverable Reserve per unit volume (acre)x(ft): 200 BO

Fig. 5. SK Summary of Recovery Efficiencies.

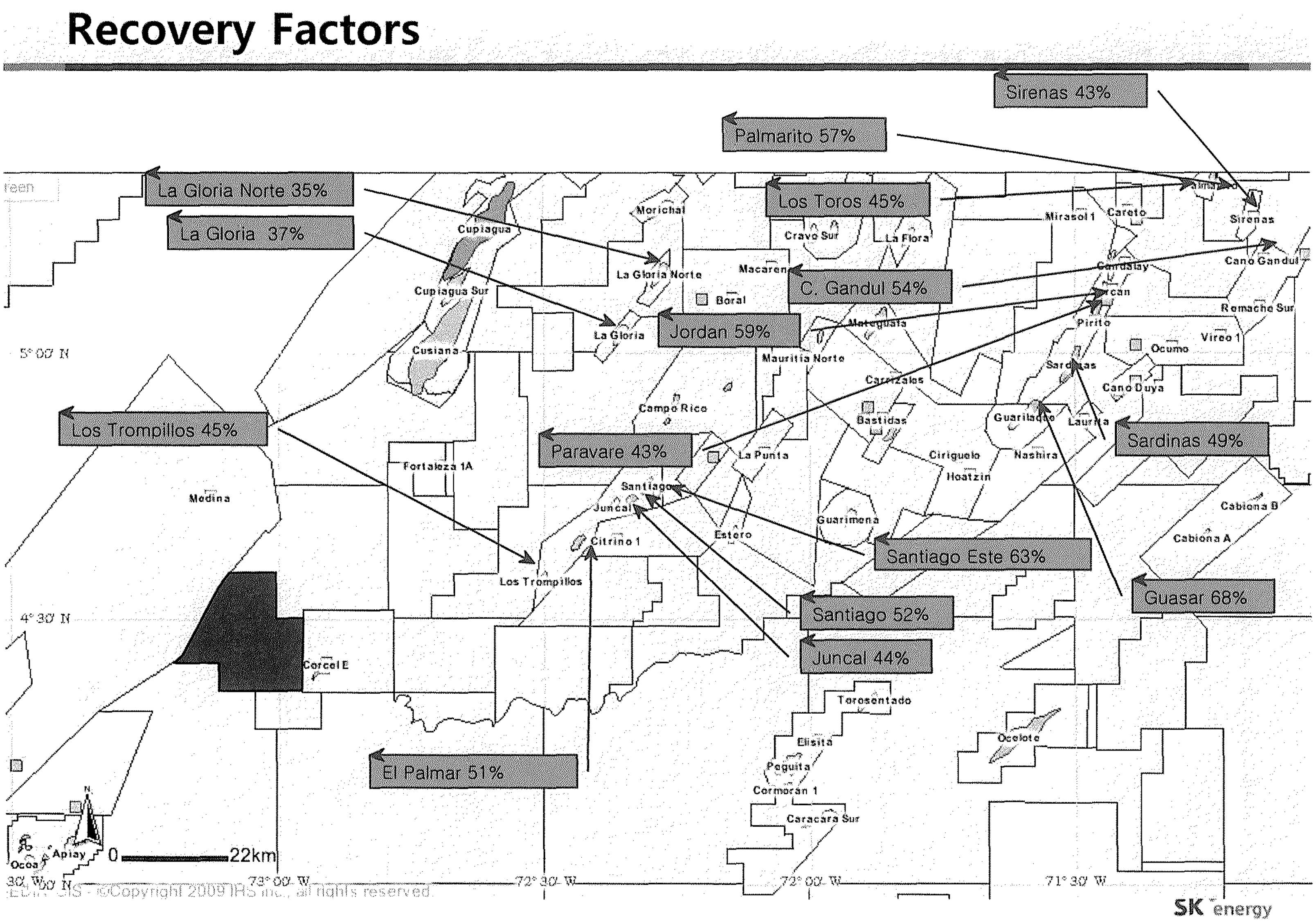


Fig. 6. SK Recovery Factor with Aquifer Support.

November 21, 2014 9:55 AM	**Michael L. Wiggins, Ph.D., P.E.** Petroleum Engineering Consultant
V981111_03	Combination Drive - Oil Reserves

Well Name :	CPO-4 Block	
Reservoir:	All Reservoirs	Analysis per Acre Foot
Field:	Colombia	
Case:	Proved + Probable	
Base Pressure:	14.650	

Variable	Units	Value	Remarks
Drive Type (PD / Comb.)	P or C	**C**	
Porosity	Percent	20.0	
Water Saturation	Percent	40.0	
Oil Reservoir Volume	AC-FT	1	
Gas Cap Volume	AC-FT	0	
Reservoir Temperature	Degrees F	190	
Initial Reservoir Pressure	PSIA	3700	8500 ft average depth
Calc: PBP (0), Initial GOR (1), Neither (2):		0	Calc Bubble Point Pressure
PBP Will Be Calc'd	psia		
Input Initial 1st Stage Separator GOF	SCF/STB	150	
Include Stock Tank GOR	(Yes if checked)	☐	Stock Tank GOR not used.
Cumulative GOR	SCF/STB	500	
Oil Gravity	Degrees API	20.0	
Wet Gas Gravity	Air = 1	0.700	
Mole % Nitrogen	Percent	0.00	
Mole % Carbon Dioxide	Percent	0.00	
Mole % Hydrogen Sulfide	Percent	0.00	
Separator Temperature	Degrees F	80	
Separator Pressure	PSIA	100	
Pressure Depletion	Percent	30.0	
Sweep Efficiency	Percent	75.0	
Reservoir Volume Swept	AC-FT	1	

Calculated Values	Units	Defaults	Value
Gas Cap - Oil Volume Ratio		0.000	0.000
Bubble Point Pressure	PSIA	1286	1286
Oil FVF @ Bubble Point	BBL/STB	1.1195	1.1195
Residual Oil Saturation	Percent	17.6	17.6

Calculated Values	Units	Initial	Final
Reservoir Pressure	PSIA	3700	2590
Oil Formation Volume Factor	BBL/STB	1.0914	1.1026
Gas Formation Volume Factor	SCF/CF	220.0	160.6
Solution Gas Oil Ratio	SCF/STB	150	150
Total Formation Volume Factor	BBL/STB	1.0914	1.1026
Unit Oil in Place	BBL/AF	853.0	N/A
Total Oil in Place	MBO	0.9	N/A

	% of Initial	Unit Recov. BBL/AF	Oil MBO	Gas MMSCF	GOR MSCF/STB
Press. Depletion (Pi to Pb)	1.01	8.638	0.009	0.001	0.150
Press. Depletion (Pb to Pa)	---	---	---	---	#VALUE!
Water Drive	52.41	447.005	0.447	0.067	0.150
Total	53.42	455.643	0.456	0.068	0.150

Initial Reserves (MBO / MMCF)	0.5	0.1	0.150
Cumulative Production			
Estimated Production			
Estimated Production			
Remaining Reserves	0.5	0.1	0.150

CPO-4 Oil Volumetrics SK Data Aquifer.xlsm

Fig. 7. Wiggins Recovery Factor with Aquifer Support.

November 21, 2014 9:50 AM	**Michael L. Wiggins, Ph.D., P.E.** Petroleum Engineering Consultant
V981111_03	Combination Drive - Oil Reserves

Well Name :	CPO-4 Block	
Reservoir:	All Reservoirs	Analysis per Acre Foot
Field:	Colombia	
Case:	Proved + Probable	
Base Pressure:	14.650	

Variable	Units	Value	Remarks
Drive Type (PD / Comb.)	P or C	C	
Porosity	Percent	25.0	
Water Saturation	Percent	30.0	
Oil Reservoir Volume	AC-FT	1	
Gas Cap Volume	AC-FT	0	
Reservoir Temperature	Degrees F	190	
Initial Reservoir Pressure	PSIA	3700	8500 ft average depth
Calc: PBP (0), Initial GOR (1), Neither (2):		0	Calc Bubble Point Pressure
PBP Will Be Calc'd	psia		
Input Initial 1st Stage Separator GOI	SCF/STB	150	
Include Stock Tank GOR	(Yes if checked)	☐	Stock Tank GOR not used.
Cumulative GOR	SCF/STB	500	
Oil Gravity	Degrees API	20.0	
Wet Gas Gravity	Air = 1	0.700	
Mole % Nitrogen	Percent	0.00	
Mole % Carbon Dioxide	Percent	0.00	
Mole % Hydrogen Sulfide	Percent	0.00	
Separator Temperature	Degrees F	80	
Separator Pressure	PSIA	100	
Pressure Depletion	Percent	30.0	
Sweep Efficiency	Percent	75.0	
Reservoir Volume Swept	AC-FT	1	

Calculated Values	Units	Defaults	Value
Gas Cap - Oil Volume Ratio		0.000	0.000
Bubble Point Pressure	PSIA	1286	1286
Oil FVF @ Bubble Point	BBL/STB	1.1195	1.1195
Residual Oil Saturation	Percent	18.4	18.4

Calculated Values	Units	Initial	Final
Reservoir Pressure	PSIA	3700	2590
Oil Formation Volume Factor	BBL/STB	1.0914	1.1026
Gas Formation Volume Factor	SCF/CF	220.0	160.6
Solution Gas Oil Ratio	SCF/STB	150	150
Total Formation Volume Factor	BBL/STB	1.0914	1.1026
Unit Oil in Place	BBL/AF	1243.9	N/A
Total Oil in Place	MBO	1.2	N/A

	% of Initial	Unit Recov. BBL/AF	Oil MBO	Gas MMSCF	GOR MSCF/STB
Press. Depletion (Pi to Pb)	1.01	12.597	0.013	0.002	0.150
Press. Depletion (Pb to Pa)	---	---	---	---	#VALUE!
Water Drive	54.70	680.473	0.680	0.102	0.150
Total	55.72	693.071	0.693	0.104	0.150

Initial Reserves (MBO / MMCF)	0.7	0.1	0.150
Cumulative Production			
Estimated Production			
Estimated Production			
Remaining Reserves	0.7	0.1	0.150

Fig. 8. Scotia Waterous Transactions Summary.

Large Latin American E&P Transactions

Since 2006, Scotia Waterous has advised on the majority of the large E&P transactions in Latin America.

TALISMAN ENERGY
Talisman Energy Inc.
Advised on the sale of Trinidad and Tobago assets to
CNOOC LIMITED
Sinopec
US$312,000,000
Financial Advisor
Scotia Waterous
Pending

PETROL
Advised on the acquisition of Offshore International Group (Petro-Tech)
US$900,000,000
Financial Advisor
Scotia Waterous
February 2009

HUPECOL
Advised on divestiture of Colombian assets to
CEPSA
US$920,000,000
Financial Advisor
Scotia Waterous
March 2008

Omimex Group
Omimex de Colombia, ltd.
Advised on sale of Colombian subsidiary to
ONGC VIDESH
Sinopec
US$850,000,000
Financial Advisor
Scotia Waterous
September 2006

Sinopec CNPC
Advised on acquisition of Ecuadorian subsidiaries from
ENCANA.
US$1,420,000,000
Financial Advisor
Scotia Waterous
February 2006

Advised on Argentine asset divestitures to
Apache CORPORATION
US$675,000,000
Financial Advisor
Scotia Waterous
January 2006

	Date Announced	Buyer	Seller	Type	Transaction Value ($M)	Oil Leverage 1P Reserves (%)	Oil Leverage Production (%)	Res. Value/ Production ($/boe/d)	1P Res. Value/ Reserves ($/boe)	1P R/P Ratio (Years)	2P Res. Value/ Reserves ($/boe)	2P R/P Ratio (Years)	Country
Scotia Waterous	20-Mar-09	Talisman Energy	CNOOC/Sinopec	Asset	$312,800	11%	100%	$64,020	$7.59	23.1	$5.43	32.3	Trinidad & Tobago
	10-Mar-09	Ecopetrol	Hocol Petroleum	Asset	$580,000	99%	NA	$26,364	$9.67	7.5	$6.39	11.3	Colombia
Scotia Waterous	6-Feb-09	KNOC / Ecopetrol	Offshore Int'l Group	Corporate	$900,000	NA	NA	$75,000	NA	NA	$9.00	22.8	Peru
	29-Jul-08	Gran Tierra	Solana Resources	Corporate	$606,010	97%	97%	$126,898	$45.40	7.7	$28.71	12.9	Colombia
Scotia Waterous	17-Mar-08	CEPSA	Hupecol	Asset	$920,000	NA	100%	$57,317	$26.06	6.0	$23.59	6.7	Colombia
	4-Mar-08	StatoilHydro	Anadarko	Asset	$1,850,000	NA	NA	NA	NA	NA	$7.40	NA	Brazil
	Mean				**$971,202**	**98%**	**98%**	**$71,395**	**$27.04**	**7.1**	**$15.02**	**13.4**	
	Mean (excl. high & low)				**$808,670**	**NA**	**NA**	**$66,159**	**$26.06**	**7.5**	**$13.33**	**12.1**	
	Median				**$900,000**	**98%**	**98%**	**$66,159**	**$26.06**	**7.5**	**$9.00**	**12.1**	

Scotia Waterous advised transaction

APPENDIX A

Michael L. Wiggins

[redacted]

EDUCATION: Ph.D., Petroleum Engineering
Texas A&M University, May 1991

M.Eng., Petroleum Engineering
Texas A&M University, August 1988

B.S., Petroleum Engineering
Texas A&M University, May 1979

WORK EXPERIENCE:

3/2013 - Present
Mid-Con Energy Operating, LLC

President	***8/2014 – Present***
Executive Vice President	***3/2013 – 7/2014***

- Serve as chief engineer and chief operating officer for an independent upstream E&P company. Duties include supervising management staff and technical evaluation of waterflood and improved oil recovery projects, reserve determination and reporting, and reservoir management programs.

2006 - 3/2013
William M. Cobb & Associates, Inc.

President	***2011 – 2013***
Senior Vice President	***2006 – 2010***

- Perform technical and economic studies of oil and gas reservoirs for reservoir management, waterflood and EOR assessment and design, reserve determination, and production optimization

- Provide expert witness testimony involving petroleum engineering functions and industry practices

- Teach petroleum engineering industry courses in the areas of reservoir management, reservoir engineering, waterflooding, well completions and performance, and economic evaluations

1991 - 2006
The University of Oklahoma (Norman, Oklahoma)
Professor, School of Petroleum and Geological Engineering

- Taught undergraduate and graduate level petroleum engineering classes in areas of reservoir management, reservoir and production engineering, and petroleum economics

- Conducted research in the areas of flow through porous media, reservoir recovery processes, well performance, reservoir and production engineering, artificial lift, and environmental management

1987 - 1991
Texas A&M University (College Station, Texas)
Graduate Assistant, Petroleum Engineering Department

- Conducted research in the areas of well performance and reservoir management

- Assisted in teaching an introductory course on engineering and computers

1986 - 1987
Independent Consulting Engineer (Liberty, Texas)

- Performed reservoir projections and economic analysis on oil and gas properties under consideration for acquisition and divestment

1985 - 1986
ITR Petroleum, Inc. (Houston, Texas)
Petroleum Engineer

- Performed duties of a production engineer for operated and non-operated properties in South Texas and Oklahoma

1981 - 1985
Templeton Energy, Inc (Houston, Texas)
Petroleum Engineer

- Prepared drilling and completion programs for company operated properties primarily in Kansas, Oklahoma, Louisiana, and Texas

- Managed all production operations in Texas, Louisiana, Mississippi, Oklahoma and Kansas

- Supervised engineering, technical, clerical and field personnel

1980 – 1981
The Bertman Companies (Liberty, Texas)
Petroleum Engineer

- Supervised the operations of a small independent on the upper Texas Gulf Coast

1979 – 1980
Sun Gas Company (Lafayette, Louisiana)
Production Engineer

- Performed production engineering and field duties on properties in the upper Texas Gulf Coast, North Louisiana, and Mississippi

RESEARCH FUNDING:

Secured funding for and participated in 13 externally funded research projects while at the University of Oklahoma. Total external funding was 2.5 million dollars. Served as Project Director and Principal Investigator for 11 of these projects. Projects were funded by the U.S. Department of Energy, U.S. Environmental Protection Agency, Sandia National Laboratories, and various exploration and production companies including Phillips Petroleum, Marathon, Kerr-McGee, Devon Energy, and Anadarko Petroleum.

TEACHING ACTIVITY:

Academic teaching experience includes petroleum engineering courses at both the graduate and undergraduate level in reservoir engineering, production engineering, and petroleum economic evaluation. Industry short course teaching activity includes courses in petroleum reservoir management, basic reservoir engineering, well completions and performance, and petroleum economic evaluation.

GRADUATE STUDENT ACTIVITY:

Supervised 18 graduate students through degree completion, four doctoral students, and 14 masters students. Theses encompassed a range of topics related to fluid flow in porous media, reservoir engineering, production engineering, well performance, artificial lift, and environmental issues.

TECHNICAL AND PROFESSIONAL SOCIETIES:

- Society of Petroleum Engineers
  - Carll, Lucas, and Uren Award Committee, 2010-2012
  - 2010 Annual Technical Conference and Exhibition Program Committee
  - Member of Reservoir Monitoring Technical Program Subcommittee, Annual Technical Conference and Exhibition, 2008-2010

  - Board of Directors, 2004 - 2006
  - Executive Editor, SPE Production and Facilities, 2001-2004
  - Elected Distinguished Member by Board of Directors, 2003
  - General Chairman, 2003 Production and Operations Symposium 2001-2003
  - Recipient of the Mid-Continent Region Service Award, 2002
  - Program Chairman, Oklahoma City Chapter, Reservoir Engineering and Economic Study Group, 2001-2002
  - Member of the Waterflooding Subcommittee, SPE Reprint Series, 2000-2002
  - Program Chairman, 2001 Production Operations Symposium, 2000-2001
  - Director, Oklahoma City Chapter, 1999-2001
  - Review Chairman, SPE Production and Facilities, 1998-2001
  - Served on the Engineering Registration Committee, 1996-1999
  - Member of the Reservoir Management Subcommittee, SPE Reprint Series, 1996-1998
  - Program Committee, SPE Production Operations Symposiums, 2009, 2007, 2005, 2003, 2001, 1999, 1997, 1995, 1993
  - Recipient of the Outstanding Technical Editor Award, 1996, 1997, 2009
  - Technical Editor, SPE Production and Facilities, 1995 to present
  - Member, Petroleum Computer Conference Committee, 1995 - 1997
  - Approved ABET Petroleum Engineering Visitor, 1993 to present
  - PI EPSILON TAU, The National Petroleum Engineering Honor Society, 1978

- Society of Petroleum Evaluation Engineers

- American Society for Engineering Education

- Network of Excellence in Training (NExT)

  - Petroleum Engineering Peer Review Board, 2000 – present

- University of Oklahoma, Norman
  - General Chairman, Conference on Naturally Fractured Reservoirs
  - Recipient, Petroleum and Geological Engineering Distinguished Achievement Award, 2000
  - College of Engineering Dean's Senior Advisory Committee, 1999 – 2000
  - Student Chapter Faculty Advisor, 1991-1996

<u>REGISTRATION</u>:

- Registered Professional Engineer, States of Texas and Oklahoma

PUBLICATIONS:

- Akhimiona, N. and Wiggins, M.L.: "An Inflow Performance Relationship for Horizontal Gas Wells," paper SPE 97627 presented at the 2005 SPE Eastern Regional Meeting, Morgantown, WV, 14-16 September.
- Wiggins, M.L. and Wang, H-S.: "A Two-Phase IPR for Horizontal Oil Wells," paper SPE 94302 presented at the 2005 SPE Production & Operations Symposium, Oklahoma, OK, 16-19 April.
- Anklam, E.G. and Wiggins, M.L.: "Horizontal Well Productivity and Wellbore Pressure Behavior Incorporating Wellbore Hydraulics," paper SPE 94316 presented at the 2005 SPE Production & Operations Symposium, Oklahoma, OK, 16-19 April.
- Ogunsina, O.O. and Wiggins, M.L.: "A Review of Downhole Separation Technology," paper SPE 94276 presented at the 2005 SPE Production & Operations Symposium, Oklahoma, OK, 16-19 April.
- Anklam, E.G. and Wiggins, M.L.: "A Review of Horizontal Wellbore Pressure Equations," paper SPE 94314 presented at the 2005 SPE Production & Operations Symposium, Oklahoma, OK, 16-19 April.
- Gallice, F. and Wiggins, M.L.: "Comparison of Two-Phase Inflow Performance Relationships," SPEPF (May 2004) 100-104.
- Brown, R.L., Wiggins, M.L. and Gupta, A.: "Seismic Determination of Saturation in Fractured Reservoirs," SPE Journal (September 2002) 237-242.
- Penuela, G., Hughes, R.G., Civan, F. and Wiggins, M.L: "Elongated-Slab Models for Interporosity Flow in Naturally Fractured Reservoirs," paper NFR-003 presented at the 2002 Conference on Naturally Fractured Reservoirs, 3-4 June 2002.
- Penuela, G., Civan, F., Hughes, R.G., and Wiggins, M.L.: "Time-Dependent Shape Factors for Interporosity Flow in Naturally Fractured Gas-Condensate Reservoirs," paper SPE 75524 presented at the SPE Gas Technology Symposium held in Calgary, 30 April - 2 May 2002.
- Penuela, G., Hughes, R.G., Civan, F., and Wiggins, M.L.: "Time-Dependent Shape Factors for Secondary Recovery in Naturally Fractured Reservoirs," paper SPE 75234 presented at the SPE/DOE Improved Oil Recovery Symposium, Tulsa, April 13-17, 2002.

- Striz, E.A. and Wiggins, M.L.: "A Coupled Model to Predict Interformation Flow Through an Abandoned Wellbore," SPE Production and Facilities (February 2002) 11-22.

- Gasbari, S. and Wiggins, M.L.: "A Dynamic Plunger Lift Model for Gas Wells," SPE Production and Facilities (May 2001) 89-96.

- Goel, N., Wiggins, M.L. and Shah, S.: "Analytical Modeling of Gas Recovery from In Situ Hydrates Dissociation," Journal of Petroleum Science and Engineering (April 2001) 113-125.

- Brown, R.L., Wiggins, M.L. and Gupta, A.: "Seismic Determination of Saturation in Fractured Reservoirs," paper SPE 67278, Proceedings 2001 SPE Production and Operations Symposium, Oklahoma City, OK, March 25-28.

- Brown, R.L., Wiggins, M.L. and Gupta, A.: "Problems Calibrating Production and Seismic Data for Fractured Reservoirs," paper SPE 67317, Proceedings 2001 SPE Production and Operations Symposium, Oklahoma City, OK, March 25-28.

- Wiggins, M.L.: "Analytical Inflow Performance Relationships," ASME Journal of Energy Resources Technology (March 1999) 24-30.

- Wiggins, M.L., Nguyen, S.H., and Gasbarri, S.: "Optimizing Plunger Lift Operations in Oil and Gas Wells," paper SPE 52119, Proceedings 1999 SPE Mid-Continent Operations Symposium, Oklahoma City, OK, March 28-31.

- Wiggins, M.L. and Startzman, R.A.: "An Approach to Reservoir Management," Reservoir Management, Reprint Series No. 48, SPE, Richardson, TX (1998) 9-15.

- Gallice, F. and Wiggins, M.L.: "Comparison of Two-Phase Inflow Performance Relationships," paper SPE 52171, Proceedings 1999 SPE Mid-Continent Operations Symposium, Oklahoma City, OK, March 28-31.

- Striz, E.A. and Wiggins, M.L.: "A Coupled Model to Predict Interformation Flow Through an Abandoned Wellbore," paper SPE 49151, Proceedings 1998 SPE Annual Technical Meeting and Exhibition, New Orleans, LA, Sept. 27-30.

- Wiggins, M.L., Broussard, N.J., and Rieke, H.H.: "Advisory Boards: Leveraging Industry Resources," paper SPE 39491, Proceedings 1997 SPE Annual Technical Conference and Exhibition, San Antonio, TX, Oct. 5-8.

- Lee, W.J., et al.: "Enhancing Partnerships Between Engineering and Education: Roles for SPE," paper SPE 39492, Proceedings 1997 SPE Annual Technical Conference and Exhibition, San Antonio, TX, Oct. 5-8.

- Sabins, F. and Wiggins, M.L.: "Parametric Study of Gas Entry into Cemented Wellbores," SPE Drilling and Completion, (Sept. 1997) 180-187.

- Sabins, F. and Wiggins, M.L.: "Supplement to SPE 28472, Parametric Study of Gas Entry into Cemented Wellbores," paper SPE 39494, SPE, Richardson, TX.

- Gasbarri, S., Gupta, A.J., and Wiggins, M.L.: "Inflow Performance of Reservoirs Produced by Intermittent Lift Methods," paper 97-135, Proceedings 48th Annual Technical Meeting of The Petroleum Society, Calgary, Alberta, Canada, June 8-11, 1997.

- Gasbarri, S. and Wiggins, M.L.: "A Dynamic Plunger Lift Model for Gas Wells," paper SPE 37422, Proceedings 1997 SPE Production Operations Symposium, Oklahoma City, OK, March 9-11, 1997.

- Wiggins, M.L., Russell, J.E., and Jennings, J.W.: "Analytical Development of Vogel-Type Inflow Performance Relationships," SPE Journal (Dec. 1996) 355-362.
- Almisned, O.A. and Wiggins, M.L.: "Utilization of Software Engineering in Modeling a Petroleum Engineering Problem," paper SPE 36003, Proceedings 1996 SPE Petroleum Computer Conference, Dallas, TX, June 2-5, 1996.

- Wiggins, M.L. and Evans, R.D.: "Reserves and Resources of Oil and Gas," Encyclopedia of Earth Sciences, E.J. Dasch (ed.) MacMillian Library Reference, New York, NY (1996).

- Wiggins, M.L.: "Generalized Inflow Performance Relationships for Three-Phase Flow," 1994 SPE Annual Transactions, Richardson, TX (1995).

- Anklam, E.G. and Wiggins, M.L.: "E&P Waste Management Practices," Proceedings 1995 International Petroleum Environmental Conference, New Orleans, LA, Sept. 25-27.

- Anklam, E.G. and Wiggins, M.L.: "Waste Trends in Oil and Gas Operations," Proceedings 1995 WERC Technology Development Conference, Las Cruces, NM.

- Han, D., Wiggins, M.L. and Menzie, D.E.: "An Approach to the Optimum Design of Sucker-Rod Pumping Systems," paper SPE 29535, Proceedings 1995 SPE Production Operations Symposium, Oklahoma City, OK, April 2-4.

- Poe, B.D., Elbel, J.L., Wiggins, M.L. and Spath, J.B.: "Prediction of Future Well Performance Including Reservoir Depletion Effects," paper SPE 29465, Proceedings 1995 SPE Production Operations Symposium, Oklahoma City, OK, April 2-4.

- Sabins, F. and Wiggins, M.L.: "Parametric Study of Gas Entry into Cemented Wellbores," paper SPE 28472, Proceedings 1994 SPE Annual Technical Conference and Exhibition, New Orleans, LA, Sept. 26-28.

- Wiggins, M.L. and Anklam, E.G.: "Managing E&P Waste Lessens Impact," American Oil & Gas Reporter (Aug. 1994) 78-83.

- Wiggins, M.L.: "Generalized Inflow Performance Relationships for Three-Phase Flow," SPE Reservoir Engineering (Aug. 1994) 181-182

- Wiggins, M.L. and Zhang, X.: "Using PCs and Monte Carlo Simulation for Assessing Risk in Workover Evaluations," SPE Computer Applications (June 1994) 19-23.

- Wiggins, M.L. and Zhang, X.: "Using PCs and Monte Carlo Simulation for Assessing Risk in Workover Evaluations," paper SPE 26243, Proceedings 1993 SPE Petroleum Computer Conference, New Orleans, LA, July 11-14.

- Wiggins, M.L.: "Generalized Inflow Performance Relationships for Three-Phase Flow," paper SPE 25458, Proceedings 1993 SPE Production Operations Symposium, Oklahoma City, OK, March 21-23.

- Wiggins, M.L., Choe, J. and Juvkam-Wold, H.C.: "Single Equation Simplifies Horizontal, Directional Drilling Plans," Oil & Gas Journal (Nov. 2, 1992) 74-79.

- Wiggins, M.L., Russell, J.E. and Jennings, J.W.: "Analytical Inflow Performance Relationships for Three-Phase Flow in Bounded Reservoirs," paper SPE 24055, Proceedings 1992 SPE Western Regional Meeting, Bakersfield, CA, Mar. 30-Apr. 1.

- Wiggins, M.L., Russell, J.E. and Jennings, J.W.: "Analytical Development of Vogel-Type Inflow Performance Relationships," paper SPE 23580, Proceedings 1992 SPE Permian Basin Oil and Gas Recovery Conference, Midland, TX, Mar. 18-20.

- Wiggins, M.L.: "Methods Predict Oil Well Performance," American Oil & Gas Reporter (Sept. 1991) 64-67.

- Wiggins, M.L., Jochen, V.A. and Jennings, J.W.: "Prediction of Oilwell Performance in Bounded Reservoirs," Proceedings 1991 Southwestern Petroleum Short Course, Lubbock, TX, Apr. 17-18.

- Mukerji, P., Wiggins, M.L. and Jennings, J.W.: "Inflow Performance Relationships for Oil-Water Systems Above the Bubble Point," Proceedings 1991 Southwestern Petroleum Short Course, Lubbock, TX, Apr. 17-18.

- Wiggins, M.L. and Juvkam-Wold, H.C.: "Simplified Equations for Planning Directional and Horizontal Wells," paper SPE 21261, Proceedings 1990 Eastern Regional Meeting, Columbus, OH, Oct. 31-Nov. 2.

- Wiggins, M.L. and Startzman, R.A.: "An Approach to Reservoir Management," paper SPE 20747, Proceedings 1990 SPE Annual Technical Conference and Exhibition, New Orleans, LA, Sept. 23-26.

- Wiggins, M.L. (ed.): A Manual for Petroleum Reservoir Management, Crisman Institute for Petroleum Reservoir Management, Petroleum Engineering Department, Texas A&M U., College Station, TX (May 1989).

07/14

APPENDIX B

Expert Testimony History 2011-2014

2011 Represent PDVSA Petroleo, S.A. (defendant) in an ICC arbitration dispute with the SIMCO Consortium and Wood Group Engineering (North Sea) Limited regarding contract termination for water treatment and water injection services in Lake Maracaibo, Venezuela. Prepared expert report and presented arbitration testimony.

MLW
11-21-2014

EXHIBIT 22

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

) File No. HO-11507-A

HOUSTON AMERICAN)

ENERGY CORPORATION)

WITNESS: Kenneth Jeffers

PAGES: 1 through 206

PLACE: U.S. Securities and Exchange Commission

801 Cherry Street, 19th Floor

Fort Worth, TX 76102

DATE: Thursday, June 21, 2012

The above-entitled matter came on for hearing, pursuant to notice, at 9:09 a.m.

Q Okay. And what is that? What does that mean?
A You never get a 100 percent of the oil in place out.
Q Okay. And do you know how SK calculated a 30 percent recovery factor?
A No.
Q Now you had mentioned, and again, I don't want to characterize your testimony, but as I understood your testimony you thought maybe the Unit RR figures would be inputs for the Unit RR columns of 150.
A That is an assumption, yes.
Q And how would you calculate barrels per acre foot? What are the inputs you would use? I mean is there a particular formula that you use?
A I go by experience that I have over the years. In an area that has good oil production, I use the number of 500 barrels per acre foot.
In the Llanos Basin, it's certainly a good oil, an excellent oil producing area. In areas that production is not as good, you lower it by some amount. In the areas where it's even more excellent, you would raise it.
Q Do you know if there is a formula that is used in the oil and gas industry to calculate barrels per acre foot?

EXHIBIT 23

EX-99.1 2 ex99-1.htm

GulfUnited
ENERGY

October 2010

Fluker
EXHIBIT NO. 29
Kelly Hanna

EXHIBIT GE
156
HO-11507
7-17-12
PENGAD 800-631-6989

PROJECT AREAS

HELD BY DEFINITIVE AGREEMENT

- Colombia
  - Block CPO-4 (12.5% non-operated working interest)
    - 345,592 gross acres
    - Llanos Basin
    - Operated by SK Energy of South Korea
  - Net Risked Prospective Resource = appx 65 MMBO (internal estimate based on Corcel Trend only)
- Peru
  - Block Z-46 (40% non-operated working interest)
    - 2,803,411 gross acres
    - Trujillo Basin
    - Operated by SK Energy of South Korea
  - Multi-billion barrel potential based on reprocessed 2D data

UNDER NEGOTIATION

- Peru
  - Block 24 (negotiating up to 15% non-operated working interest)
    - 276,137 gross acres
      - 80,000 offshore
      - 196,000 onshore
    - Operated by Upland Energy
- Peru
  - TEA Area I, II, III, IV (negotiating up to 10% non-operated working interest)
    - Comprises 40,000,000 gross acres
      - Onshore, western flank of Andes
    - Operated by Upland Energy

The undiscovered prospective resources shown in this report represent exploration opportunities and development potential in the event a commercial discovery is made

UNDISCOVERED RESOURCES: Undiscovered resources are defined as those quantities of oil and gas estimated on a given date to be contained in accumulations yet to be discovered

PROSPECTIVE RESOURCES: Prospective resources are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations.

CPO-4 CORCEL TREND SUMMARY

Trend Characteristics

- Adjacent to existing fields
- Multiple Stacked Reservoirs
- Trap Type : Up thrown fault closures on trend with Corcel/Guatiquia development
- High Quality Oil (30 - 45 API)
- Favorable Reservoir Characteristics: 30% Porosity. 2d Permeability
- 17 structures mapped on 3D seismic (as of 10/15/10) on multiple intervals in Corcel Trend
- **Appx 65 MMBbl GLFE Risked Prospective Resource (Corcel Trend only - see assumptions on page 9)**

Excellent Working Environment

- ~ 25 Km from pumping station on 26 inch pipeline
- Ease of Access Roads
- No Indigenous Reservation Area

Drilling Success

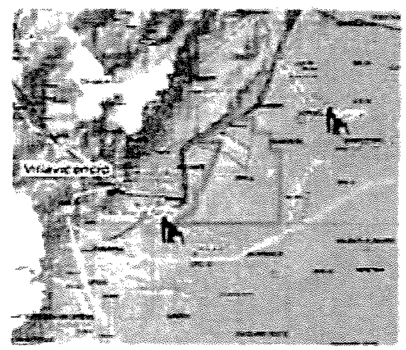
- **Petrominerales has had 100% success drilling on 3D seismic on the adjacent block**

Interest

- 12.5% non-operating working interest in the block
- Drilling expected Q2 2011

GulfUnited

CPO-4 OVERVIEW



Location : Onshore, Central Colombia

Basin : Western Llanos Basin

Gross Area : 345,592 acres

Effective Date : December 18, 2008

Participants

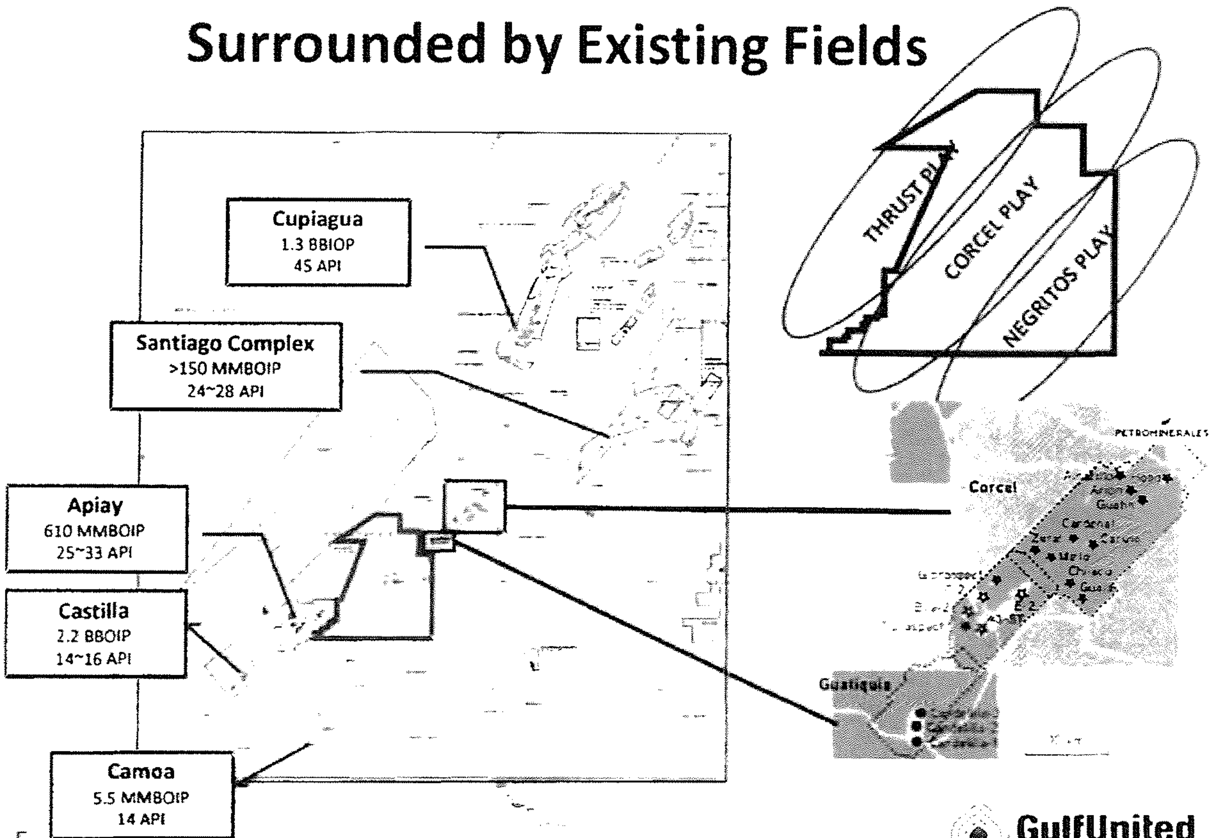
- SK Energy : 50 % (Operator)
- Houston American Energy : 37.5%
- Gulf United Energy : 12.5%

Exploration Period & Work Obligation

[illegible]	[illegible]	[illegible]
Phase 1	Jun 18 '09 - Jun 17 '12 (3 yrs.)	• 1350 km 2-D Seismic Reprocessing (completed) • 530 km^2 3-D New Seismic Acquisition (completed) • 2 Exploration Wells (2^{nd} qtr. 2011)
Phase 2	Jun 18 '12 - Jun 17 '15	• 3 Exploration Wells

GulfUnited

Surrounded by Existing Fields



5

GulfUnited

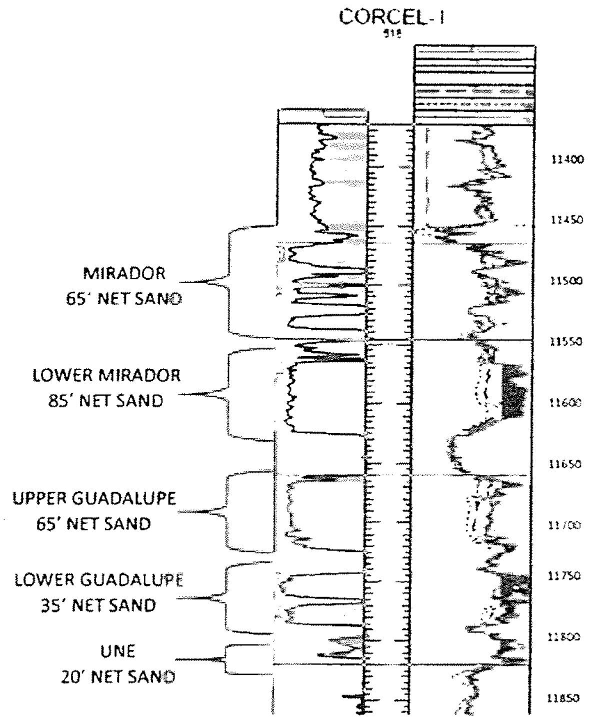
PETROMINERALES GUATIQUIA - CANDELILLA WELLS

Guatiquia Block is located directly adjacent to the CPO-4 Block, with the Candelilla- 1 & 2 wells located approximately 3 kilometers away from the CPO-4 block

- Candelilla-1
  - Spud November 9, 2009
  - Total vertical depth of 11,681 feet (December 16, 2009).
  - Commenced production in late December of 2009 at over 11,500 barrels of oil per day of 44 degree API oil with less then 1% water cut.
- Candelilla-2
  - Spud December 26, 2009
  - Total vertical depth of 11,740 feet (January 31, 2010).
  - Commenced production February 2010 at 15,800 barrels of oil per day of 43 degree API light oil at less than 1% water cut.
- Candelilla-3
  - Spud February 18, 2010
  - Total measured depth of 12,162 feet (March 15, 2010)
  - Commenced production in mid-March 2010 at 15,600 barrels of oil per day a 43 degree API oil.

GulfUnited

CORCEL SAND PACKAGE



TOTAL CRETACEOUS & EOCENE INTERVAL

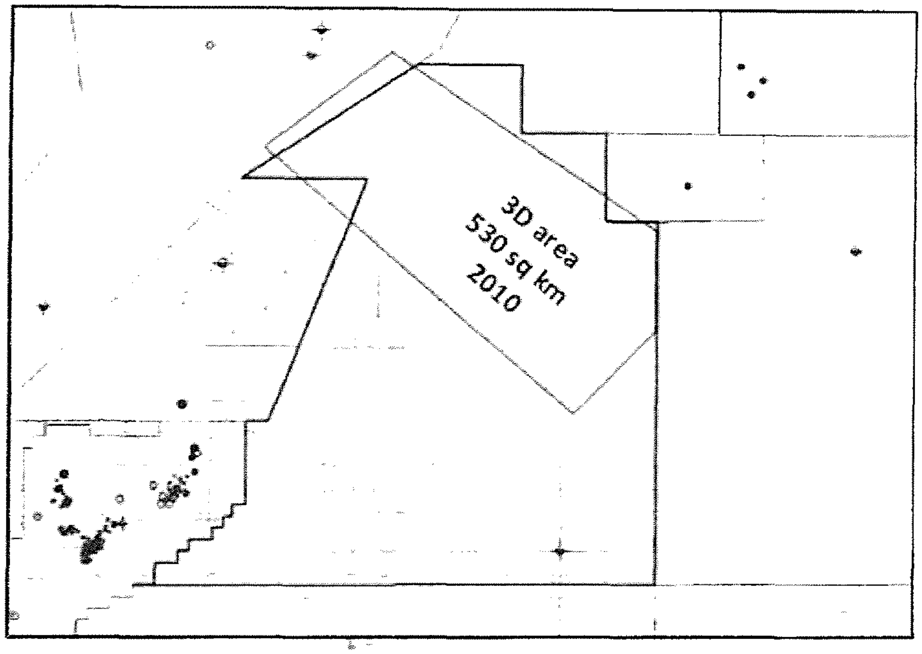
440 FT. GROSS INTERVAL

270 FT. Net Sand

7

GulfUnited

NEW 3D AREA ON CPO-4



GulfUnited

3D Mapping Results & Assumptions

(as of 10/15/10)

- 17 structures mapped from new 3D data indicate appx 6,400 acres of cumulative closure
  - Closures range from appx 100 ac. - 700+ ac.
- Assumptions
  - 165 feet net sand (Corcel #1 log shows 270 ft. net sand)
  - 500 Bbl/ac. ft. recovery factor (based on high permeability and porosity in offset wells)
- Based upon 6400 ac. cumulative closure, assumptions yield appx 65 MMBbls risked Prospective Resources to GLFE interest

GulfUnited

SK ENERGY - OPERATOR

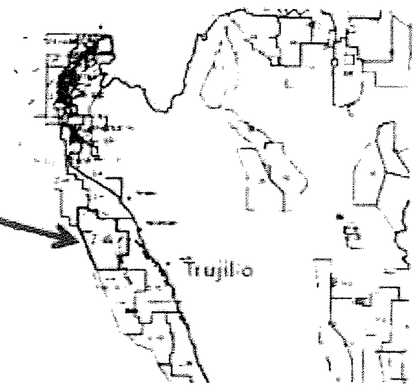
- SK Energy -
  - A subsidiary of SK Group, one of South Korea's top five industrial conglomerates.
    - The company has about 40 affiliated companies, with operations ranging from energy, telecommunications, finance, and construction.
  - SK Energy, is Korea's largest petroleum refiner.
  - Active in 34 Blocks in 19 Countries
    - 5 Exploration Blocks in Colombia (4 operated)
    - 4 Producing Blocks in Peru (including Camisea pipeline & LNG
    - 1 Exploration Block (Z-46) in Peru

BLOCK Z-46 (OFFSHORE PERU)

- Evidence of active hydrocarbon system
- Relatively shallow water depth in prospective area
- Similar characteristics and potential as Perdido Fold Belt in Gulf of Mexico
  - Trend potential ranges between 3 - 15 Billion Barrels Recoverable
    - 1st discovery in 2001
  - Tertiary targets similar age as Z-46 (Eocene)
    - Turbidite fan systems
  - Shell, Exxon, Chevron active
- Multi-billion barrel potential based on reprocessed 2D data

PERU BLOCK Z-46

- Location
  - Offshore Peru (water depth 50m - 1,000m)
  - Basin - Trujillo Basin
  - Area - 2,803,411 acres
- Contract
  - Effective Date: January 2008
  - Participants
    - SK Energy - 60% (operator)
    - Gulf United Energy - 40%



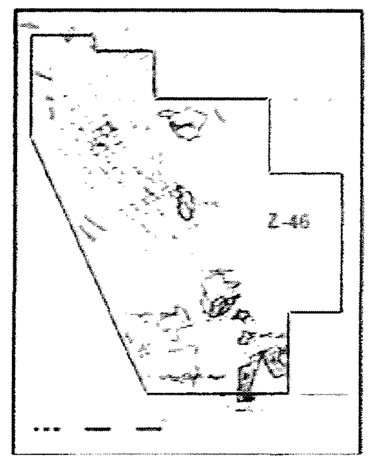
[illegible]

Phase 1

- **Existing 2D Data reprocessed**
  - *5684 km completed*
- **Sea bed Coring**
  - *MET method (Microbial Exploration Technology) (1st Stage Completed)*
- **New 2D seismic**
  - *Acquisition*
    - *56 lines: 2904 km (Permitted)*
  - *Processing (Q1 2011)*
  - *Interpretation (Q2 2011)*

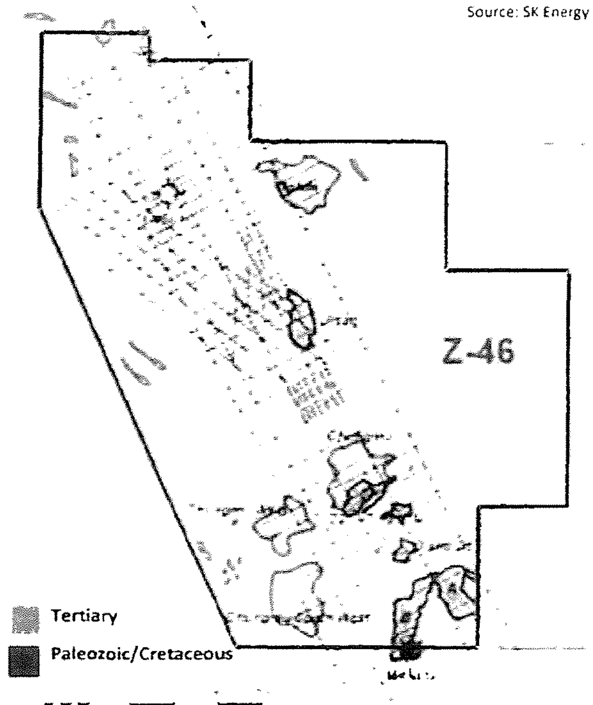
Phase 2

- Focused 3D based on 2D interpretation to identify well location
- 1st Exploration Well

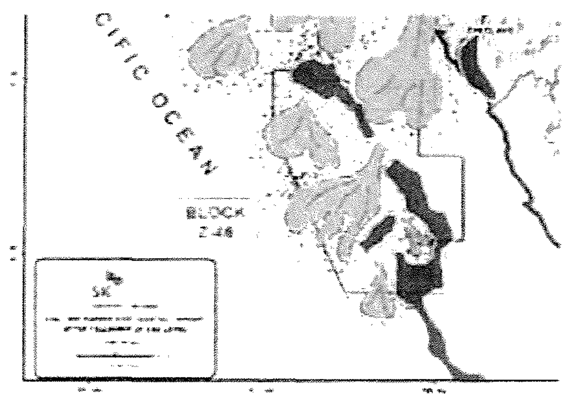


12

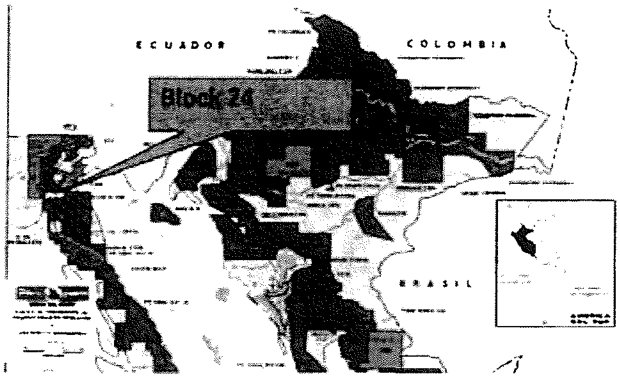
PROSPECTS SUMMARY



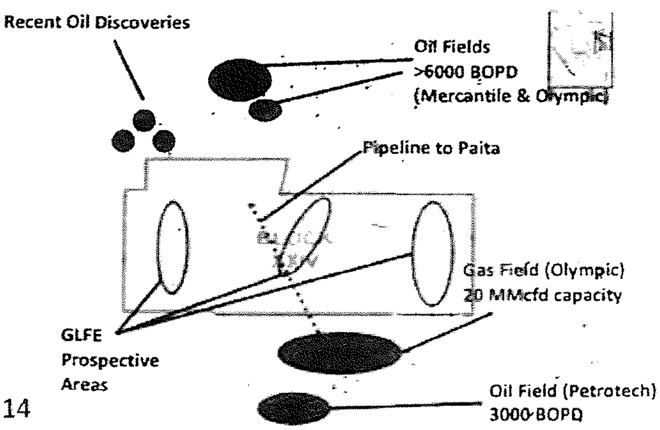
- Multiple tertiary prospects and multiple Cretaceous/Paleozoic Prospects were identified from recently reprocessed 2D data.
- Two Repsol wells (1999) on the block had oil shows
- Recently reprocessed 2D data indicates sand rich fan deposition that was previously undetected



PERU BLOCK 24



- GLFE negotiating for up to 15% working interest
- Block 24 is comprised of 276,137 acres
  - approximately 80,000 acres offshore
  - 196,000 acres are on shore.
- Attractive Exploration Target
  - Recent gas and oil discoveries by Olympic (onshore, north and south of Block 24) and off shore oil discoveries in Petrotech's San Pedro Field to the south

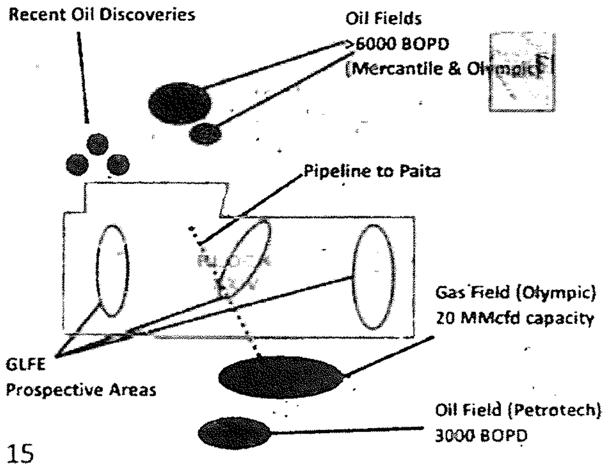


14

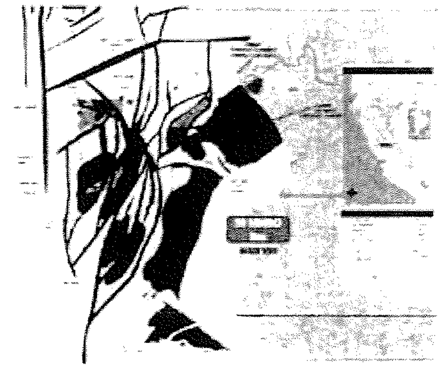
GulfUnited

PERU - BLOCK 24

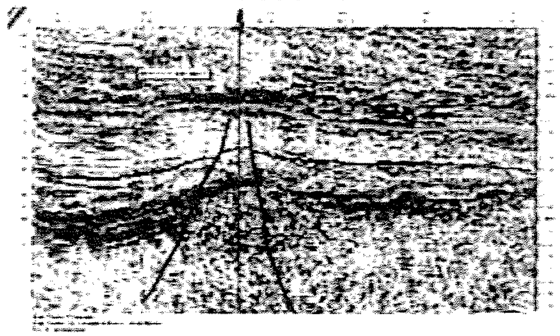
- Operator estimates offshore risked Prospective Resource = 50 MMBO
- Going Forward
  - Further evaluate large offshore potential
    - Reprocess and integrate existing 2D and 3D seismic data
    - Acquire additional seismic if necessary
    - Drill exploratory well



OFFSHORE PLAY



Offshore Seismic Line

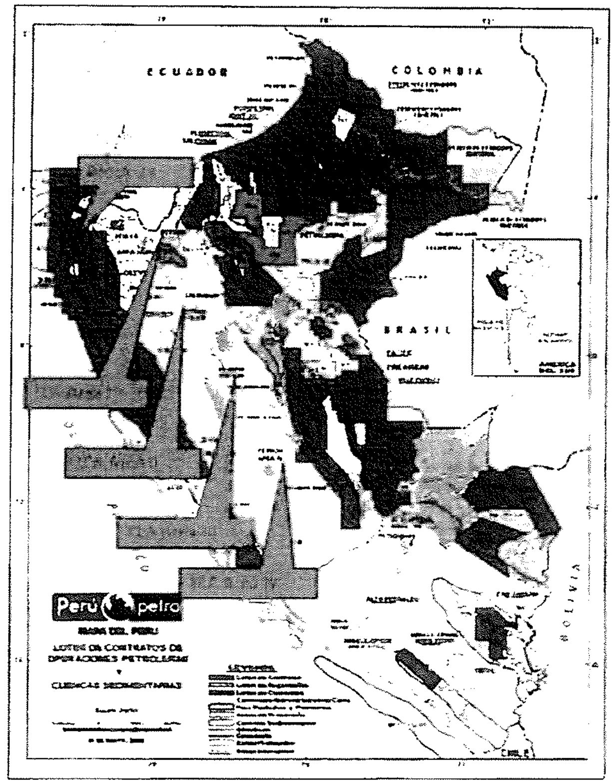


15

GulfUnited

Peru TEA Areas I, II, III, IV

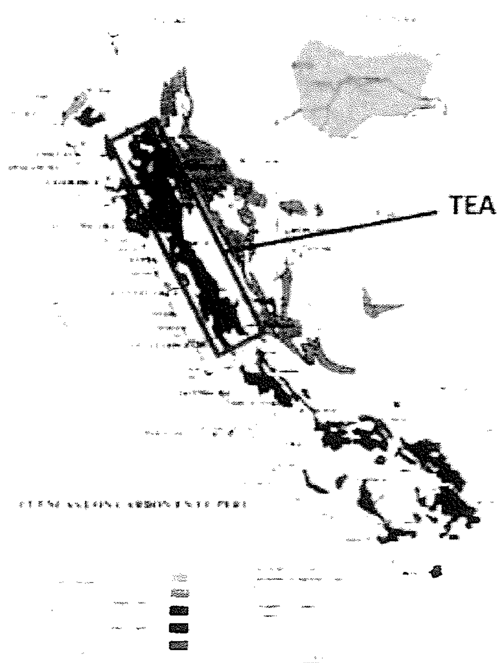
- GLFE negotiating up to 10% interest in the TEA's
- 40,321,163 total acres
- Perform a Technical Evaluation Assessment (TEA) within the four areas.



16

GulfUnited

COAL BEARING BASINS OF PERU



- Indicate the presence of hydrocarbon systems
- The initial plan is to perform satellite imaging, aero-magnetic & gravity surveys, geological sampling & analyses, and feasibility studies to high-grade certain areas for further scrutiny.

17

GulfUnited

GULF UNITED ENERGY

PERSONNEL

GulfUnited

- **John B. Connally III** - **Chairman and Chief Executive Officer/President**

  Independent oil and gas producer. Former Partner in the law firm of Baker & Botts, specializing in corporate finance and mergers and acquisitions for energy and oil field service companies. Founding Director of Nuevo Energy, a Houston based oil and gas exploration and production company listed on the NYSE. Founder, former Director and Chief Executive Officer of Pure Energy and Pure Gas Partners, private oil and gas exploration and production entities operating in the state of New Mexico. Partner, Back Nine Energy Partners, engaged in oil and gas exploration in the state of New Mexico. Partner, Pin Oak Energy partnerships, investing in leasing, seismic operations and drilling on the Texas Gulf Coast. Partner, Commodore Energy Partners, investing in leasing, seismic and drilling operations on the Texas Gulf Coast. Founding Director of Endeavour International Corporation, a public company listed on the New York Stock Exchange AMEX and on the London Stock Exchange, engaged in oil and gas exploration and production in the U.K. North Sea and in the domestic U.S. market. Chairman of the Compensation Committee and member of the Audit Committee of Endeavour.

- **Ernest B. Miller IV**

  Ernie Miller has 18 years of experience in energy development, operations, and finance with public and private companies based in the US, Canada, and United Kingdom. Mr. Miller was a partner in Rodeo Development Limited, a private company that developed the Logbaba Natural Gas & Condensate block in Douala, Cameroon, which the company sold in late 2008. Prior to his work in Cameroon, Mr. Miller was Director of Finance with Calpine Corporation (NYSE) responsible for project financing for the construction of new combined cycle power plants as well as the acquisition of natural gas reserves. After leaving Calpine, Mr. Miller provided consulting services to BPZ Energy (NYSE) in arranging their IFC financing package, and was a principal in Tiger Midstream Development.

- **Jim D. Ford**

Jim Ford has over 30 years' experience in the energy sector most recently with Rodeo Development Ltd, a private company that developed the Logbaba Natural Gas & Condensate block in Douala, Cameroon, and is now a wholly owned subsidiary of Victoria Oil Gas (London AIM). Mr. Ford is a director of Rodeo Development Limited. Previously, Mr. Ford was President of Riata Resources Corp and is currently a Director. Mr. Ford was President of Intercap Resource Management Corp, a publically traded company active in Yemen and Colombia. Mr. Ford was Santa Fe Energy's Senior International Negotiator and President of a number of international subsidiaries including Santa Fe Energy (Colombia) Ltd and Petrolera Santa Fe (Ecuador). Mr. Ford was directly involved in South America, Africa, the FSU and Asia including the People's Republic of China where he was responsible for negotiating the first ever production sharing agreement in onshore China.

- **James C. Fluker III**

Jim Fluker is a professional geophysicist and geologist with over 30 years of experience in petroleum exploration. Mr. Fluker has a proven record of accomplishment of finding oil in petroleum exploration in South America, Gulf of Mexico, North Africa, and the Middle East. Mr. Fluker was previously with Exxon specializing in the Gulf Coast region of Texas. He later served as Exploration Manager for Tenneco Oil Co. in Ecuador which was purchased by British Gas. Mr. Fluker served 11 years with Nippon Oil Exploration working South America. Mr. Fluker has consulted for companies including Teikoku Oil Co., CCC in the Middle East and SK E&P Company in Colombia providing his expertise in areas including acquisition and interpretation of seismic data for onshore and offshore projects and international and domestic operations. Prime areas of interest in South America for Teikoku Oil and SK E&P were Colombia, Peru and Venezuela. Overseas assignments include living and working in Quito, Ecuador and London, UK. Mr. Fluker speaks, reads and writes Spanish fluently.

CAUTIONARY STATEMENT

This presentation may contain forward-looking statements about the business, financial condition and prospects of the Company. Forward-looking statements, can be identified by the use of forward-looking terminology such as "believes," "projects," "expects," "may," "goal," "estimates," "should," "plans," "targets," "intends," "could," or "anticipates," or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy or objectives. Forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Forward-looking statements in this presentation include, without limitation, the Company's expectations of the oil initially in place, undiscovered resources, gross prospective barrels of oil equivalent, net prospective barrels of oil equivalent, net risked prospective barrels of oil equivalent, drilling success rates, resource information and other performance results. These statements are made to provide the public with management's current assessment of the Company's business, and it should not be assumed that these reserves are proven recoverable as defined by SEC guidelines or that actual drilling results will prove these statements to be correct. Although the Company believes that the expectations reflected in forward-looking statements are reasonable, there can be no assurances that such expectations will prove to be accurate. Security holders are cautioned that such forward-looking statements involve risks and uncertainties. The forward-looking statements contained in this presentation speak only as of the date of this presentation, and the Company expressly disclaims any obligation or undertaking to report any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based. Certain factors may cause results to differ materially from those anticipated by some of the statements made in this presentation. Please carefully review our filings with the SEC as we have identified many risk factors that impact our business plan.

 GulfUnited

GulfUnited
ENERGY

October 2010

GulfUnited

EXHIBIT 24

2012 02 02_Adair

Ryan Adair

not sure where we stand on providing

going to hold off on details

generally [speaking]: if you used a 17% porosity / oil sat of 75%
OVF of 1.05 would give you OOIP of 940 b/a/f → OOIP →
if # meant to be recoverable – would [illeg.] 50% recovery
factor → [illeg. / cross out]
940 b/a/f OOIP is directionally similar to what we are finding

[redacted]

→ send Form 1662

Fluker
EXHIBIT NO. 14
Kelly Hanna

2/2/18

Ryan Adair

→ not sure where we stand on providing

↳ going to hold off on details

↳ generally apply: if you used a 17% porosity / oil sat of 75%
BVF of 1.05 wld give you OOIP of 940 b/a/f → OOIP →
if it meant to be recoverable — wld be an 50% recovery
factor → ~~[illegible]~~
940 bl a/f OOIP is directionally
similar to what we are finding

↳ radair@petrominerals.com

→ send form 1662

EXHIBIT 25

AUSTIN
3345 Bee Cave Road
Suite 201
Austin, Texas 78746 USA
Tel 512.732.9812
Fax 512.732.9816

LONQUIST & CO. LLC

PETROLEUM ENGINEERS ENERGY ADVISORS

www.lonquist.com

HOUSTON
1001 McKinney
Suite 420
Houston, Texas 77002 USA
Tel 713.559.9950
Fax 713.559.9959

April 12, 2012

Mr. John F. Terwilliger
Houston American Energy Corporation
[redacted]

Re: Oil Recovery Overview
Llanos Basin
Republic of Colombia

Dear Mr. Terwilliger:

As requested, Lonquist & Co. ("L&Co") has prepared this overview of the oil recoveries we have estimated for assets in the Llanos Basin, Republic of Colombia. Based on results from our recent work for clients who are active in the Basin, estimated oil recoveries have ranged from 56 barrels of oil per acre-foot ("BO/AF") to 1,372 BO/AF with a mean (arithmetic average) of 454 BO/AF. These results include sands in the Carbonera section ("C-Sands") to the deeper Ubaque Sands.

In simplistic terms, the calculation of oil recovery is a function of the following:

- Porosity-ϕ: The amount of void (pore) space within the rock
- Water Saturation-S_w: The amount of water contained in the rock pore space
- Oil Properties-B_o: Oil properties are a function of reservoir pressure and temperature
- Areal extent and average net thickness of the formation. This is the reservoir volume expressed in acre-feet

The above are used to calculate the original oil in place ("OOIP"). The last part of the equation to calculate the recoverable oil is the recovery factor ("RF"). This factor is an estimation of the percentage of the OOIP that will be produced. In our recent studies, the RF has ranged from 5% to 65% of the OOIP with a mean of 43%. Of all of the volumetric parameters, RF can be the most difficult to determine. While the recovery factor can be calculated using generalized empirical formulae, L&Co considers current well performance and geologic interpretations when estimating RF.

As seen above, oil recovery can cover a wide range of values. It is not unusual for oil recoveries to be revised as additional data are acquired. As additional production data are gathered and/or geologic interpretations are revised, L&Co reviews and may update the estimated oil recovery. In the Llanos Basin it has been our experience that, in general, oil recoveries tend to increase with time. It is important to note that there is a practical limit to the RF and this limit varies from reservoir to reservoir.

As always, please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

LONQUIST & CO., LLC
Texas Registered Engineering Firm No. F-8952

Don E. Charbula, P.E.
Vice President
Texas License No. 73435

EXHIBIT 26

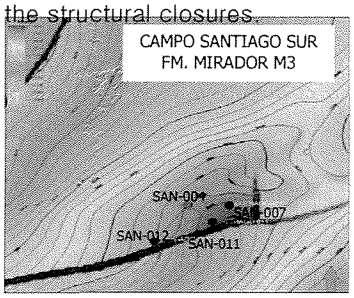
CPO4 PROSPECT & RESOURCES

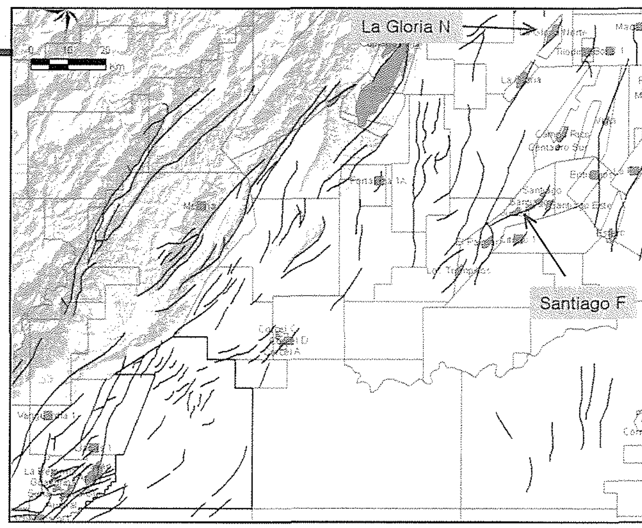
Base of Calculations

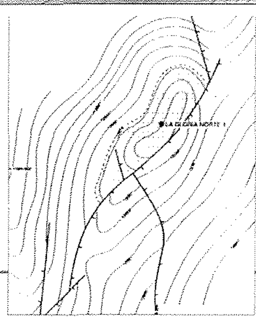
• Closure		
•Mirador		290 acres
•Guadalupe & Une		410 acres
•Net Pay, vertical closure		Mirador 15 msg 100 Ft
	Une 20 msg 120 Ft	
•Porosity		Off set wells
•SW	20%	
• API	31º	
•Production mechanism		Water Drive
•Recovery Factor		
• Maximum	Guasar 68%	
• Most likely	Santiago Field 52%	

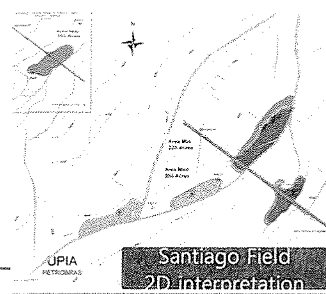
SK energy

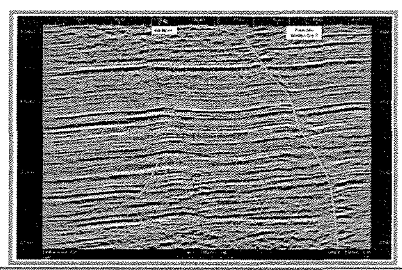
In the Llanos foreland the structural style is represented by main NE fault system with associated "satelite" or relief minor EW faults oriented. In many cases this 'minor" faults make the structural closures.



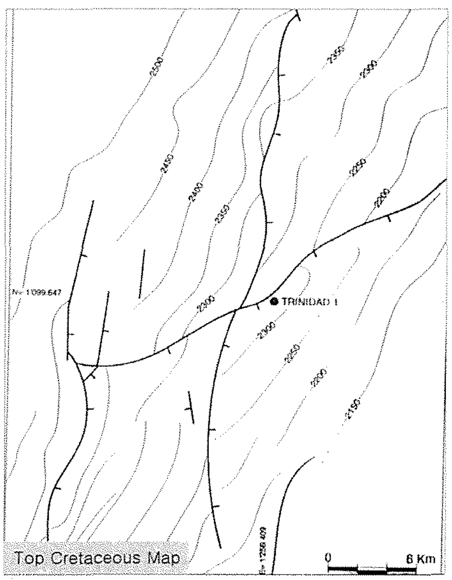






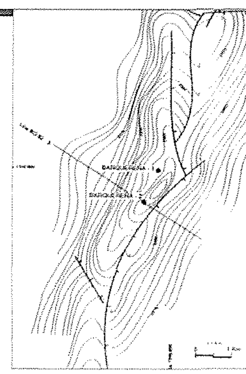


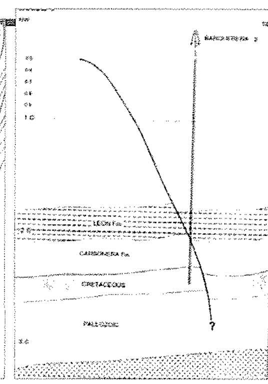
SK energy

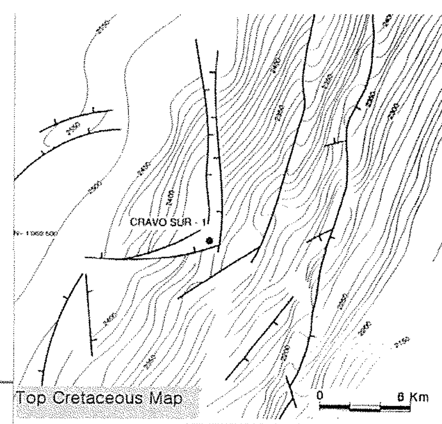


Trinidad Field, DBNF

From Geotec & Roberston

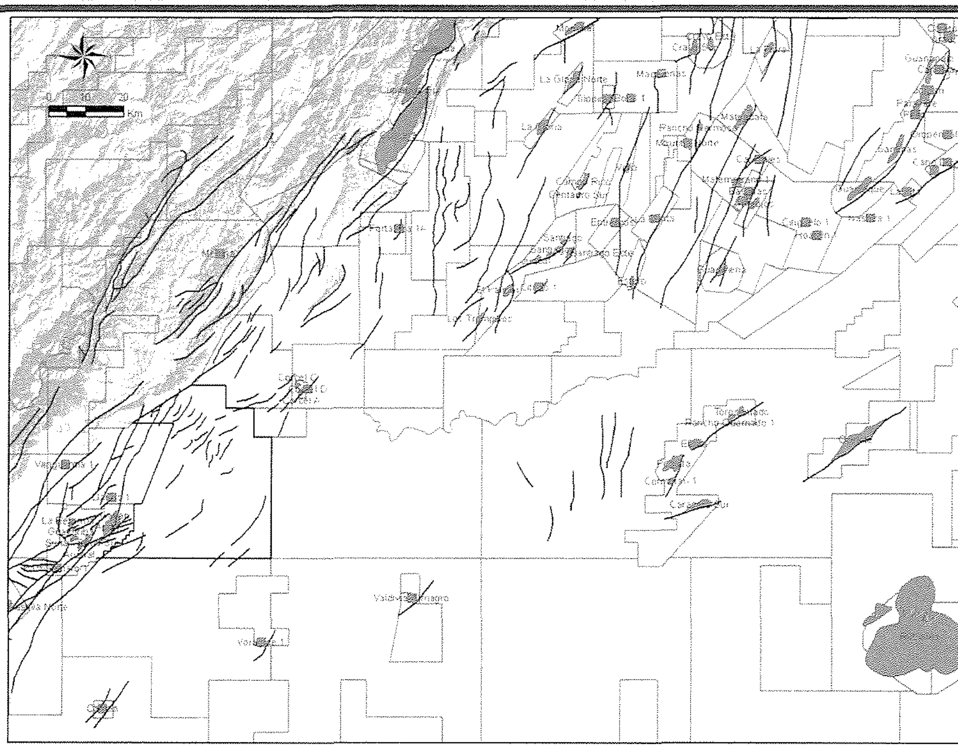






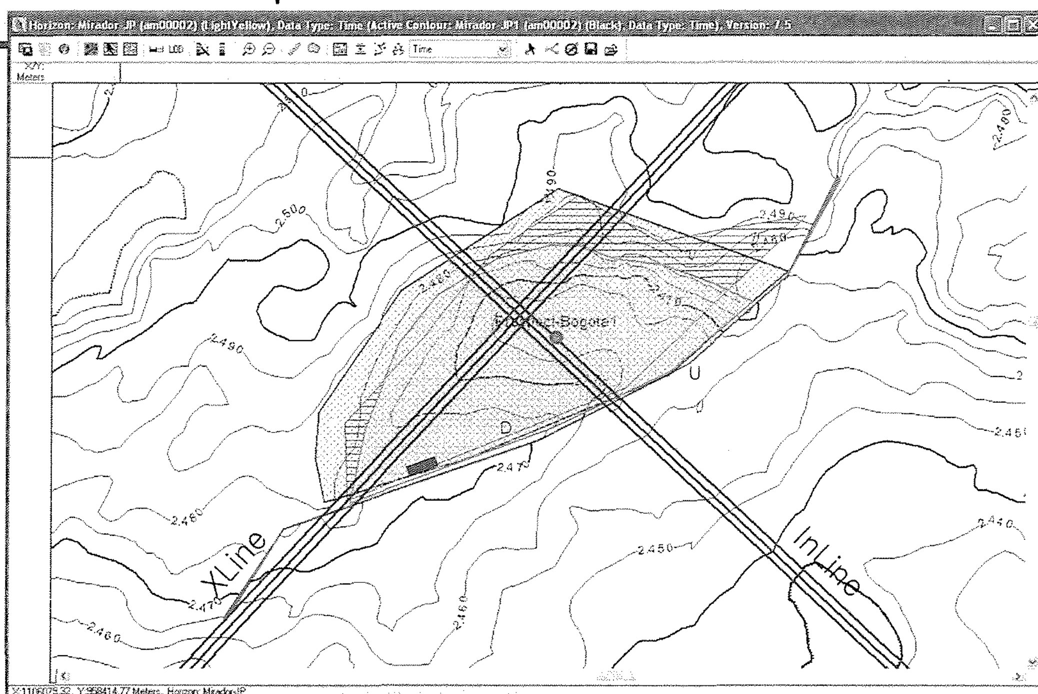
SK energy

Regional Tectonic map



SK energy

SKE 1 Prospect



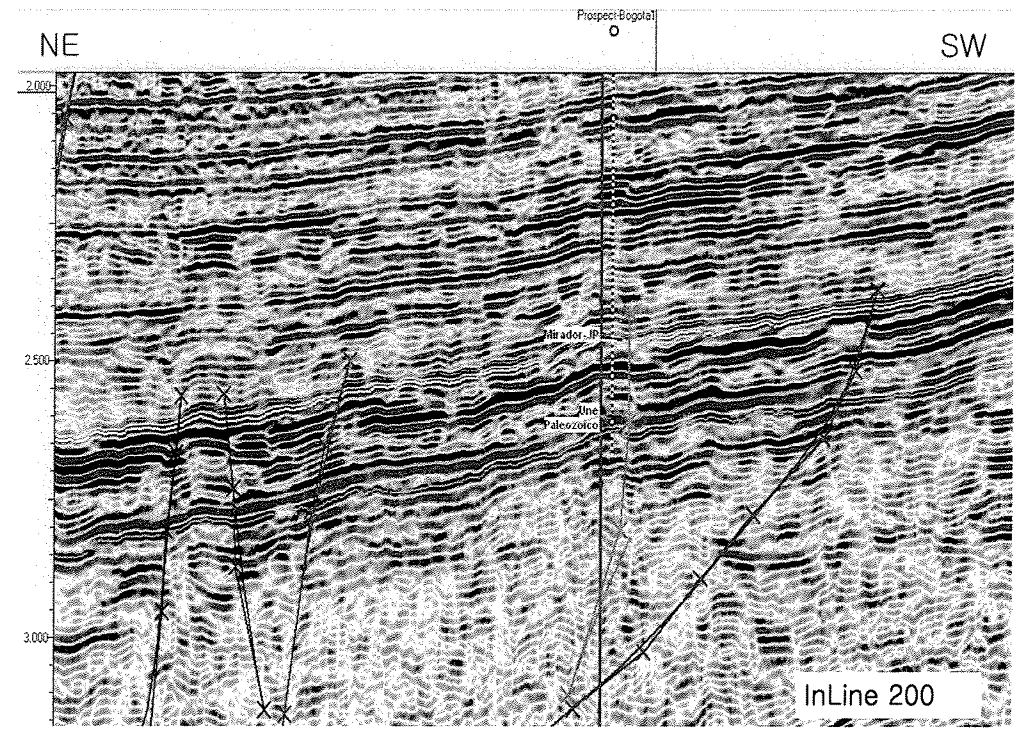
X: 1108153.48
Y: 957550.55

Mirador Fm: 11391'
Une Fm: 12279.9'
Pz: 12440'
TD: 12750'
Reference 1000'

Mirador Fm. Closure: 291 acre
Une Fm. Closure: 411 acre

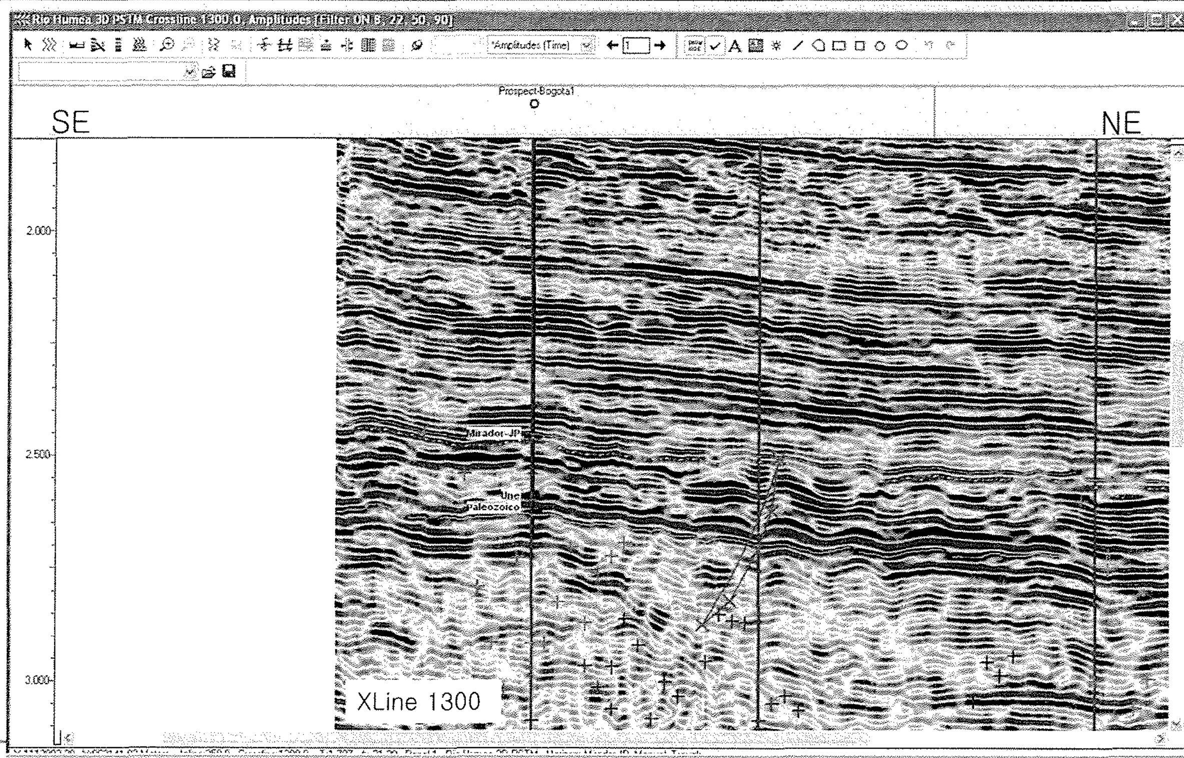
SK energy

SKE 1 Prospect



SK energy

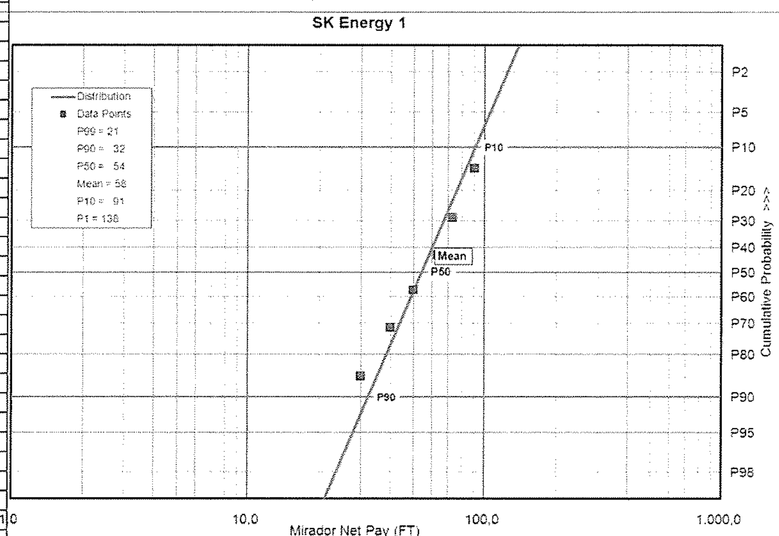
SKE 1 Prospect



SK energy

MIRADOR NET PAY

FIELD	PRODUCING FM	POROSITY %	Net Pay (ft)	FR
Barquereña	Mirador	13-22		20-30
~~Centauro-1~~	~~Mirador~~	~~21~~		
Centauro Sur	Mirador	18-25		
Corcel	Mirador		100	
Campo Rico	Mirador	20		
Cravo Este	Mirador	16-20		
Cravo Sur	Mirador	18		
Cuerdas-1	Mirador	19	42	
Gloria Norte	Mirador	15-20	100	35
La Gloria	Mirador	19-Nov	106	30-37
La Maria	Mirador	20		
Metica	Mirador	22	100	
Morichal	Mirador	20		
Rancho Hermoso	Mirador	20		
Santiago	Mirador	14-24	125	52
Santiago Este	Mirador	15-25		63
Santiago Norte	Mirador		40	
Santiago Sur	Mirador		50	
Santiago-2	Mirador	20	125	
Trompillos-1	Mirador	20	73	45
Trompillos-2	Mirador	21	63	
Juncal	Mirador	18	30	44
Upia-1	Mirador	11		
Leticia-1	Mirador	12		
El palmar-2	Mirador	11		
El Palmar-1	Mirador	20	114	59
Pajaro Pinto-1	Mirador	22		
Tocaria	Mirador	11 20		
Apiay	Mirador	16		

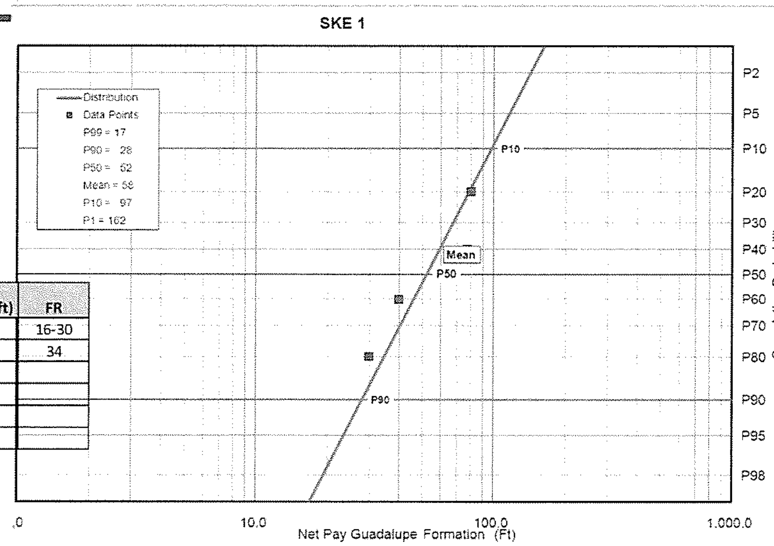


	A1			A2			A3			A4			C1			C3		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)	42'	2300-2800 **	28	42'	3100 Bls					177'	4957 Bls							
Lower Mirador	58'	1500-2300	28															
Guadalupe	40'	970-1200 *	31	77'									41'			23'	7993 Bls	28
Lower Sand (Une?)							22'	760 Bls	22				36'	5250 Bls	16	45'		

	D1			D2			D3			E1			F1		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)										65					
Lower Mirador	56'	6770Bls	26	46'	4500 Bls	26	31'	8400 Bls	27				06/15/2009 Similar to E1		
Guadalupe	35'	3800 Bls	22					400 Bls	19						
Lower Sand (Une?)	11'									48	4900 Bls	17			

energy

GUADALUPE NET PAY



FIELD	PRODUCING FM	POROSITY %	Net Pay (ft)	FR
Barquereña	Guadalupe	18	22	16-30
Caño Garza	Guadalupe	25	35	34
Corcel	Guadalupe		40	
Cuerdas	Guadalupe	22	40-77	
Upia	Guadalupe	16	100	
Macarenas	Guadalupe	15-20		

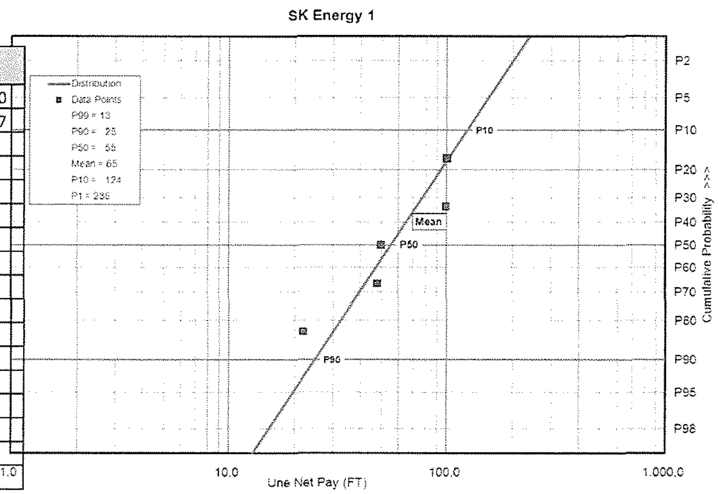
	A1			A2			A3			A4			C1			C3		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)	42'	2300-2800 **	28	42'	3100 Bls					177'								
Lower Mirador	58'	1500-2300	26								4957 Bls							
Guadalupe	40'	970-1200 *	31	77'									41'			23'	7993 Bls	28
Lower Sand (Une?)							22'	760 Bls	22				36'	5750 Bls	16	45'		

	D1			D2			D3			E1			F1		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)										65			06/15/2009 Similar to E1		
Lower Mirador	56'	8770Bls	26	46'	4500 Bls	26	31'	8400 Bls	27						
Guadalupe	35'	3800 Bls	22					400 Bls	19						
Lower Sand (Une?)	11'									48'	4900 Bls	17			

SK energy

UNE NET PAY

FIELD	PRODUCING FM	POROSITY %	Net Pay (ft)	FR
Apiay	Une	14-22	230	20-40
La Gloria	Une	9 19	99	30-37
Metica	Une	12	20	
Pajaro Pinto	Une	12		
Santiago-2	Une	21	53	
Trompillos	Une	19	16	
Upia	Une	10	137	
Palmar	Une	15	76	51
Cravo Sur	Une	14-18		
El Palmar	Une	17		
Entrerrios	Une	25		
Estero	Une	25		
Morichal	Une	11		
Tierras Blanca	Une	14-17		
Tocaria	Une	12 15		
Vigia	Une	15-22		
Corcel	Une		22-48	

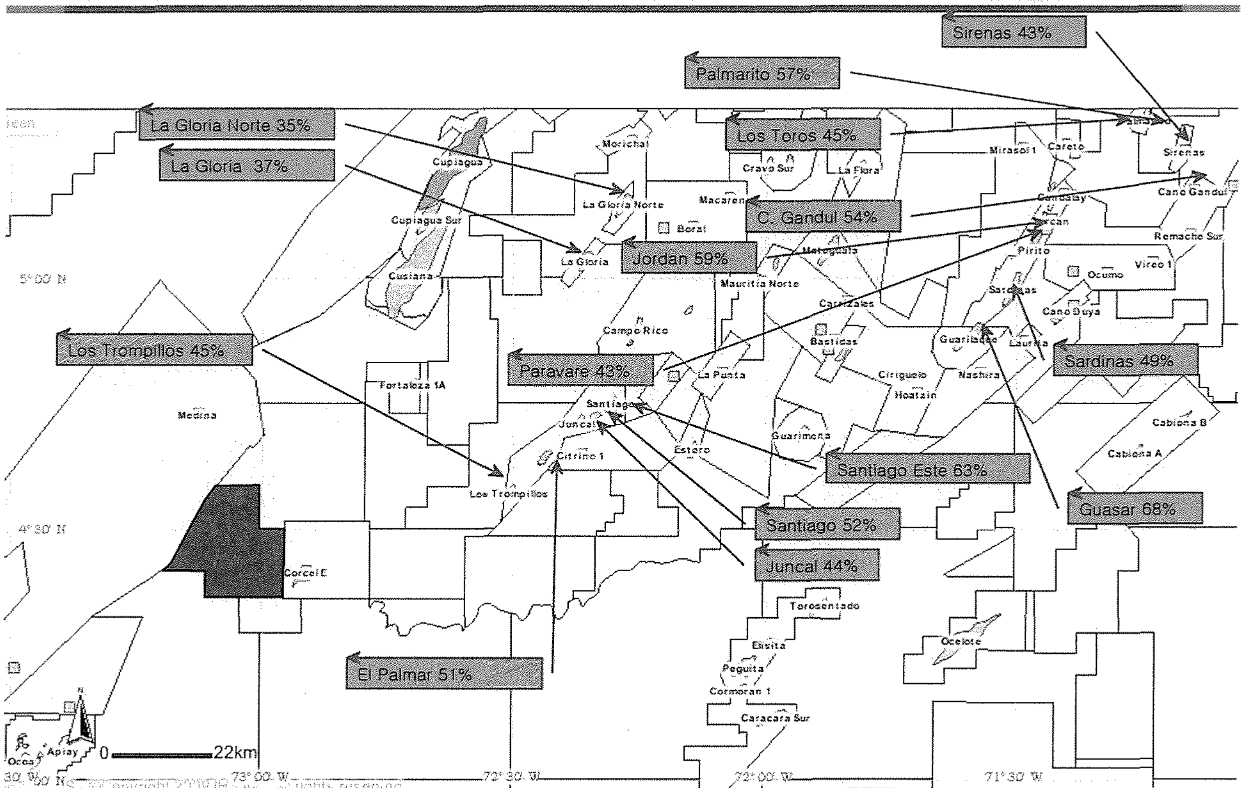


	A1			A2			A3			A4			C1			C3		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)	42'	2300-2800 **	28	42'	3100 Bls					177'								
Lower Mirador	58'	1500-2300	29								4957 Bls							
Guadalupe	40'	970-1200 *	31	77'									41'			23'	7993 Bls	28
Lower Sand (Une?)							22'	760 Bls	22				36'	5250 Bls	16	45'		

	D1			D2			D3			E1			F1		
	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API	Net Pay	Flow	API
Up. Mirador (Barco ?)										65					
Lower Mirador	56'	8770Bls	26	46'	4500 Bls	26	31'	8400 Bls	27				06/15/2009 Similar to E1		
Guadalupe	35'	3800 Bls	22					400 Bls	19						
Lower Sand (Une?)	11'									48	4900 Bls	17			

energy

Recovery Factors



SK energy

SKE1 Resources Mirador Fm

Reserves and Risk Assessment
Colombia
Prospect 1

Prospect	SKE 1		
Objective	Mirador		
Depth (Ft)	11400	Evaluated by	ECA
Hydrocarbons	Oil	Date	22/09/2010

	MIN	M.L.	MAX
Area (acres)	290	290	290
Pay (FT)	32	58	91
Geometric Correction	92	92	92
Porosity (%)	15	18	20
So (%)	80	80	80
1/Bo	0,83	0,83	0,83
Recovery Factor	40	50	60

Recoverable Reserves

	OOIP MBO	R MBO
Minimum	6.593.575	2.637.430
Most Likely	14.341.025	7.170.513
Maximum	25.000.638	15.000.383

Risk Analysis

Parameters	PoS
Source - Maturity	1,00
Migration - Timing	1,00
Seal	0,50
Reservoir	0,80
Trap	0,70
Chance of Adequacy	28

SK energy

SKE 1 Resources Guadalupe Fm

Reserves and Risk Assessment

Colombia

Prospect 1

Prospect	SKE 1		
Objective	Guadalupe		
Depth (Ft)	11600	Evaluated by	ECA
Hydrocarbons	Oil	Date	22/09/2010

	MIN	M.L.	MAX
Area (acres)	350	350	350
Pay (FT)	17	58	97
Geometric Correction	91	91	91
Porosity (%)	15	18	20
So (%)	80	80	80
1/Bo	0,83	0,83	0,83
Recovery Factor	40	50	60

Recoverable Reserves				
			Risk Analysis	
			Parameters	PoS
	OOIP MBO	R MBO	Source - Maturity	1,00
Minimum	4.181.610	1.672.644	Migration - Timing	1,00
Most Likely	17.120.002	8.560.001	Seal	0,50
Maximum	31.813.031	19.087.818	Reservoir	0,80
			Trap	0,70
			Chance of Adequacy	28

SKE 1 Resources Une Fm (Basal Ss)

Reserves and Risk Assessment
Colombia
Prospect 1

Prospect	SKE 1		
Objective	Une		
Depth (Ft)	12300	Evaluated by	ECA
Hydrocarbons	Oil	Date	22/09/2010

	MIN	M.L.	MAX
Area (acres)	410	410	410
Pay (FT)	25	65	124
Geometric Correction	92	92	92
Porosity (%)	15	18	20
So (%)	80	80	80
1/Bo	0,77	0,77	0,77
Recovery Factor	40	50	60

Recoverable Reserves

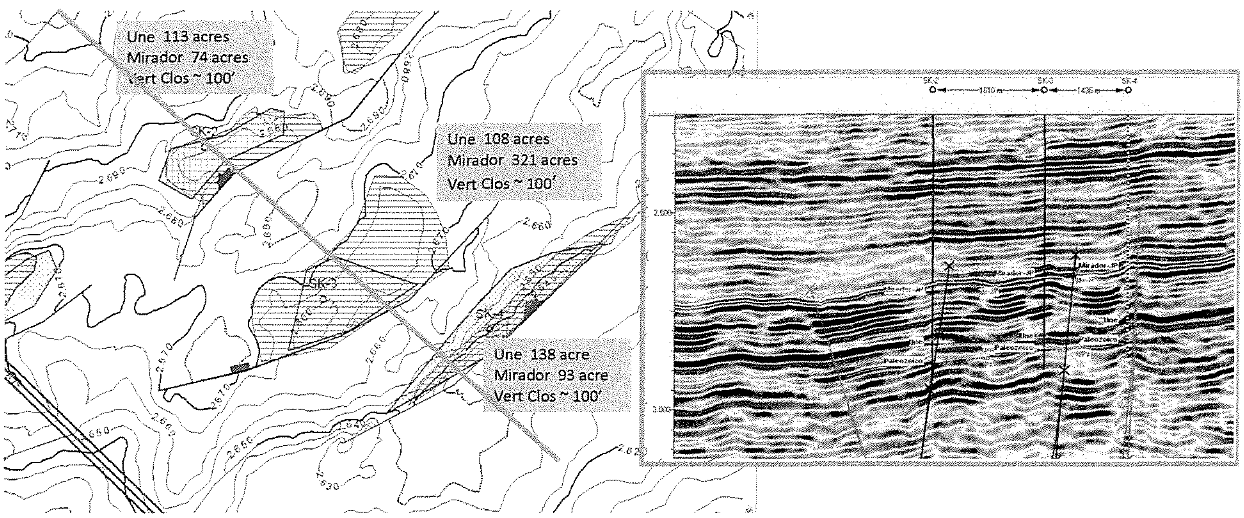
	OOIP MBO	R MBO
Minimum	6.756.308	2.702.523
Most Likely	21.079.682	10.539.841
Maximum	44.681.719	26.809.031

Risk Analysis

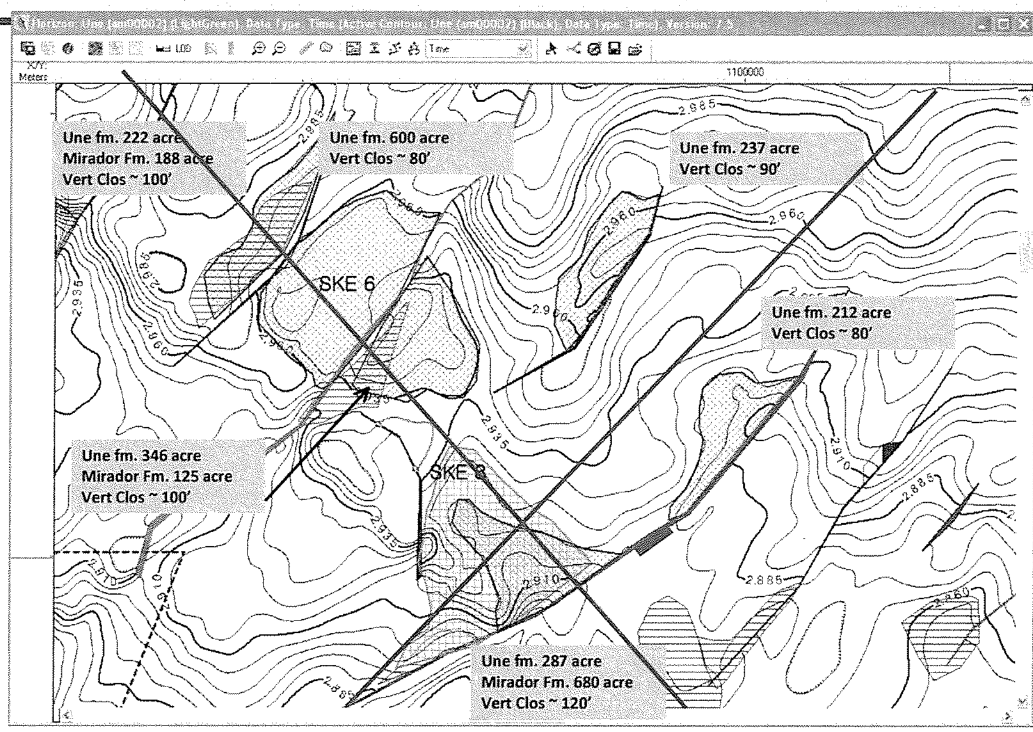
Parameters	PoS
Source - Maturity	1,00
Migration - Timing	1,00
Seal	0,50
Reservoir	0,80
Trap	0,70
Chance of Adequacy	28

SKE-2, SKE-3, SKE-4 Prospects, Inline 370

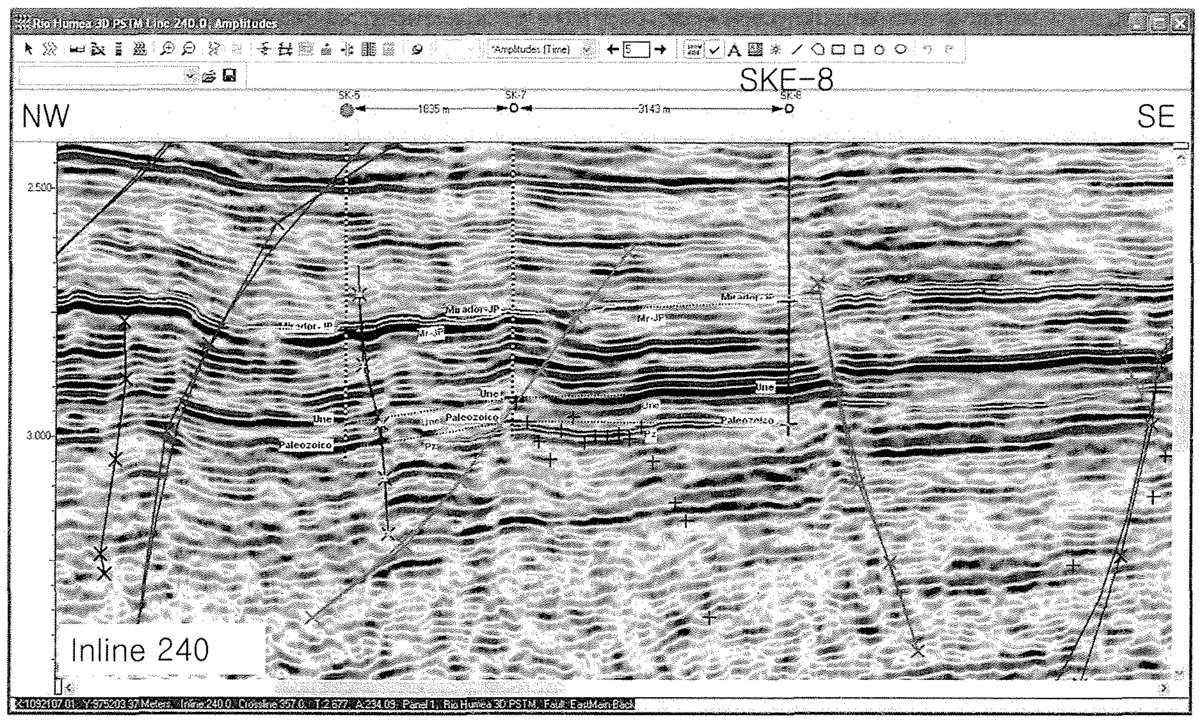
TWT Mirador Fm
CI: 5 ms

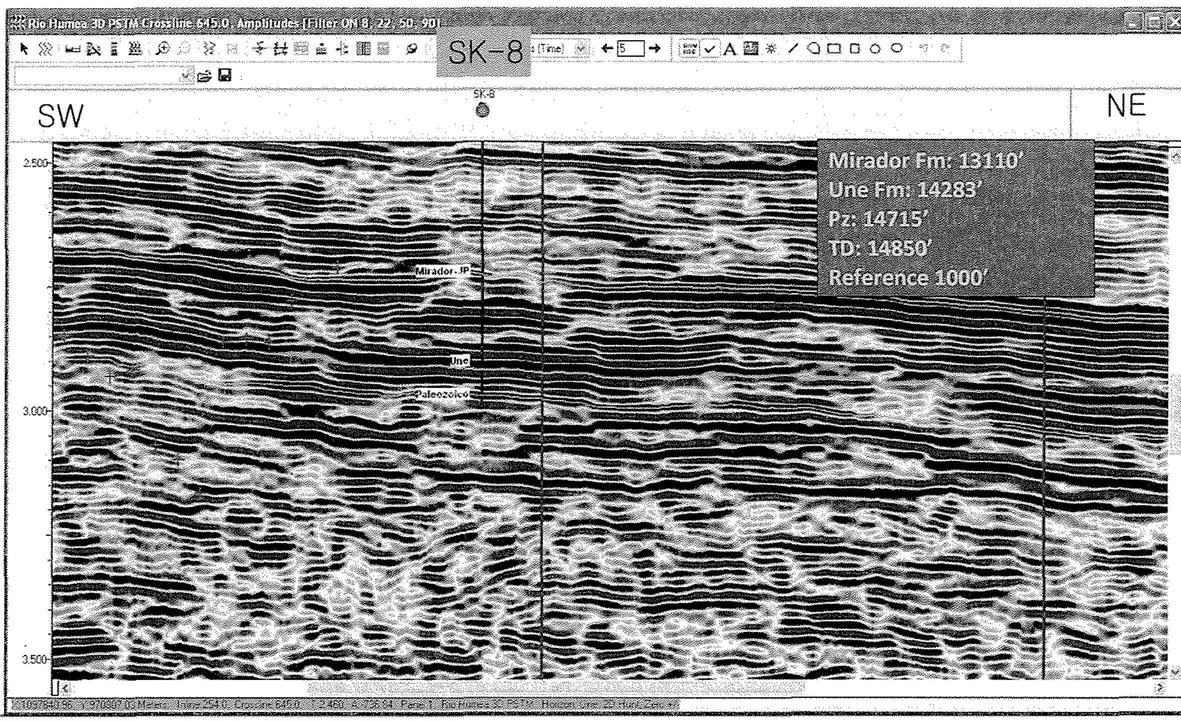


SK energy


Une fm. 222 acre
Mirador Fm. 188 acre
Vert Clos ~ 100'
Une fm. 600 acre
Vert Clos ~ 80'
Une fm. 237 acre
Vert Clos ~ 90'
SKE 6
Une fm. 212 acre
Vert Clos ~ 80'
Une fm. 346 acre
Mirador Fm. 125 acre
Vert Clos ~ 100'
SKE 8
Une fm. 287 acre
Mirador Fm. 680 acre
Vert Clos ~ 120'
1100000
X/Y:
Meters

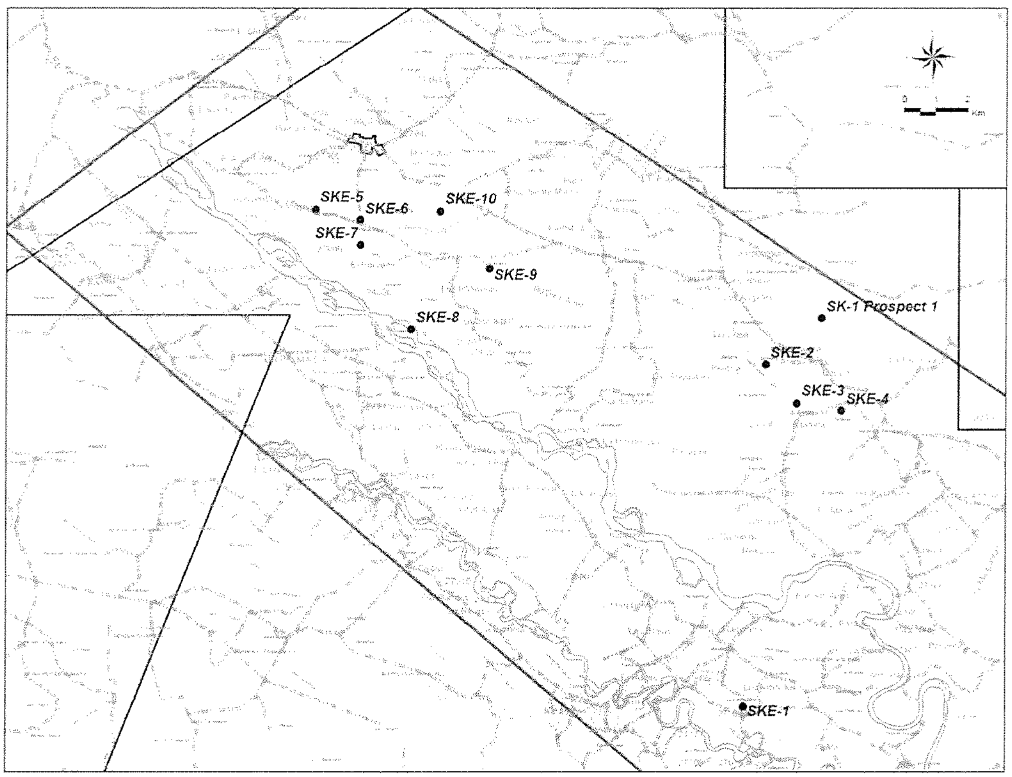
SK energy


Rio Humea 3D PSTM Line 240.0: Amplitudes
SKE-8
NW
SE
SK-5
SK-7
SK-8
1835 m
3143 m
2.500
3.000
Mirador-JP
Mr-JP
Une
Paleozoico
Pz
Inline 240
X:1092107.01 Y:975203.37 Meters Inline:240.0 Crossline:357.0 T:2.877 A:234.09 Panel 1, Rio Humea 3D PSTM, Fault: EastMain Back


Rio Humea 3D PSTM Crossline 645.0, Amplitudes [Filter ON 8, 22, 50, 90]
SK-8
SW
NE
SK-8
Mirador Fm: 13110'
Une Fm: 14283'
Pz: 14715'
TD: 14850'
Reference 1000'
Mirador- JP
Une
Paleozoico
2.500
3.000
3.500

SK energy

SKE PROSPECTS, LOCATION



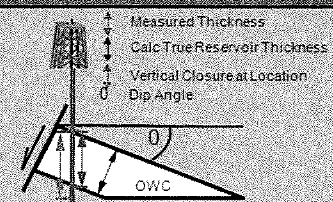
ergy

SKE PROSPECTS RESOURCES

Prospect	Resources MBO			Total	Risk (%)
	Mirador	Guadalupe	Une		
SKE 8	16,6	7	6,2	29,8	28
SKE 6	0	15,1	13,3	28,4	28
SKE 1	7,2	8,5	10,5	26,2	28
SKE 3	7,9	6,1	2,8	16,8	28
SKE 4	2,3	2,5	3,6	8,4	28
SKE 2	1,8	2,5	2,9	7,2	28

Geometric Correction Factor

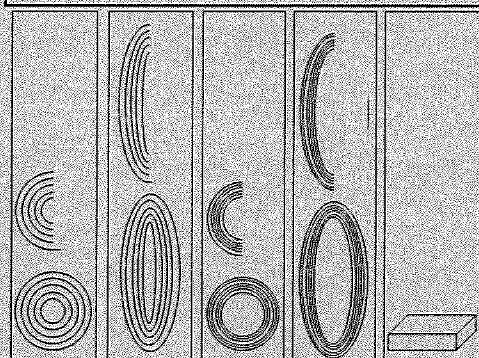
CLOSURE GEOMETRIES 5/Feb/02 MM



Geometric Correction Factor = 0,96

Input Parameters

Units of Length	ft	
Select a Geometric Shape Type most like your project	2	
Length / Width	>10	
Expected Measured Reservoir Thickness	80	ft
Dip Angle of Reservoir (θ)	30	degrees
Calculated True Reservoir Thickness	69	ft
Vertical Closure at location	825	ft

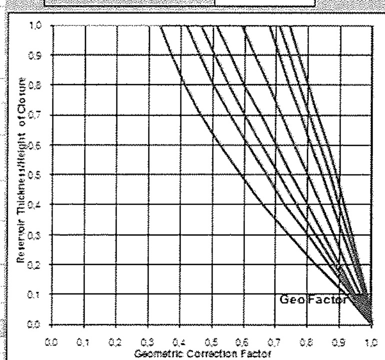


	TYPE 1 DOME (or CONE, PYRAMID)	TYPE 2 ANTICLINE (or PRISM, CYLINDER)	TYPE 3 FLAT - TOP DOME	TYPE 4 FLAT - TOP ANTICLINE	TYPE 5 BLOCK (or VERTICAL CYLINDER)
L/W:		>10			

Modified after Gehman et al, (1970)

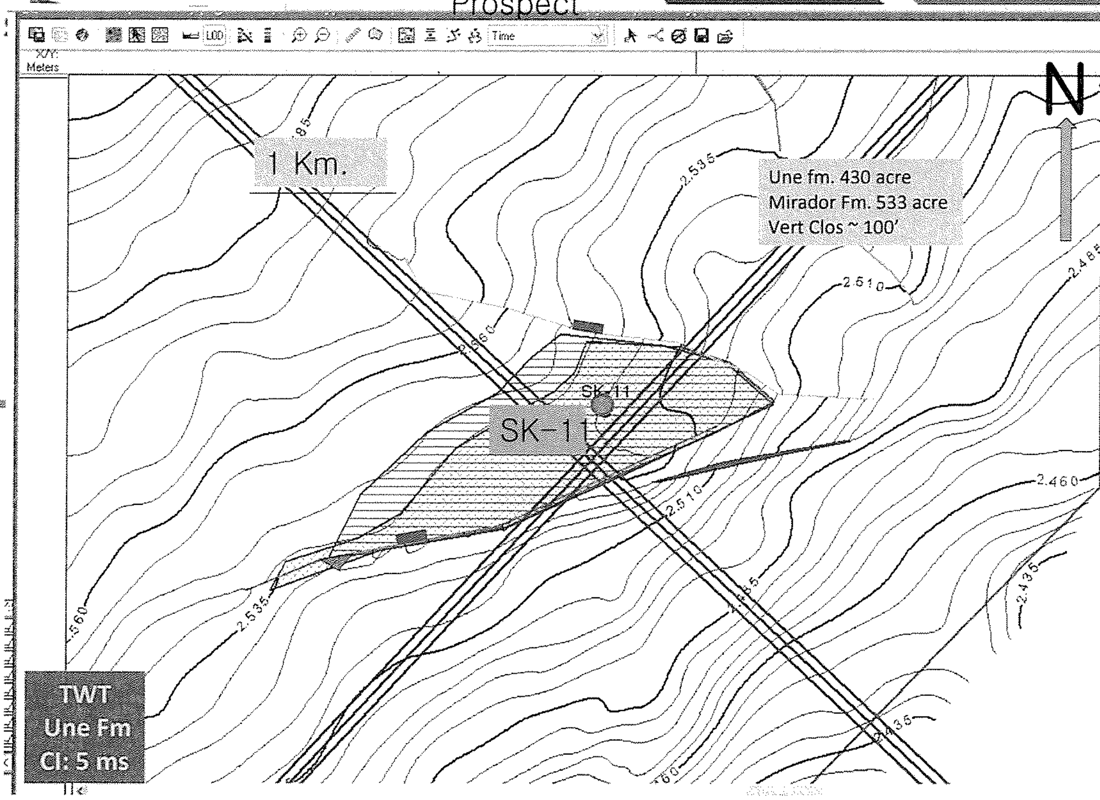
Note 1: Length/Width ratios of faulted, compartmentalized structures are taken as if the missing halves were restored.

Note 2: Even though there are only three selections for Length/Width rations you can extrapolate between the curves.

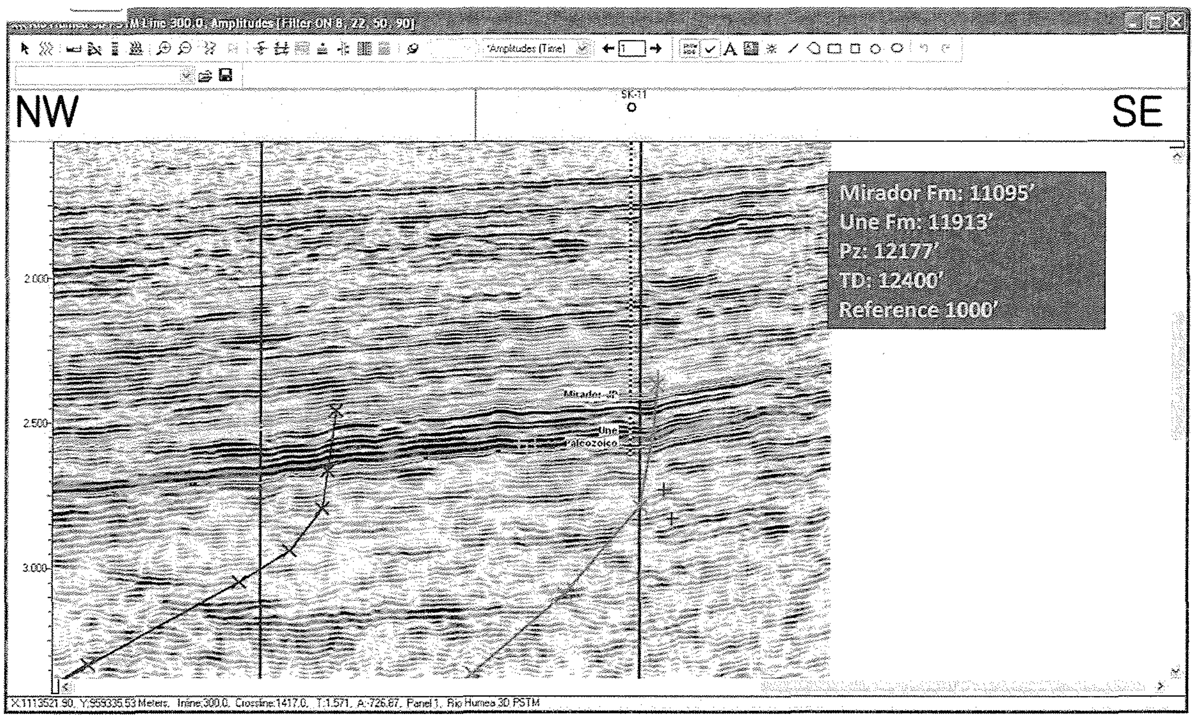


rgy

SK-11 Prospect

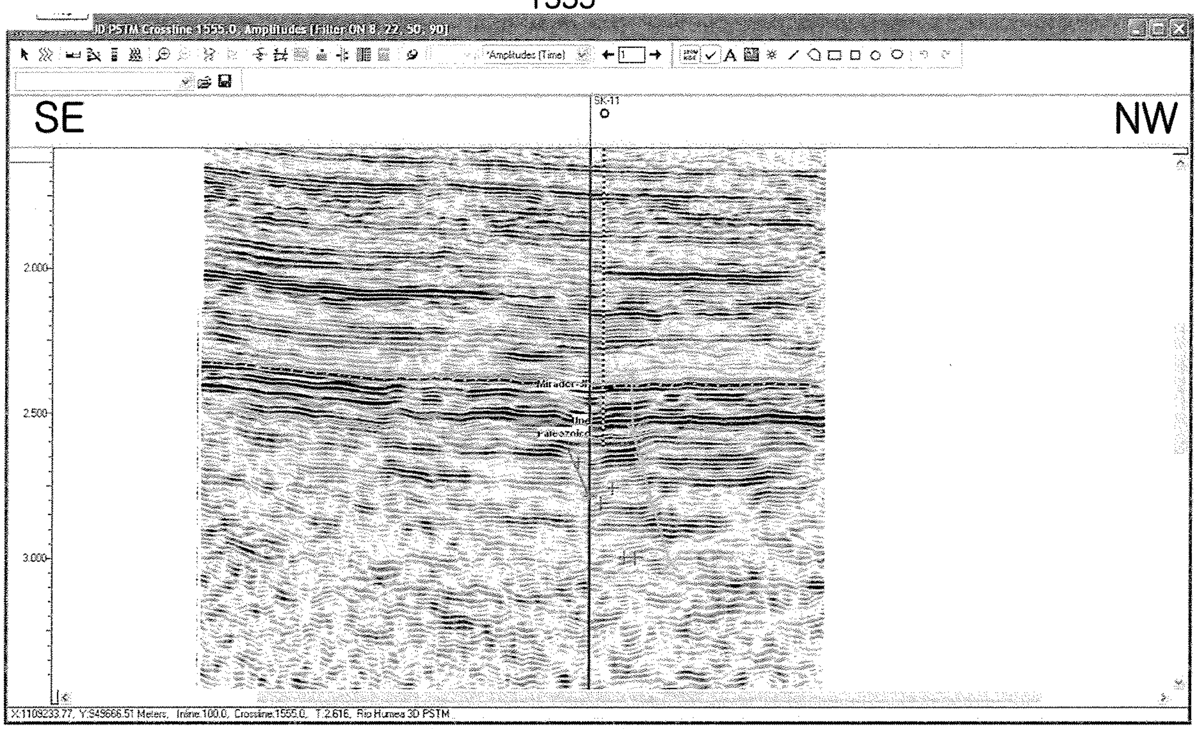


SK-11
Inline 300



SK energy

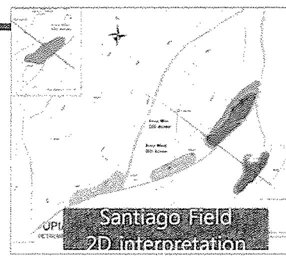
SK-11
Xline
1555

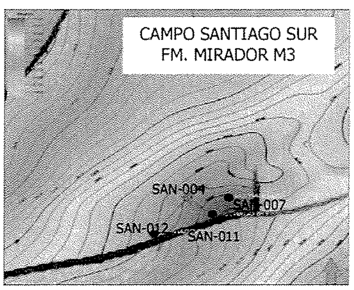


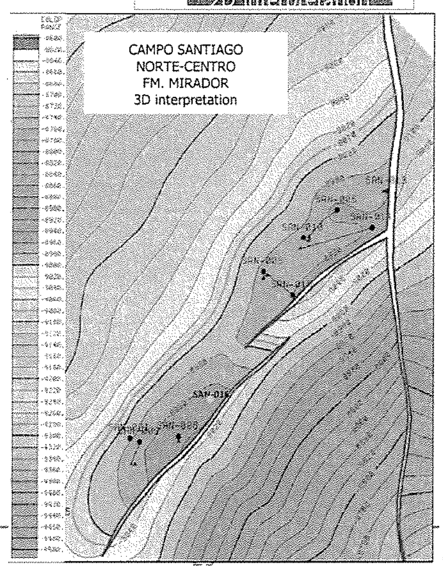
SK energy

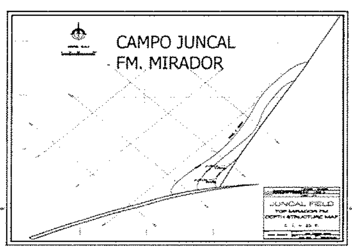
Fields

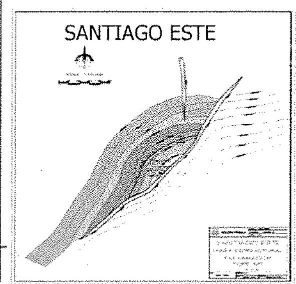
In the Llanos foreland the structural style is represented by main NE fault system with associated "satelite" or relief minor EW faults oriented. In many cases this 'minor" faults make the structural closures.











Fields

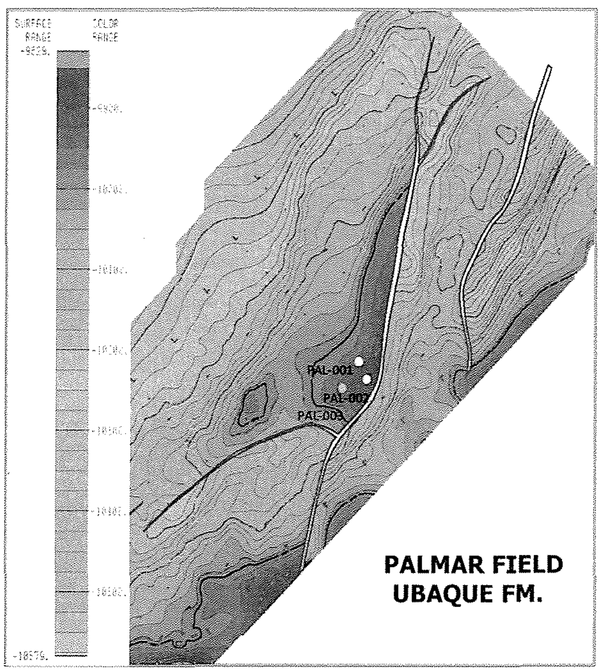

SURFACE RANGE
COLOR RANGE
PAL-001
PAL-002
PAL-003
PALMAR FIELD
UBAQUE FM.

EXHIBIT 27

Corcel

Key Facts

Onstream		Onshore
Location	**Timetable**	
Llanos Basin	Issue Date	2-Jun-05
Block: Corcel, Area: 309 km^2	Discovery Date	15-Jul-07
Producing Horizon(s):	Production Started	Sep-07
Tertiary, Mirador	Peak Oil Production (15,480 b/d)	2009
Cretaceous, Guadalupe	Final Expiry	1-Jun-35
Operator	**Participants**	**%**
Petrominerales	Petrominerales	100
Recoverable Reserves (p+p)	**Hydrocarbon Quality**	
27 mmbbl Oil	Gravity (°API)	29
Remaining Reserves at 01/01/2011	Sulphur (%)	0.5
13 mmbbl Oil		
Contract	**Financial Summary**	
Concession		
	Capital costs (2011 terms)	US$432M
	Capital costs per boe (2011 terms)	US$16.19/boe
	Operating costs (2011 terms)	US$539M
	Operating costs per boe (2011 terms)	US$20.19/boe
	Remaining PV (10.0% nominal)	US$228M
	Remaining PV per boe (10.0% nominal)	US$17.93/boe

Source: Wood Mackenzie

Summary and Key Issues

Summary

Corcel is a grouping of discrete oil fields located in the western part of the Llanos Basin that are being collectively developed as a single project by Petrominerales. The initial discovery was made in July 2007, and production began in September 2007 through an extended production test. Since then, an ongoing drilling programme has resulted in the discovery of four other structures and a full-field development plan is now being implemented.

This plan involves the drilling of multiple wells and the construction of permanent processing facilities. Production has grown rapidly as a result to reach peaks of over 20,000 b/d of oil 2009. We forecast that overall production will average 12,000 b/d during 2010. However, with an ongoing exploration programme and excellent drilling success rates to date, the reserves base could easily increase beyond our current estimate. All production is trucked to market.

Key Issues

Contract Dispute

Petrominerales and the ANH are currently working to resolve a difference in interpretation of the contract terms governing production from the Corcel licence. The contract specifies that an incremental payment is due the ANH once production exceeds five million barrels of oil, and when prices exceed established thresholds. The ANH contends that the five million barrel exemption pertains to the entire Corcel area, but Petrominerales believes the production threshold should apply individually to the distinct Corcel exploitation areas. At the time of publication, none of the individual Corcel fields has produced five million barrels. We currently model the Corcel cash flow in line with the Petrominerales interpretation.

Exploration Potential

The successful development of the Corcel area represents the first commercial production from this part of the Llanos Basin. As such, Petrominerales has established a new exploration play and it is well positioned to continue testing the area. Not only is there good exploration potential remaining within the Corcel Block itself (the current development is restricted to just the southwest corner of the block), but Petrominerales also holds the rights to explore the adjacent Guatiquia and LLA31 blocks. The other main operator around Corcel is Petrobras, which has the Cerrero and Balay blocks.

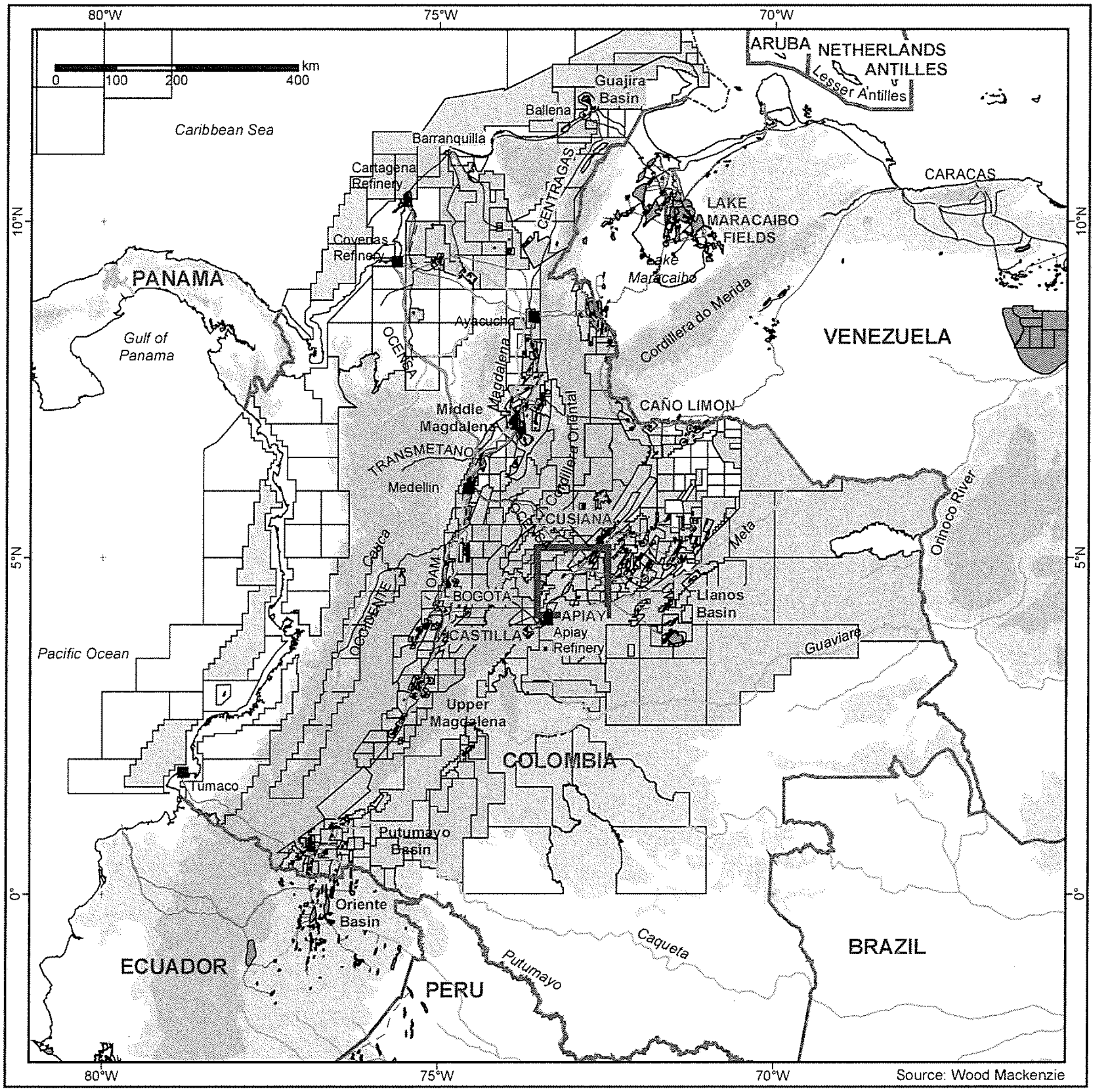
Costs and Currency

In line with worldwide increases in the cost of materials and oil field services (including rig rates), capital costs and operating costs on most fields in Colombia have increased significantly since 2004. These increases are reflected in our cost figures for the field. We assume though, that inflation has been less of an issue in 2009 and 2010, as the drop in oil & gas prices since mid-2008 helped relieve some inflationary pressure. The recent appreciation of the peso against the dollar is also an important problem for operators in Colombia, as contracts tend to be in dollars whilst operational costs are paid in pesos. However, we understand Colombia is making efforts to stem the appreciation by purchasing dollars.

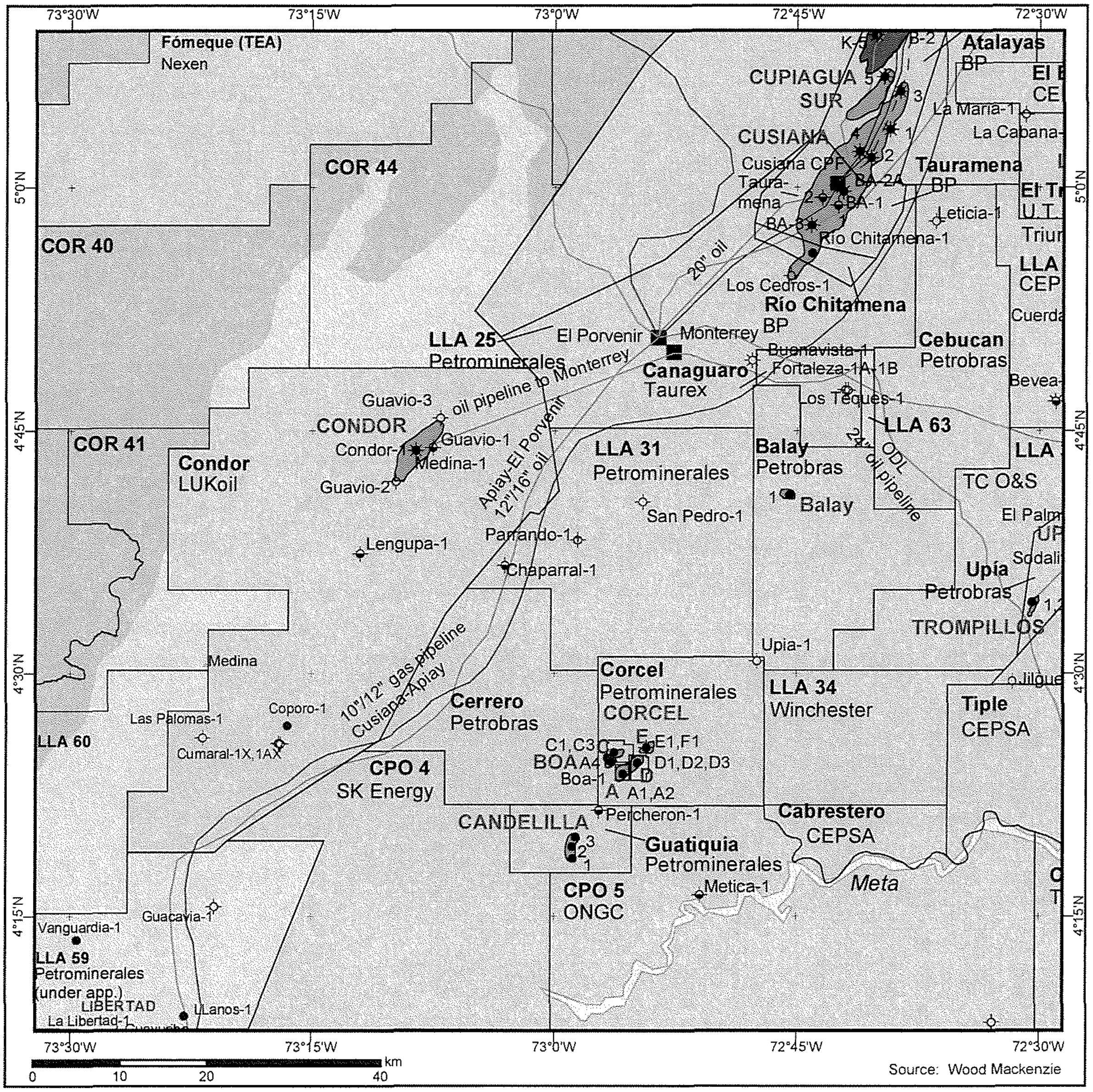
Colombia is also benefiting from a relatively well-supplied service sector as the influx of new entrants to its upstream industry, allied to more difficult operating environments in neighbouring countries, have combined to attract service providers.

Location Maps

Index Map



Detail Map



Source: Wood Mackenzie

Participation

The Corcel Block was awarded in June 2005 to Petrominerales, at the time a wholly-owned subsidiary of Canadian-based Petrobank. A year later in June 2006, Petrobank floated a 19.3% stake in Petrominerales on the Toronto Stock Exchange, leaving it with 80.7%. The company then reduced its stake further in the second half of 2007. Firstly, a 3.6% stake was sold off to the stock exchange in September 2007, raising C$61 million and reducing Petrobank's equity to 77.1%. Further sales ensued, and by November 2007, Petrobank's interest in Petrominerales was 76.6%. In April 2009, Petrobank floated a further 10.1% stake in Petrominerales for US$83 million, reducing its equity to 66.8%.

Geology

The Corcel Block is located in the western part of the Llanos Basin, some 60 kilometres to the northeast of Ecopetrol's heavy oil Apiay field. A series of separate oil fields, collectively known as Corcel, have been found in the southwest portion of the block and as a consequence, a new exploration play has been established in the basin. To date, five discrete structures have been found (-A, -C, -D, -E and Boa).

Structure

There is a fault system in the block that trends from the southwest to the northeast. The Tertiary and Cretaceous sandstone reservoirs trap the hydrocarbons against the faults.

Reservoirs

The area benefits from a strong water drive, which is allows for good recovery factors of between 40% and 60%. The wells typically come onstream at very high rates, before declining quite rapidly to more stable production levels. The main producing formations are the Mirador and Guadalupe zones, and the deeper Lower Sand 1 also produces.

- Mirador: This formation is the most important producing formation in the Llanos Basin. The reservoir is typically of good quality, and includes well sorted channel sandstones. Porosities average 23 to 26% and permeabilities up to 5 Darcies. The Mirador is found in the -A, -D, and -E structures.

- Guadalupe: This formation is also an important producer in the Llanos Basin Its Santonian to Campanian sands are the oldest proven reservoir in the Llanos foothills. Porosities are typically in the range 11 to 15% and permeabilities 50 to 100 mD. More shaley intervals within the Guadalupe are sometimes rich in land-derived gas prone kerogen. The Guadalupe is found in the -A, -C, -D, and -E structures.

- Lower Sand 1: The Lower sand 1 is found in the all five structures.

Hydrocarbon Quality

The gravity of the produced oil from the Corcel area varies, depending on the formation from which it is produced. Oil sourced from the Mirador Formation is lighter at around 28° API. The oil produced from the deeper Lower Sand 1 interval is much heavier at around 16° API. Overall, the average crude gravity is around 29° API.

Well Data

Well Name Type	Operator	Spudded Completed	TMD(m) WD(m)		Result	Comment
Corcel-A1 Exploration	Petrominerales	17-Apr-07 15-Jul-07	3646	+	Oil	Corcel-A discovery. Total of 43 metres net oil pay encountered; 30 metres in Mirador and 13 metres in Guadalupe formations.
Corcel-A2 Appraisal	Petrominerales	25-Aug-07 17-Oct-07	3700		Oil	Corcel-A appraisal. Total of 38 metres of net oil pay encountered in Mirador & Guadalupe formations.
Corcel-A3 Appraisal	Petrominerales	20-Nov-07 31-Dec-07	4069		Oil	Corcel-A appraisal.
Corcel-A4 Appraisal	Petrominerales	26-Mar-08 15-May-08	3799		Oil	Corcel-A appraisal.
Corcel-C1 Exploration	Petrominerales	23-May-08 25-Jul-08	3947	+	Oil	Corcel-C discovery. Total of 77 metres of net oil pay encountered; 12 metres in the Guadalupe & 11 metres in Lower Sand 1 zone.
Corcel-C3 Appraisal	Petrominerales	26-Jul-08 1-Sep-08	4069		Oil	Corcel-C appraisal. Total of 21 metres of net oil pay encountered; 7 metres in the Guadalupe & 14 metres in Lower Sand 1 zone.
Corcel-D1 Exploration	Petrominerales	21-Sep-08 4-Dec-08		+	Oil	Corcel-D discovery. Encountered 11 metres of net oil pay in Guadalupe Formation, and 20 metres net oil pay in Mirador& Lower Sand 1 zones.
Corcel-D2 Appraisal	Petrominerales	9-Dec-08 30-Jan-09	3889		Oil	Corcel-D appraisal. Encountered 14 metres of net oil pay in Mirador Formation.
Corcel-D3 Appraisal	Petrominerales	31-Jan-09 15-Mar-09	3834		Oil	Corcel-D appraisal. Encountered 34 metres net oil pay in Mirador, Guadalupe and Lower Sand 1 formations.
Corcel-E1 Exploration	Petrominerales	18-Mar-09 29-May-09	3845	+	Oil	Corcel-E discovery. Total of 34 metres of net oil pay encountered; 20 metres across Mirador & Guadalupe formations and 14 metres in Lower Sand 1.
Corcel-F1 Exploration	Petrominerales	10-May-09 29-Jul-09	3911		Dry Hole	Corcel-F prospect. Tested non-commercial oil from the Mirador, Guadalupe and Lower Sand 1 formations.
Boa-1 Exploration	Petrominerales	26-Jun-09 25-Jul-09	3924	+	Oil	Corcel Boa discovery. Encountered 15m net oil pay in Lower Sand I & Lower Sand II Fms. Initial production rate 6,000 bpd.
Amarillo-1 Exploration	Petrominerales	10-Jun-10 27-Jul-10	4102	*	Oil	Amarillo (Northeast Corcel) discovery. Encountered 14m net pay in the Guadalupe formation.

Source: Wood Mackenzie
* Technical Discovery
+ Commercial Discovery

Exploration

The first well to be drilled on what is now the Corcel Block was the Upia-1 well. Drilled in 1985 by Elf, the well was located on the northeast corner of the block. It was targeting the Cretaceous Guadalupe Formation, but was a dry hole.

In 2005, Petrominerales signed the exploration contract for the block and immediately set about acquiring 47 square kilometres of 3D seismic on the southwest portion of the block. The data confirmed that presence a fault system running through the block and identified several associated structural closures. Petrominerales then spent the next two years working up its prospects, before kicking off the exploration drilling programme in 2007. Since then, a series of oil discoveries, reservoired in the Tertiary Mirador and Cretaceous Guadalupe formations, have been made. The finds are all separate structures, but are collectively known as Corcel.

The first find was the Corcel-A structure, found through the Corcel-A1 well in July 2007. Some 43 metres of net pay across four intervals in the Tertiary Mirador (30 metres) and Guadalupe (13 metres) formations were found. Three flow tests were then performed. The initial test flowed 970 to 1,200 b/d of 31° API oil from the Guadalupe. The was followed by two tests on the Mirador; the first tested 1,500 to 2,300 b/d of 28° API oil from the Lower Mirador, and the second tested 2,300 to 2,800 b/d of 28° API oil from the Upper interval. The field was subsequently successfully appraised by three wells (-A2, -A3, -A4) drilled back-to-back, all of which found oil in the Mirador and Guadalupe formations.

Petrominerales then moved its attention to the Corcel-C prospect, located north of the -A structure. The Corcel-C1 well was drilled over May to June 2008, and found 23 metres of net pay in the Guadalupe and Lower Sand 1 zones. Some 11 metres of the Lower Sand 1 zone were perforated and the well flowed 5,200 b/d of 19° API oil. This was immediately followed by the Corcel-C3 appraisal well which found 21 metres of net oil pay across the same two zones. In this well, seven metres of the Guadalupe Formation were perforated and it tested at an initial flow rate of 9,700 b/d of 29° API oil. Around the same time, some 100 square kilometres of 3D seismic were acquired.

The next discovery was the Corcel-D field, found in December 2008 through the Corcel-D1 well. Some 33.8 metres of net oil pay was found across the Mirador, Guadalupe and Lower Sand zones. Two appraisal wells were immediately drilled, both of which successfully proved up the presence of oil in the same three zones. This was followed by the discovery of Corcel-E in May 2009. The Corcel-E1 well found 34.4 metres of net oil pay in the Mirador, Guadalupe and Lower Sand 1 zones.

The Corcel-F1 well, drilled over May to July 2009, failed to find commercial quantities of oil. It found oil across the Mirador, Guadalupe and Lower Sand 1 zones, but the oil tested at non-commercial rates. This is the first well to have been drilled on the eastern side of the main Corcel fault, and the initial tests suggest that the hydrocarbons had migrated through he reservoir rocks.

The Corcel Boa-B1 well, drilled to the northwest of Corcel-A, found 15 metres of net pay across the Lower Sand I and, unexpectedly, the Lower Sand II zones.

In July 2010, Petrominerales announced the Amarillo-1 discovery in the northeast portion of the Corcel block. The well found 14 metres of net pay in the Guadalupe formation and further shows in the Lower Sand 1.

Future Drilling

There is good remaining exploration potential in the block, with only the southwest portion of it explored to date. In late-2008, 120 square kilometres of 3D seismic were acquired over the northeast part of the block, and additional leads and prospects have been identified. Petrominerales initiated a program of 10 wells targeting prospects in the northeast portion of the Corcel block in June 2010.

Reserves

Corcel is the collective name given to a series of small oil discoveries that have been made by Petrominerales since 2007. So far, five structures have been found (-A, -C, -D, -E and Boa) and each contains between two and 10 million barrels of oil, the exception being the -A structure which we estimate to hold around 12 million barrels. Together, we estimate the Corcel group of fields hold recoverable reserves of 27 million barrels (on a p + p basis).

There is good scope for upside through the ongoing exploration programme.

Commercial Recoverable Reserves (p+p)

(Remaining Reserves at 01/01/2011)

	Init Oil (mmbbl)	Rem Oil (mmbbl)
Corcel Area	27	13

Source: Wood Mackenzie

Production

Production commenced from Corcel-A in September 2007, through a single well production test. Since then, the project has grown in scale as more reserves have been discovered and a substantial infrastructure base has now been installed. Corcel-B came onstream in August 2008, followed by Corcel-D in December 2008. The -E and Boa fields commenced production in 2009.

Typically, each well comes onstream at a very high initial rate, before declining quite rapidly to a lower, but more stable rate. Based on the reserves discovered to date, we assume average production peaked at 15,500 b/d in 2009.

Production (2006-2013)

	2006	2007	2008	2009	2010	2011	2012	2013
Oil ('000 b/d)	-	3.9	6.7	15.0	10.6	8.1	6.1	4.7

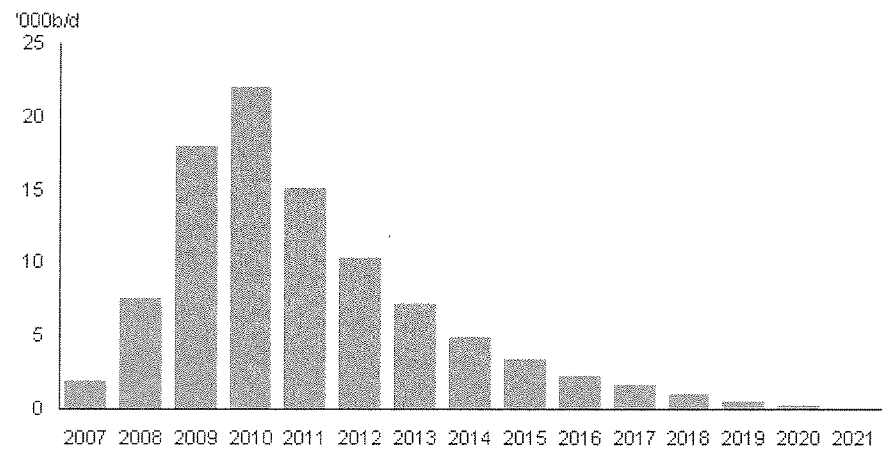
Source: Wood Mackenzie

Production (2014-2021)

	2014	2015	2016	2017	2018	2019	2020	2021
Oil ('000 b/d)	3.5	2.7	2.1	1.6	1.0	0.6	0.3	-

Source: Wood Mackenzie

Production Profile



Source: Wood Mackenzie

Development

The high global demand for materials and services in the upstream sector has led to a relatively tight global rig and oil service market. However, this problem is understood to be less acute in Colombia as difficult operating climates in neighbouring countries, allied to Colombia's recent success in attracting oil companies to its upstream sector, have led to an influx of service companies to the country. Hence in general, development delays are less prevalent than in previous years. In this analysis, we attempt to factor in some of these issues.

The Corcel development is currently focused on the southwest corner of the block. To date, five discrete oil fields have been discovered and they are being jointly developed as a single project. Production began in September 2007 through temporary production facilities, but as more discoveries have been made and the reserves base has grown, the project has evolved into a substantial development. All of the discovered structures are currently producing, and all the fields are tied back into a central processing facility.

Wells

Petrominerales has achieved good drilling results so far in its operations on the Corcel Block. A total of 13 wells have been drilled to date, with just one unsuccessful well, and four separate fields have been found and appraised so far.

Each well is equipped with a downhole electrical submersible pump (ESP) to facilitate production and can produce from more than one zone.

- Corcel-A: A total of four wells have been drilled on the structure, of which three are currently producing. The -A3 well produced briefly but was converted into a water injector during 2008. The -A2 well was shut-in during Q2 2008 as a result of a casing failure. It was re-entered and sidetracked to the crest of the -A structure during Q3 2009, and produced at an initial rate of over 10,000 b/d.

- Corcel-C: To date, three wells (-C1, -C2 & -C3) have been drilled and are currently producing.

- Corcel-D: Three wells have been drilled so far (-D1, -D2 & -D3), and all of them are currently producing.

- Corcel-E: Just a single well (-E1) have been drilled on the -E structure, with production beginning in Q2 2009. Initially, it will produce from the Lower Sand 1 Formation, but the more productive Guadalupe and Mirador formations will eventually be exploited.

- Corcel-Boa: The Boa-1 was completed and began producing in Q3 2009 at an initial rate of 6,000 b/d.

The Corcel-F1 exploration well did not find commercial quantities of oil, and therefore, the well is to be converted into a water disposal well.

Facilities

The key to the successful development of the block's reserves is ensuring that the facilities have sufficient water handling capacity. As with many fields in the Llanos Basin, production from Corcel benefits from an active water drive which results in high levels of water production, that will increase over time.

When production commenced from the area in September 2007, the oil was processed through temporary production facilities that could handle 25,000 b/d of fluid. Since then, significant investments have been made to construct permanent processing facilities. In July 2008, work was completed on a new permanent facility with a capacity of 70,000 b/d. Capacity was further increased in 2009 to handle 140,000 b/d.

Transportation

Originally, all the produced oil had to be trucked to the Ecopetrol-owned operating stations at Araguaney (200 kilometres), Chichimene (180 kilometres) and Vasconia (510 kilometres). From those stations, the oil entered the OCENSA and Ecopetrol pipelines. However, in June 2009 the first construction phase of a new offloading station at Monterrey was completed, just 77 kilometres from Corcel. This has provided Petrominerales with preferential access to the main OCENSA export pipeline, and will significantly reduce trucking costs. The initial delivery capacity is 11,000 b/d, and this will be upgraded to 20,000 b/d in 2010.

It is possible that a pipeline could be built from Corcel to the Monterrey station. A line had previously been proposed with a capacity of 40,000 b/d of oil.

Costs

In line with worldwide increases in the cost of materials and oil field services (including rig rates), capital costs and operating costs on most fields in Colombia have increased significantly from around 2004. These increases are reflected in our cost figures for the field, although we assume inflation has been less of an issue in 2009 and 2010, as the drop in oil & gas prices since mid-2008 has helped help relieve some inflationary pressure. Moreover, Colombia has also benefited from an influx of service providers, who have been attracted by the increased number of companies active in the country, as well as the healthy operating environment. There is also evidence to suggest companies (both oil companies and service companies) are having less difficulty raising finance as the turbulence in the global economy subsides.

The recent appreciation of the peso against the dollar is also an important problem for operators in Colombia, as contracts tend to be in dollars whilst operational costs are paid in pesos. However, we understand Colombia is making efforts to stem the appreciation by purchasing dollars.

Capital Costs

The major investment period for the development of Corcel is from 2007 to 2009. During this period, we estimate that Petrominerales will spend over US$300 million. Of this, some US$90 million will spent on the facilities and US$210 million on the wells (each costs around US$20 million to drill & complete). Other costs include project costs.

From 2010 onwards, we believe that investment levels will drop as the bulk of the development will be complete, at least based on the discovered reserves to date. Going forward, there will be some costs associated with ongoing maintenance and also some infill drilling.

Capital Costs 2007 to 2014 (US$ million)

	2007	2008	2009	2010	2011	2012	2013	2014
Facilities	10.0	40.8	40.1	8.9	4.4	4.4	4.4	4.4
Wells	57.0	83.0	45.4	32.0	8.0	-	-	-
Other Capex	2.0	5.2	4.8	2.7	2.6	2.6	2.6	2.6
Abandonment	-	-	-	-	-	-	-	-
Total	**69.0**	**129.0**	**90.3**	**43.6**	**15.0**	**7.0**	**7.0**	**7.0**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Capital Costs 2015 to 2022 (US$ million)

	2015	2016	2017	2018	2019	2020	2021	2022
Facilities	4.4	4.4	4.4	-	-	-	-	-
Wells	-	-	-	-	-	-	-	-
Other Capex	2.6	2.6	2.6	-	-	-	-	-
Abandonment	-	-	-	3.2	6.7	9.8	17.9	-
Total	**7.0**	**7.0**	**7.0**	**3.2**	**6.7**	**9.8**	**17.9**	**-**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Operating Costs

The field operating cost for 2010 is estimated at around US$35.50 million, equivalent to US$9.15/bbl (2010 terms). We also estimate G&A costs of US$10.3 million for the year, equivalent to US$2.35/bbl (2010 terms).

We estimate that transportation costs associated with the trucking of the oil are around US$4.70/bbl.

Operating Costs 2007 to 2016 (US$ million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Field Fixed	2.0	11.0	20.0	20.0	20.0	20.0	20.0	18.0	16.2	14.6
Field Variable	6.2	9.8	21.9	15.5	11.8	9.0	6.8	5.2	3.9	3.0
G&A	5.3	6.2	12.9	9.1	6.9	5.3	4.0	3.1	2.3	1.8
Tariff Oil	6.1	11.0	25.7	18.2	13.9	10.5	8.0	6.1	4.6	3.5
Total	**19.6**	**38.0**	**80.5**	**62.8**	**52.6**	**44.8**	**38.8**	**32.4**	**27.0**	**22.9**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Sales Contracts

The Corcel crude is currently sold through two sales contracts. The first, and most important accounting for around 95% of sales, is through Ecopetrol and the second is with an un-named third party.

- Under the Ecopetrol contract, Petrominerales receives a price equivalent to WTI less the Caño Limón differential to WTI, adjusted for quality and some pipeline transportation and marketing fees (estimated at US$2.38/bbl in 2010).
- The second contract, Petrominerales receives a price equivalent to WTI less the Vasconia Blend differential to WTI, adjusted for quality differences and some transportation and marketing fees (estimated at US$4.29/bbl in 2010).

For the purposes of this analysis, we assume that all crude is sold under the terms of the Ecopetrol contract. This equates to an 8% discount to WTI from 2010.

Taxation

The Corcel licence is subject to the standard ANH Fiscal Terms of 2004. The contract was signed in June 2005 and defines a six-year exploration period and 24 year production period. Further details about the taxation of hydrocarbon developments in Colombia can be found in the Fiscal Terms Section of the Country Overview.

Petrominerales and the ANH are currently working to resolve a difference in interpretation of the contract terms governing production from the Corcel licence. The contract specifies that an incremental payment is due the ANH once production exceeds five million barrels of oil, and when prices exceed established thresholds. The ANH contends that the five million barrel exemption pertains to the entire Corcel area, but Petrominerales believes the production threshold should apply individually to the distinct Corcel exploitation areas. At the time of publication, none of the individual Corcel fields has produced five million barrels. We currently model the Corcel cash flow in line with the Petrominerales interpretation.

Economic Assumptions

In calculating the Corcel cash flow, the following simplifying assumptions have been made:

- The cash flow represents revenues and costs attributable to the Corcel concession from 2007.
- Our central discount rate is 10% nominal from 1 January 2011.
- Our capital expenditure escalation rate assumption is 2.0% per annum from 2010.
- The quality of the crude produced from the Corcel concession varies from field to field, but for the purposes of this analysis we model an average price that trades at a discount to WTI of 8%.
- The Wood Mackenzie Brent oil price assumption is US$80.90/bbl in 2010, US$86.40/bbl in 2011, US$83.00/bbl in 2012, US$79.59/bbl in 2013, and US$81.18 in 2014 (US$75/bbl in real, 2010 terms). Thereafter prices are escalated in line with Wood Mackenzie's long-term inflation rate of 2.0%.
- The Wood Mackenzie WTI oil price assumption is US$81.40/bbl in 2010 (a 0.62% premium to Brent), US$87.40/bbl in 2011 (a 1.16% premium), US$84.00/bbl in 2012 (a 1.2% premium), US$81.18/bbl in 2013 (a 2.0% premium) and US$82.81/bbl in 2014 (a 2.0% premium, which we assume remains the case in the long term). This is equivalent to US$76.50 real, 2010 terms.

For GEM users, please refer to the **ZZ_Grp Corcel.cpy** company file, which aggregates the individual files noted below.

The corresponding GEM file names are Corcel-A.fld, Corcel-Boa.fld, Corcel-C.fld, Corcel-D.fld, Corcel-E.fld

Cash Flow

Cash Flow Dollars

Year	Production Liquids 000b/d	Production Gas mmcfd	Gross Revenue US$M	Op Costs US$M	Capital Costs US$M	Royalty US$M	Other Taxes US$M	Income Tax US$M	Total Cash Flow US$M
2007	3.9	0.0	95.1	19.6	71.8	7.1	0.2	19.1	-22.6
2008	6.7	0.0	237.5	38.0	133.5	18.1	0.3	47.5	0.1
2009	15.5	0.0	314.5	82.3	111.5	23.2	0.6	50.2	46.8
2010	12.1	0.0	331.6	71.8	61.4	24.9	24.5	57.7	91.3
2011	9.2	0.0	270.6	61.2	22.6	20.4	20.6	42.6	103.3
2012	7.0	0.0	197.6	53.1	13.1	14.8	14.6	26.9	75.1
2013	5.3	0.0	145.2	47.0	12.1	10.8	15.9	18.7	40.6
2014	4.1	0.0	112.5	39.9	11.4	8.4	12.3	14.9	25.6
2015	3.1	0.0	87.2	34.1	10.9	6.5	9.5	11.8	14.3
2016	2.3	0.0	67.6	29.4	10.6	5.1	7.4	8.0	7.3
2017	1.8	0.0	52.4	25.4	10.4	3.9	5.7	4.6	2.4
2018	1.2	0.0	36.5	21.8	0.8	2.7	4.4	0.0	6.7
2019	0.6	0.0	18.4	15.6	0.4	1.4	3.4	0.0	-2.4
2020	0.3	0.0	9.3	13.1	0.2	0.7	1.7	0.0	-6.5
2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals:	**26.7**	**0.0**	**1976.0**	**552.2**	**470.9**	**148.0**	**121.1**	**301.8**	**382.0**
PVs		Total PV	1923.8	491.8	533.1	144.2	98.6	309.4	346.8
		Rem PV	779.1	246.2	70.4	58.4	71.6	104.2	228.4

Source: Wood Mackenzie
Discounted at 10.0% from 01/01/2011

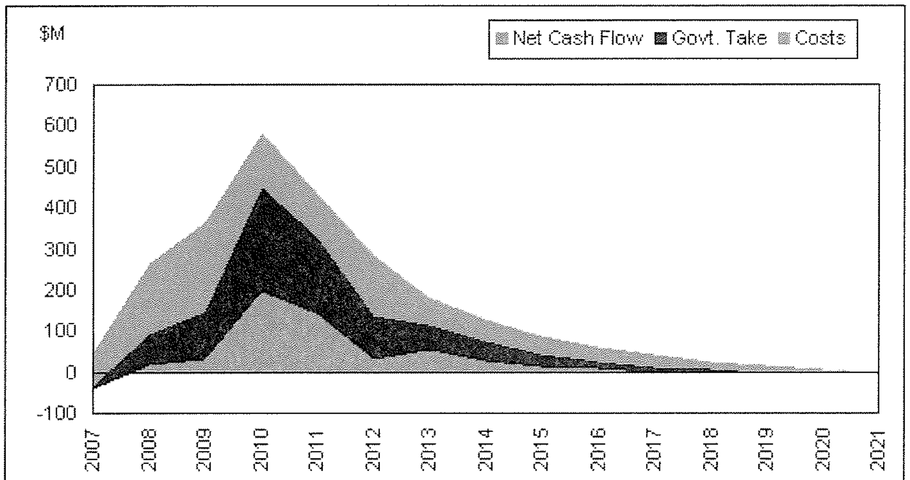
Discount Rate %	Total PV Post-Tax US$M	Total PV Pre-Tax US$M	Remaining PV Post-Tax US$M	Remaining PV Pre-Tax US$M	Remaining PV/boe Post-Tax US$	Remaining PV/boe Pre-Tax US$	Total Gov. Take US$M	Total Gov. Take %	Remaining Gov. Take US$M	Remaining Gov. Take %	P/I Ratio	Capex Boe US$	Opex Boe US$
0.0	382.0	952.9	266.4	563.9	20.91	44.28	570.9	59.9	297.6	52.8	1.8	17.63	20.68
5.0	363.1	920.0	245.9	507.8	19.30	39.87	556.9	60.5	261.9	51.6	1.7	18.68	19.26
7.0	356.3	910.4	238.5	488.6	18.73	38.36	554.1	60.9	250.0	51.2	1.7	19.17	18.87
8.0	353.0	906.2	235.1	479.5	18.46	37.65	553.1	61.0	244.5	51.0	1.7	19.42	18.70
9.0	349.9	902.3	231.7	470.8	18.19	36.97	552.5	61.2	239.2	50.8	1.7	19.69	18.55
10.0	346.8	898.9	228.4	462.5	17.93	36.31	552.2	61.4	234.1	50.6	1.7	19.96	18.42
11.0	343.7	895.8	225.2	454.5	17.68	35.69	552.1	61.6	229.3	50.5	1.6	20.24	18.30
12.0	340.8	893.1	222.1	446.8	17.44	35.08	552.3	61.8	224.7	50.3	1.6	20.53	18.20
15.0	332.3	886.8	213.4	425.3	16.75	33.40	554.4	62.5	212.0	49.8	1.6	21.44	17.97
25.0	307.5	882.3	189.1	368.2	14.85	28.91	574.8	65.1	179.1	48.6	1.5	24.94	17.87

Source: Wood Mackenzie

Discount Date	Jan-11
Remaining Liquid Reserves (mmbbls)	12.7
Total Remaining Reserves (mmboe)	12.7
Total Reserves (mmboe)	26.7
Project IRR (post tax)	126.63%
Payback Period (years)	2.5
Reserve life at current production (years)	3.8

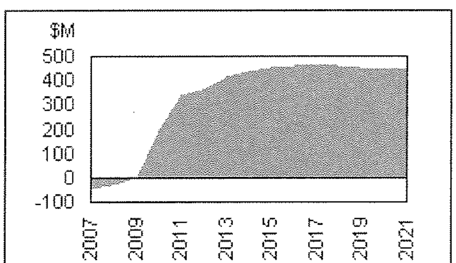
Source: Wood Mackenzie

Split of Revenues



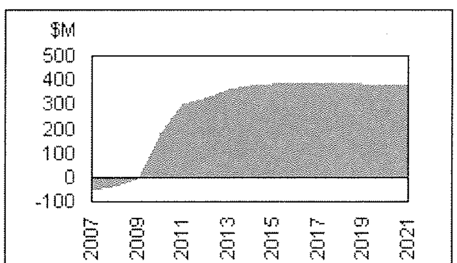
Source: Wood Mackenzie

Cumulative Net Cash Flow - Undiscounted



Source: Wood Mackenzie

Cumulative Net Cash Flow - Discounted at 10% from 01/01/2011



Source: Wood Mackenzie

Remaining Revenue Distribution (Discounted at 10% from 01/01/2011)

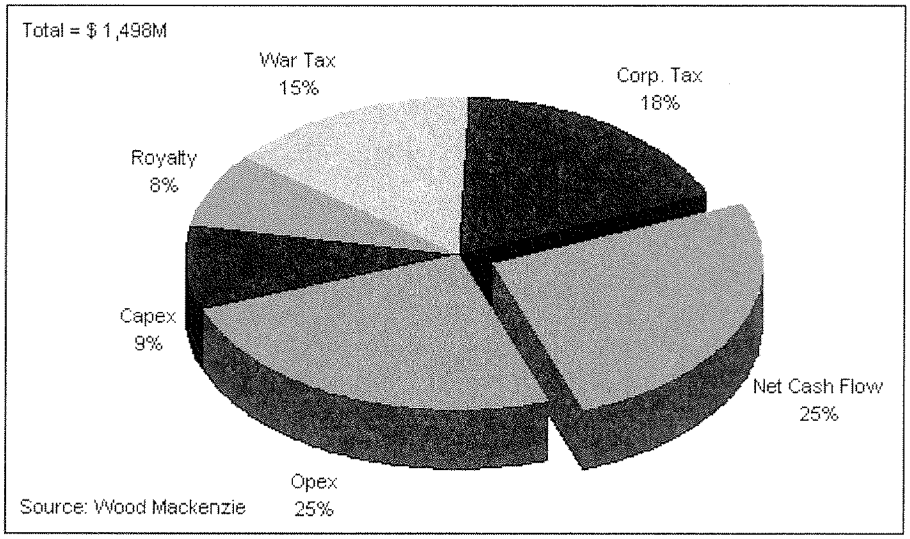


EXHIBIT 28

Condor

Key Facts

Under Development			Onshore
Location	**Timetable**		
Llanos Foothills	Issue Date		7-Apr-02
Block: Condor, Area: 1,598 km^2	Discovery Date		30-Nov-06
Producing Horizon(s):	Expected Startup		Sep-10
Lower Cretaceous, Une	Peak Oil Production (13,000 b/d)		2012
	Final Expiry		7-Apr-30
Operator	**Participants**		%
LUKoil	LUKoil		70
	Ecopetrol		30
Recoverable Reserves (p+p)	**Hydrocarbon Quality**		
40 mmbbl Oil	Gravity (°API)		40 - 42
Remaining Reserves at 01/01/2011	Sulphur (%)		0.8
40 mmbbl Oil			
Contract	**Financial Summary**		
Association			
	Capital costs (2011 terms)		US$529M
	Capital costs per boe (2011 terms)		US$13.22/boe
	Operating costs (2011 terms)		US$365M
	Operating costs per boe (2011 terms)		US$9.12/boe
	Remaining PV (10.0% nominal)		US$1,044M
	Remaining PV per boe (10.0% nominal)		US$26.31/boe

Source: Wood Mackenzie

Summary and Key Issues

Summary

Condor (also known as Medina) is a medium-sized, light oil field located in the foothills of the western Llanos Basin. The field was discovered by LUKoil through the Condor-1 well in late-2006. The field produced briefly under test in 2007 before being shut-in as the operator considered how best to exploit the reserves. The exact development plans are still somewhat unclear and hence our forecasts are tentative at this stage, but we currently expect full-scale production to start in late-2010.

Once fully developed, production is expected to be from around seven wells and the crude will be piped to Ecopetrol's Monterrey station, some 45 kilometres away. We forecast peak production of 13,000 b/d in 2012.

Key Issues

Upside Potential

Upon its discovery, it was initially announced that Condor could hold over 100 million barrels. However, due to the lack of appraisal drilling to date, we take a more conservative view and estimate that around 40 million barrels will be recovered. The crude is good quality, light oil with a gravity of 40° - 42° API.

There is upside exploration potential in the Condor Block, although the first effort proved to be unsuccessful. LUKoil drilled the Lengupa-1 wildcat in 2008 to test a prospect just southwest of the Condor field itself, but only oil shows were encountered. Despite this disappointment, LUKoil is planning to test the Guavio East in the vicinity of the Condor field, and has already acquired seismic data over the southern part of the block where it has identified the Farallones and Las Palomas prospects.

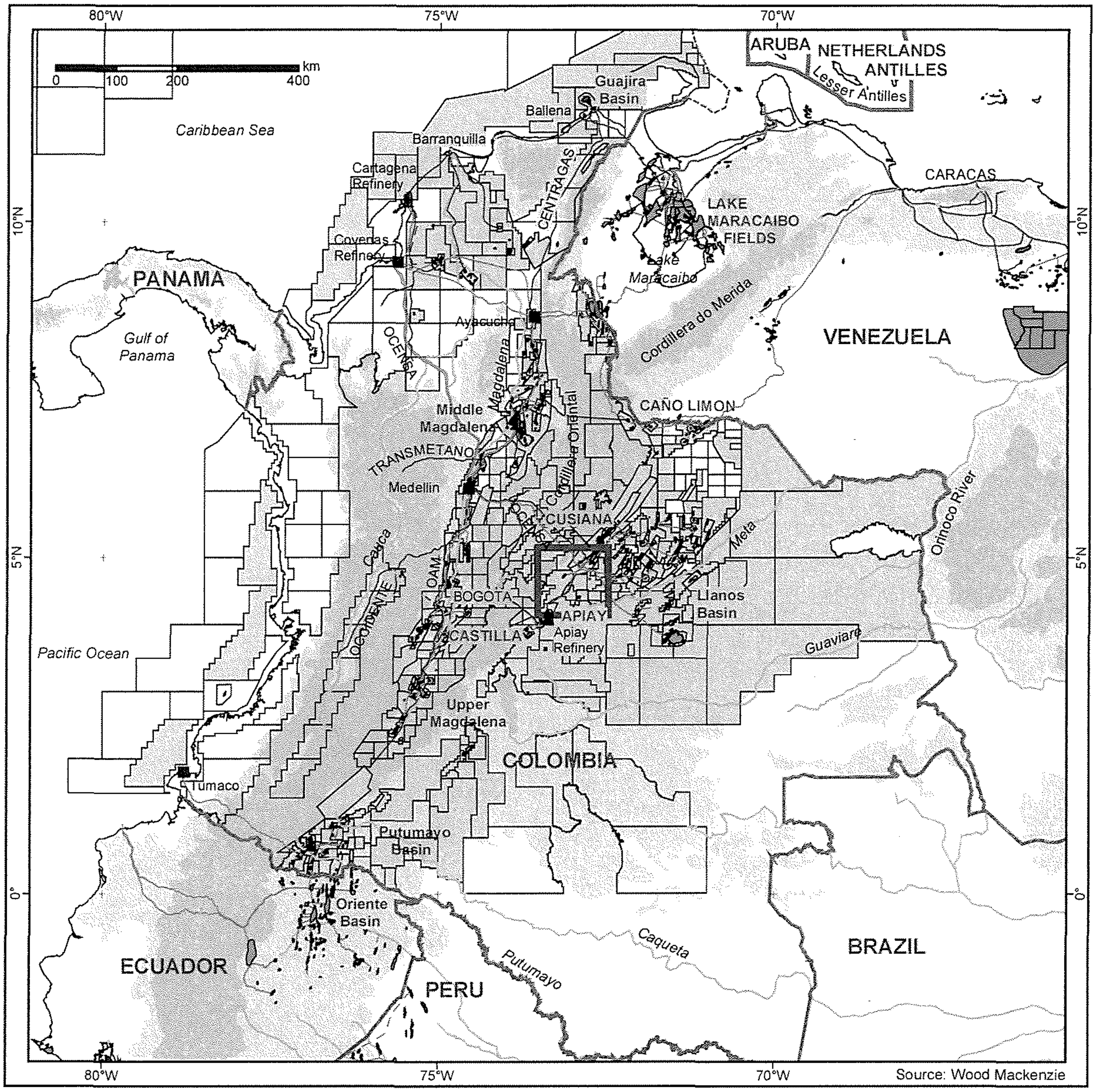
Costs and Currency

In line with worldwide increases in the cost of materials and oil field services (including rig rates), capital costs and operating costs on most fields in Colombia have increased significantly since 2004. These increases are reflected in our cost figures for the field. We assume though, that inflation has been less of an issue in 2009 and 2010, as the drop in oil & gas prices since mid-2008 helped relieve some inflationary pressure. The recent appreciation of the peso against the dollar is also an important problem for operators in Colombia, as contracts tend to be in dollars whilst operational costs are paid in pesos. However, we understand Colombia is making efforts to stem the appreciation by purchasing dollars.

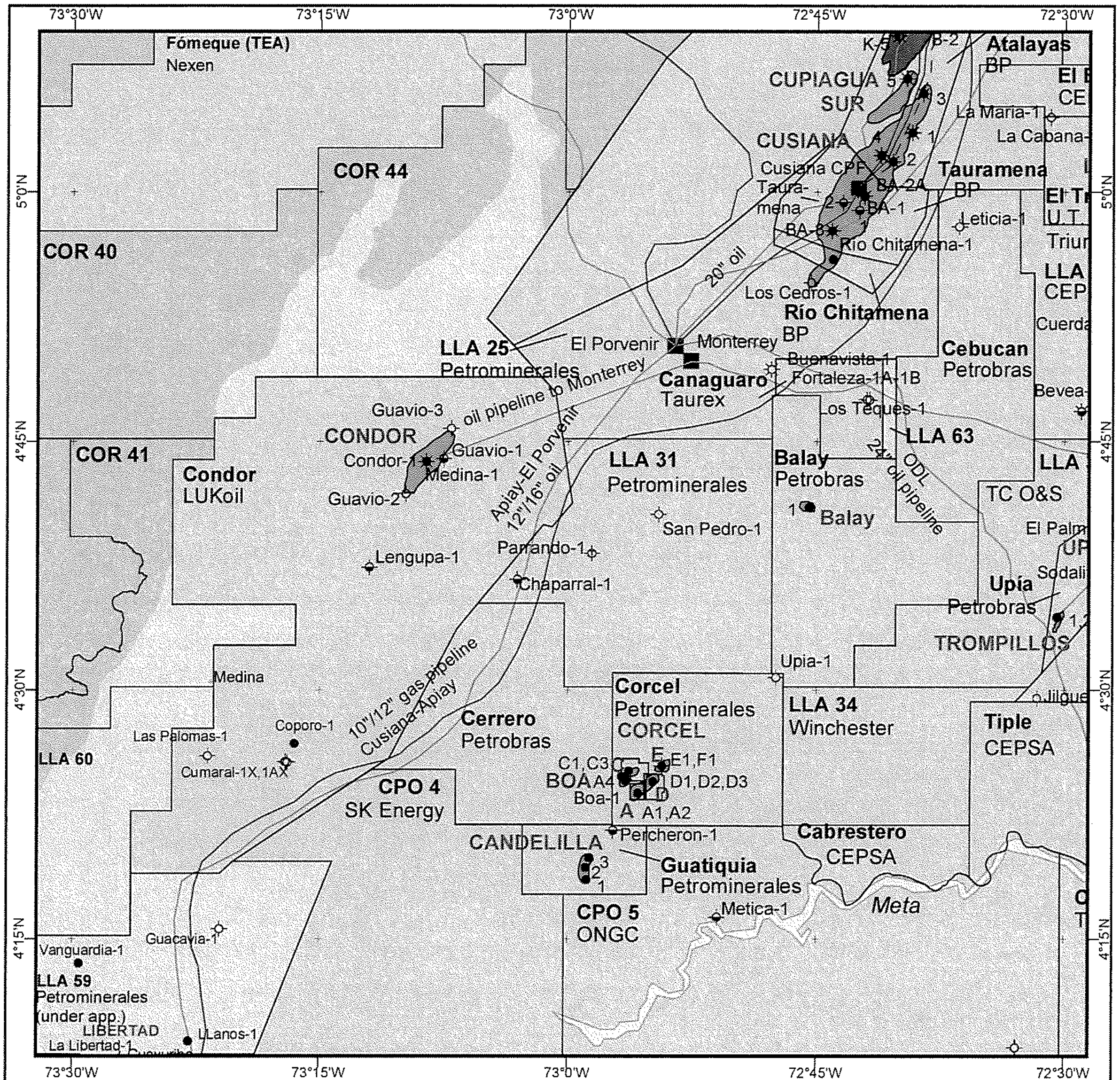
Colombia is also benefiting from a relatively well-supplied service sector as the influx of new entrants to its upstream industry, allied to more difficult operating environments in neighbouring countries, have combined to attract service providers.

Location Maps

Index Map



Detail Map



Source: Wood Mackenzie

Participation

LUKoil signed the contract for the Condor block in April 2002 representing its first foray into the country. The agreement is for 28 years and is due to expire in 2030. It includes a six year exploration period, with a 22-year exploitation period starting once the field has been declared commercial. The field was declared commercial in 2007.

LUKoil operates the block and holds a 70% stake, with Ecopetrol holding the remaining 30% equity.

Geology

The Condor block covers 3,089 square kilometres and is located in the eastern Cordillera foothills within the Llanos Basin. It is one of the largest exploration blocks in Colombia. To the north of the block is the giant Cusiana oil and Cupiagua gas/condensate developments.

Structure

There is a fault system in the block that trends from the southwest to the northeast. The Tertiary and Cretaceous sandstone reservoirs trap the hydrocarbons against the faults.

Reservoirs

The area benefits from a strong water drive, which is allows for good recovery factors of between 40% and 60%. The wells typically come onstream at very high rates, before declining quite rapidly to more stable production levels. The main producing formations are the Mirador and Guadalupe zones.

- Mirador: This formation is the most important producing formation in the Llanos Basin. The reservoir is typically of good quality, and includes well sorted channel sandstones. Porosities average 23 to 26% and permeabilities up to 5 Darcies.

- Guadalupe: This formation is also an important producer in the Llanos Basin Its Santonian to Campanian sands are the oldest proven reservoir in the Llanos foothills. Porosities are typically in the range 11 to 15% and permeabilities 50 to 100 mD. More shaley intervals within the Guadalupe are sometimes rich in land-derived gas prone kerogen.

Hydrocarbon Quality

The crude is good quality, light oil with a gravity of around 40° - 42° API.

Well Data

Well Name Type	Operator	Spudded Completed	TMD(m) WD(m)	Result	Comment
Guavio-1 Exploration	Texaco	20-Jun-59 21-Jul-60	3228	Oil Shows	Tested 554 b/d of 39° API oil from Tertiary through 3/8-inch choke. Declared non-commercial following appraisal drilling.
Guavio-2 Appraisal	Texaco	23-Dec-60 8-Jun-61	2800	Dry Hole	Test of non-commercial Guavio discovery.
Guavio-3 Appraisal	Texaco	5-Nov-61 17-Dec-61	2161	Dry Hole	Test of non-commercial Guavio discovery.
Condor-1 Exploration	LUKoil	17-Oct-05 30-Nov-06	4531 +	Oil	Condor discovery. Tested light oil. Well drilled 100 metres from Medina-1 well that found gas in Upper Une Fm.
Lengupa-1 Exploration	LUKoil	15-Apr-08 19-Sep-08	2600	Oil Shows	Lengupa prospect. Primary objective was the Mirador Fm.

Source: Wood Mackenzie

+ Commercial Discovery

Exploration

The area was first explored by Texaco in 1959. The Guavio-1 well found oil in the Tertiary and produced 554 b/d of oil during testing. However, the find was declared non-commercial following two unsuccessful appraisal wells (Guavio-2 and Guavio-3).

The Condor-1 well was spudded in October 2005 and took over a year to drill, being completed in November 2006. It well targeted the crest of the Medina structure and reached a total depth of about 4,531 metres, where it was completed in the late-Eocene Mirador Formation, some 500 metres short of its main objective due to mechanical problems. The well was put under test during 2007 and produced 10,000 barrels of light oil. The primary objective had been the Early Cretaceous Une Formation. The company also re-entered the Guavio-1 well, which is located on the eastern flank of the Medina structure for testing.

A second prospect was tested in the block in 2008. The Lengupa-1 well was drilled to the southwest of the Condor field, and had a proposed TD of about 3,810 metres. The primary reservoir objective was the Mirador Formation, with secondary objectives in the Cretaceous Guadalupe Formation, the Paleocene Barco, the Une and the Carbonera (La Paloma sandstones). It is thought the well encountered non-commercial oil shows. It is understood that the evaluation of a further prospect, Guavio East, is being considered. Further exploration potential exists in the south of the block where the company has performed seismic work on the Farallones and Las Palomas prospects.

Reserves

Upon its discovery, it was initially announced that Condor could hold over 100 million barrels. However, due to the lack of appraisal drilling to date, we take a more conservative view and estimate that around 40 million barrels will be recovered, based on a recovery factor of around 30%.

Commercial Recoverable Reserves (p+p)

(Remaining Reserves at 01/01/2011)

	Init Oil (mmbbl)	Rem Oil (mmbbl)
Condor	40	40

Source: Wood Mackenzie

Production

Condor produced a total of around 10,000 barrels under test in 2007, before it was shut-in while the operator considered development options. Although exact development plans are still unclear, we currently expect the field to start full-scale output in late-2010 and tentatively forecast peak production of 13,000 b/d in 2012.

Production (2007-2015)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Oil ('000 b/d)	0.0	-	-	1.0	12.0	13.0	12.3	11.7	10.2

Source: Wood Mackenzie

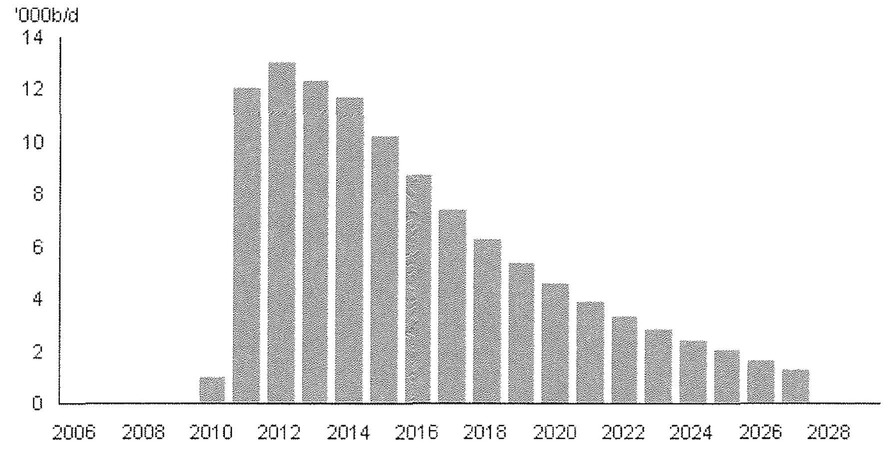
NB. Condor produced around 10,000 barrels under test during 2007.

Production (2016-2024)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Oil ('000 b/d)	8.7	7.4	6.3	5.3	4.5	3.9	3.3	2.8	2.4

Source: Wood Mackenzie

Production Profile



Source: Wood Mackenzie

Development

The high global demand for materials and services in the upstream sector has led to a relatively tight global rig and oil service market. However, this problem is understood to be less acute in Colombia as difficult operating climates in neighbouring countries, allied to Colombia's recent success in attracting oil companies to its upstream sector, have led to an influx of service companies to the country. Hence in general, development delays are less prevalent than in previous years. In this analysis, we attempt to factor in some of these issues.

The development plans for the Condor field have yet to be released, but we believe that exploitation will be relatively straightforward and tentatively forecast first oil production in late-2010.

Wells

We assume that the field will be developed through at least seven new wells, in addition to the original Condor-1 discovery well. Each well will take around three months to drill and we expect the majority of the drilling to take place over 2010/2011. Limited infill drilling is expected thereafter.

Facilities

Permanent processing facilities will be installed, comprising separation & treatment equipment, storage tanks and export facilities.

Transportation

We understand that a 40 - 45 kilometre pipeline was constructed in 2009 connecting the Condor field to Ecopetrol's Monterrey substation. From there, the oil will be piped to the Coveñas export terminal.

Costs

In line with worldwide increases in the cost of materials and oil field services (including rig rates), capital costs and operating costs on most fields in Colombia have increased significantly from around 2004. These increases are reflected in our cost figures for the field, although we assume inflation has been less of an issue in 2009 and 2010, as the drop in oil & gas prices since mid-2008 has helped help relieve some inflationary pressure. Moreover, Colombia has also benefited from an influx of service providers, who have been attracted by the increased number of companies active in the country, as well as the healthy operating environment. There is also evidence to suggest companies (both oil companies and service companies) are having less difficulty raising finance as the turbulence in the global economy subsides.

The recent appreciation of the peso against the dollar is also an important problem for operators in Colombia, as contracts tend to be in dollars whilst operational costs are paid in pesos. However, we understand Colombia is making efforts to stem the appreciation by purchasing dollars.

Exploration Costs

We estimate that US$115 million during the initial exploration stage from 2002 to 2007. The majority of this expenditure was on the Condor-1 well, which cost around US$70 million. The Lengupa-1 well in 2008 cost around US$30 million.

Capital Costs

With the exact field development plan still unclear, development costs are tentative at this stage. Between 2009 and 2011, we expect around US$315 million will be spent on the full development of the field. Wells are expected to cost around US$30 million each to drill & complete, with a further US$50 million spent on facilities. The export pipeline to Monterrey cost an estimated US$60 million.

Addi tonally, we forecast abandonment costs of US$65 million.

Capital Costs 2007 to 2016 (US$ million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Facilities	-	-	30	20	3	3	3	3	3	3
Wells	-	-	30	90	60	-	-	-	30	-
Pipeline	-	-	60	-	-	-	-	-	-	-
Other Capex	25	5	10	10	2	2	2	2	2	2
Abandonment	-	-	-	-	-	-	-	-	-	-
Total	**25**	**5**	**130**	**120**	**65**	**5**	**5**	**5**	**35**	**5**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Capital Costs 2017 to Post-2025 (US$ million)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	Post-2025
Facilities	3	3	3	3	3	3	3	3	3	6
Wells	-	-	30	-	-	-	30	-	-	-
Pipeline	-	-	-	-	-	-	-	-	-	-
Other Capex	2	2	2	2	2	2	2	2	2	4
Abandonment	-	-	-	-	-	-	-	-	-	65
Total	**5**	**5**	**35**	**5**	**5**	**5**	**35**	**5**	**5**	**75**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Operating Costs

We expect operating costs in 2012, the year we currently expect production to peak, to be around US$29.2 million, equivalent to US$6.16/bbl. This includes lifting costs, personnel costs and overheads.

Operating Costs 2007 to 2016 (US$ million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Field Fixed	0.3	0.3	2.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Field Variable	-	-	-	1.5	13.1	14.2	13.5	12.8	11.2	9.5
Total	**0.3**	**0.3**	**2.0**	**16.5**	**28.1**	**29.2**	**28.5**	**27.8**	**26.2**	**24.5**

Source: Wood Mackenzie
Nominal to 2010 and real (in 2010 terms) thereafter.

Sales Contracts

The Condor crude has a gravity of around 40° - 42° API. For the purposes of this analysis, we assume that all the oil is sold to Ecopetrol at Monterrey as part of the Vasconia blend. We assume that the crude will receive a discount of 8% to WTI going forward.

Taxation

Given that the Condor contract was signed in 2002 we have modelled the Condor asset as an association contract based on the post July 1999 terms. Further details about the taxation of hydrocarbon developments in Colombia can be found in the Fiscal Terms Section of the Country Overview.

Economic Assumptions

In calculating the Condor cash flow, the following simplifying assumptions have been made:

- The cash flow represents revenues and costs attributable to the Condor asset from 1 January 2005. Pre 2005 data is excluded.
- Sunk exploration and appraisal costs of US$115 million have been included in the cash flow for tax calculation purposes.
- Our central discount rate is 10% nominal from 1 January 2011.
- Our long term inflation assumption is 2.0% per annum from 2010.
- Oil is sold at the Monterrey substation on a point of sale basis. It is assumed the partners in the Condor block will also own the pipeline and therefore no transportation tariffs are applicable.
- The Wood Mackenzie Brent oil price assumption is US$80.90/bbl in 2010, US$86.40/bbl in 2011, US$83.00/bbl in 2012, US$79.59/bbl in 2013, and US$81.18 in 2014 (US$75/bbl in real, 2010 terms). Thereafter prices are escalated in line with Wood Mackenzie's long-term inflation rate of 2.0%.
- Condor crude is assumed to trade at a discount to WTI of 8%. The Wood Mackenzie WTI oil price assumption is US$81.40/bbl in 2010 (a 0.62% premium to Brent), US$87.40/bbl in 2011 (a 1.16% premium), US$84.00/bbl in 2012 (a 1.2% premium), US$81.18/bbl in 2013 (a 2.0% premium) and US$82.81/bbl in 2014 (a 2.0% premium, which we assume remains the case in the long term). This is equivalent to US$76.50 real, 2010 terms.

The corresponding GEM file name is Condor.fld

Cash Flow

Cash Flow Dollars

Year	Production Liquids 000b/d	Production Gas mmcfd	Gross Revenue US$M	Op Costs US$M	Capital Costs US$M	Royalty US$M	Other Taxes US$M	Income Tax US$M	State Carry US$M	State Equity Cash Flow US$M	Company Cash Flow US$M	Total Field Cash Flow US$M
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.7	0.3	25.0	0.1	0.0	0.0	-0.4	-7.8	-16.9	-24.6
2008	0.0	0.0	0.0	0.3	5.0	0.0	0.0	0.0	0.0	-1.6	-3.7	-5.3
2009	0.0	0.0	0.0	2.0	130.0	0.0	0.0	0.0	0.0	-39.6	-92.4	-132.0
2010	1.0	0.0	27.3	16.5	120.0	1.5	0.0	0.0	-13.7	-46.8	-63.8	-110.6
2011	12.0	0.0	352.2	28.7	66.3	30.0	0.0	14.0	-25.9	38.1	175.2	213.2
2012	13.0	0.0	366.7	30.4	5.2	31.7	0.0	86.2	0.0	64.0	149.2	213.2
2013	12.3	0.0	335.6	30.2	5.3	28.8	0.0	77.0	0.0	58.3	136.0	194.2
2014	11.7	0.0	325.3	30.1	5.4	27.8	0.0	74.3	0.0	56.3	131.4	187.8
2015	10.2	0.0	290.2	28.9	38.6	24.4	0.0	72.1	0.0	37.8	88.3	126.1
2016	8.7	0.0	251.7	27.6	5.6	20.8	0.0	64.9	0.0	39.8	92.9	132.7
2017	7.4	0.0	218.1	26.5	5.7	17.7	0.0	54.9	0.0	34.0	79.2	113.2
2018	6.3	0.0	189.0	24.8	5.9	15.2	0.0	46.5	0.0	29.0	67.7	96.8
2019	5.3	0.0	163.9	23.2	41.8	13.0	0.0	36.7	0.0	14.8	34.5	49.2
2020	4.5	0.0	142.2	21.7	6.1	11.2	0.0	32.7	0.0	21.1	49.3	70.4
2021	3.9	0.0	123.3	20.5	6.2	9.7	0.0	27.2	0.0	17.9	41.8	59.7
2022	3.3	0.0	106.9	19.3	6.3	8.5	0.0	22.4	0.0	15.1	35.3	50.4
2023	2.8	0.0	92.7	18.2	45.3	7.3	0.0	15.6	0.0	1.9	4.4	6.3
2024	2.4	0.0	80.3	17.3	6.6	6.4	0.0	14.5	0.0	10.7	25.0	35.7
2025	2.0	0.0	69.5	16.4	6.7	5.5	0.0	11.3	0.0	8.9	20.7	29.6
2026	1.6	0.0	56.8	15.4	6.9	4.5	0.0	7.6	0.0	6.7	15.7	22.5
2027	1.3	0.0	46.4	15.2	7.0	3.7	0.0	4.3	0.0	4.9	11.3	16.2
2028	0.0	0.0	0.0	0.0	92.8	0.0	0.0	0.0	0.0	-27.9	-65.0	-92.8
2029	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals:	**40.1**	**0.0**	**3238.7**	**413.3**	**643.9**	**267.6**	**0.0**	**662.0**	**-40.0**	**335.6**	**916.3**	**1251.9**
PVs		Total PV	2030.4	235.1	490.6	169.3	0.0	400.8	-39.6	180.8	553.8	734.6
		Rem PV	2000.8	214.8	173.5	167.7	0.0	400.8	-24.7	288.5	755.5	1043.9

Source: Wood Mackenzie
Discounted at 10.0% from 01/01/2011

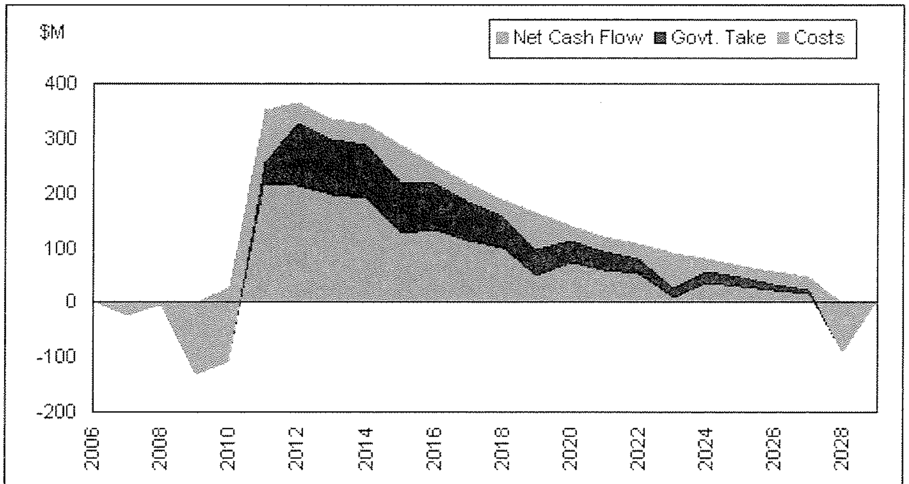
Discount Rate %	Total PV Post-Tax US$M	Total PV Pre-Tax US$M	Remaining PV Post-Tax US$M	Remaining PV Pre-Tax US$M	Remaining PV/boe Post-Tax US$	Remaining PV/boe Pre-Tax US$	Total Gov. Take US$M	Total Gov. Take %	Remaining Gov. Take US$M	Remaining Gov. Take %	P/I Ratio	Capex Boe US$	Opex Boe US$
0.0	1251.9	2181.5	1524.3	2452.4	38.42	61.81	929.6	42.6	928.1	37.8	2.9	16.08	10.32
5.0	954.3	1667.6	1244.8	1956.5	31.37	49.31	713.3	42.8	711.7	36.4	2.8	13.40	7.54
7.0	858.7	1508.1	1156.7	1804.4	29.15	45.48	649.3	43.1	647.7	35.9	2.7	12.81	6.78
8.0	815.0	1435.9	1116.7	1736.0	28.15	43.75	620.9	43.2	619.3	35.7	2.6	12.59	6.45
9.0	773.7	1368.3	1079.2	1672.1	27.20	42.14	594.6	43.5	593.0	35.5	2.6	12.40	6.14
10.0	734.6	1304.7	1043.9	1612.4	26.31	40.64	570.1	43.7	568.5	35.3	2.5	12.25	5.87
11.0	697.6	1245.0	1010.8	1556.5	25.48	39.23	547.4	44.0	545.7	35.1	2.4	12.12	5.62
12.0	662.5	1188.7	979.6	1504.1	24.69	37.91	526.2	44.3	524.5	34.9	2.4	12.02	5.39
15.0	567.2	1037.7	896.2	1365.0	22.59	34.40	470.5	45.3	468.9	34.3	2.2	11.83	4.80
25.0	327.2	671.3	698.2	1040.6	17.60	26.23	344.1	51.3	342.4	32.9	1.7	11.98	3.58

Source: Wood Mackenzie

Discount Date	Jan-11
Remaining Liquid Reserves (mmbbls)	39.7
Total Remaining Reserves (mmboe)	39.7
Total Reserves (mmboe)	40.1
Project IRR (post tax)	46.91%
Pre-tax IRR	62.12%
Payback Period (years)	5
Reserve life at current production (years)	9.1

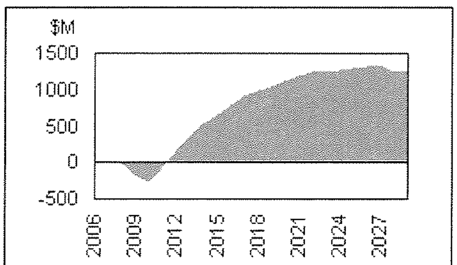
Source: Wood Mackenzie

Split of Revenues



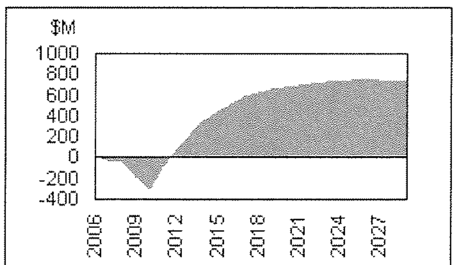
Source: Wood Mackenzie

Cumulative Net Cash Flow - Undiscounted



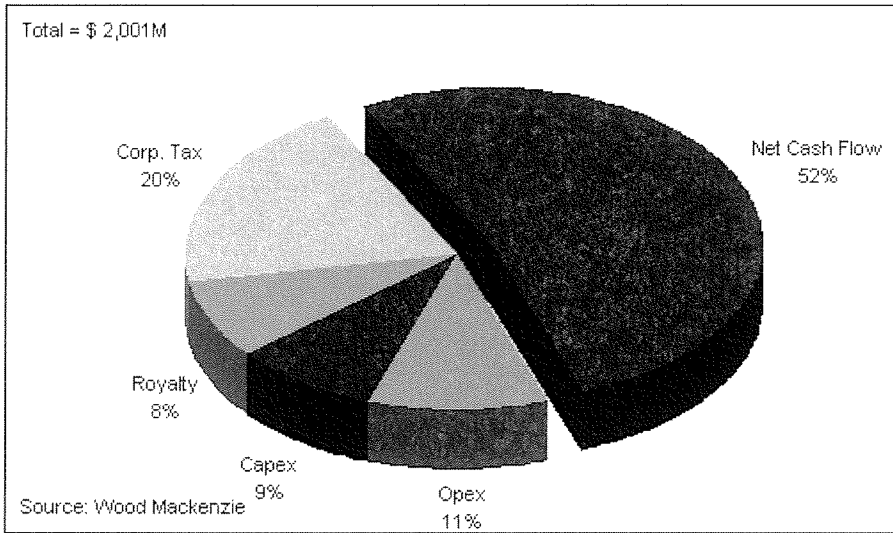
Source: Wood Mackenzie

Cumulative Net Cash Flow - Discounted at 10% from 01/01/2011



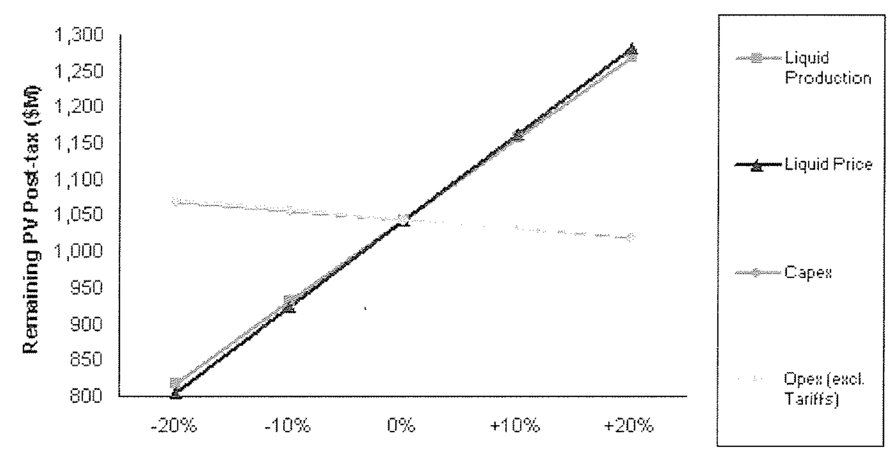
Source: Wood Mackenzie

Remaining Revenue Distribution (Discounted at 10% from 01/01/2011)



Source: Wood Mackenzie

Remaining PV Price Sensitivities



Source: Wood Mackenzie

EXHIBIT 29

Farm-in Opportunity
Block CPO-4, Onshore Colombia

1. OPPORTUNITY DESCRIPTION

SK energy offers up to 50% working interests of CPO-4 block in Colombia onshore. SK Energy currently has 100% interest.

▪Physical Data Room

Upon signing of a Confidentiality Agreement with SK Energy, access to a data room will be available to the interested parties in Houston, Texas and Bogota, Colombia

▪Preliminary Timeline

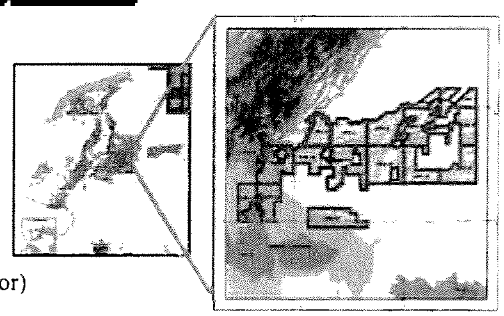
- Physical Data Room: from now to May 31st in Houston and Bogota (2 months)
-Terms and Conditions Negotiation: . Jun. 1st ~ Jun. 30th (1 month)
  * First Come Firat Served

▪ Contact Informatiom

- Mr. Jim Fluker/Mr. Howard Jung
  SK E&P Company
  [redacted]

2. CPO-4 BLOCK OVERVIEW

- Location: Onshore, Central Colombia
- Basin: Western Llanos Basin
- Area: 139,859 ha
- Effective Date: December 18, 2009
- Contract Type: E&P Contract
- Participant: SK Energy 100% (Operator)



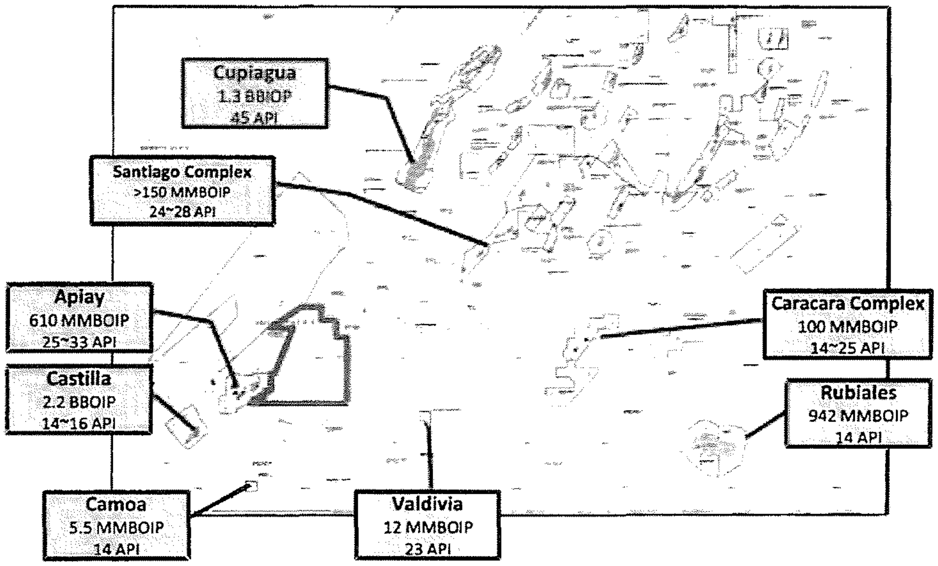
Phase	Period	Work Obligation
Phase 0	'08.12.18~'09.06.17 (6 months)	-
Phase 1	'09.06.18~'12.06.17 (3 yrs)	2D Acquisition 620 Km 2D Seismic Reprocessing 400 Km 2 Exploration Wells
Phase 2	'12.06.18~'15.06.17 (3 yrs)	2D Seismic Reprocessing 400 Km 3 Exploration Wells

Fluker
EXHIBIT NO. 2
Kelly Hanna

EXHIBIT GE
155
HO-11507
7-17-12
PENGAD 800-631-6989

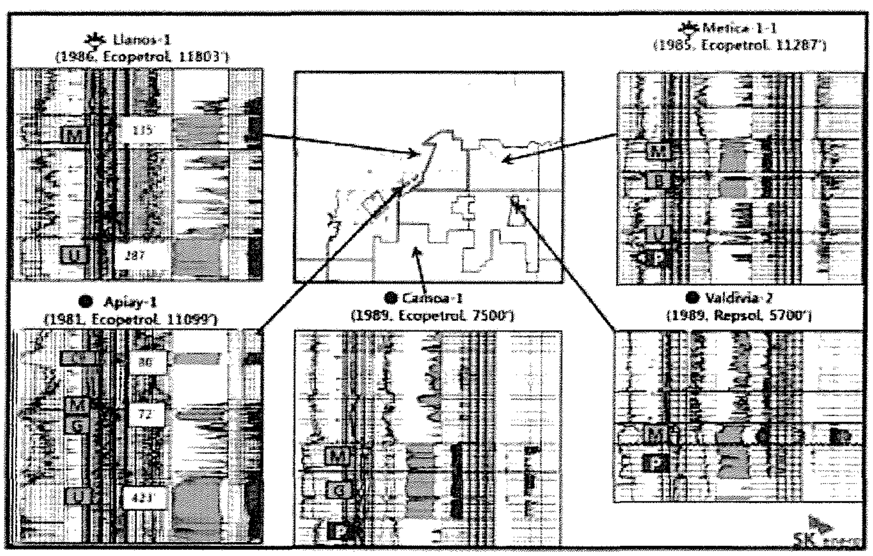
3. Hydrocarbon Potential

A. Proven Area : Surrounded by existing fields



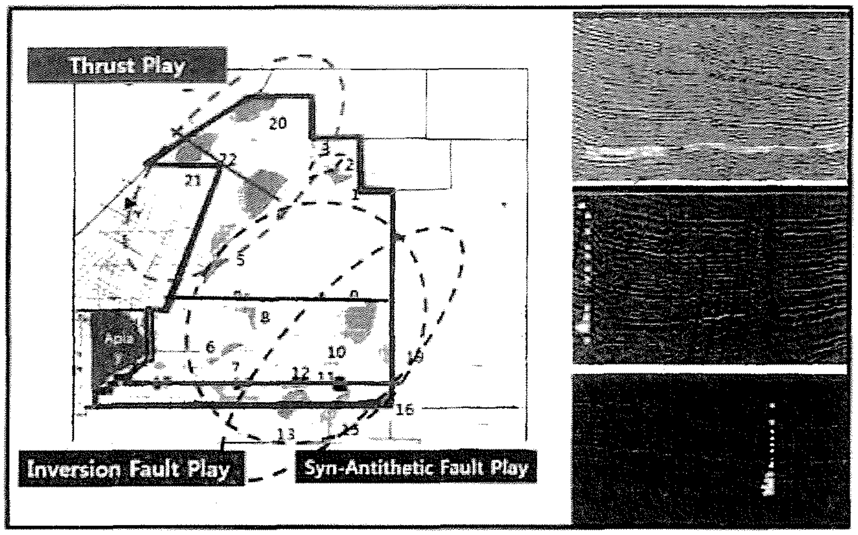
B. Multi Reservoir

• **UNE/Guadalupe/Barco/Mirador/C9 : 50~400' each**



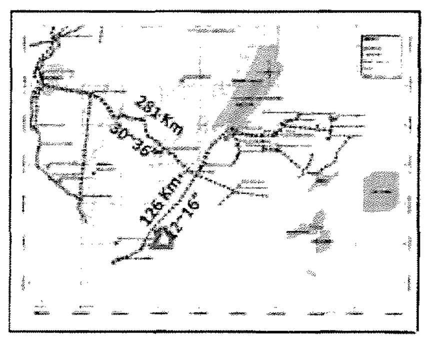
C. Multi Hydrocarbon Plays / Multi Structures

- 3 Hydorcarbon Play
- 22 Structures / More Than 3 Reservoir Horizons in each structure
- Total 1 Billion BO Potential : 300 MMBO Risked Reserve Potential

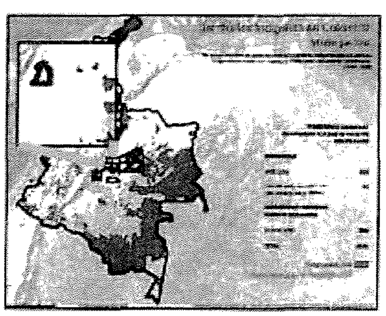


D. Under Explored Large block

E. Excellent Infra Structure



F. No Indigeneous Reservation



F. All year Round Working Area

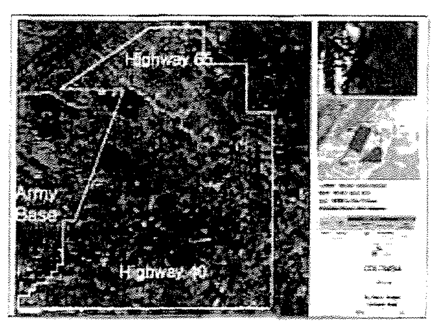


EXHIBIT 30

Barry J. Rava
Geological & Geophysical Consulting
P.O. Box 941193, Houston, Tx 77094
Phone: 713-621-7282 / Fax: 713-621-7283
Texas Licenses: Geophysics 2515, Geology 2516

Fluker
EXHIBIT NO. 5
Kelly Hanna

Mr. D.S. Choi, Vice President
SK Energy
[redacted]

Dear Mr. Choi,

This is a brief letter outlining the work performed over the Block 4 Concession in Colombia. The attached figures provide documentation for the work. There is an index of 'preliminary' prints illustrating various facets of the work including the highlighting of some channels and some 2D seismic data problems.

Recommendation and Conclusions:

Based on the analysis of 2D seismic data and various meetings with consulting geoscientists and SK staff it is recommended that SK pursue further exploration opportunities in the Block 4 Concession Area. Twenty-two different structural features or Areas of Interest (AOI) with possible closure were identified. Most of these potential closure areas persist through the entire prospective interval, from the Carbonera 7 through the Paleozoic.

The Areas of Interest (AOI) all need to be further defined through the acquisition of new 2D and /or 3D seismic data. These new data should be acquired with the best possible parameters as gleaned from existing 2D seismic data. A review of acquisition and processing parameters was not performed during this study. The old 2D seismic data, if available over an AOI, should also be reprocessed and phase-matched to any newly acquired data.

Methodology:

A review of translated research papers and key diagrams of non-translated technical papers was done before mapping began. Previous mapping in the Block included regional mapping of the Leon, Carbonera 1 (C1) and 7 (C7) sands, Mirador, Guadalupe, and Paleozoic. For this study the C1, C7, Mirador and Paleozoic were re-examined.

Approximately seventy (70) 2D seismic lines were interpreted on multiple horizons. About fifty (50) 2D seismic lines were mapped and then after the initial mapping an additional twenty (20) lines, more or less, newly retrieved from Colombia, were added into the study.

Well to seismic tie was afforded by the use of a synthetic in the lone well (Negritos) on the concession. Wavelets were extracted from two different vintages of 2D seismic lines that intersected the Negritos well. The lines had different phase and different velocity fields and therefore did not tie very well. The Check Shot survey in the Negritos well was stretched and squeezed to get the best character tie to the 2D data, with the primary match to line Q-1985-1275.

Exhibit # 152
HUSA
Date: 12-3-12
Linda Rayburn, CSR, RPR, CLR

Since the 2D lines were of many different vintages from about 1972 to 1992 misties were the norm rather than the exception. Replacement and stacking velocities varied greatly as misties up to 200 milliseconds were not uncommon! Because of this tie problem, maps were constructed using seismic-time dip vectors based on the Negritos well as the starting point.

There was one line that had dips grossly contrary to both of its surrounding neighbors on either side. This line, Q-1985-1950-AP, will need to be re-evaluated for loading and survey problems. The shotpoint order is probably incorrect.

Final Products:

Synthetic on the Negritos well

Structure and Structure Form maps on the following horizons:

Carbonera 7 (C7)
Mirador
Paleozoic

(note: interpretation was also made on the C8 but was not worked across the entire area and additional work was done on the Leon and C1 zones, mainly for correlation purposes)

Isochron maps across the following intervals

C7 to Mirador
C7 to Paleozoic
Mirador to Paleozoic

Report booklet
Contains: - 8x11.5 prints of the above products
- Closure areas for each closure noted

Observations: (in bullet format)

- 22 total AOI were noted: 16-17 closures per map horizon
  - Key Leads are AOI's 13, 15, 20 and 21/22
  - Intermediate Leads are AOI's 1, 2, 6, 7, 8, 8a, 12, 13, 15, 17, and 19
  - Riskiest Leads are AOI's 3, 4, 5, 9, 10, 11, 14, 16, and 18
  - These leads are not listed in decending or 'rank' order; just grouped by relative risk
- AOI closures range from 86 hectares to 2,634 hectares
- Most closures observed have an expression rooted in the Paleozoic
- Carbonera 8 pinchout was noted in the southeast corner of Block 4
- Mirador pinch-out was noted in Block 5 to the east of Block 4
- Channels noted on many lines (but not analyzed as part of this study)
- Seismic velocity problems are common, resulting in many misties
- Seismic data do not share a common datum

- Seismic data has not been phase matched
- As data density increase prospect size (AOI) decreases
- The largest AOI's have the least supporting data
- Mapping in areas containing large data gaps is not as reliable as in other areas
- Quality of data ranges from all noise (Q1981-1250-E-AP) to fair, with most lines falling in the poor to marginally ace ptable category

Respectfully Submitted by,

Barry J. Rava
Texas Professional Geoscientist 2515 & 2516

Report Book Contents

1. Summary Report

2. 2D Data Base
   Synthetic
   AOI Polygons for C7, Mirador and Paleozoic all on one map

3. Carbonera 7 Maps
   AOI Polygons and acreage figures
   Contour map with AOI's and no colored contours
   Contour map with color contours

4. Mirador Maps
   AOI Polygons and acreage figures
   Contour map with AOI's and no colored contours
   Contour map with color contours

5. Paleozoic Maps
   AOI Polygons and acreage figures
   Contour map with AOI's and no colored contours
   Contour map with color contours

6. Isochron Maps
   C7 to Mirador
   C7 to Paleozoic
   Mirador to Paleozoic

7. AOI Areas and 'Type' Seismic grouped by AOI (in numeric order, not rank order)
   AOI - 1, 2, 3
   AOI - 4
   AOI - 5
   AOI - 6, 7, 8, 8a
   AOI - 9, 10, 11, 19 (for AOI 11 also see AOI 15)
   AOI - 12
   AOI - 13 (also see AOI 16)
   AOI - 14
   AOI - 15 (and 11) (also see AOI 16)
   AOI - 16 (and 15 and 13)
   AOI - 17
   AOI - 18
   AOI - 20, 21, 22

8. Preliminary Displays and some notable items from interpretation process

9. Miscellaneous notes and correspondence

EXHIBIT 31

PETROMINERALES

A PETROBANK COMPANY

NEWS RELEASE

PETROMINERALES CORCEL-A2 SIDE-TRACK PRODUCES OVER 10,000 BOPD

Bogotá, Colombia – September 28, 2009 - Petrominerales Ltd. ("**Petrominerales**" or the "**Company**") (TSX: PMG), a 67% owned subsidiary of Petrobank Energy and Resources Ltd. ("**Petrobank**") (TSX: PBG), announces that the Corcel-A2 side-track well is producing over 10,000 barrels of oil per day ("**bopd**") of 30 API oil at less than 1% water cut from the Lower Mirador, Upper Guadalupe and Lower Guadalupe sands. The Corcel-A2 side-track targeted the structurally highest point of the Corcel A structure to access by-passed Mirador and Guadalupe pay. Logs indicated a total net pay of 122 feet in the Lower Mirador and the Upper and Lower Guadalupe. The well encountered the Lower Mirador formation 36 feet structurally higher than in offset wells and includes 96 feet of by-passed pay not yet produced from the other wells at Corcel.

The drilling rig will now be mobilized to our Guatiquia block for a two-well exploration program, targeting the Percheron and Candelilla structures, prior to returning to Corcel to continue our ongoing Corcel exploration program.

We also commenced side-track operations on the Chiguiro Oeste-1 well on August 15, 2009. The testing program on the original Chiguiro Oeste-1 wellbore was suspended due to uncertainty regarding the integrity of primary cement following significant losses into a lower thief zone during the cementing operation. We cored the entire Mirador zone in the side-track and observed moveable oil in several sections of the core and the well has been cased as a potential oil producer. The testing program is now under way. Following Chiguiro Oeste-1, we will be moving the rig to the Rio Ariari block to drill Rio Ariari-1.

Company production for September has averaged 20,728 bopd to-date, and is currently in excess of 28,000 bopd. September production has been affected by the Boa-1 and Corcel-A4 wells being offline. Corcel-A4 went offline August 26th due to an electric submersible pump failure. The service rig is being mobilized to Corcel-A4 to run a new pump and we expect to have the well back on-line during the first week of October. Boa-1 was offline from September 5th to 17th due to mechanical problems in the well. The well has been repaired, and a smaller pump had to be installed above the failed, and apparently non-recoverable original pump, which has restricted production at Boa-1 to approximately 3,100 bopd.

Forward-Looking Statements. *Certain information provided in this press release constitutes forward-looking statements. The words "anticipate", "expect", "project", "estimate", "will", "forecast" and similar expressions are intended to identify such forward-looking statements. Specifically, this press release contains forward-looking statements relating to results from drilling, logging and testing operations and the timing of projects. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in our Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability, outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. There is no representation by Petrominerales that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Except as may be required by applicable securities laws, Petrominerales assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

Petrominerales Ltd. *is a Latin American-based exploration and production company producing oil in Colombia with 16 exploration blocks covering a total of 1.9 million acres in the Llanos and Putumayo Basins and 2.6 million acres in the Ucayali Basin of Peru. Petrominerales is 67% owned by Petrobank Energy and Resources Ltd. (TSX:PBG).*

FOR MORE INFORMATION PLEASE CONTACT:

John D. Wright, President and Chief Executive Officer
Corey C. Ruttan, Vice President Finance and Chief Financial Officer
Jack F. Scott, Executive Vice President and Country Manager, Colombia
Kelly D. Sledz, Finance Manager
[redacted]

EXHIBIT 32

SK energy HOUSTON AMERICAN

Minutes of CPO-4 Technical Committee Meeting
October 14th, 2009

Houston, TX

---

1. **Introduction**
DS Choi opened the meeting, welcomed Houston American Energy and thanked them for their attendance.

The attendees of the meeting were confirmed to be:

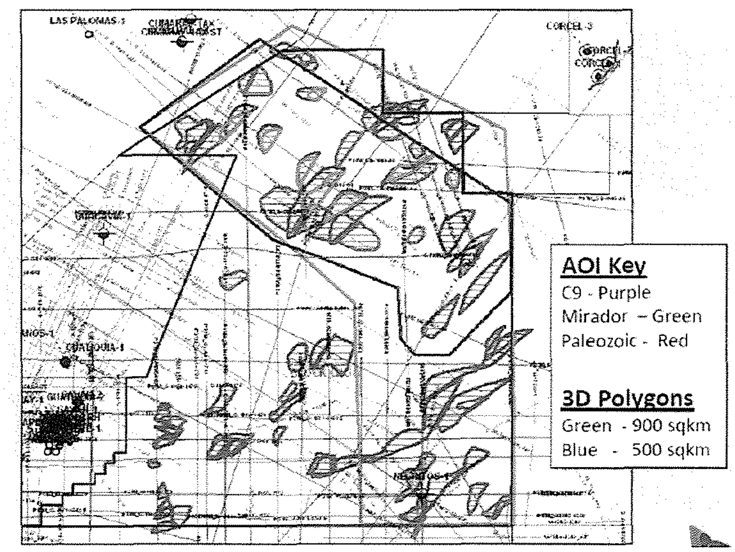
Houston American Energy	SK Energy Co Ltd
John F. Terwilliger CEO	**Dong Soo Choi** Vice President Houston Office
Stephen Hartzell Geologist	**James C. Fluker** Sr. Manager New Business Development Houston office
James Jacobs CFO	**Juan Pablo Reyes** Geologist Bogota office
	Enrique Salguero Geologist Houston office
	Young Kim QC Consultant
	Howard Jung Commercial Manager Houston office

2. **Project Status Overview - Presented by D.S Choi**
Operator informed that the scouting and due diligence works are finished, as well as the reprocessing of old seismic data and the reinterpretation. Currently, operator is working in the service company selection for the seismic acquisition survey. The approval for 2010 Seismic Survey Program should be made by October 31st 2009, and the 2010 Work Program and Budget should be approved by the end of November.

Operator reported that, after the TCM on September 2009 in Bogota, SK revised the PMA area and finished PMA field survey on October 7th 2009 with an estimated cost of US$70,000

ANH already approved the farm-out. The signed resolution giving final authorization is ready.

3. **3D Seismic Acquisition Program - Presented by Young Kim presented the 3D acquisition.**
Operator proposed two 3D polygons: 1) 500 km^2 (Green line); 2) 900 km^2 (Blue line).



Operator explained the following about the seismic program:
- Described the background information (Charge size)
- Described Evaluation Assumption: 500 km^2 / 1800 gr per shot point/ 7 standby days
- Operator received the proposals from 4 companies (CGL, Geoespectro, Global, Sismopetrol) and compared them.
- The range of schedule was 15~32 weeks.
- The estimated cost was US$21,310~27,929/km^2.
- Global's standby cost is extremely higher than the others.
- Sismopetrol seems to be a strong candidate. However, Operator will select two candidates and do a detail interview and select the final one.
- Operator mentioned that it is important to consider 20% more as community relations and other costs such as VAT.

Partner made the following questions and comments:
- Asked about the shot hole depth. Operator said that it will be 3 m.
- Asked about the schedule. Operator confirmed that it will take 140 days (3 months)
- Commented that HAE had contracted Sismopetrol and is very pleased with their work. However, they agree with operator's approach.

Lee

- Commented that, based on their experience, the additional cost for community relations and VAT would be double, and presented the recent HAE's seismic acquisition cost data (US$17,382~19,564/km^2)

4. **Seismic Interpretation - Presented by: Jim Fluker**
Operator showed all available seismic data and reprocessed data: 60 lines with 1,289 km. Operator also presented synthetic well tie in Negritos, Metica. The regional lines show that the horizon pickings are consistent across the area between Metica and Guacavia.

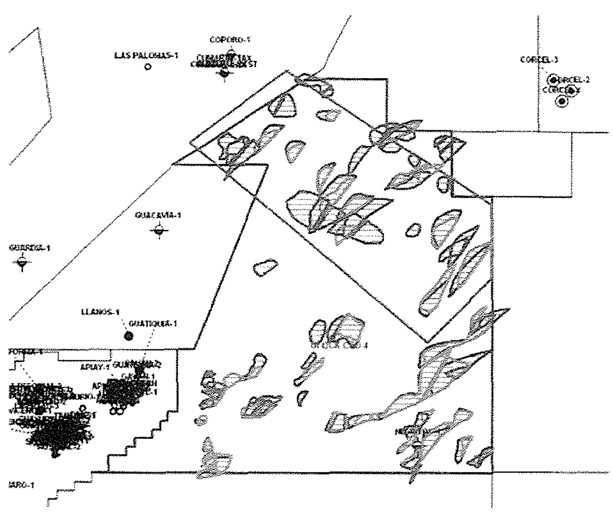
Operator presented Corcel-1 well correlation and an analogy with Petrominerales' Corcel block, and showed possible trapping of hydrocarbon by the blind-thrust faulting in NW area, and showed structural maps and AOIs of C9, Mirador and Paleozoic. Additionally, Operator showed key seismic lines with leads in Northwest, Northeast, Southeast, and West.

Operator explained the potential of the stratigraphic play and thin sand (5') in Llanos basin, and commented on Paleozoic play in Camisea in Peru.

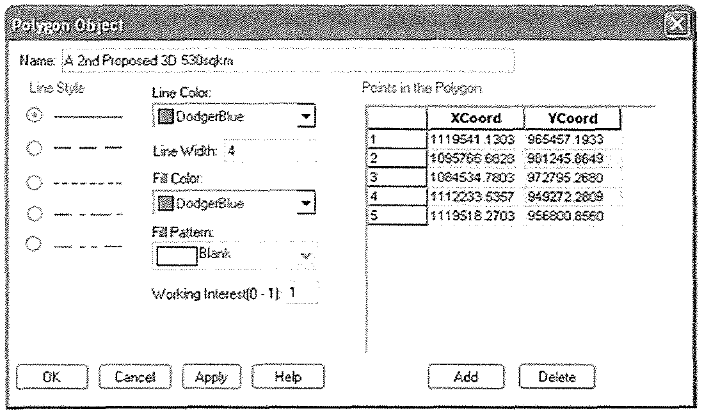
5. **Geological Interpretation - Presented by: D.S. Choi**
Operator summarized the information about Negritos-1 well and its history, and explained that there is untested hydrocarbon potential in C9 and between Mirador and Paleozoic. Operator also presented the reservoir distribution and the fault trend on Une formation.

Operator presented Drainage Patterns vs. Fields in Llanos basin, and the surface structure pattern in the block, and pointed out that the river pattern changes at the possible surface fault.

6. **Recommendation of 3D Area**
- Operator proposed two 3D polygons: 1) 500 km^2 (Green line); 2) 900 km^2 (Blue line).
- Operator and Partner agree on: 1) 500 km^2 (Blue line) and an additional area of 30 km^2 to improve the acquisition parameters. Total surface area : 530 Km^2 (Blue line).



Lee



7. **Various**
   - Next meeting to approve the 2010 Work Program and Budget will be held in Houston or Bogota (Preferably Houston) before Thanksgiving Holidays in November.

APPROVED

For SK Energy

Name: Myung Hwan LEE

Myung Hwan Lee

Title: General Manager

Date: Oct. 16, 2009

For Houston American

Name: John F. Terwilliger

Title: CHAIRMAN

Date: Oct. 26, 2009

Lee

Technical Committee Meeting
CPO-4 Block, Colombia

SK Energy
Houston
October 14, 2009

SK energy

HOUSTON AMERICAN

Agenda

CPO-4

1. Introduction of Objective : 3D Area
2. Project Status
3. 3D Acquisition
4. Seismic Interpretation
5. Geological Interpretation
6. Recommendation of 3D Area
7. Partner's feedback

SK energy

Project Status

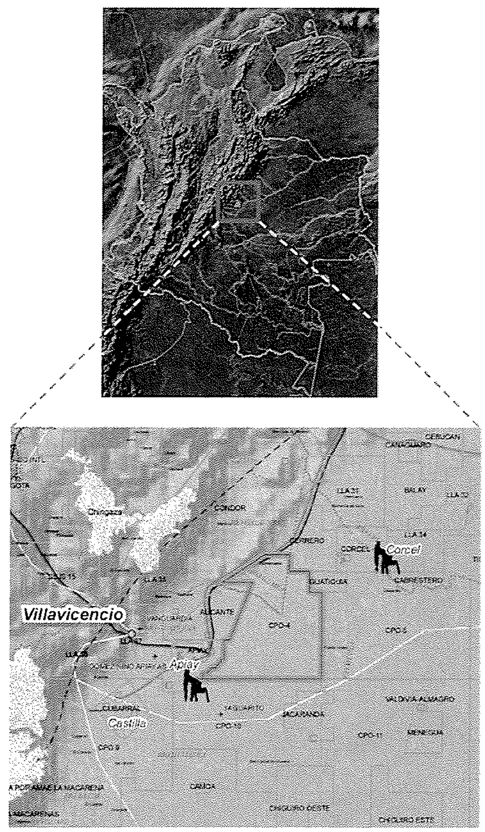
SK energy

Block Overview

CPO-4

General information

- Location : Onshore, Central Colombia
- Basin : Western Llanos Basin
- Area : 139,859 ha (1,398.59 km2)
- Effective Date : December 18, 2008
- Contract Type : License Agreement (Royalty & Tax)
- Participant :
  - SK Energy : 75% (Operator)
  - Houston American Energy : 25%

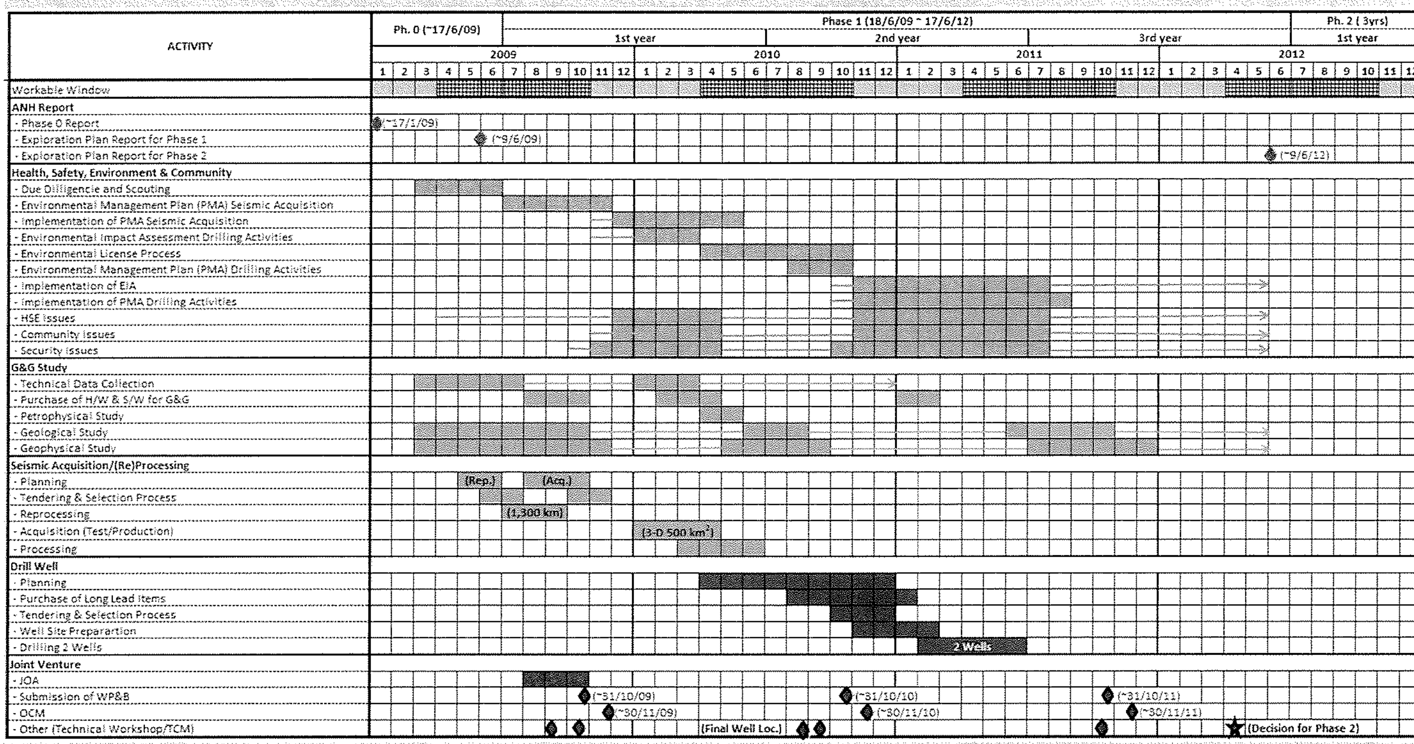


Exploration Period & Work Obligation

PHASE	PERIOD	WORK OBLIGATION
Phase 0	'18.12.08 ~ '17.6.09 (6 mos.)	Phase 0 Report (12.6.09)
Phase 1	'18.6.09 ~ '17.6.12 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 620 km 2D New Seismic Acquisition • 2 Exploration Wells
Phase 2	'18.6.12 ~ '17.6.15 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 3 Exploration Wells

Exploration Plan for Phase 1

CPO-4



SK energy

2009 Main Work Program

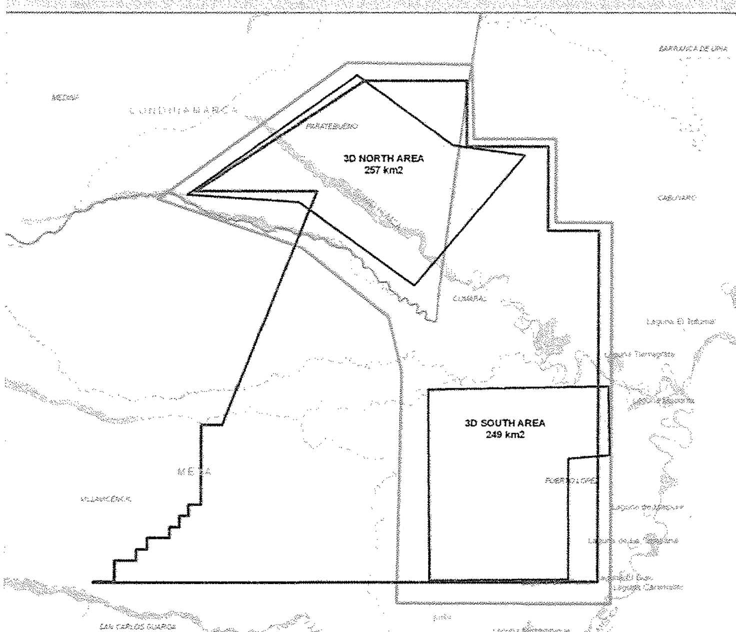
CPO-4

Work	Work Program	Status
Technical	• Technical Data Gathering	On-going
	• S/W and H/W Purchase	On-going
	• Scouting & Due Diligence	Finished
	• Reprocessing Old Seismic Data (2-D 1,300 L-km)	Finished
	• PMA (Environmental Mgt. Plan) for Seismic Survey	~ '09. 11.30
	• Seismic Acquisition Planning & Service Company Selection	~ '09. 10.31
Partner	• 2010 WP & B Approval	~ '09. 11.15
	• Approval for 2010 Seismic Survey Program	~ '09. 10.31

SK energy

Revised PMA Area After Sep. 11 TCM

CPO-4



Environmental Management Plan – PMA

- Service Contract : SIPAC Colombia Ltda.
- Start date : August 31st , 2009
- End date : October 7th , 2009
- Estimated Cost : USD 70,000
- Permits from environmental authorities: November 30th , 2009
- Estimated Cost of Permits : USD 19,500

SK energy

CPO-4 3-D Acquisition

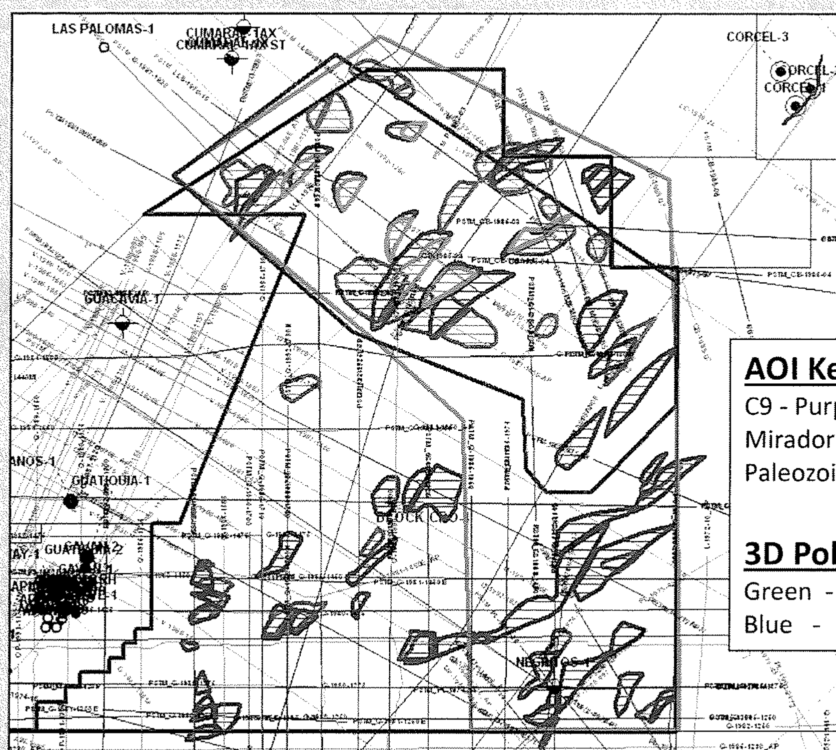
SK energy

Outline

- Acquisition polygons
- Background information based on 2-D
- Evaluation of proposals
  - CGL, Geoespectro, Global, Sismopetrol
- Summary

SK energy

Acquisition Polygons



AOI Key

C9 - Purple
Mirador – Green
Paleozoic - Red

3D Polygons

Green - 900 sqkm
Blue - 500 sqkm

SK energy

Background Information

- Mild structural dip
- Near surface velocity lateral variations mild
  - A large line separation up to 1 km may be acceptable
- Elevation changes less than 200 m
- Any fold above 24 should be acceptable
- Charge size/SP: 1.5 – 12 lb ; 2 lb seems adequate
- All 2-D lines used 12 or 18 geophones/station; most lines used shot arrays (7 – 9 shallow holes)
  - Ground roll noise is a concern

SK energy

Evaluation Assumptions

- The fee was for 500 km^2 (Surface Area)
- Global did not include the cost of Sismigel in the fee
- 1800 gr per shot point
- 7 standby days
- Other miscellaneous costs were not included

SK energy

Proposed Schedule

For mob, drilling, recording, and demob,

- CGL – 32 weeks
- Geoespectro – 22 weeks, assuming two operations with some overlapping for the north and south
- Global – 15 weeks
- Sismopetrol – 24 weeks, assuming two separate operations without any overlapping for the north and south

SK energy

Proposal Evaluation (I)

Parameters	CGL	Geoespectro	Global	Sismopetro
Receiver line bearing (deg)	45	125	135	135
Source line bearing (deg)	135	35	45	45
Receiver line interval (m)	500	600	500	500
Receiver spacing (m)	50	60	50	50
Source line interval (m)	750	720	900	750
Source spacing (m)	100	120	100	100
Number of geophones per station	6	6	6	6
Shot holes (No.x m)	1 x 10; 2 x 5; 3 x 3.3	1 x 10; 2 x 5	1 x 10; 2 x 5; 3 x 3.3	1x10; 2x5
Charge size (gr)	1800	TBD	TBD	1800
Active receiver lines per source	20	12	20	20
Active channels per line	180	144	180	180
Active channels per source	3600	1728	3600	3600
Nominal fold	60	36	50	60

* **Blue indicates deviation from the original specification.**

SK energy

Proposal Evaluation (II)

Parameters	CGL	Geoespectro	Global	Sismopetro
Fee	11,990,722	13,137,916	9,532,860	10,101,695
Mob/demob	270,000	500,000	150,000	120,000
Stanby per day	46,704	46,628	111,800	66,385
Cap (12 m)	13.7	7.5	9.5	16.0
Sismigel (900 g)		10	12	16
(fee+Mob/demob)/500 km**2	24,521	27,276	19,366	20,443
(cap+sismigel)/km**2	Included	Included	378.9	Included
(fee+mob/demob+shot)/km**2	24,521	27,276	**19,745**	**20,443**
(fee+mob/demob+shot+7 day standby)/km**2	25,175	27,929	**21,310**	**21,373**

SK SK energy

Summary

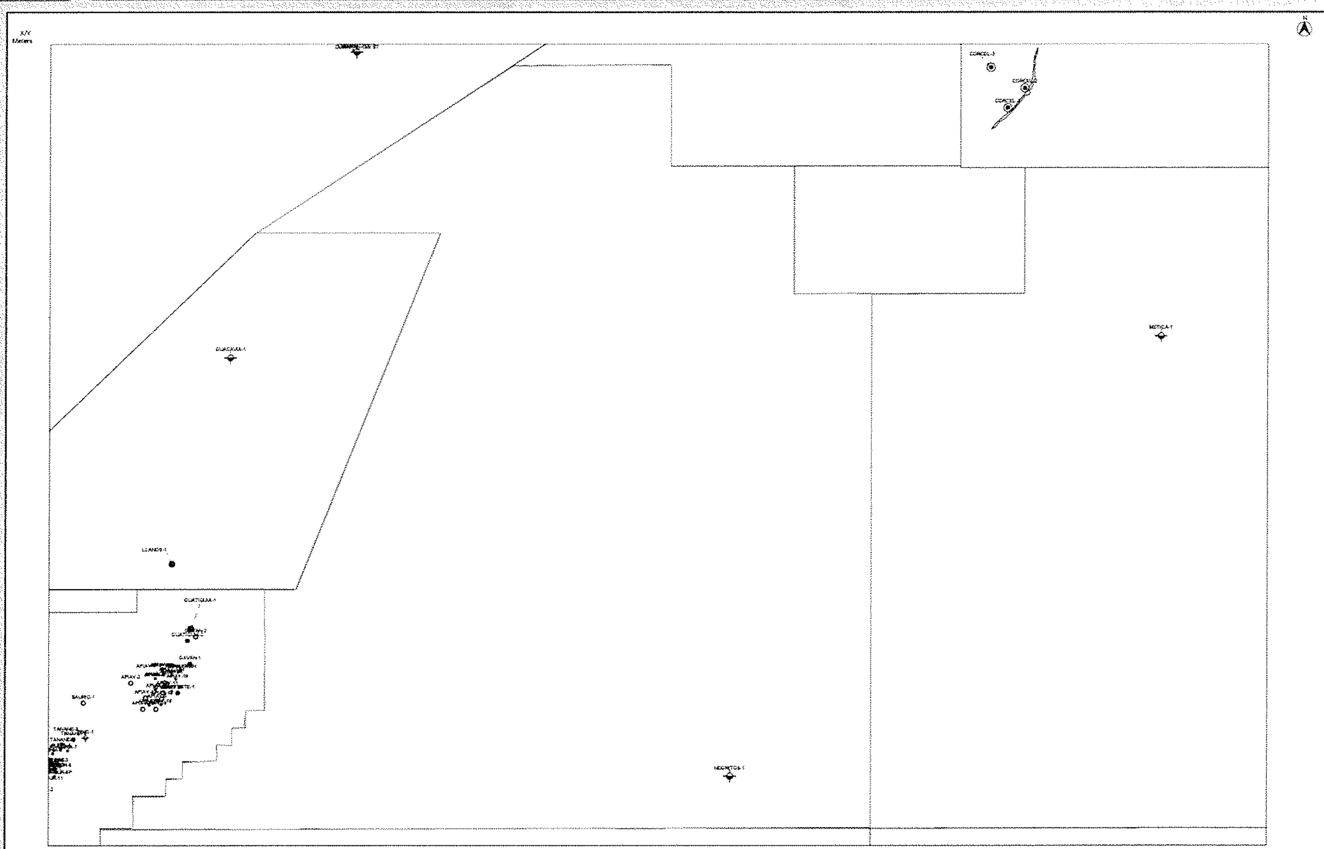
- If fold > 24, SLI < 1000 m, 4 lb per SP are acceptable, the acquisition cost will increase in the following order:
  - Global, Sismopetrol, CGL, Geoespectro
- Global's standby cost is exceptionally high
- Global and Sismopetrol's proposals were thorough and meticulous; Sismopetrol most experienced in Colombia
- Since it is impractical to cover the ground of 80 m diameter with geophones, 6 geophones per station seems adequate.
- Sismopetrol seems to be a strong candidate.

SK energy

Seismic Interpretation

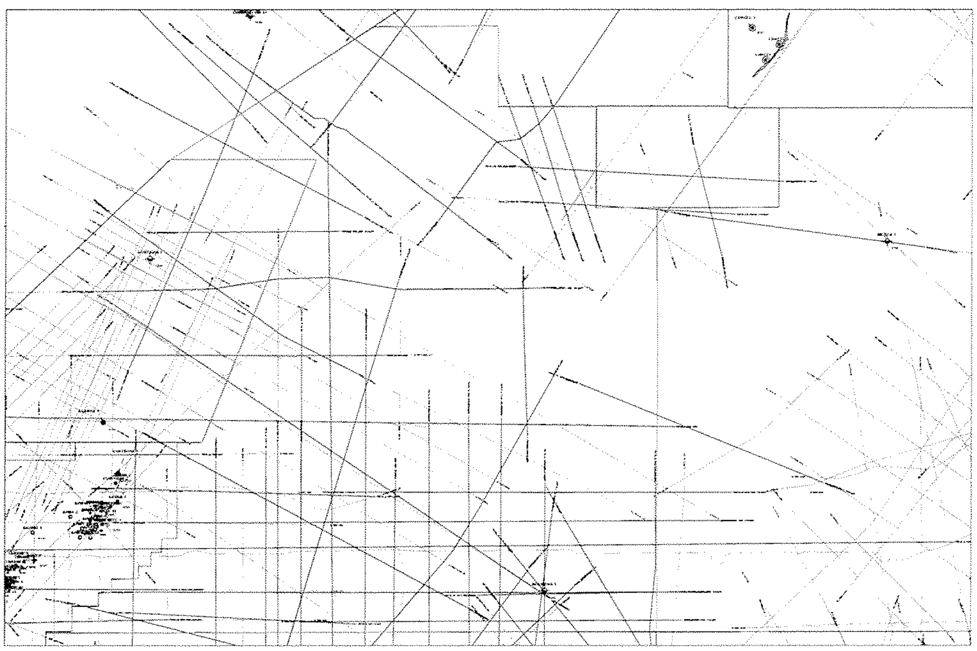
SK energy

BLOCK OUTLINE & SURROUNDING FIELDS



SK energy

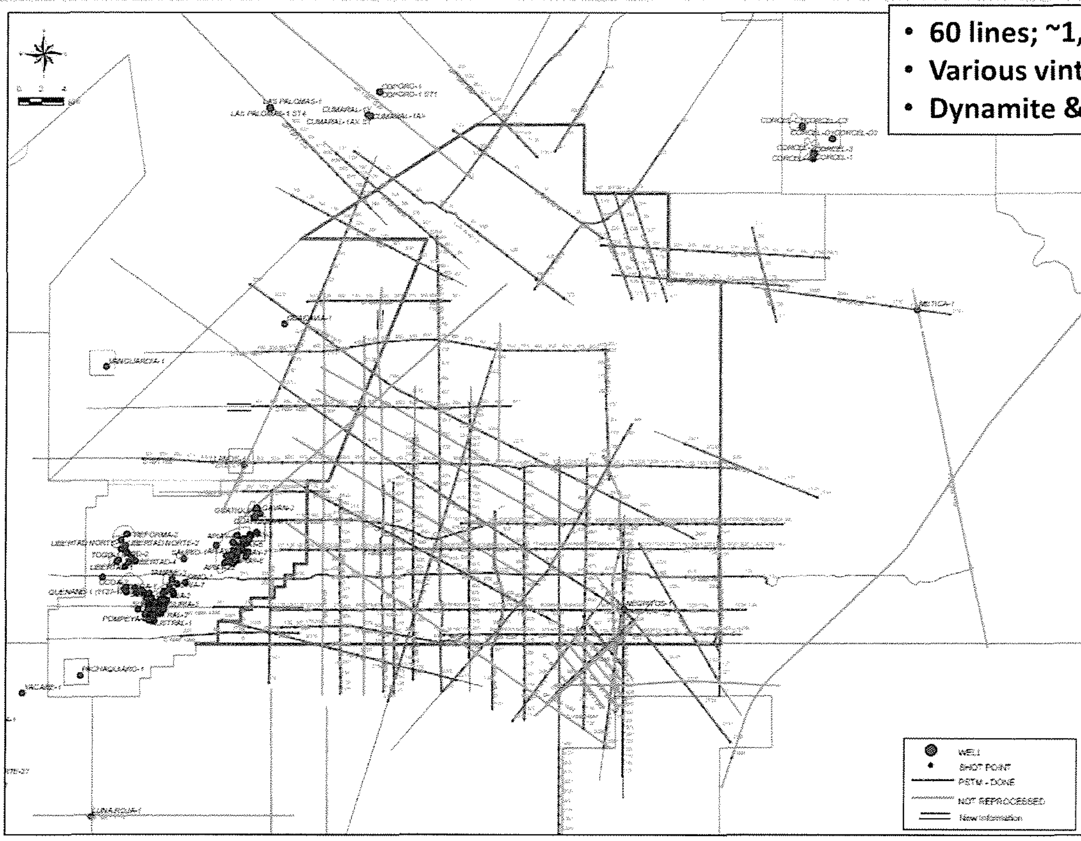
CPO-4 All Seismic Available



Vintage	Type		Km
	Tapes	Images	
1970	4	3	140
1972	4	4	157
1974	8		180
1975	6	3	98
1980	9	1	177
1981	10	1	289
1982	2	1	15
1983	1		35
1985	17		274
1987	12		35
1988	6		142
1992	11		158
1994	3		97
1994	1		28
Total	**94**	**14**	**1825**

SK energy

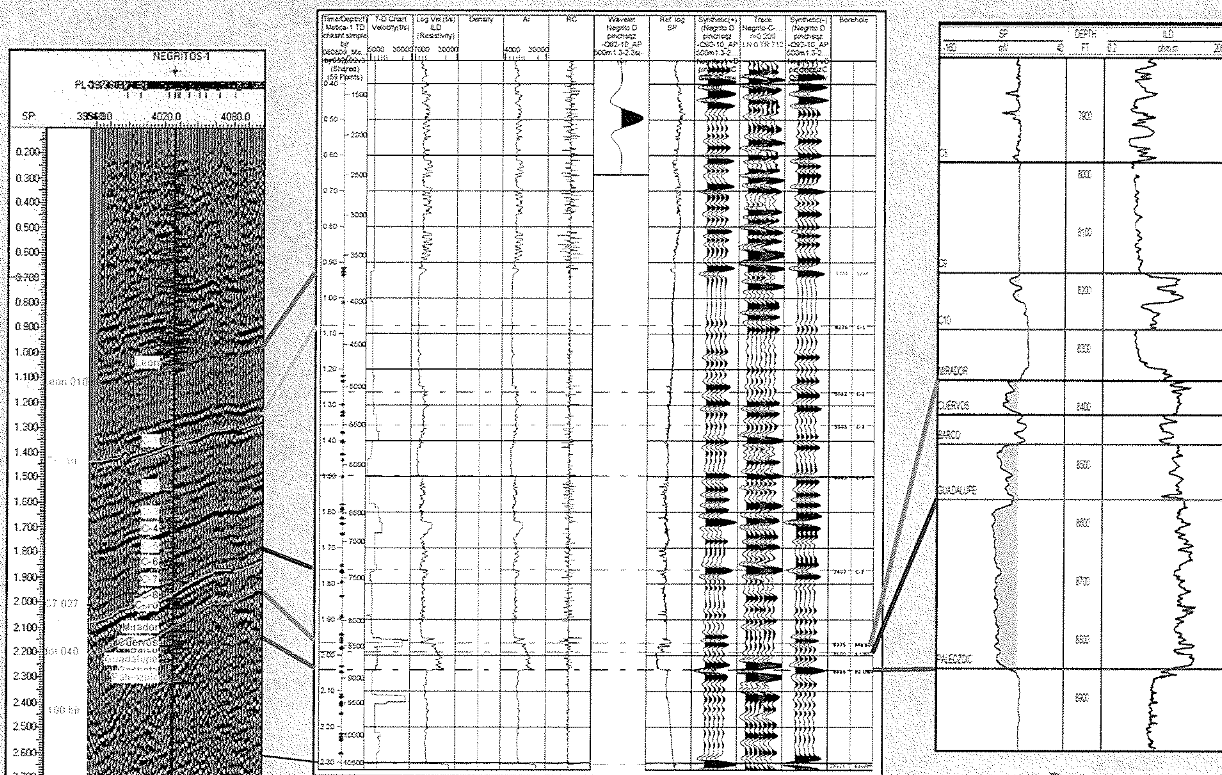
REPROCESSED SEISMIC DATA BASE



- 60 lines; ~1,289 km
- Various vintages
- Dynamite & vibrator

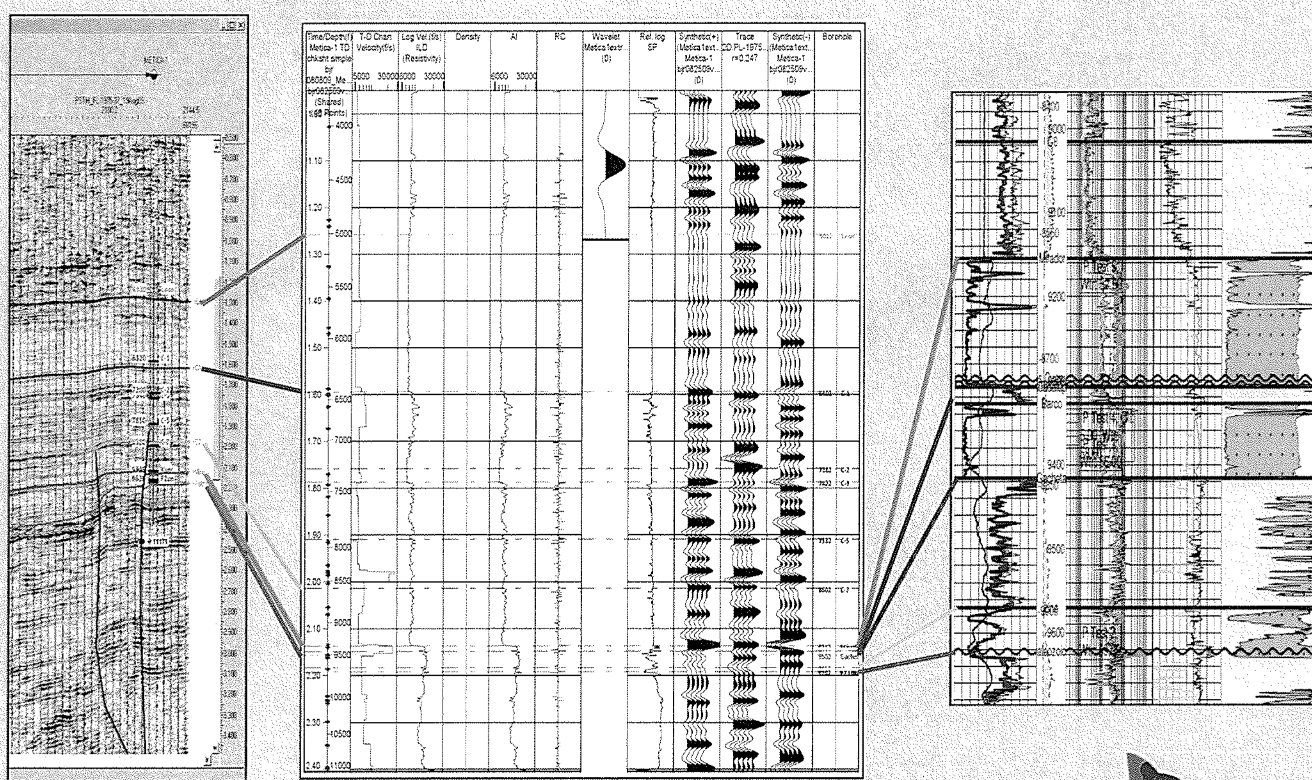
SK energy

Synthetic Well Tie (Negritos)



SK energy

Synthetic Well Tie (Metica)



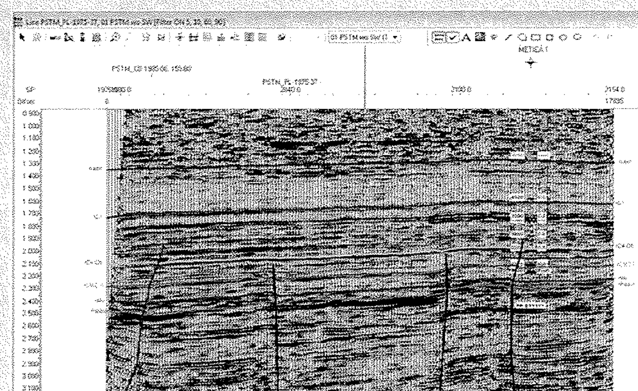
Interpretation Plan

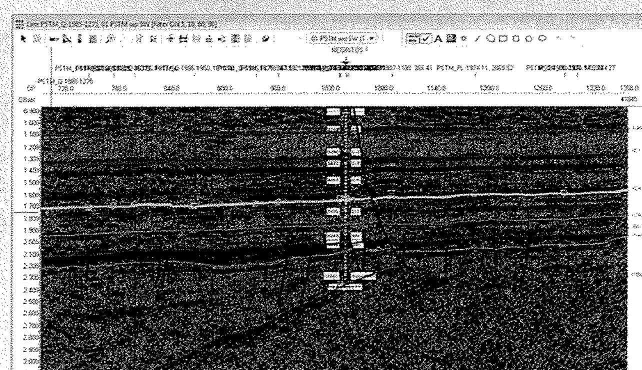
7 Horizons

- Top of Leon
- Top of C1
- Top of C5
- Top of C7
- Top of Mirador
- Top of Paleozoic
- Top of Basement

2 Maps

- Time Structural Map
- Iso-chron Map

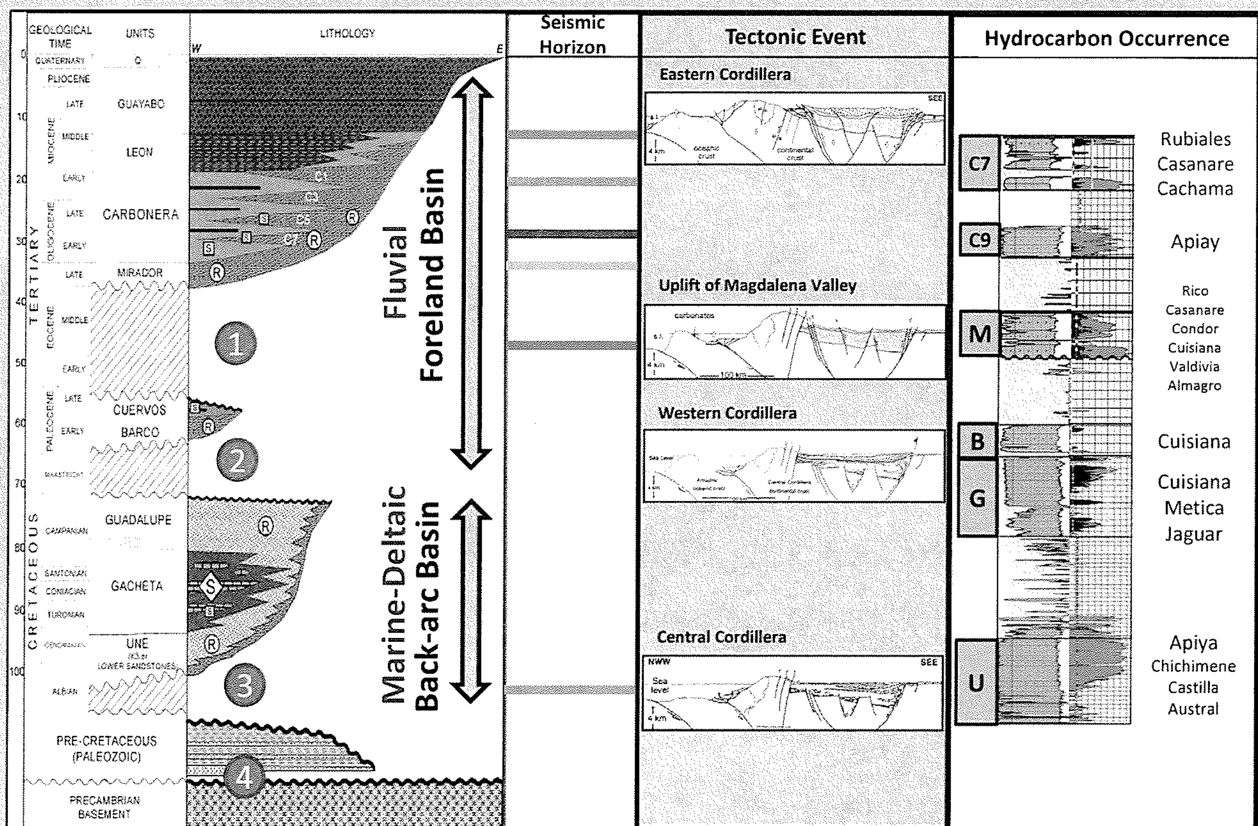




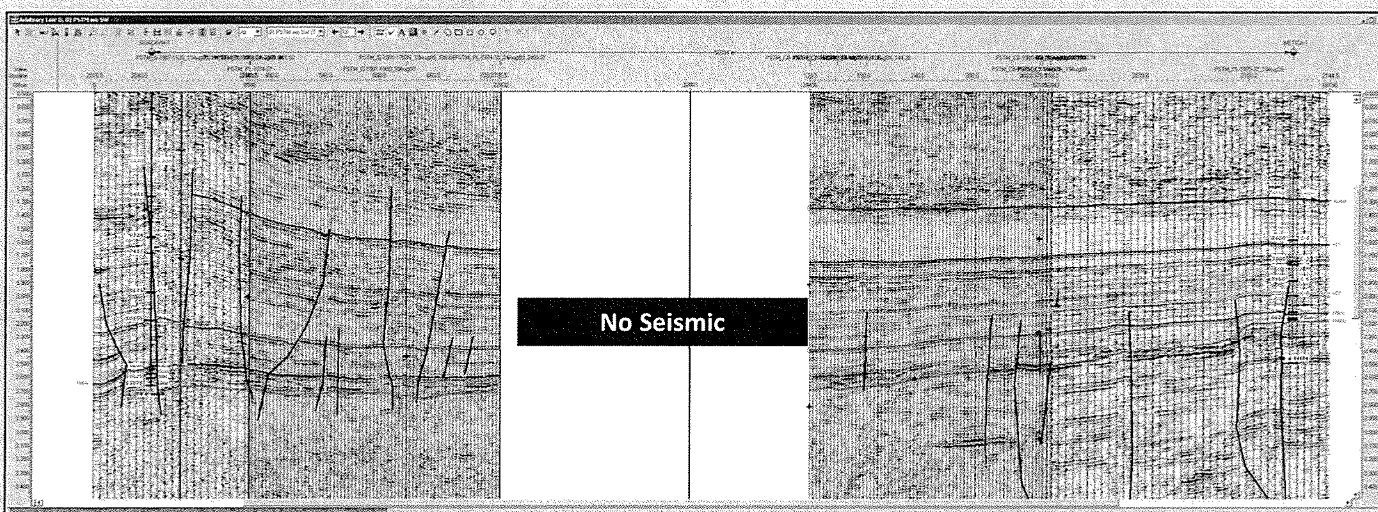
SK energy

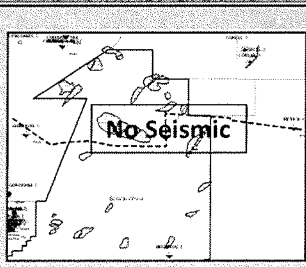
General Geology

CPO-4



Reprocessed Data: Consistent Across Area
i.e. Metica – Guacavia Well Tie

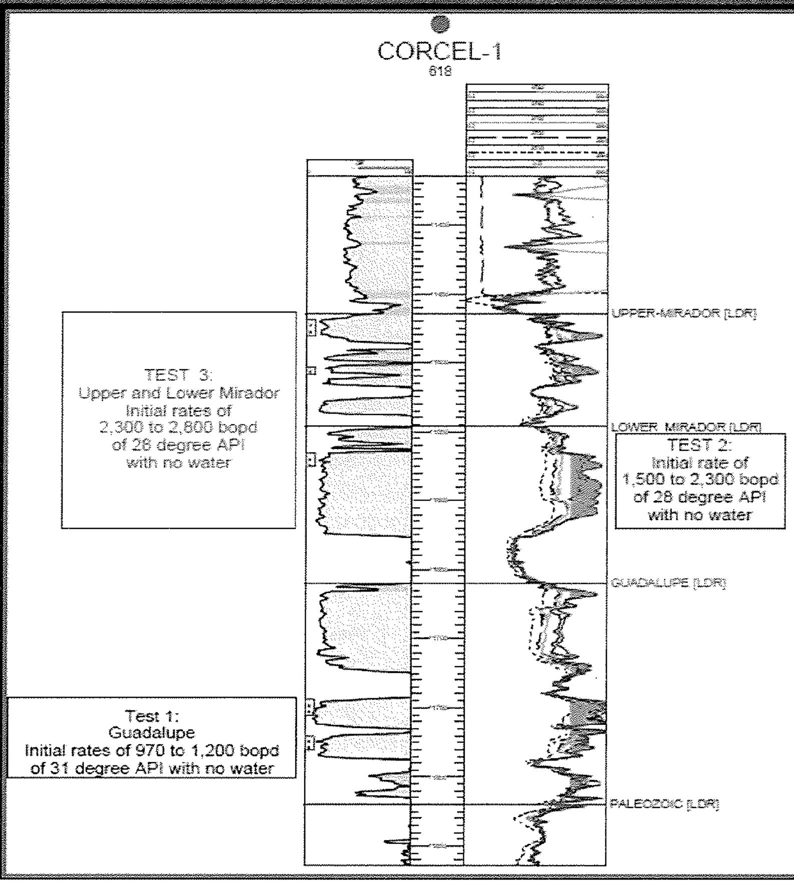




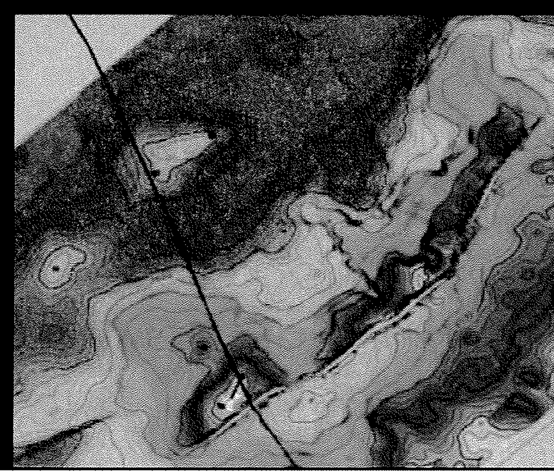
CORCEL

Corcel-1

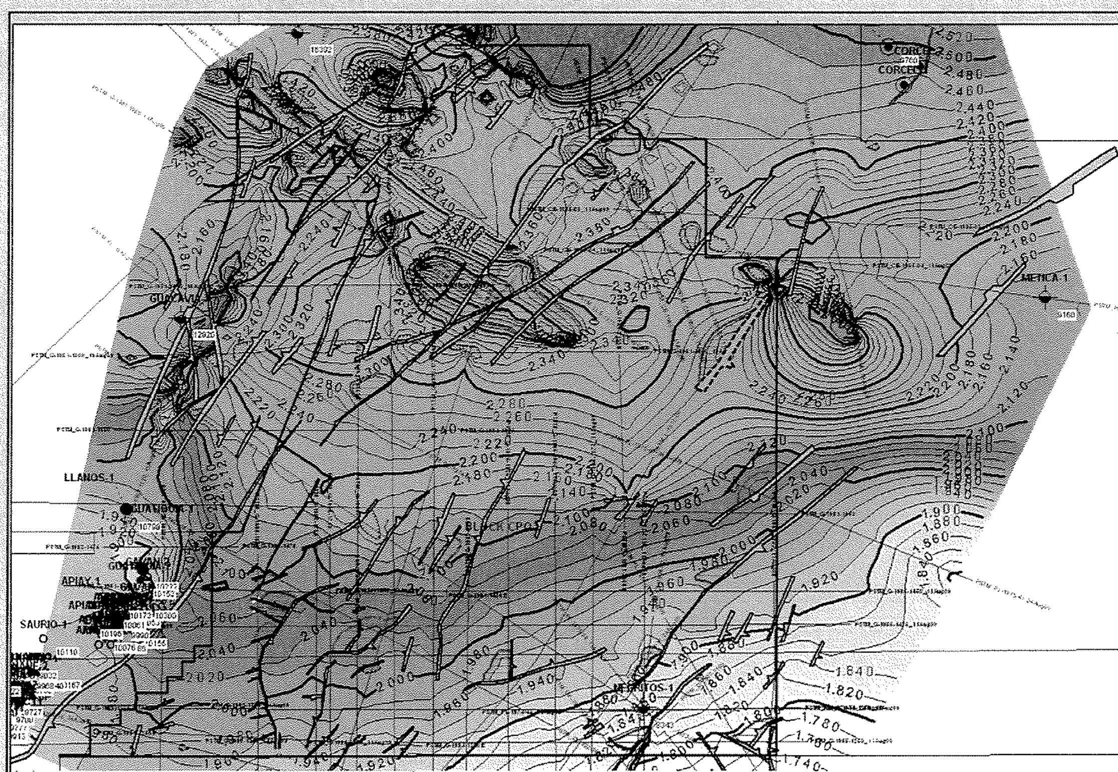
Petrominerales



- Combined productive capacity > 10,000 bpd
- Completed 6-day test at restricted rates of up to 3,321 bpd
- 6-month test at 4,000 bpd commenced September 7th

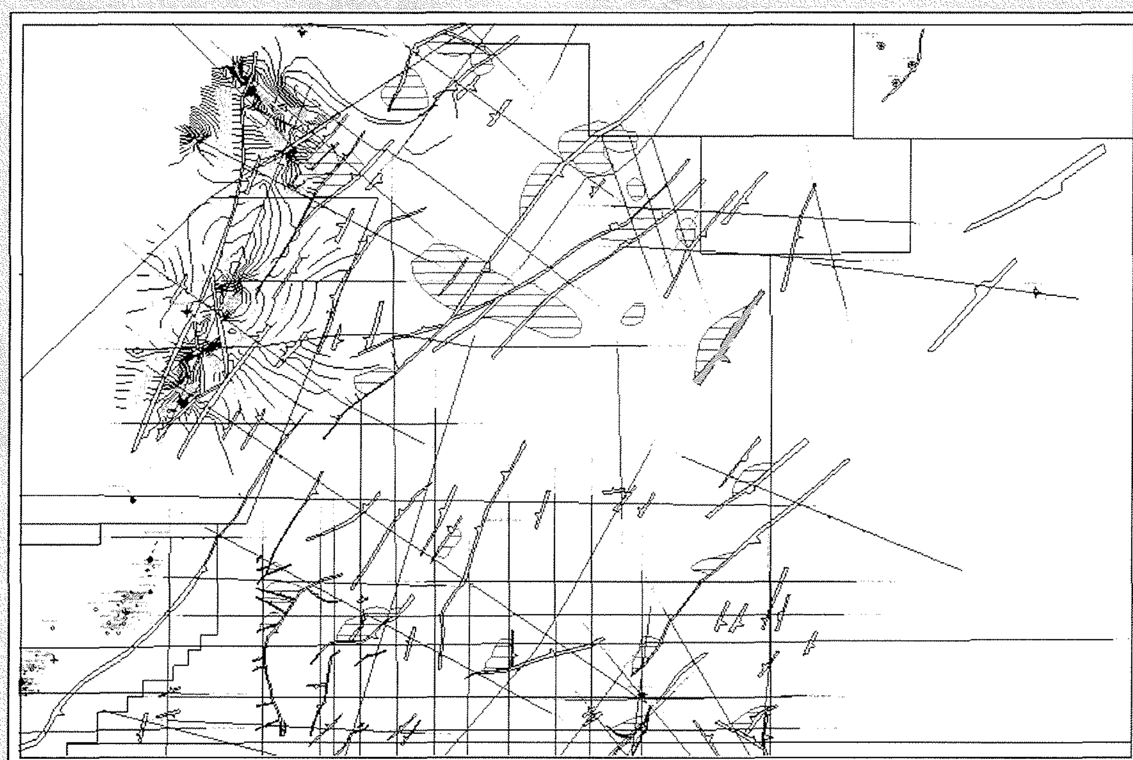


C 9 STRUCTURAL MAP



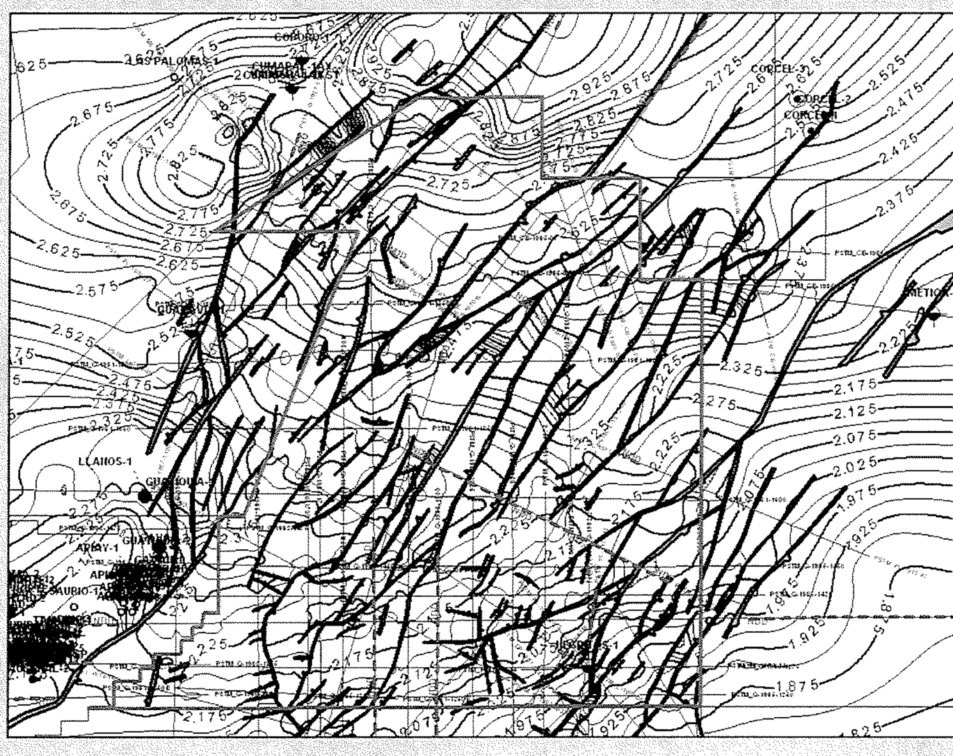
SK energy

C9 AOI



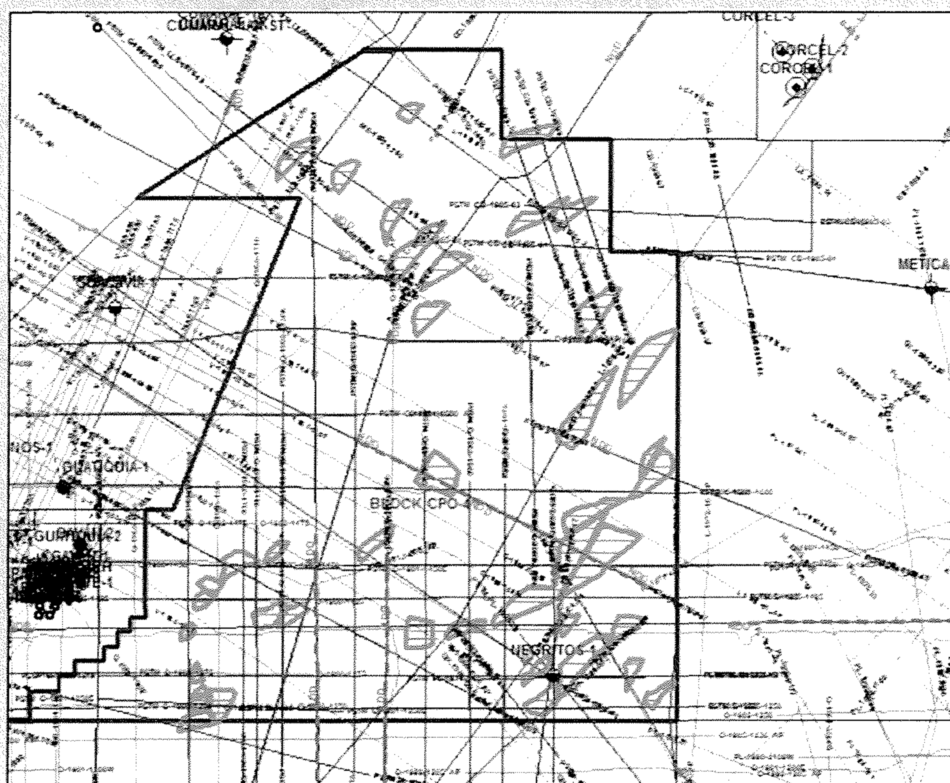
SK energy

Mirador Structural Map



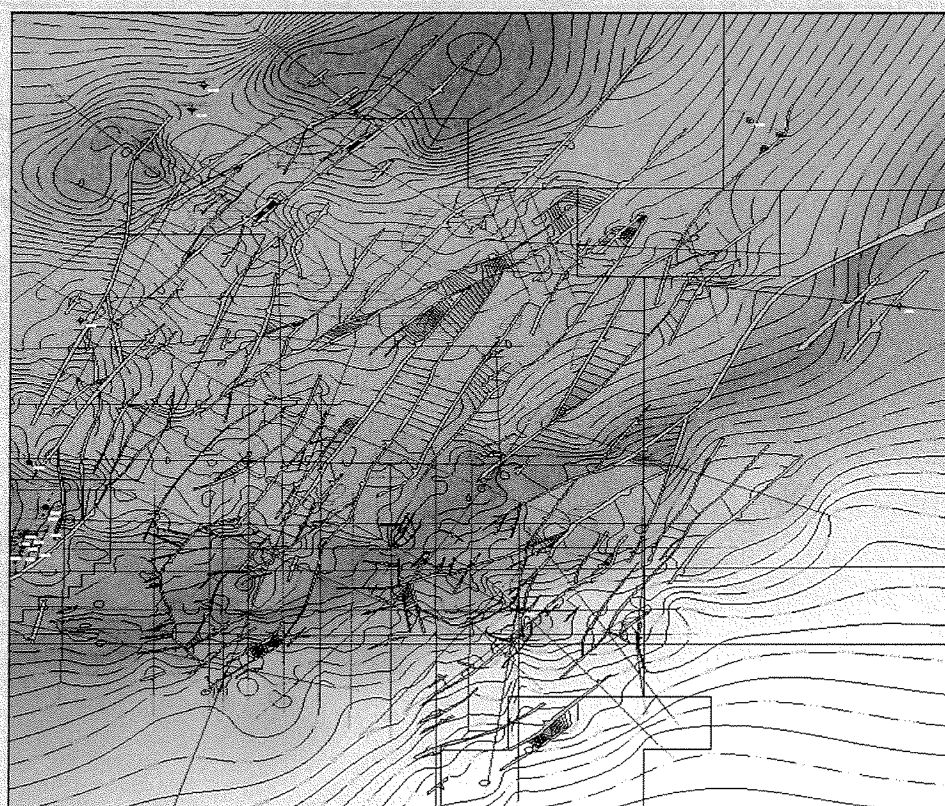
SK energy

Mirador AOI



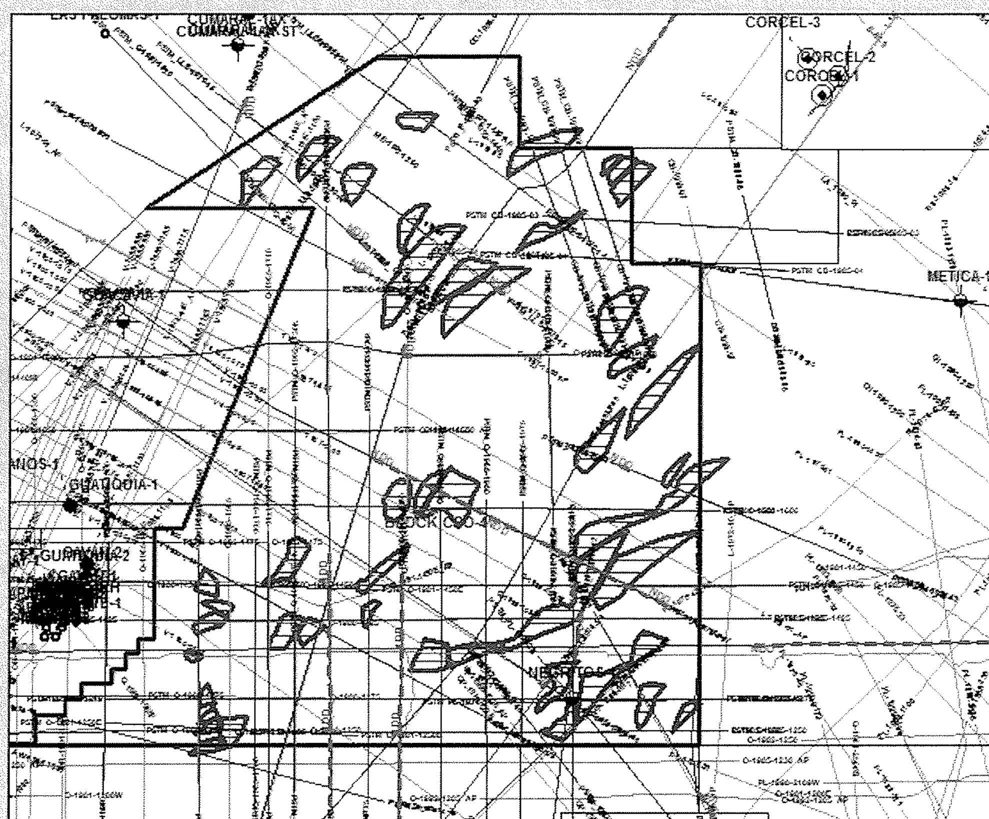
SK energy

PALEOZOIC STRUCTURAL MAP



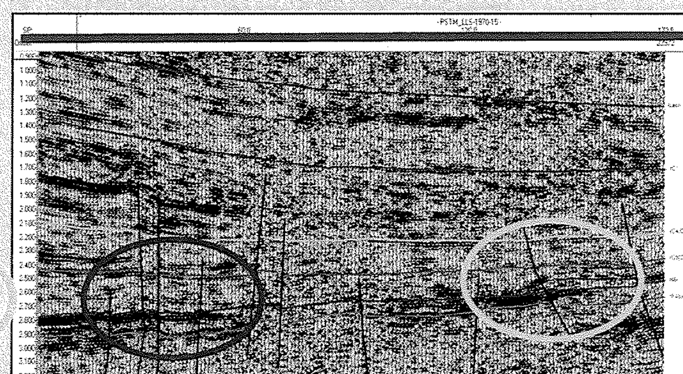
SK energy

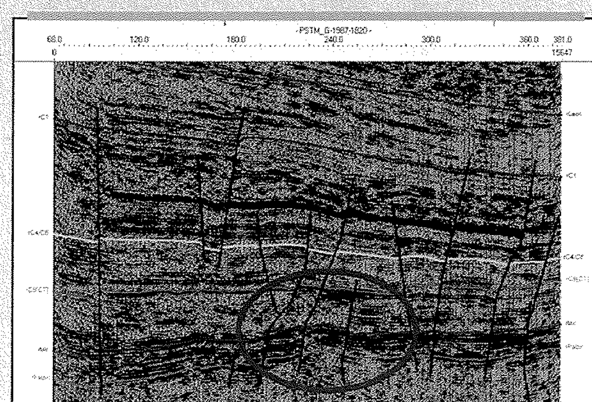
Paleozoic AOI



SK energy

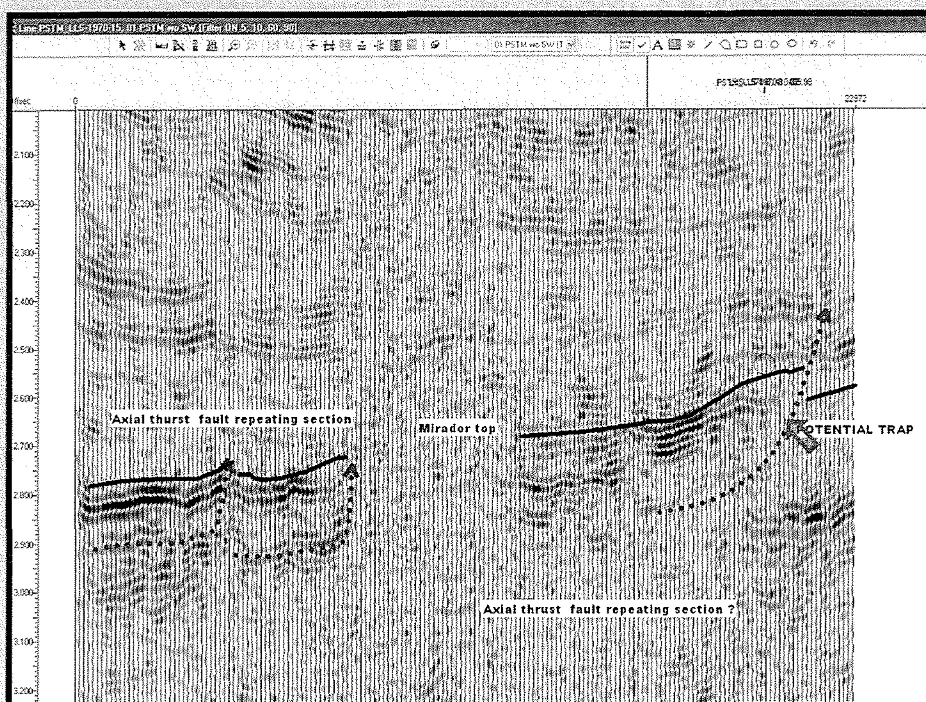
COMPOSITE STRUCTURE MAPS WITH LEADS
Northwest



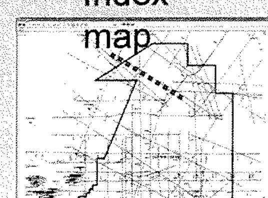


SK energy

Seismic line PSTM –LLS-1970-15 showing over thrust faulting possibly TRAPPING HYDROCARBON in the Mirador - Cretaceous Reservoir

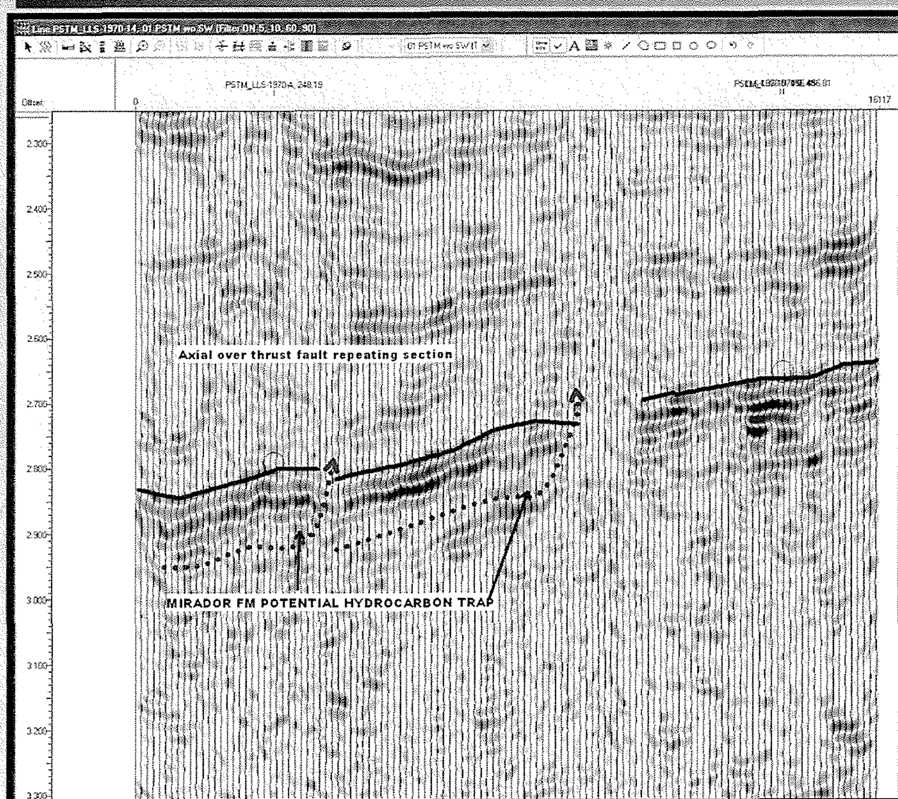


Index map

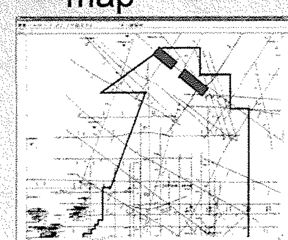


SK energy

Seismic line PSTM-LLS-1`970-14 showing over thrust faulting possible TRAPPING HYDROCARBON in the Mirador - Cretaceous Reservoir

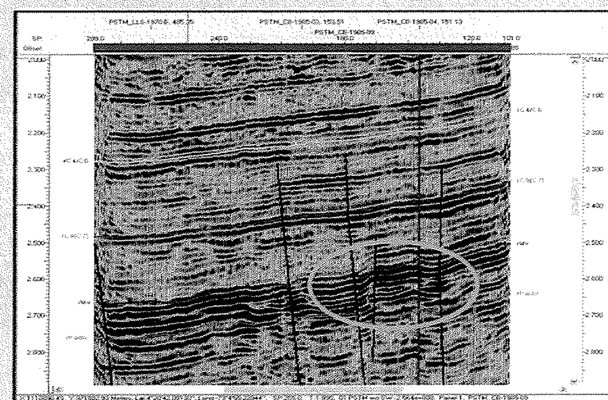


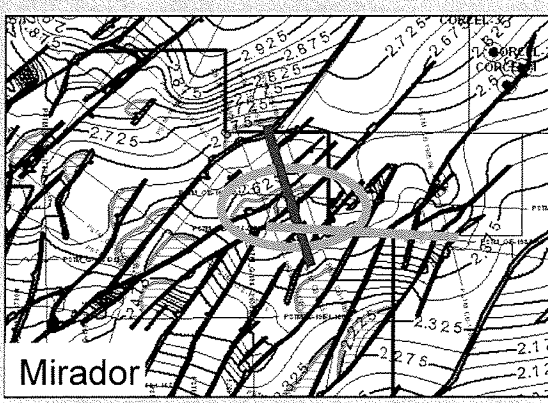
Index map

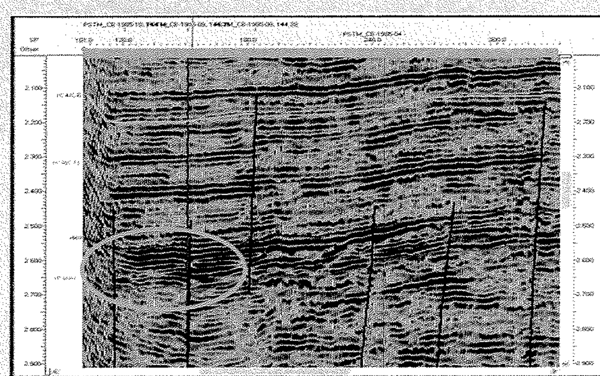


SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
Northeast



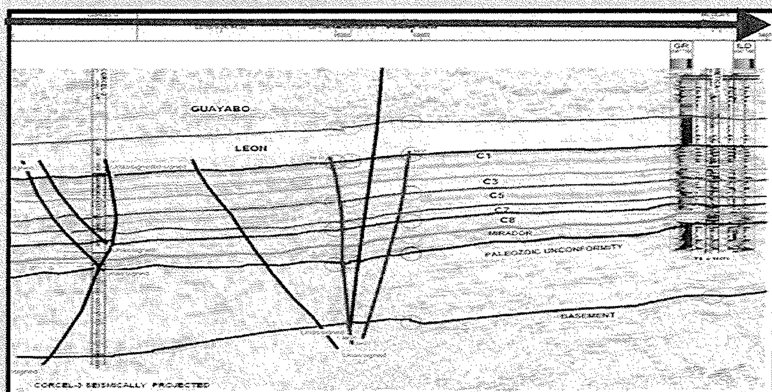


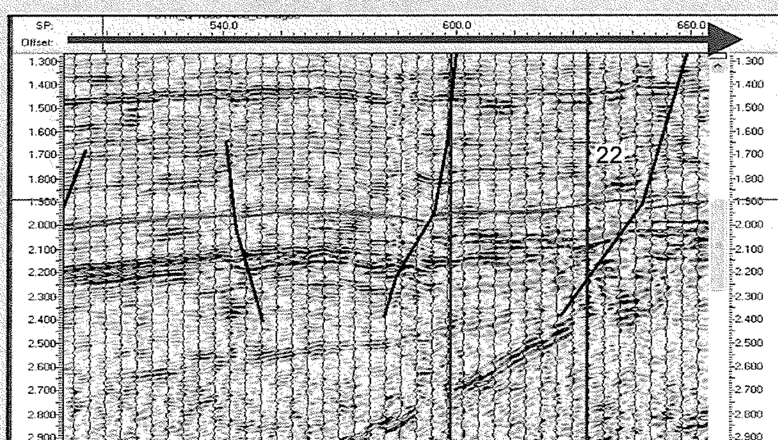


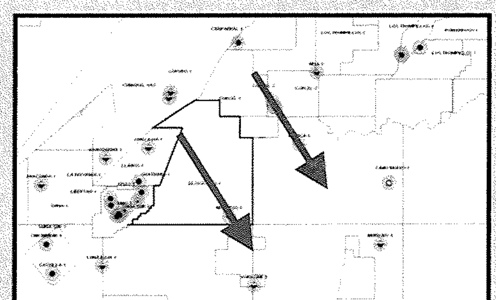
SK energy

Corcel Analogy

CPO-4

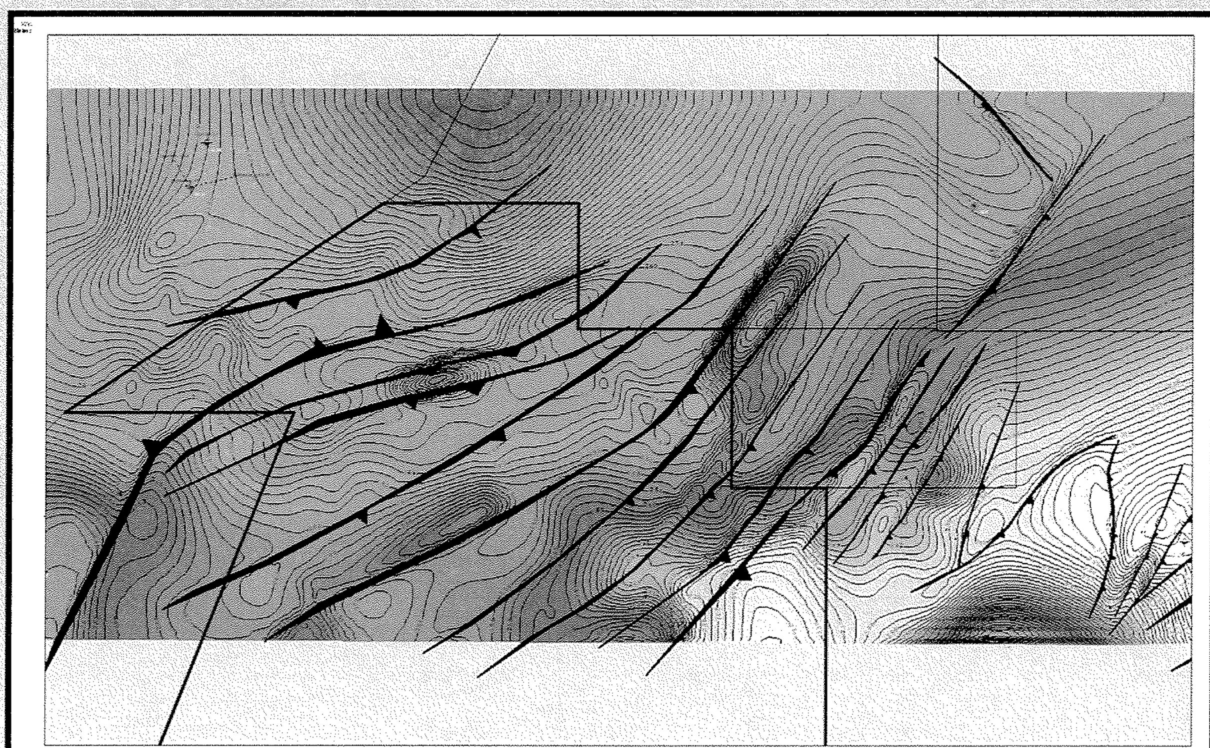






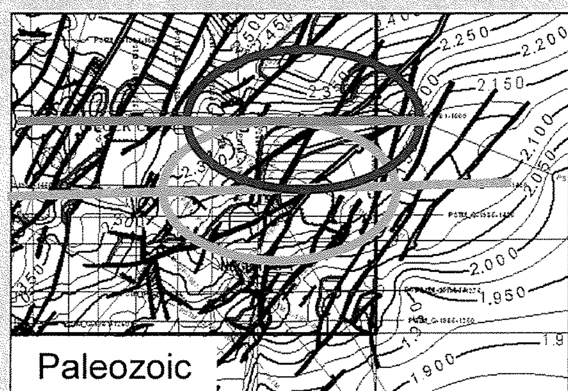
SK energy

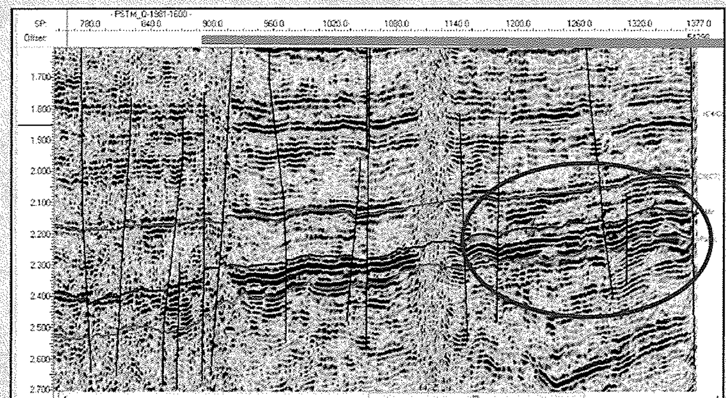
MIRADOR TIED TO CORCEL FIELD

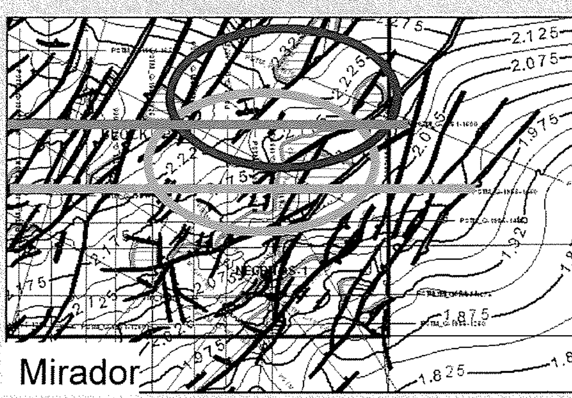


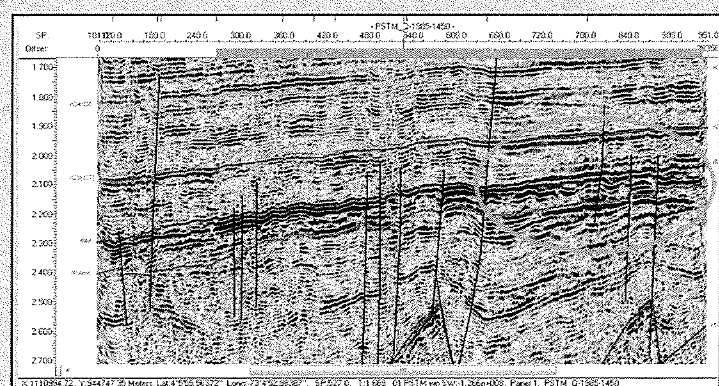
SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
Southeast



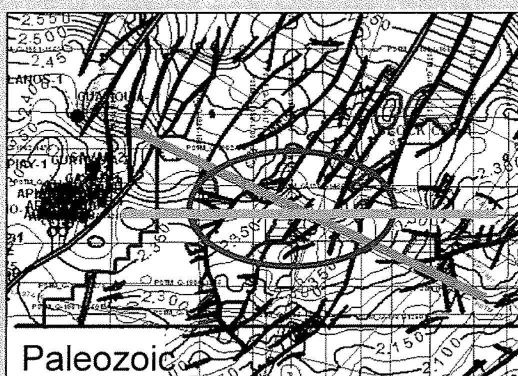


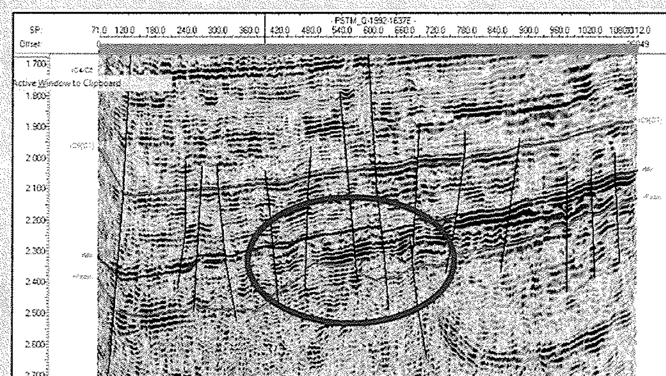


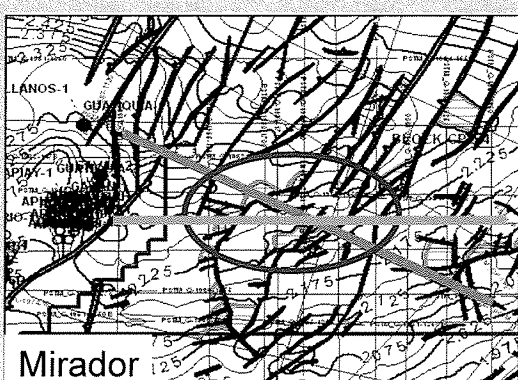


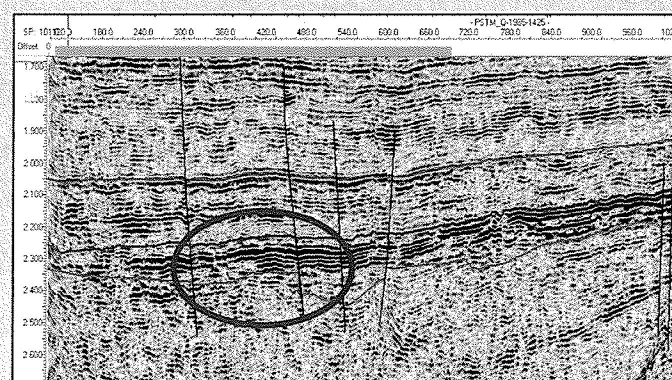
SK energy

COMPOSITE STRUCTURE MAPS WITH LEADS
West



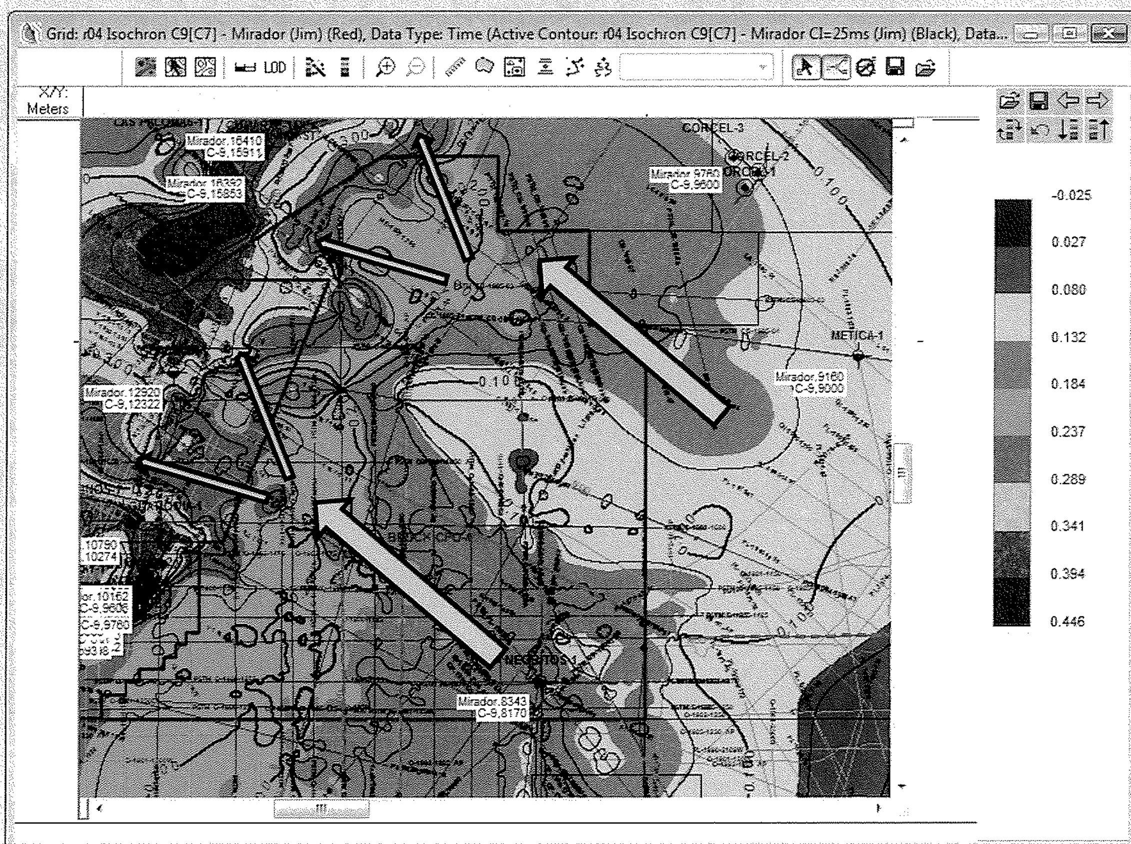






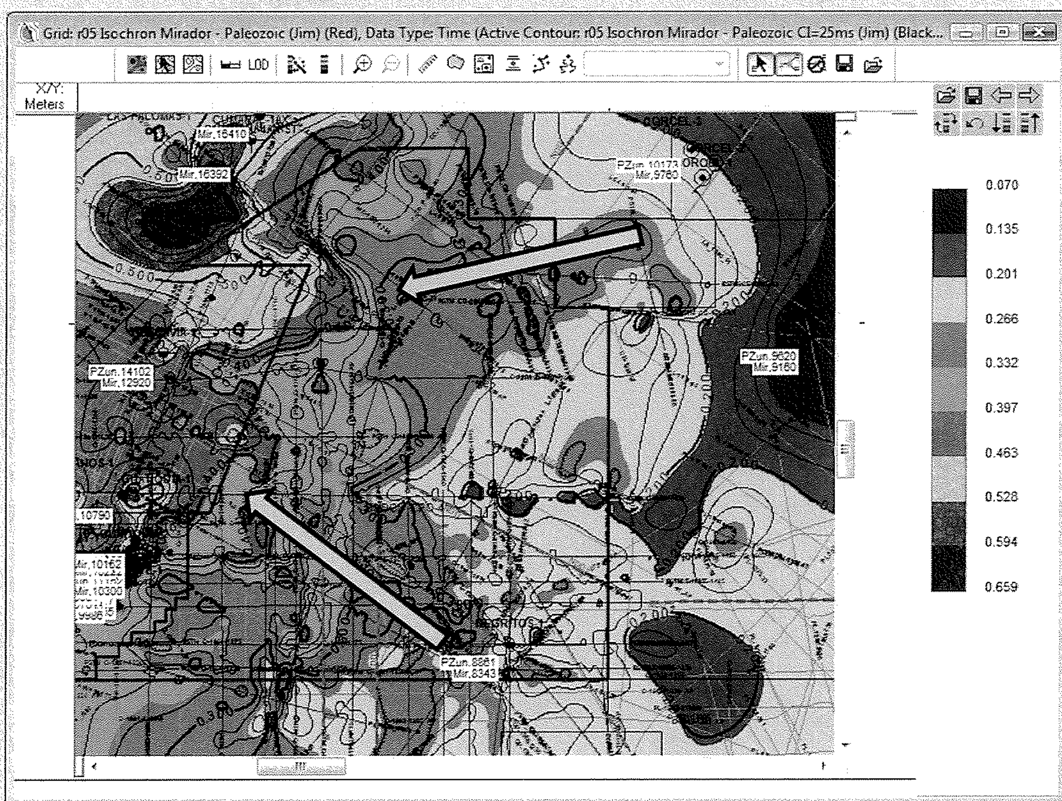
SK energy

Isochrone C7 ~ Mirador



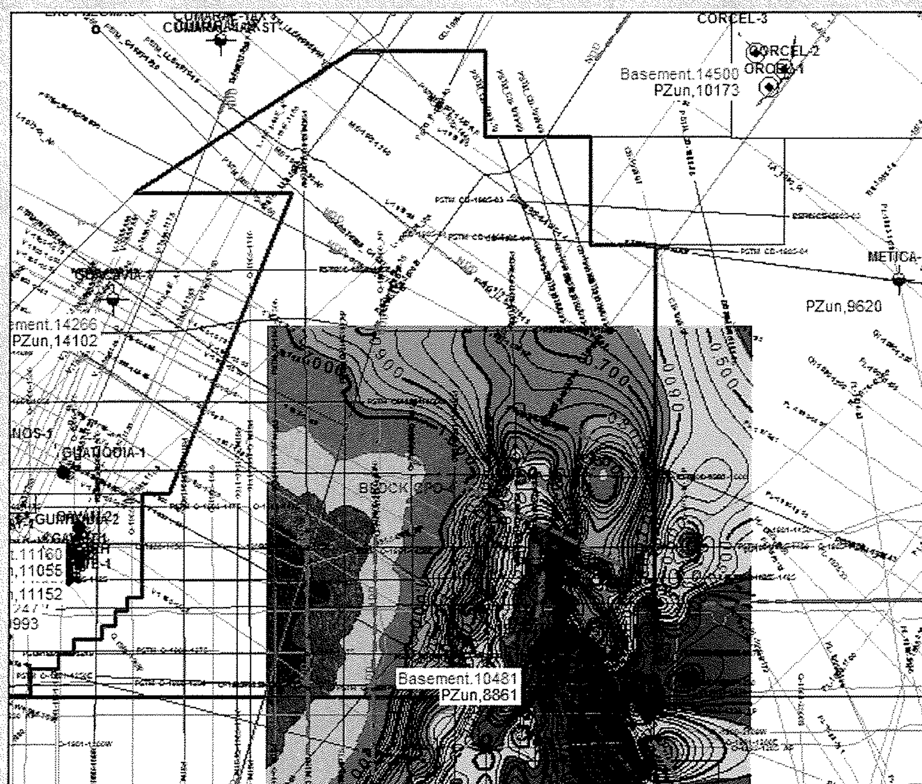
SK energy

Isochrone Mirador to Paleozoic



SK energy

Basement Structural Map

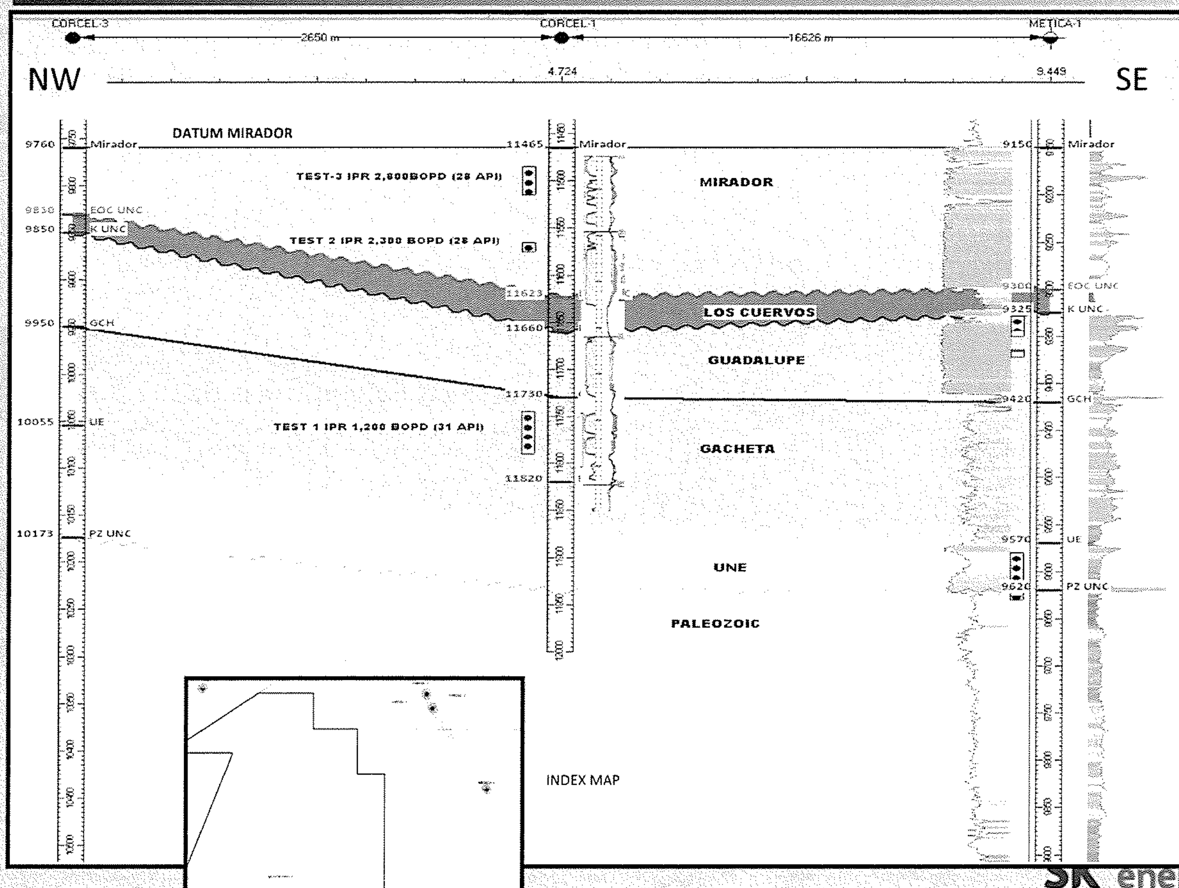


SK energy

Geological Interpretation

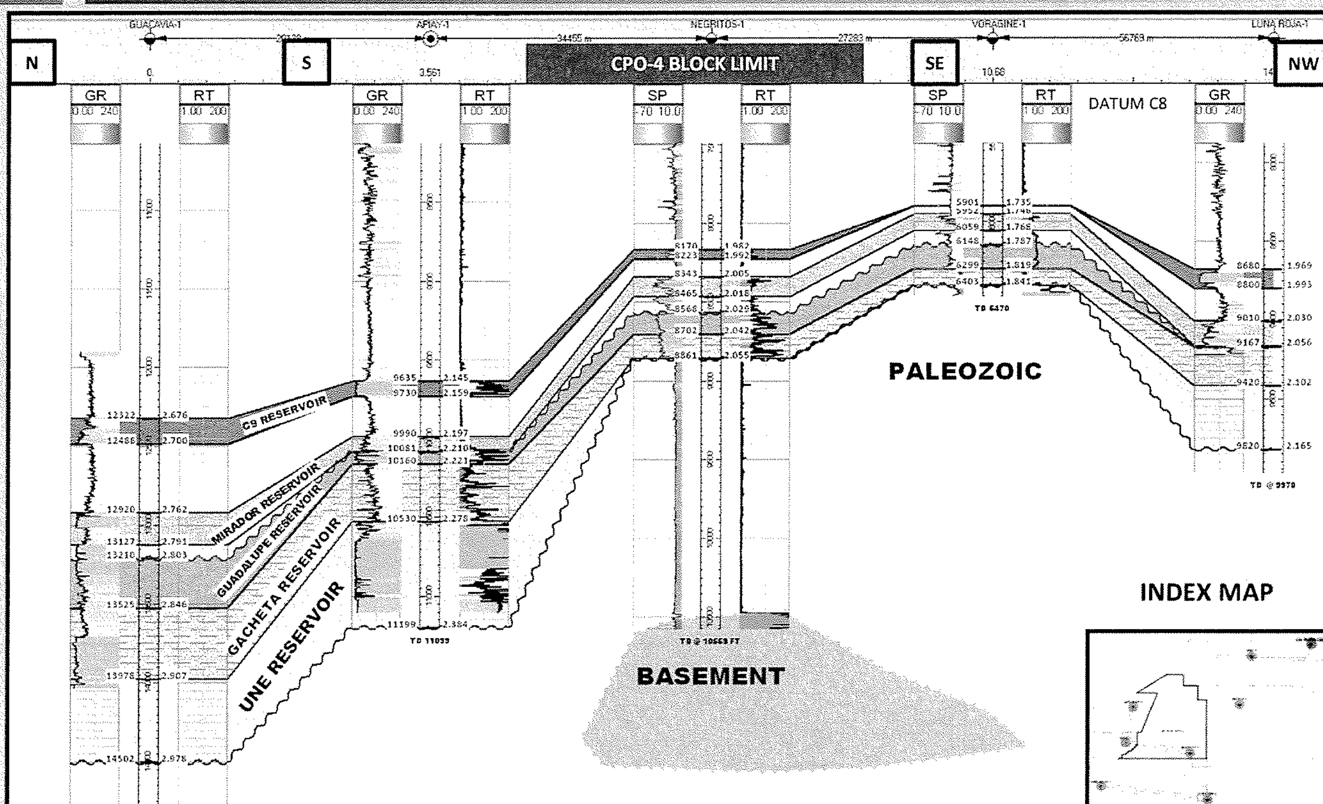
SK energy

Strat. Correlation of Corcel 1 & 3 Wells & Metica-1



SK energy

Strat. Correlation Wells Guacavia-1, Apiay-1, Negritos-1,Voragine-1, Luna Roja -1; Showing Main Tertiary & Cretaceous Reservoirs



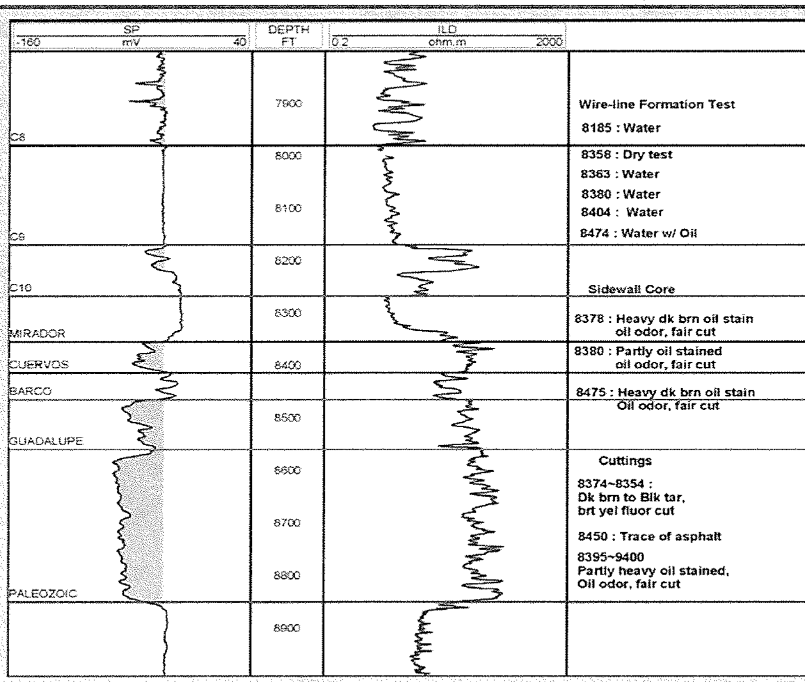
SK energy

Summary of Negritos-1

Operator : Int'l Petroleum Ltd. | **Location : N937236.68 E1111111.61**

Spud : Jun. 5, 1962 | **P&A : Aug. 8, 1962**

Ground : 613' | **RKB : 624'** | **TD : 10,569' Basement**



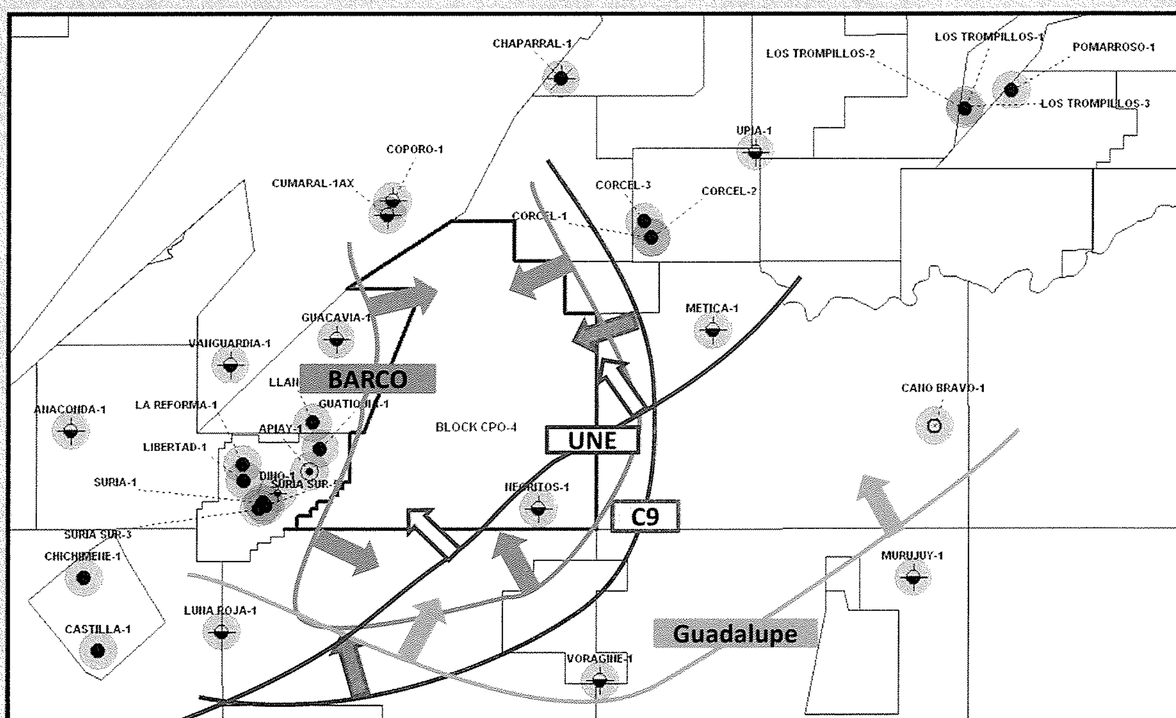
Not Tested

Oil Show

2009.5

SK energy

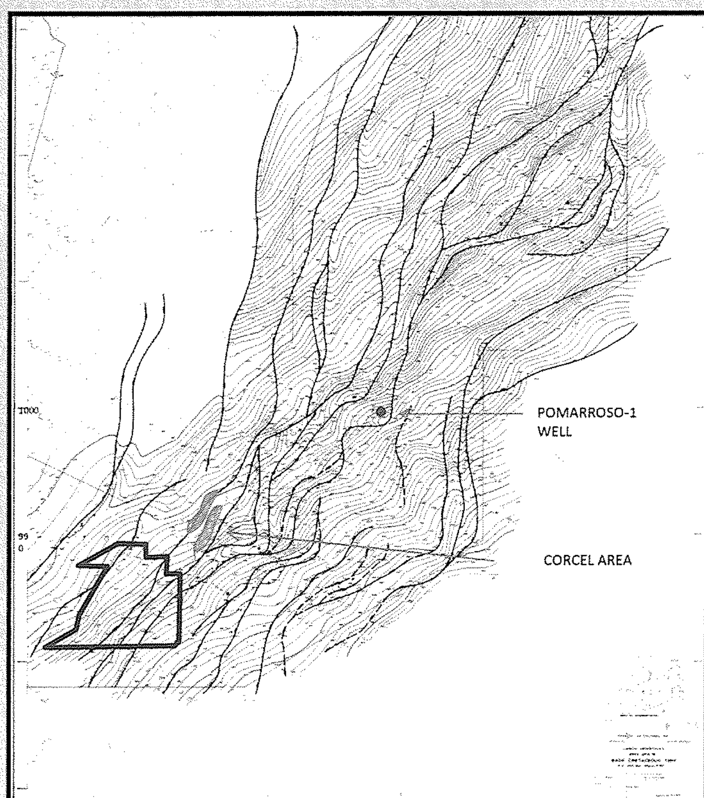
Reservoir Distribution



SK energy

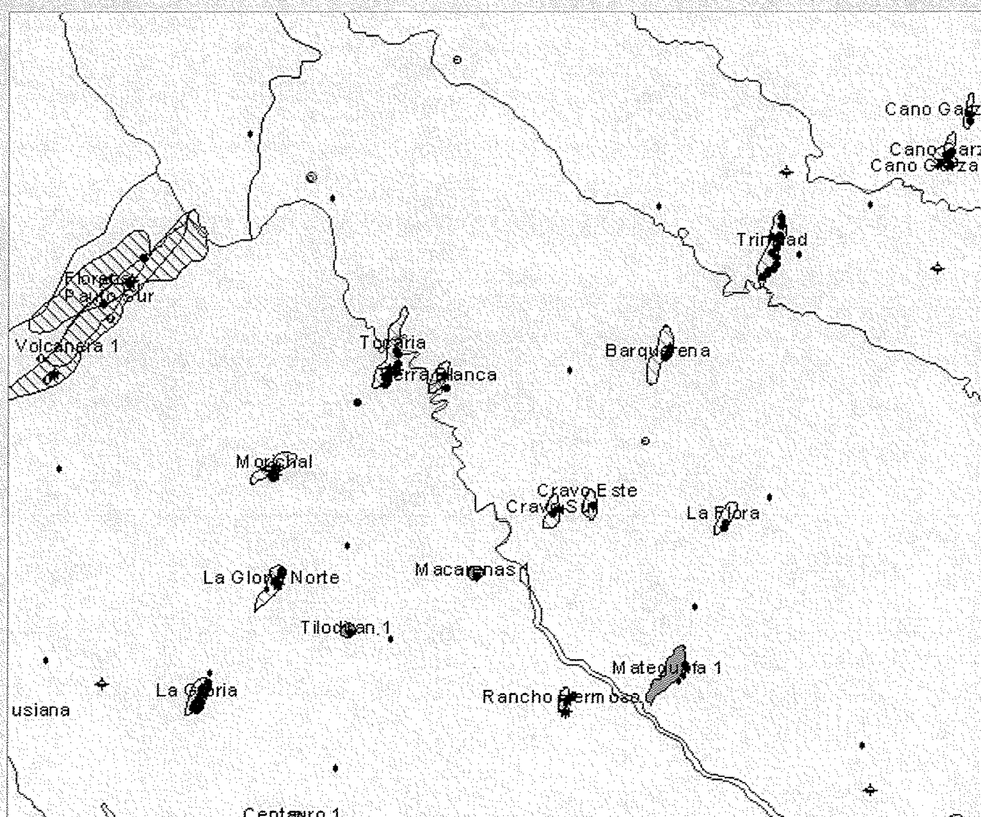
Fault Trend on Une

CPO-4



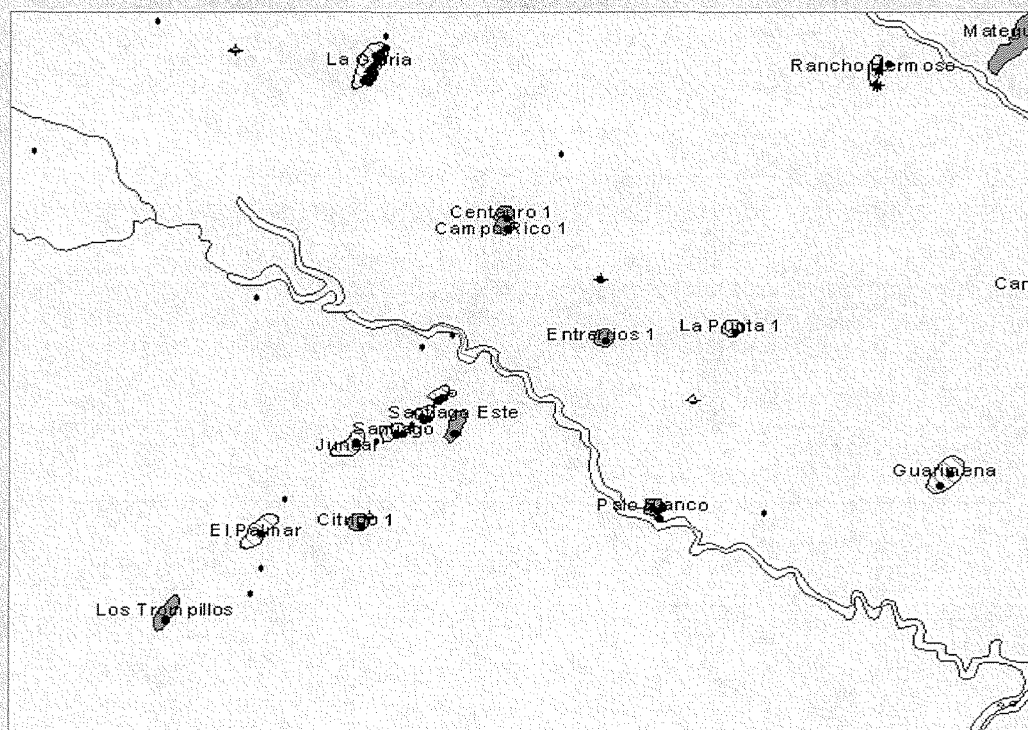
SK energy

DRAINAGE PATTERN vs FIELDS



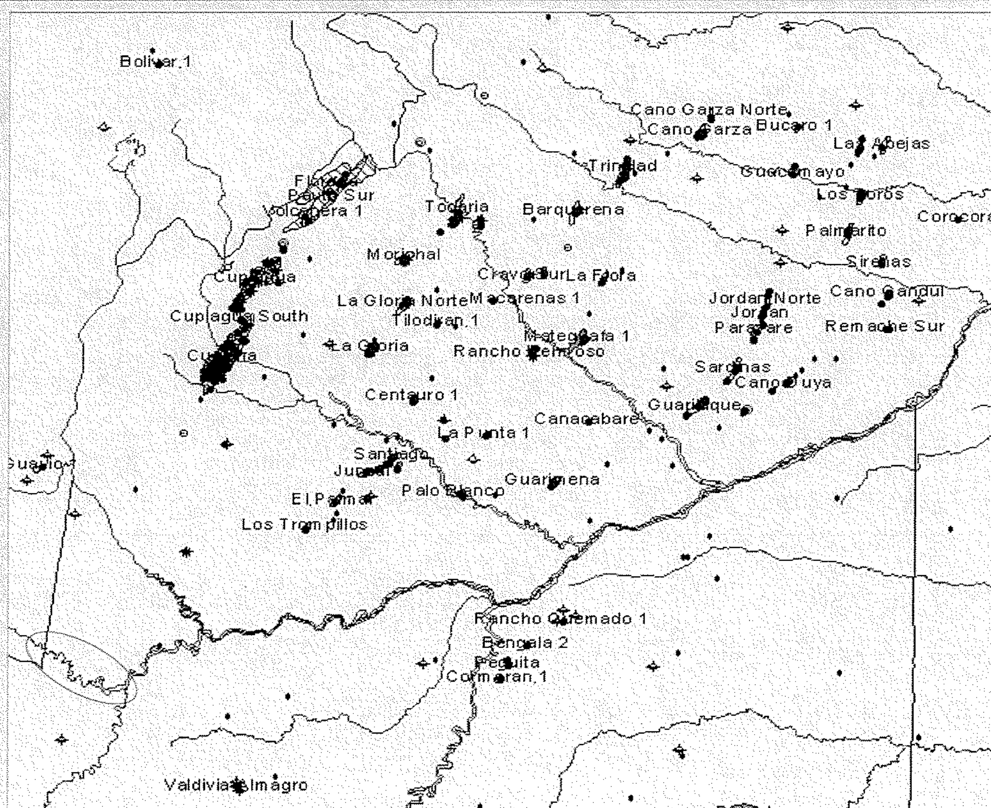
SK energy

DRAINAGE PATTERN vs FIELDS



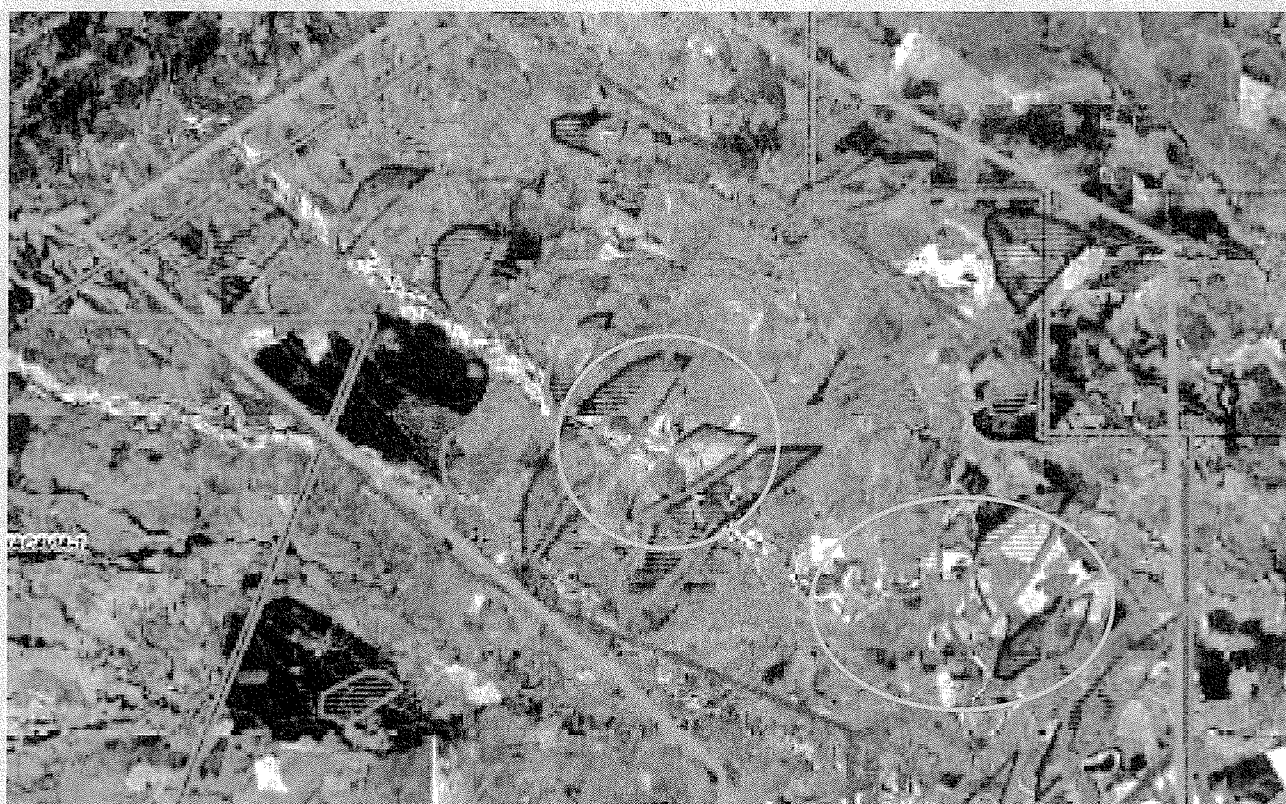
SK energy

DRAINAGE PATTERN vs FIELDS



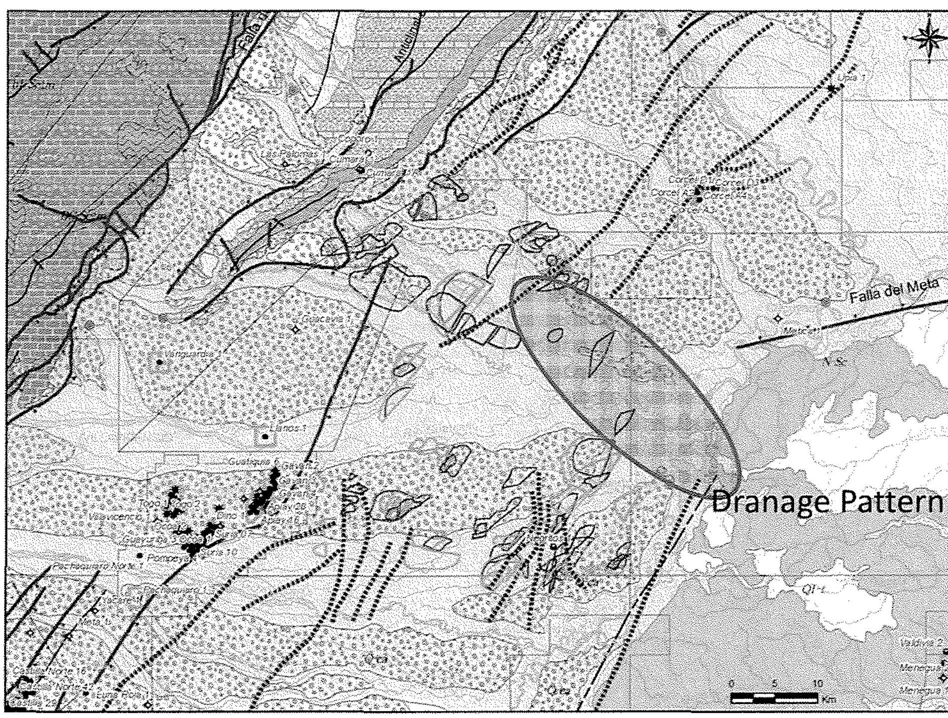
SK energy

Drainage Pattern along the Rio Meta



SK energy

Surface Structural Pattern



Faults INGEOMINAS Geologic Map 1:500.000, 2006

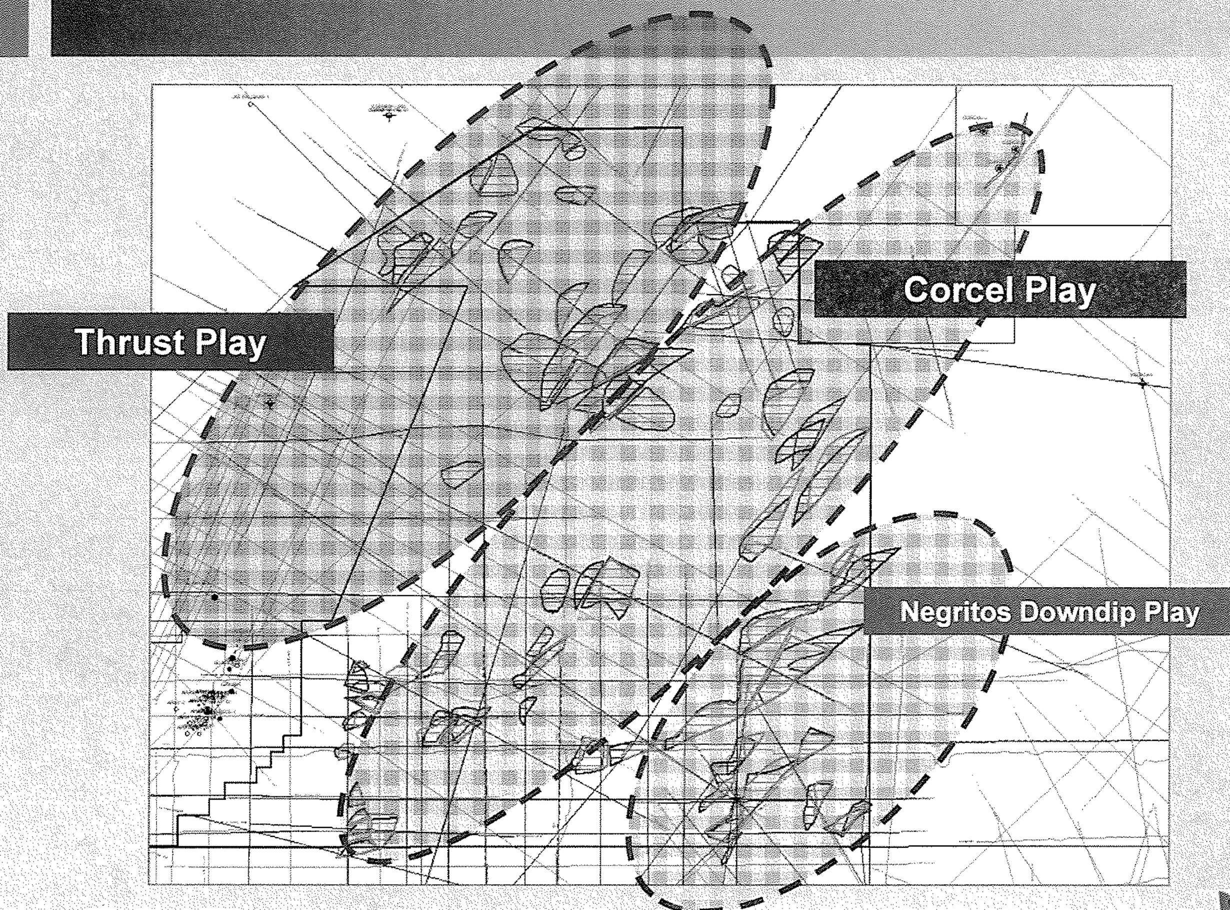
Faults depth, ECOPETROL Petroleum Systems Project, 1997

SK energy

Recommendation of 3 D Area

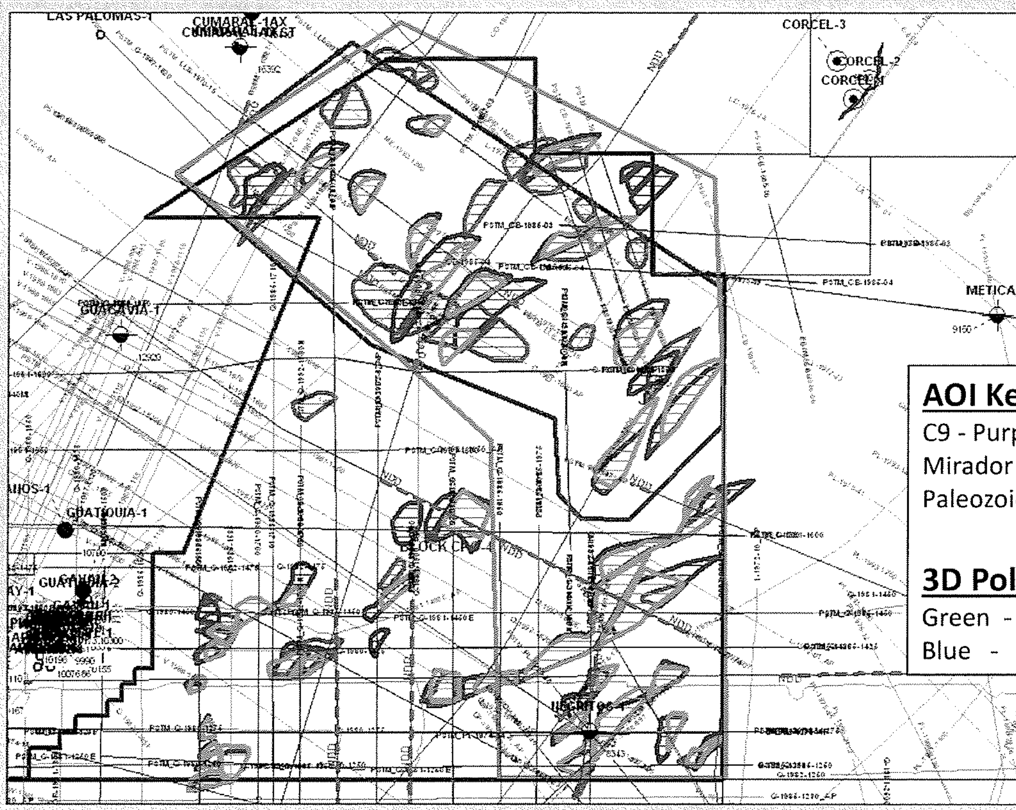
SK energy

COMBINED AOI'S



SK energy

2 PROPOSED POLYGONS

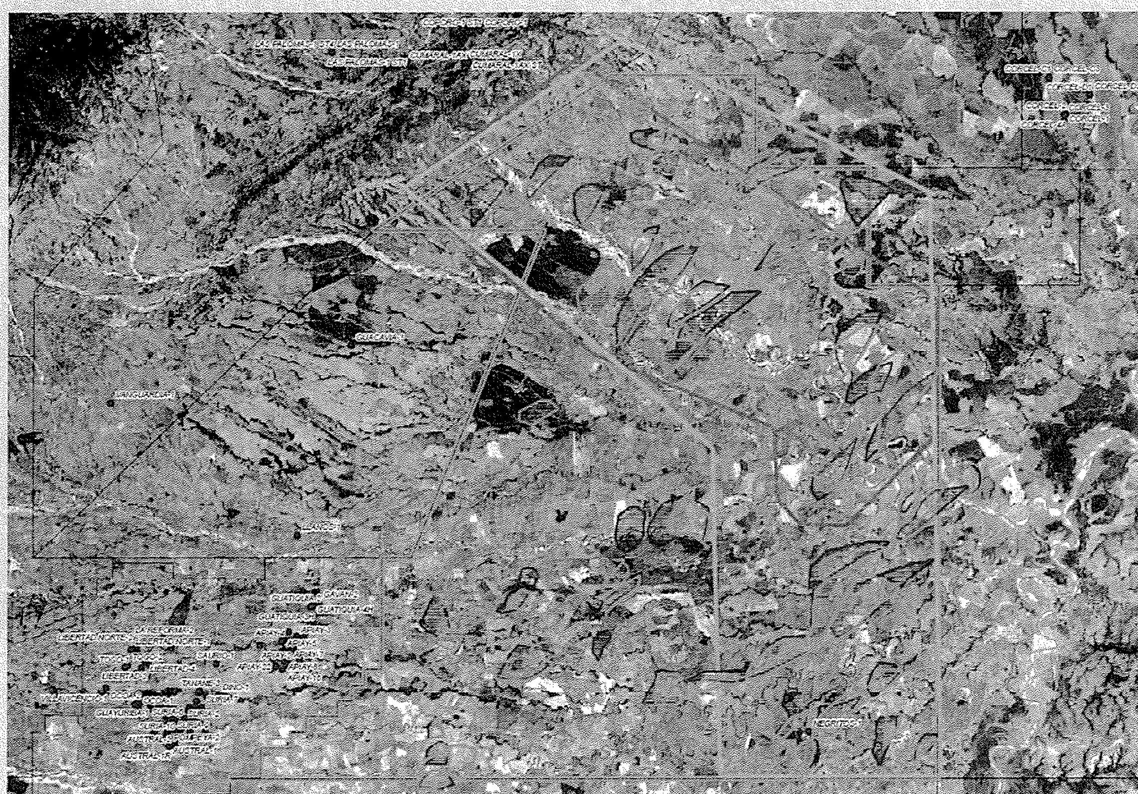


AOI Key
C9 - Purple
Mirador – Green
Paleozoic - Red

3D Polygons
Green - 900 sqkm
Blue - 500 sqkm

SK energy

LANDSAT IMAGE WITH AOI'S & 3D AREAS



SK energy

Partner's Feedback

CPO-4

SK energy

Thank you!

SK energy

EXHIBIT 33

SK Technical Meeting 10/14/09

Dr. Young Kim - Design 3-D shoot

Seismic Proposals
- CGL - 32 weeks
- Global - 15 weeks
- Geo espectral - 22 weeks
- Sismopetrol - 24 weeks

Work Obligation - 620 km 2D => ? Multiply / Divide 1.7 400 square kilometers.
3-Years to shoot. Drill 2 wells.

* Already completed PMA Report to submit. But need final area of where we need to shoot.
PMA - Environmental plan.

Acquisition Polygons
- Red - Paleozoic
- Green - Mirandor
- C9 - Purple

Background Information
- Structural Dip Very Mild
- Larger spacing in Processing

600 Grams per charge
1.5 - 12lb

No static problem due to elevation
Any Fold above 24 should be acceptable.

All 2-D - used 12 to 18 Geophones.
Need Field Testing

Dip North East South West

1,800 gr per shot point (4 lb)
Estimate 7 standby days
20 weeks in field.

How many geophones - 6 to 10 phones.
Shot holes - 1 @ 10 feet
2 @ 5 feet

Charge Size 4 lbs.
~~[illegible]~~
Scatter ground roll to North
Stratigraphic component
Rancho field - Structure 5 mm BBLs - Produced 10 mm Barrels.

20 kilometer channels.

East side of Block — Mehta has pays oil from Miocene

2 to 3 Darci's ; 5 feet => Produce 1,000 BBL/d

Deep Paleozoic Area - Good Seal by Basement.

More than 100 Leads

EXHIBIT 34

From: Michael Schmidt[redacted]
Sent: Wednesday, December 02, 2009 11:19 AM
To: Maria Mandina
Cc: Ed Lainfiesta
Subject: HUSA - Fee Calc
Attachments: GHS Fee Breakdown.xlsx

Please see attached.

Michael H. Schmidt
Global Hunter Securities
Vice President, Investment Banking
[redacted]

Δ π EXHIBIT 112
Deponent Tuerk
Date 11/19/14 Rptr. VW
WWW.DEPOBOOK.COM

GRE00078389

Houston America Energy Corp - Registered Direct

Pricing - Nov 30
Close - Dec 04 (T+3)
Deal Price $ 4.68

Account	Shares	Cost	Fee	Salesman
Whalhaven	55,000	$ 257,400	$ 6,435	Jason R
Kingsbrook	40,000	$ 187,200	$ 4,680	Jason R
Nokomis	375,000	$ 1,755,000	$ 43,875	Steve M
Keegan	20,000	$ 93,600	$ 2,340	Greg T
Colombia Wagner	2,400,000	$ 11,232,000	$ 280,800	Tim A
			Check	
			$ 338,130	
Total	**2,890,000**	**$ 13,525,200**		
Open	110,000			
GHS Fee (50% of 5%)	2.50%			

Total Fee to GHS
$ 338,130

Notes

Via Sub docs - Signed and returnd
Knight
Knight
Knight

Knight

EXHIBIT 35

Global Hunter Securities, LLC
Institutional Sales & Trading: (949) 274-8050
Research: (949) 274-8052
660 Newport Center Dr. Suite 950
Newport Beach, CA 92660
www.ghsecurities.com

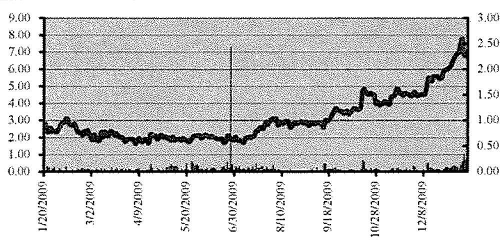
January 19 , 2010
Company Update
Energy: Exploration & Production
Analyst: Phil McPherson
[redacted]

Rating:	**Buy**
Price Target:	**$14.00**

Price Target Metrics: DNAV - Discounted Net Asset Value

Closing Price:	**$6.70**
Diluted Shares:	31.0MM
Float:	19MM
Short Interest:	105k
Average Daily Volume:	75k
52-week Range:	$1.58 - $8.01
Market Cap:	**$208MM**
Cash & Investments(E):	$17MM
Debt	$0MM
Enterprise Value:	$191MM
Net Cash/Sh:	$0.55
Proved Reserves (MBOE)	217

PRICE CHART



ESTIMATES - US $ (MMs except multiples & EPS)

		2008	2009 Prior	2009 New	2010 Prior	2010 New
Revenues						
Q1	Mar	$2.9 A	$0.4	$0.4 A	$2.6	$4.9 E
Q2	Jun	$3.3 A	$1.1	$1.1 A	$3.3	$5.2 E
Q3	Sep	$2.4 A	$2.3	$2.4 A	$4.3	$5.6 E
Q4	Dec	$2.0 A	$3.3	$3.3 E	$5.2	$5.9 E
FY		$10.6 A	$7.1	$7.3 E	$15.4	$21.6 E
EV/Sales				**26.3x**		**8.8x**
EPS						
Q1	Mar	$0.03 A	($0.05)	($0.05) A	$0.01	$0.03 E
Q2	Jun	$0.11 A	$0.00	$0.00 A	$0.02	$0.04 E
Q3	Sep	$0.03 A	$0.01	$0.02 A	$0.03	$0.04 E
Q4	Dec	($0.14) A	$0.02	$0.01 E	$0.04	$0.04 E
FY		$0.03 A	($0.02)	($0.03) E	$0.10	$0.15 E
P/E				**Neg**		**45.8x**
CFPS						
Q1	Mar	$0.05 A	($0.03)	($0.03) A	$0.05	$0.09 E
Q2	Jun	$0.14 A	$0.00	$0.00 A	$0.06	$0.10 E
Q3	Sep	$0.04 A	$0.05	$0.05 A	$0.09	$0.11 E
Q4	Dec	$0.05 A	$0.07	$0.05 E	$0.11	$0.11 E
FY		$0.28 A	$0.11	$0.08 E	$0.30	$0.41 E
P/E				**84.78x**		**16.3x**
EBITDA						
Q1	Mar	$1.9 A	($1.0)	($1.0) A	$1.6	$3.4 E
Q2	Jun	$8.5 A	($0.6)	($0.6) A	$2.1	$3.7 E
Q3	Sep	$1.2 A	$1.4	$1.0 A	$2.8	$3.9 E
Q4	Dec	$1.3 A	$2.3	$1.9 E	$3.6	$4.2 E
FY		$4.6 A	$2.8	$2.0 E	$10.1	$15.2 E
EV/EBITDA				**94.1x**		**12.5x**

Houston American Energy
(Nasdaq: HUSA)

Important Disclosure: Global Hunter Securities, LLC acted as lead placement agent in a registered direct offering for Houston American Energy completed on December 4, 2009. See additional disclosures at the end of this report.

Event: Investor's warming up to Colombia

Summary: Houston American Energy's (HUSA) stock has started 2010 strong. We believe investors are just beginning to understand the impact of recent property acquisitions that are in close proximity to high impact exploration success by other operators. With more than $17MM in cash on the balance sheet and zero debt, HUSA's 2010 CAPEX budget is fully funded with two exploration wells targeted for late 1Q10 and two additional exploration wells targeted for late 4Q10. We are therefore raising our price target from $7.00 to $14.00 while reiterating our Buy rating.

Highlights

Foreign direct investment up in 2009. Despite a global recession foreign direct investment in Colombia was $4.9 billion in 2009, up from $4.6 billion 2008. This stability comes as a result of the current government's effort to reign in terrorism that had plagued the country in past decades. In 2009, only 131 kidnappings occurred in Colombia, down from a 3,572 in 2000. In 2010, both pipeline capacity and refining capacity are set for major expansion to keep pace with recent exploration success.

Base production of 1,000 bopd. HUSA is currently producing 1,000 bopd net. This is an important milestone for a small cap E&P company. This base of production provides ample free cash flow combined with nearly $17MM in cash on the balance sheet to self fund the company's next 18 months of CAPEX.

Ombu-leevable. Last year Emerald Energy was bought by Sinochem for $802MM following its discovery of the Capella heavy oil field on the Ombu exploration block. HUSA's Serrania block shares its southern border with the Capella field. HUSA and its partners will drill the first of two exploration wells in late 1Q10, targeting the North Capella structure which could contain **1 billion barrels of oil in place.**

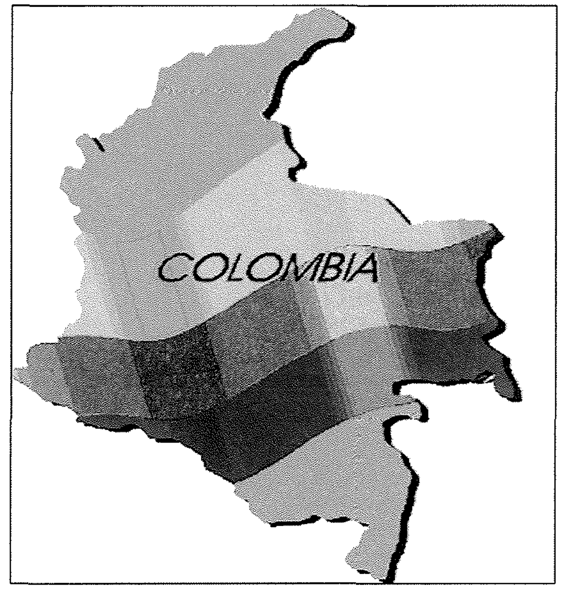
Who needs friends with neighbors like these? Petrominerales has announced another significant discovery, the Guatiquia, a well that had initial production of 11,500 bopd. This is in addition to the Corcel discovery which currently has 10 wells producing in excess of 20,000 bopd. HUSA's CPO-4 block lies two miles west and adjacent to these discoveries. SK Energy and HUSA are in the process of shooting 250 square kilometers of high resolution 3D seismic at CPO-4, with the first of two exploration wells to begin at the end of 2010 or the beginning of 2011. SK Energy has identified **22 prospects with unrisked oil exposure of 1 billion barrels.**

Maintain Buy rating while raising price target to $14.00. HUSA's stock has outperformed to start the year as investors begin to grasp the amount of potential oil this small company has access to over the next 12 months. With the company's current production tracking ahead of our estimates and the first of two exploration wells to begin within the next 90 days, we believe any pull back from this recent move presents an ideal entry point for new and existing investors. We are therefore reiterating our Buy rating while raising our price target from $7.00 to $14.00 as we fully implement the impact that the Serrania and CPO-4 blocks could have if exploration efforts are successful into our Discounted Net Asset Value (DNAV)

Company Description: *Houston American Energy is a Houston Based E&P company with operations focused in the Llanos Basin of Columbia and Northeast Louisiana. The company was founded in 2001 and has three employees.*

SEE ANALYST CERTIFICATION AND OTHER IMPORTANT DISCLOSURES AT THE END OF THIS REPORT

Review of Colombia:



To most the word, kidnap is almost synonymous with Colombia. Ten years ago that was a fair statement. However, in 2002 Alvaro Uribe was elected president of Colombia. A Harvard educated lawyer, Mr. Uribe has been instrumental in turning Colombia into a destination for foreign investment, while systematically dismantling the once feared Revolutionary Armed Forces of Colombia (FARC). In a strange twist of fate, it was the FARC that in 1983 killed Uribe's father during a kidnapping attempt. Perhaps this personal brush with the FARC has been a source for his passion to eradicate the group from terrorizing Colombia and disrupting foreign trade. In 2009, total kidnappings came in at **131**, which was a drastic drop from **3,572** in 2000.

Upon taking office Uribe instituted a 1.2% tax on all liquid assets of individuals and corporations that eventually raised nearly $800MM. These funds were used to boost military spending, additionally he increased military spending from 3.6% of GDP to 6% of GDP by 2006. By 2004, two years into his first term, homicides, kidnappings and terrorist attacks in Colombia had decreased by as much as 50% - the lowest level in 20 years. By April of 2004, the government had established permanent police or military presence in every Colombian municipality for the first time in decades.

Since 2003, the United States has provided an estimated $600MM annually in aid to Colombia to primarily augment its military budget and fight the war on drugs. This increased spending has been a key asset in bringing stability to the country and decreasing the FARC's capabilities. In 2005, Mr. Uribe successfully championed a bill through the Colombian congress allowing him to stand for re-election in 2006. The Colombian constitution had forbid candidates from running for consecutive terms. Mr. Uribe won the 2006 election with an estimated 62% of the vote. Colombia will hold presidential elections in May of 2010. Currently Mr. Uribe is restricted from a third term, however last May congress started drafting a bill that would allow Mr. Uribe to run for a third term. That bill has not been passed as of yet. Defense Minister Juan Manuel Santos, who orchestrated some of the most devastating blows to the FARC and other leftist rebels, is seen as the front runner to continue Mr. Uribe's legacy. As of January 2010, Colombia's Constitutional Court had not finished studying the proposal to hold a referendum on allowing a third term for Mr. Uribe, this in spite of the country's Inspector General advising the courts to approve the referendum. The Constitutional Court has 60 days to determine the legality of the referendum to change the constitution and allow Mr. Uribe a third term. It is expected the court will rule by the end of January.

Colombia's oil production currently stands at approximately **660,000 barrels per day** and is anticipated to continue growing as foreign direct investment (FDI) continues to increase. In 2008, FDI for the oil and mining sector was $4.6 billion and in 2009 amidst a global recession FDI continued to increase in the oil and mining sector to $4.9 billion. Colombia currently consumes approximately 300,000 barrels per day domestically; the remaining oil production is exported with the majority of it to the United States. In fact, Colombia is the 9th largest supplier of foreign oil to the United States. Colombia has five major pipelines, four of which pump oil to the Caribbean Coast, the remaining pipeline the Transandino delivers oil to the Pacific coastal town of Tumaco. The state owned oil and gas company Ecopetrol (EC) has budgeted $735MM to increase pipeline capacity in order to keep pace with exploration activity. One of the major CAPEX items for Ecopetrol in 2010 will be to expand a portion of the Transandino pipeline from 16,000 barrels per day to 60,000 barrels per day. This pipeline services oil production in the Southern portion of Colombia near Houston America's (HUSA) Serrania exploration block which borders one of the largest oil field discoveries of 2008 the Capella field. This field sits approximately 200 miles from the town of Tumaco, which is where the Transandino pipeline deliveries oil for export. The Capella field is estimated to produce 60,000 barrels per day by 2015.

Colombia's refining capacity is also set to expand. Recent announcements by Ecopetrol and Chicago Bridge & Iron (CBI) have confirmed a $1.4 billion expansion of the Cartagena refinery. A new refinery will be built adjacent to the existing refinery with capacity of 85,000 barrels per day. Additionally the existing refinery will be upgraded to 80,000 barrels per day and also be retrofitted to allow for higher grade petroleum products. The expansion and retrofitting is scheduled to be completed in 2012.

We view Colombia as ripe for continued exploration success. Past geopolitical risk has created unparellel opportunities that can not be found in the United States. More often than not, geopolitical risk is assumed in absence of geological risk when operating in foreign countries. Given the significant changes that have occurred and should continue to occur to suppress the FARC's ability to operate, we believe the next decade will reward those investors with foresight to look to the future rather than the past.

Houston American's (HUSA) current production of approximately 1,000 barrels per day, comes from seven blocks in the Llanos basin. These blocks are operated by a consortium lead by Hupecol LLC. Hupecol is a private exploration company based out of Dallas, Texas which has been operating in Colombia for more than a decade. Currently the consortium has put these assets up for sale, hiring Scotia Waterous to market them. Timing on the asset sale has been pushed back several times, first due to higher oil prices and now due to robust success on recent wells. The group recently drilled two wells, one of which had initial production rate in excess of 3,000 barrels per day with the second having initial production rates close to 1,000 barrels per day. Originally the assets where put up for sale due to the location of the seven leases. In some cases these leases are several hundred miles apart from one another. Thus, trying to expand infrastructure to assist in full development is viewed as costly. Historically, Hupecol has been an exploration company. Once the initial phase of exploration has yielded success they would rather sell the assets to a larger E&P company to develop. Such was the case in 2008 when they sold the Cara Cara concession to Cepsa for $920MM. HUSA had a 1.2% interest in the Cara Cara sale and netted $10.5MM after taxes.

While we believe the sale of these assets could net HUSA $25MM - $50MM, the timing of a sale seems to grow more uncertain and perhaps if oil prices continue to climb becomes less likely. Still this production provides a nice foundation for the company to grow from. Utilizing a $70.00 oil price deck, HUSA should generate approximately $5MM per quarter in revenue in 2010 and have free cash flow of approximately $3MM per quarter. This cash flow coupled with a recent equity raise (2.9MM shares at $4.68 per share) gives the company approximately $17MM in cash on the balance sheet, which fully funds its 2010 CAPEX budget of $15MM. We estimate the company's 18 month CAPEX to be approximately $20MM. Obviously success or failure on its two new exploration blocks could change this CAPEX amount but should not outstrip current cash and estimated cash flow.

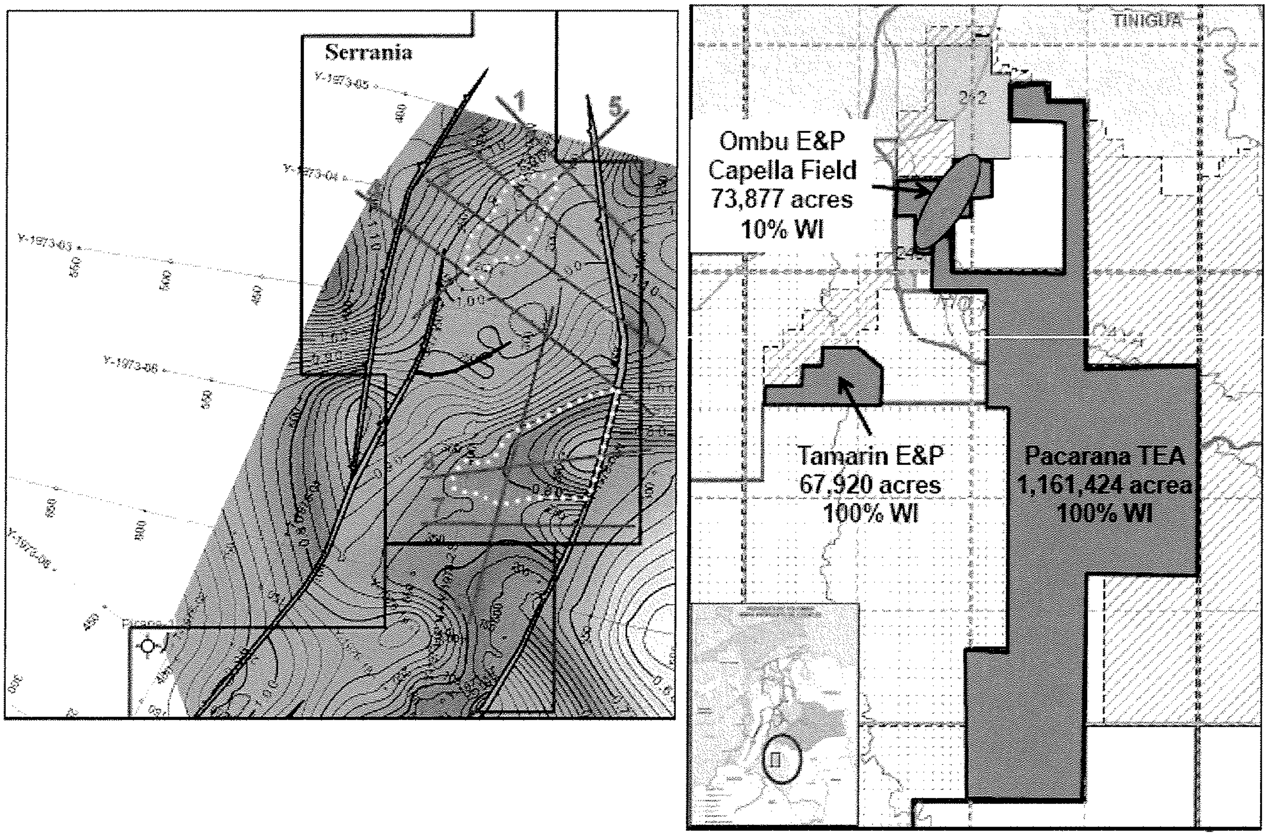
In 1Q10, HUSA and its partners will drill the first of two exploration wells at the Serrania block. HUSA has a 12.5% working interest in the Serrania block that encompasses 110,000 acres, with Shoana and Hupecol owning the remaining interest. This block sits directly north of the Ombu block. In July of 2008 the Capella No. 1 well was drilled to total depth of 3,802' and discovered 10 degree API oil. Two intervals where encountered in the Eocene aged Mirador formation. The upper Mirador flow tested at **85** barrels of oil per day (bopd), the lower Mirador flowed at **155 bopd**. The operator at the time was Emerald Energy a London based E&P Company. The company then drilled five additional wells to delineate the extension of the discovery. The Capella No. 2 was drilled one mile southwest of the No. 1 to 3,550' and encountered two intervals and tested at a combined rate of **345 bopd**. The Capella No. 3 was a deviated well adjacent to the No. 1 and tested **135 bopd** from the lower Mirador but the upper Mirador was not tested. The Capella No. 4 was drilled 1.2 miles southwest of the No. 1 but was not tested due to a poor cementing job. The Capella No. 5 was drilled 2.2 miles north east from the No. 1 and tested **108 bopd**. The Cappella No. 6 was drilled 2.75 miles southwest of the No. 1 well and encountered 80 feet of upper Mirador and 175 feet of lower Mirador. This well flow tested a combined **295 bopd** and was by-far the best of the six wells drilled.

Emerald began an extended production test of the six wells in February 2009. Production started at 400 bopd and increased to 700 bopd by March before being suspended due to marketing limitations. At this point oil was being trucked out and sold directly to local industrial users. However, it is expected that eventually this oil will be delivered to existing pipelines following blending with higher grade oils and or upgrading of the heavy oil. In June of 2009 Sinochem one of the four state owned Chinese oil companies made an unsolicited offer to buy Emerald Energy for 532MM Euro's or approximately $802MM.

Before the asset sale, Emerald had contracted Netherland Sewell & Associates (NSA), one of the top quartile reservoir engineers in the United States to provide a third party assessment of the Capella heavy oil discovery. NSA only had six well bores from which to extrapolate data, of which one well bore had not been cemented properly, therefore had zero production data. These six well bores also only encompassed 3,500 of the 22,000 acres that the seismic data estimates is the boundaries of the Capella field. NSA assigned original oil in place (OOIP) figure of 245MM barrels on the 3,500 acres and 1.1 billion barrels in place on the entire 22,000 acre structure. Oil in place is only the first variable when assessing reserves. The next stage is the percentage recoverable in the field. Given the limited production data, coupled with the fact that this is heavy oil, NSA only assigned an 11% recovery factor. However, this is based upon only primary reserve recovery without the assistance of artificial lifts or the steaming of the formation. As a comparison in the United States it is not uncommon to recover 15% in primary recovery and then 20% in secondary recovery methods. Additionally, there are other heavy oil operators in the Llanos Basin of Colombia touting technology that can recover 50%+ of the OOIP in heavy oil fields. **The point being that given the limited number of wells and data, NSA still assigned over 1 billion barrels of OOIP for the Capella discovery.**

The Ombu block and Serrania block (212 block in yellow below) share a southern border. HUSA and its partners recently reprocess vintage 2D seismic that shows the Capella field crosses this border and exists on their side of the lease hold. Plans are currently underway to permit two exploration wells in the Serrania block. The first well's location will look to prove that the Capella discovery exists on the Serrania block, the second well will be drilled on a separate prospect called the Northern Anticline that resembles a look alike to the Capella discovery. The following exhibit shows the Capella discovery, the mapped prospect area on the border and the northern anticline prospect.

Exhibit 1
Serrania Block (12.5% Working Interest)



Source: Company data, Global Hunter Securities, LLC

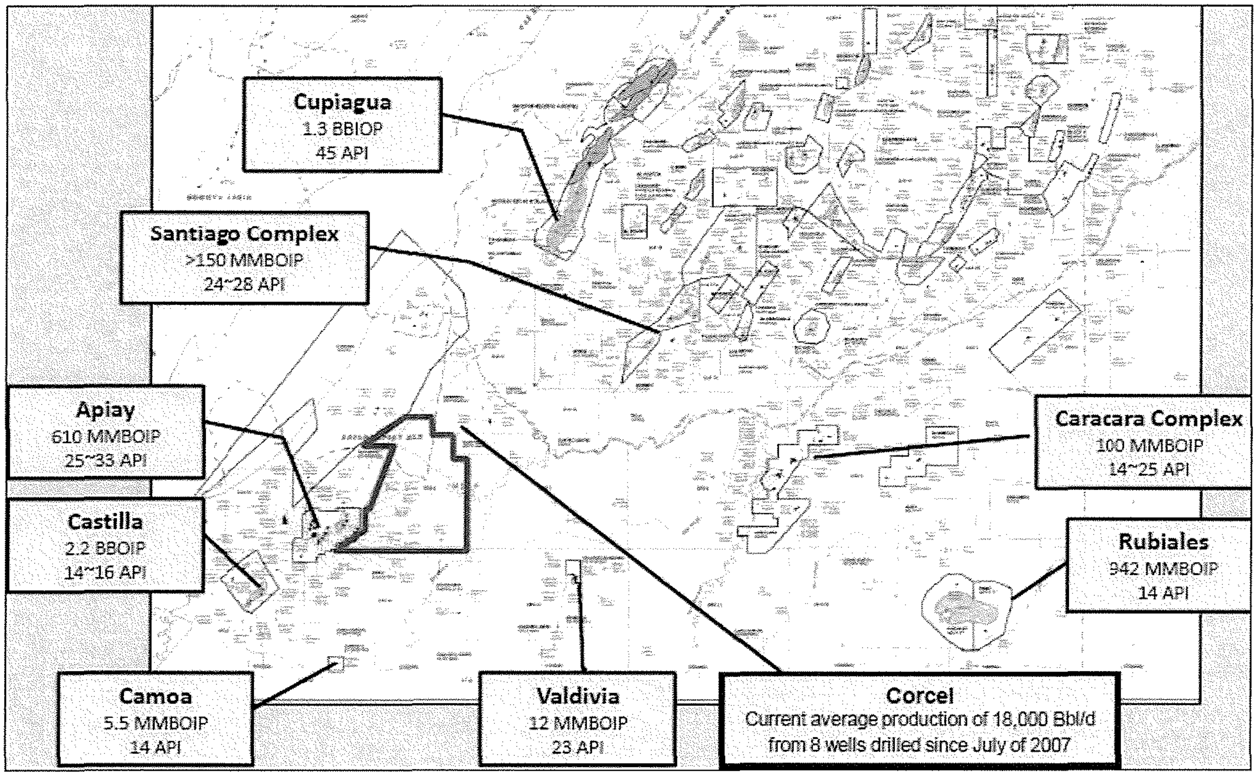
Each of these wells will cost approximately $4MM to drill and complete. The key for the first well will be how many feet of the upper and lower Mirador are present and the quality of the rock. If the thickness and rock quality resemble the Capella discovery than HUSA and its partners will have proven that the Capella heavy oil discovery extends onto its lease line. Upon completion of the second exploration well at the Northern anticline, we would expect the rig to return to the Capella North area and drill delineation wells to prove the extent of the structure. This would be the same path Emerald Energy took with Capella and should lead to the company hiring third party reservoir engineers to calculate OOIP and recoverable reserves. HUSA currently estimates that approximately 33,000 acres covers the North Capella prospect area, which is 50% larger than the Capella discovery that sits on 22,000 acres. This could mean that the North Capella could have OOIP exceeding 1.5 billion barrels. Which would place net recoverable reserves utilizing the 11% recovery factor and HUSA's 12.5% working interest at 20MM barrels. Again we view this recovery level of 11% as extremely conservative.

As for the Northern Anticline prospect this area looks to be slightly smaller than North Capella prospect area. We therefore estimate HUSA's net unrisked exposure on the Northern Anticline to be 10MM barrels of oil. It is important to note that a prospects ariel extent is only one of the parameters when reservoir engineers estimate OOIP. The thickness of the formation can have even more of an impact on OOIP than the number of acres. For Capella we estimate the average well found 150 feet of pay in the upper and lower Mirador, this would imply that the oil in place equates to 450 barrels per acre foot. If North Capella and/or the Northern Anticline prospects were to encounter more net feet of oil pay, than the OOIP could also increase substantially.

The second new exploration concession that HUSA recently acquired is the CPO-4 block. HUSA was assigned a 25% direct working interest in this block by SK Energy in December of 2009. SK Energy is the energy division of the SK Group, South Korea's largest diversified industrial company. SK Energy was awarded 100% working interest in the CPO-4 block in the 2009 Colombian licensing round. To win the block SK Energy made an aggressive bid on two counts. First they committed to a $50MM work program and second they offered Colombia a 33% royalty on the block. Standard royalty rate in Colombia is a sliding scale that starts at 8% for fields producing less than 5,000 bopd and escalates to 23% for fields producing in excess of 25,000 bopd. From this aggressive bid one would infer that SK Energy is extremely excited and confident in regards to the amount of oil present on the block.

The CPO-4 block is over 350,000 acres in size. It sits in close proximity to some of Colombia's largest oil fields. The following is a map of those fields and CPO-4 outlined in red.

Exhibit 2
CPO-4 Block (25% Working Interest) & Surrounding Fields



Source: Company data, Global Hunter Securities, LLC

SK Energy spent nearly two years reviewing and reprocessing vintage 2D seismic data before bidding and eventually winning the CPO-4 block. From that vintage data the company has found over 100 prospects. Thus far they have high graded 22 of those prospects which contain an estimated 1 billion barrels of unrisked oil potential. Those leads are detailed in the following graph.

Exhibit 3
CPO-4 Block (25% Working Interest)

CPO-4 Prospect Inventory

Lead	Acres			Oil Per Acre	Net Pay	Unrisked Oil
	C7	Mirador	Une	BBls	Feet	MMBOE
1	1055	724	899	150	50/100/75	29
2	556	212	417	150	50/100/75	12
3	420	291	0	150	50/100/75	8
4	6358	6506	3495	150	50/100/75	185
5	1018	2119	1435	150	50/100/75	56
6	531	114	388	150	50/100/75	10
7	1097	657	311	150	50/100/75	22
8	1606	1074	694	150	50/100/75	36
9	3821	7037	220	150	50/100/75	139
10	469	0	0	150	50/100/75	4
11	447	622	509	150	50/100/75	18
12	664	659	0	150	50/100/75	15
13	2687	936	761	150	50/100/75	43
14	882	3399	1625	150	50/100/75	76
15	993	1692	605	150	50/100/75	40
16	234	847	252	150	50/100/75	20
17	0	420	326	150	50/100/75	10
18	0	818	0	150	50/100/75	12
19	0	0	1247	150	50/100/75	14
20	3320	4029	2364	150	50/100/75	112
21	2510	2611	3162	150	50/100/75	94
22	790	1102	0	150	50/100/75	22
Total - MMBOE						**977**
Average Field Size - MMBOE						**44.4**

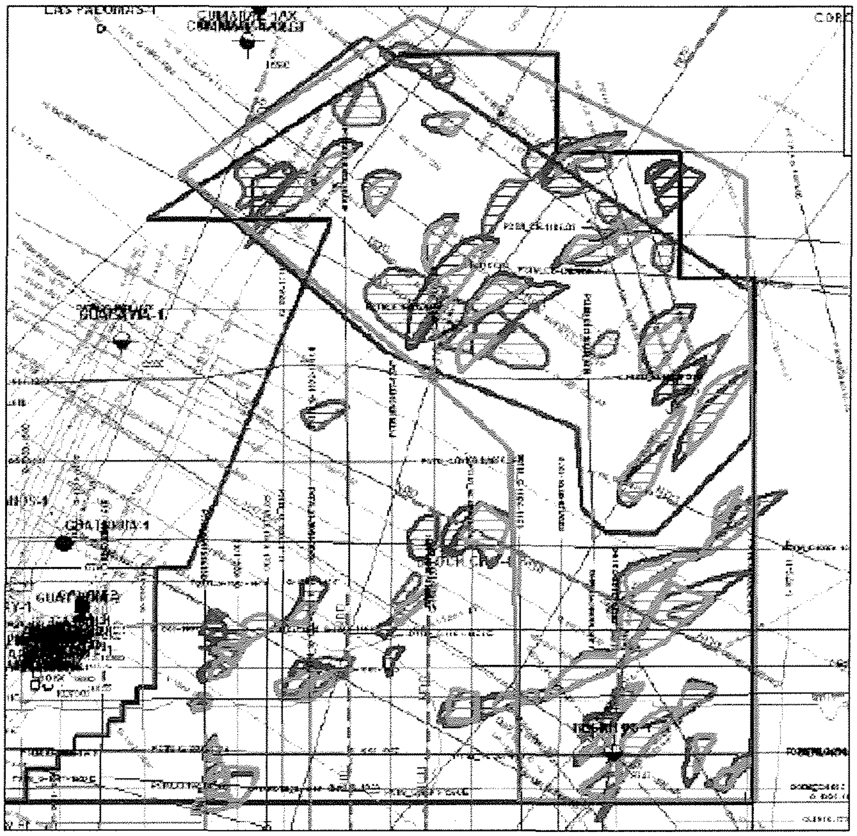
Source: Company data, Global Hunter Securities, LLC

SK Energy has identified the three primary hydrocarbon bearing sands on the CPO-4 block are the C7, the Mirador and the Une. The company then places 150 barrels per acre foot as the amount of oil recoverable. It should be noted that these sands in other Llanos basin blocks typically have 500 barrels per acre foot. As a comparison Netherland Swell & Associates assigned 450 barrels per acre foot at the Capella heavy oil discovery. We believe SK Energy is being conservative, however if you were to use the 500 barrels per acre foot number then the unrisked oil potential could exceed three billion barrels.

The next step for SK Energy and HUSA will be to shoot 250 square kilometers of high resolution 3D seismic data. This data will determine which of these 22 prospects are considered "A", "B", "C" etc. Data should be done shooting by then end of 2Q10 and we expect the joint operating committee (JOC) consisting of both SK Energy and HUSA members to meet in Colombia during the 3Q10 to select the first two drilling sites.

The following graph shows the proposed boundary of the high resolution 3D seismic survey. The purple outlines are prospects with potential C7 sands, the green outlines are prospects with potential Mirador sands and the red circles are prospects with potential Une sands. Several prospects have the potential to contain all three sands. The first two wells will most likely be drilled at the end of 2010 or early 2011. Part of SK Energy's work commitment to the Colombian government calls for two exploration wells drilled to the basement of the basin. The basement is the technical term for a basin's limit on hydrocarbon bearing sands. These wells will be approximately 14,000 feet deep and costs approximately $10MM each.

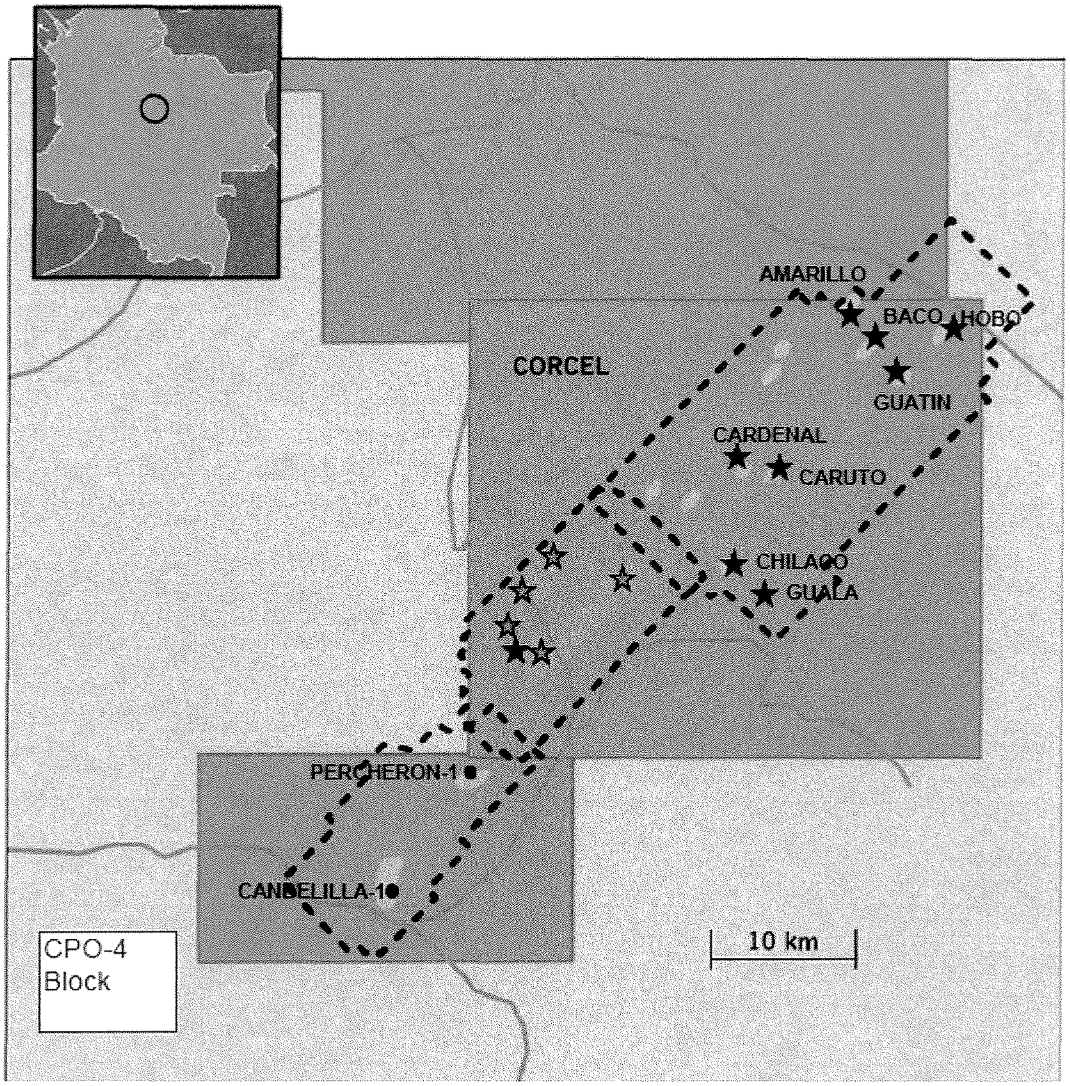
Exhibit 4
CPO-4 Block (25% Working Interest) – 250 Square Kilometer 3D Seismic Shoot in Blue Outline



Source: Company data, Global Hunter Securities, LLC

HUSA approached SK Energy to become partners in the CPO-4 block in September 2009. The reason HUSA wanted to be part of this exploration block was because of recent success on a block 2 miles to the north of the CPO-4 block. This block is called the Corcel area and was discovered by Petrominerales (PMG) a publicly trade E&P company on the Toronto exchange with a current market cap of $2 billion. In July of 2007 PMG drilled the A1 exploration well, by November of 2007 that well was producing 5,000 bopd. The company then drilled the A2 exploration well which had initial production of nearly 5,000 bopd. Eight wells later and the Corcel field is currently producing in excess of 20,000 bopd. These wells are characterized as having high initial production rates and then declining by more than 50% in the first year. Once the hyperbolic production has leveled off they are predicted to decline by 10% per year. The map below shows the wells drilled at Corcel by PMG and also the close proximity in which the CPO-4 resides to this prolific discovery.

Exhibit 5
CPO-4 Block (25% Working Interest) – 250 Square Kilometer 3D Seismic Shoot in Blue Outline



Source: Company data, Global Hunter Securities, LLC

In January of 2010 PMG announced a well on its Guatiquia lease that had initial production rate of 11,500 bopd. This exploration area is in the southern corner of the Corcel block pictured above. These exploration achievements have positive implications for the CPO-4 block. However until the block is drilled we won't know if or how much oil is in place. Often the impact of a 5,000 barrel per day well is lost in translation. As an example, assuming a $70.00 oil price deck with $20.00 of lease operating costs (LOE) the company would net $50.00 per barrel. If a well that has initial production rate of 5,000 barrels per day just produces at that level for 30 days it will have produced 150,000 barrels. With that $50.00 per barrel net back, that would generate cash flow of $7.5MM in the first 30 days. These wells typically cost $8MM to drill and complete. Meaning that payback is literally achieved in the first month of production. For HUSA this high level of cash flow would allow the company to self fund its future development of any discoveries.

Exhibit 6
Discounted Net Asset Value (DNAV)

Houston American Energy (HUSA) Discounted Net Asset Value (DNAV)							January-10
Reserves		Oil (BBL)	Gas (MCF)	PV-10 Value	Discount Factor	Discounted Value	Discounted Per Share Value
Proved Developed		213	19	3,151	0%	$ 3,151	$ 0.10
Proved Undeveloped		-	-	-	0%	$ -	$ -
Total Proved Reserves		213	19	3,151	0%	$ 3,151	$ 0.10
Other Assets				482,438	0%	482,438	$ 15.56
Net Working Capital						17,000	$ 0.55
Debt						-	$ -
Total Discounted Net Asset Value							**$ 16.21**
Outstanding Shares				**31,000**			

Other Assets	Net Locations	EUR-MBOE	Per BOE	Value	Discount	DNAV	Per Share
2009 Reserve Additions	1	1,500	$ 15.00	22,500	0%	22,500	$ 0.73
Las Garzas Field - 75 Locations	9.375	1,000	$ 15.00	140,625	90%	14,063	$ 0.45
Leona Field - 25 Locations	3.125	2,000	$ 15.00	93,750	90%	9,375	$ 0.30
Dorotea Field - 20 Locations	3.75	2,000	$ 15.00	112,500	90%	11,250	$ 0.36
Cabion Field - 12 Locations	1.5	1,000	$ 15.00	22,500	90%	2,250	$ 0.07
Serrania Block - Ombu Extension	1	20,000	$ 10.00	200,000	75%	50,000	$ 1.61
Serrania Block - North Anticline	1	10,000	$ 10.00	100,000	90%	10,000	$ 0.32
CPO-4 Block	22	11,000	$ 15.00	3,630,000	90%	363,000	$ 11.71
Total Other Assets & Liabilities				4,321,875		482,438	$ 15.56

Commodity Price Deck	Oil	Gas
Year-End 2008	$ 44.60	$ 5.62
Current	$ 79.00	$ 5.75
Year-End 2009 GHS (E)	$ 65.00	$ 5.00

Source: Company data, Global Hunter Securities, LLC

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Income Statement (U.S. $000s)													
Total Revenues	3,203	4,977	10,622	445	1,134	2,404	3,270	7,253	4,900	5,225	5,550	5,875	21,550
Lease Operating Expense (LOE)	1,017	1,841	3,366	910	713	1,021	1,165	3,810	1,517	1,617	1,717	1,817	6,667
Joint Venture Expenses	167	149	183	41	38	49	-	127	-	-	-	-	-
DD&A	888	1,100	5,816	254	287	621	912	2,074	1,365	1,455	1,545	1,635	6,000
G&A	1,231	1,568	3,152	721	672	580	550	2,523	500	500	500	500	2,000
Other	-	348	(1,994)	-	-	-	-	-	-	-	-	-	-
Total Expenses	3,303	5,006	10,523	1,926	1,710	2,271	2,627	8,535	3,382	3,572	3,762	3,952	14,667
Income from Operations	(101)	(29)	99	(1,481)	(576)	133	643	(1,282)	1,518	1,653	1,788	1,923	6,883
Other Income (expense)													
Total Other Income (Expense)	99	650	295	18	27	9	20	74	25	25	25	25	100
Income (loss) from operations	(1)	621	394	(1,464)	(550)	143	663	(1,208)	1,543	1,678	1,813	1,948	6,983
Income Tax expense (benefit) - current	511	127	(73)	15	(662)	(286)	232	(423)	540	587	635	682	2,444
Net income (loss)	(512)	493	467	(1,478)	112	429	431	(785)	1,003	1,091	1,179	1,266	4,539
EPS F/D	(0.02)	0.02	0.02	(0.05)	0.00	0.02	0.01	(0.03)	0.03	0.04	0.04	0.04	0.15
Basic shares outstanding	25,088	27,920	28,000	28,000	28,000	28,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Diluted shares outstanding	25,088	28,132	28,062	28,062	28,062	28,062	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Cash Flow Items													
Net Income	(512)	493	467	(1,478)	112	429	431	(785)	1,003	1,091	1,179	1,266	4,539
DD&A	1,231	1,568	3,152	254	287	621	912	2,074	1,365	1,455	1,545	1,635	6,000
Deffered Tax	-	-	-	-	(662)	-	-	-	270	294	317	341	1,222
Non-Cash Compensation	290	335	1,050	247	295	269	350	1,161	250	250	250	250	1,000
Other	171	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow	1,180	2,397	4,669	(977)	33	1,318	1,693	2,450	2,888	3,090	3,291	3,492	12,761
Cash Flow per share F/D	0.05	0.09	0.17	(0.03)	0.00	0.05	0.05	0.08	0.09	0.10	0.11	0.11	0.41
EBITDA	1,690	2,524	4,596	(962)	(629)	1,032	1,925	2,027	3,428	3,677	3,926	4,174	15,205
EBITDA per share F/D	0.07	0.09	0.16	(0.03)	(0.02)	0.04	0.06	0.07	0.11	0.12	0.13	0.13	0.49

Houston American Energy (HUSA) Financial Model
Global Hunter Securities, LLC
Research Department: 949-274-8052

Fiscal period	FY '06(A)	FY '07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(E)	FY '09(E)	Q1 '10(E)	Q2 '10(E)	Q3 '10(E)	Q4 '10(E)	FY '10(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10
Production Model													
Total Oil Production (thousands)	50	71	122	13	19	35	50	117	75	80	85	90	330
Avg. Price per Bbl	55.55	65.61	90.60	33.32	58.47	68.43	65.00	56.31	65.00	65.00	65.00	65.00	65.00
Oil Sales	2,763	4,672	10,823	447	1,082	2,404	3,250	7,182	4,875	5,200	5,525	5,850	21,450
Total Natural Gas Production (000's)	78	44	34	-	4	-	4	8	5	5	5	5	20
Avg. Price per Mcf	6.75	6.90	9.48	4.70	4.50	4.50	5.00	4.68	5.00	5.00	5.00	5.00	5.00
Natural Gas Sales	527	305	320	22	18	-	20	60	25	25	25	25	100
Total Oil & Gas Sales	**3,290**	**4,977**	**11,143**	**468**	**1,100**	**2,404**	**3,270**	**7,242**	**4,900**	**5,225**	**5,550**	**5,875**	**21,550**
Total Oil & Gas Production (BOE)	63	79	128	13	19	35	51	118	76	81	86	91	333
Oil & Gas Production (BOE/PD)	**174**	**218**	**355**	**149**	**213**	**390**	**563**	**329**	**843**	**898**	**954**	**1,009**	**926**
% Increase from prior period	0.0%	25.2%	62.7%					-7.4%					181.6%
Avg. Price per BOE	**52.43**	**63.34**	**87.16**	**34.94**	**57.38**	**68.43**	**64.54**	**61.18**	**64.62**	**64.64**	**64.66**	**64.68**	**64.65**
Cost Model													
Lease Operating Expense (LOE) per BOE	16.21	23.43	26.33	67.94	37.18	29.07	23.00	32.19	20.00	20.00	20.00	20.00	20.00
DD&A per BOE	19.62	14.00	45.50	18.98	14.99	17.67	18.00	17.53	18.00	18.00	18.00	18.00	18.00
G&A per BOE	19.62	19.96	24.65	53.79	35.08	16.51	10.86	21.32	7.25	6.80	6.41	6.06	6.60
Interest Expense per BOE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost	55.44	57.38	96.47	140.72	87.25	63.25	51.86	71.03	45.25	44.80	44.41	44.06	44.60
Net per BOE	(3.01)	5.95	(9.31)	(105.78)	(29.88)	5.18	12.68	(9.85)	19.36	19.84	20.25	20.62	20.05
Profit Margin	-5.7%	9.4%	-10.7%	-302.8%	-52.1%	7.6%	19.7%	-16.1%	30.0%	30.7%	31.3%	31.9%	31.0%
Balance Sheet Items													
Cash and investments	14,409	418	11,583	6,455	4,886	4,709							
Accounts receivable	325	9,650	316	7	376	1,251							
Oil and Gas properties - Full Cost Method	6,796	12,715	5,263	4,283	5,455	20,809							
Accounts payable	399	260	1,363	592	229	34							
Debt (short-term and long-term)	-	-	-	-	1	1							
Stockholders' equity	19,415	20,243	21,049	19,257	19,525	20,082							

Houston American Energy (HUSA) Disclosures

Analyst Certification

I, Phil McPherson, certify that the views expressed in this report accurately reflect my personal beliefs about this company and that I have not and will not receive compensation directly or indirectly in connection with my specific recommendations or views contained in this report.

Important Disclosures

- GHS does and seeks to do business with the company covered in this research report.
- During the past twelve months, GHS has received compensation for investment banking services from Houston American Energy.
- As with all employees of GHS, a portion of this analyst's compensation is based on investment banking revenues.

Risks & Considerations

Price Target Risks & Related Risk Factors:

Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Global Hunter Securities, LLC production and cash flow estimates; unforeseen geopolitical influences or changes in supply and demand for crude oil and natural gas that negatively affect commodity prices that could differ from our projected commodity price deck; changes to investor sentiment regarding the energy sector in general and the exploration and production segment in particular; effects of severe weather or unpredictable negative developments in exploration efforts of the company.

Valuation Methodology:

In developing our ratings and price targets we include a number of quantitative and qualitative factors that affect the ability of a company to craft and develop its operating plan including managerial capacity and quality, access to sufficient tools and services necessary to develop oil and natural gas properties, financial situation and liquidity, geographic base of properties, relation of the exploration and production sector to the overall equity market and macroeconomic environment, and ability to execute in a cost effective manner. We base our valuations on the ability of a company to generate cash flow sufficient to fund both its maintenance capital expenditures and its plans for future growth. Accurate forecasts of future crude oil and natural gas production rates, commodity prices , and operating costs, all of which can be highly variable and difficult to predict, drive cash flow and, as a result, valuation.

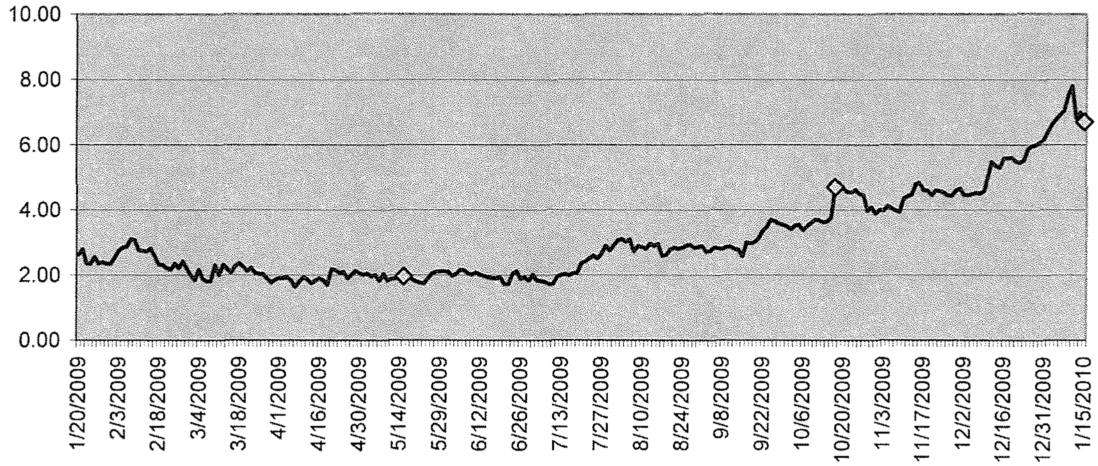
See the Company's most recent SEC filings, including 10-Ks, 10-Qs, 8-Ks and proxy filings, for additional risks and considerations.

Other Companies Mentioned In This Report

- **Chicago Bridge & Iron (NYSE: CBI; $22.71)**
- **Ecopetrol (NYSE: EC; $25.41)**
- **Petromineral (Toronto: PMG.TO; $20.82)**
- **Sinochem (Shanghai: 600500.SS; $13.22)**
- **SK Energy (KSE: 096770.KS; $118,500.00)**

Houston American Energy (HUSA) Disclosures (Continued)

Historical Recommendations



Initiated coverage on 06/20/08 with a Buy rating and price target of $15.00.

	Date	Rating	Price Target	Closing Price	
1.	6/20/2008	Buy	$15.00	$8.72	
2.	10/22/2008	Buy	$8.00	$3.94	
3.	5/18/2009	Buy	$3.50	$1.85	* Intraday
4.	10/19/2009	Buy	$7.00	$4.70	
5.	1/19/2010	Buy	$14.00	$6.70	

Explanation of Ratings

Buy: We expect the stock to outperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Neutral: We expect the stock to perform in line with the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.
Sell: We expect the stock to underperform the average total return of the stocks in the analyst's industry (or industry team's) coverage universe over the next six to twelve months.

Ratings Distribution

	Research Coverage		Investment Banking Clients*		
Rating	Count	% of Total	Count	% of Total	% of Rating Category
Buy	53	65.4%	1	100.0%	1.9%
Neutral	25	30.9%	0		
Sell	3	3.7%	0		
Total	81	100.0%	1	100.0%	1.2%

*Investment banking clients are companies from whom GHS or an affiliate received compensation from investment banking services provided in the last 12 months.

Note: Ratings Distribution as of December 31, 2009

Disclaimer & Other Disclosures

This material has been prepared by Global Hunter Securities, LLC ("Global Hunter") a registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Information, opinions or recommendations contained in the reports and updates are submitted solely for advisory and information purposes. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore except for any obligations under law, we do not guarantee its accuracy. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and is subject to change without notice. Global Hunter and our affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account. Not all products and services are available outside of the US or in all US states. Copyright 2010.

EXHIBIT 36

From: John Terwilliger [redacted]
Sent: Tuesday, December 15, 2009 1:28 PM
To: kevin mcknight [redacted]
Cc: [redacted]
Subject: Re: husa ceo letter

Kevin:

We have decided not to do a letter at this time. I think if you could set up some meetings with brokers or indiviidual investors in groups this might prove efffective.

Thanks,

John

> ----- Original Message -----
> **From:** kevin mcknight
> **To:** [redacted]
> **Cc:** [redacted]
> **Sent:** Monday, December 14, 2009 9:46 AM
> **Subject:** Fw: husa ceo letter
>
> --- On **Mon, 12/14/09,** [redacted] wrote:
>
> > From [redacted]
> > Subject: husa ceo
> > To: [redacted]
> > Date: Monday, December 14, 2009, 10:43 AM

EXHIBIT 37

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
10/1/2009	3.5	3.53	3.34	3.41	36600	3.36
10/2/2009	3.34	3.53	3.25	3.53	22800	3.48
10/5/2009	3.53	3.56	3.46	3.55	12300	3.5
10/6/2009	3.57	3.67	3.35	3.38	41400	3.33
10/7/2009	3.37	3.59	3.26	3.5	43400	3.45
10/8/2009	3.46	3.7	3.42	3.6	43700	3.55
10/9/2009	3.5	3.79	3.48	3.71	39300	3.66
10/12/2009	3.67	3.79	3.64	3.69	22200	3.64
10/13/2009	3.65	3.7	3.6	3.63	14700	3.58
10/14/2009	3.62	3.65	3.53	3.65	26200	3.6
10/15/2009	3.75	3.8	3.68	3.76	50300	3.71
10/16/2009	3.69	4.75	3.69	4.7	225000	4.63
10/19/2009	4.77	4.96	4.4	4.84	193200	4.77
10/20/2009	4.75	4.75	4.5	4.66	58200	4.59
10/21/2009	4.68	4.82	4.55	4.56	33000	4.49
10/22/2009	4.5	4.55	4.41	4.55	36100	4.48
10/23/2009	4.75	4.95	4.48	4.62	70300	4.55
10/26/2009	4.59	4.78	4.5	4.5	41600	4.43
10/27/2009	4.51	4.77	4.47	4.47	44300	4.41
10/28/2009	4.44	4.46	3.91	3.98	66300	3.92
10/29/2009	4.05	4.15	3.98	4.09	47100	4.03
10/30/2009	4.06	4.08	3.9	3.9	43100	3.84
11/2/2009	3.82	4.02	3.82	4	18300	3.94
11/3/2009	4.1	4.1	3.96	3.98	7500	3.92
11/4/2009	4.07	4.2	4.03	4.13	13400	4.07
11/5/2009	4.13	4.15	4.03	4.06	18800	4
11/6/2009	4.08	4.17	3.91	3.99	30600	3.93
11/9/2009	3.98	4.14	3.9	3.95	34400	3.89
11/10/2009	3.84	4.6	3.84	4.35	54200	4.29
11/11/2009	4.44	4.55	4.25	4.42	74500	4.36
11/12/2009	4.49	4.5	4.3	4.48	32300	4.42
11/13/2009	4.49	4.86	4.37	4.79	66300	4.72
11/16/2009	4.85	4.99	4.75	4.83	68300	4.76
11/17/2009	4.77	4.77	4.54	4.61	47600	4.54
11/18/2009	4.52	4.62	4.51	4.59	35900	4.52
11/19/2009	4.53	4.53	4.39	4.45	33600	4.39
11/20/2009	4.56	4.63	4.51	4.6	35800	4.53
11/23/2009	4.66	4.74	4.58	4.58	69700	4.51
11/24/2009	4.58	4.62	4.44	4.54	30100	4.47
11/25/2009	4.55	4.55	4.4	4.45	40800	4.39
11/27/2009	4.31	4.44	4.22	4.44	11300	4.38
11/30/2009	4.55	4.77	4.4	4.6	117400	4.54
12/1/2009	4.56	4.83	4.55	4.66	100800	4.6
12/2/2009	4.65	4.69	4.45	4.47	51500	4.41
12/3/2009	4.51	4.6	4.41	4.45	23900	4.39
12/4/2009	4.51	4.58	4.43	4.49	30200	4.43
12/7/2009	4.45	4.59	4.42	4.52	28600	4.46
12/8/2009	4.5	4.59	4.43	4.51	45300	4.45
12/9/2009	4.54	4.6	4.51	4.58	28300	4.52
12/10/2009	4.64	5.11	4.62	4.97	158800	4.9
12/11/2009	5.11	5.5	4.9	5.48	174700	5.41
12/14/2009	5.54	5.54	5.25	5.36	83000	5.29
12/15/2009	5.3	5.42	5.3	5.3	76200	5.23
12/16/2009	5.23	5.68	5.23	5.58	57900	5.51

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
12/17/2009	5.65	5.72	5.45	5.59	38000	5.52
12/18/2009	5.67	5.71	5.5	5.6	60200	5.53
12/21/2009	5.6	5.6	5.4	5.49	51900	5.42
12/22/2009	5.51	5.54	5.4	5.45	37500	5.38
12/23/2009	5.48	5.53	5.45	5.52	21800	5.45
12/24/2009	5.55	5.88	5.53	5.88	51600	5.8
12/28/2009	5.92	6.19	5.83	5.96	84100	5.88
12/29/2009	6	6.15	5.92	5.99	85800	5.91
12/30/2009	5.92	6.1	5.75	6.07	74600	5.99
12/31/2009	6.1	6.18	6.01	6.16	75600	6.08
1/4/2010	6.2	6.55	6.2	6.39	111700	6.3
1/5/2010	6.51	6.75	6.4	6.63	130600	6.54
1/6/2010	6.74	6.84	6.65	6.78	105600	6.69
1/7/2010	6.82	7	6.79	6.91	88100	6.82
1/8/2010	6.83	7.05	6.83	7.04	63800	6.95
1/11/2010	7.05	7.52	7.05	7.52	134100	7.42
1/12/2010	7.48	8	7.45	7.8	200200	7.7
1/13/2010	7.89	8.12	6.82	6.83	346100	6.74
1/14/2010	6.8	7.14	6.55	6.99	238500	6.9
1/15/2010	7.01	7.19	6.65	6.7	111000	6.61
1/19/2010	6.61	7.15	6.61	7.14	74800	7.04
1/20/2010	7.11	7.37	7.09	7.3	71700	7.2
1/21/2010	7.3	7.69	7.25	7.64	127800	7.54
1/22/2010	7.62	7.97	7.42	7.84	109100	7.74
1/25/2010	7.84	8.45	7.61	8.38	186400	8.27
1/26/2010	8.22	8.48	7.95	8.27	207800	8.16
1/27/2010	8.29	8.29	7.86	8	88300	7.89
1/28/2010	8.14	8.18	7.85	7.91	166400	7.8
1/29/2010	8.02	8.07	7.61	7.84	136300	7.74
2/1/2010	7.93	8	7.76	7.86	29500	7.75
2/2/2010	7.76	7.83	7.63	7.78	91200	7.68
2/3/2010	7.75	8.22	7.75	8.11	142100	8
2/4/2010	8.01	8.13	7.75	7.83	93100	7.73
2/5/2010	7.79	8.04	7.6	7.67	132700	7.57
2/8/2010	7.63	8.1	7.63	7.91	81000	7.8
2/9/2010	8.07	8.18	7.93	8.11	86000	8
2/10/2010	8.11	8.17	7.93	8.13	51300	8.02
2/11/2010	8.18	8.34	8.06	8.32	68600	8.21
2/12/2010	8.27	8.52	8.13	8.52	127000	8.41
2/16/2010	8.5	10.2	8.5	10.01	659500	9.88
2/17/2010	10.01	11.28	9.9	11.13	629200	10.98
2/18/2010	11.13	11.66	10.81	11.61	337600	11.45
2/19/2010	11.47	12.18	11.31	11.85	469600	11.69
2/22/2010	11.94	12.26	11.31	11.71	296500	11.55
2/23/2010	11.74	11.9	11.28	11.49	223400	11.34
2/24/2010	11.5	12.24	11.45	12.01	258300	11.85
2/25/2010	12	12.67	11.61	12.56	210400	12.4
2/26/2010	12.58	14.18	12.58	13.69	630000	13.51
3/1/2010	13.75	14.97	13.75	14.9	489000	14.71
3/2/2010	15	15	13.31	13.7	496100	13.52
3/3/2010	13.7	13.9	12.47	12.7	704600	12.54
3/4/2010	12.76	13.4	12.46	13.25	270500	13.08
3/5/2010	13.41	13.91	13.1	13.55	175000	13.37
3/8/2010	13.5	13.74	13.26	13.32	83900	13.15

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
3/9/2010	13.23	13.35	12.94	13.13	114900	12.96
3/10/2010	13.2	13.34	12.36	12.53	237200	12.37
3/11/2010	12.53	13.19	12.13	12.91	138400	12.74
3/12/2010	13.05	13.65	12.94	13.41	206100	13.24
3/15/2010	13.59	14.69	13.42	14.22	347100	14.04
3/16/2010	14.14	14.34	13.69	14.15	191300	13.97
3/17/2010	14.3	15.9	14.3	15.72	587300	15.52
3/18/2010	15.89	15.99	15.2	15.8	231300	15.6
3/19/2010	15.8	16.15	15.38	15.64	264100	15.44
3/22/2010	15.5	17.07	15.44	17.03	445700	16.81
3/23/2010	17.34	18.29	17.34	17.86	407600	17.63
3/24/2010	17.85	18.19	17.3	17.77	223000	17.54
3/25/2010	17.89	18.25	16.91	17.24	319600	17.02
3/26/2010	17.56	17.8	17.13	17.31	230000	17.09
3/29/2010	17.57	18.68	17.41	18.55	336600	18.31
3/30/2010	18.81	18.96	18.05	18.55	339100	18.31
3/31/2010	18.54	18.67	18.06	18.15	251500	17.91
4/1/2010	18.15	19.74	18.06	19.62	472300	19.37
4/5/2010	19.74	19.95	18.8	19.57	469600	19.32
4/6/2010	19.6	20.36	19.36	20.35	347900	20.09
4/7/2010	19.82	20.19	14.27	14.51	4515400	14.32
4/8/2010	15.34	16.42	13.35	13.77	2685900	13.59
4/9/2010	13.89	14.39	12.57	14.2	2036900	14.02
4/12/2010	14.11	14.65	13.8	13.82	760800	13.64
4/13/2010	12.98	13.32	12.63	12.93	741400	12.76
4/14/2010	12.83	13.86	12.36	13.69	686000	13.51
4/15/2010	13.24	13.69	12.9	13.3	324300	13.13
4/16/2010	13.22	13.48	12.8	13	282400	12.83
4/19/2010	12.76	13.14	12.3	12.7	276700	12.54
4/20/2010	12.78	12.95	12.5	12.68	216900	12.52
4/21/2010	12.65	13.49	12.48	13.38	345300	13.21
4/22/2010	13.16	13.5	13.15	13.3	244600	13.13
4/23/2010	13.26	13.42	12.9	13.27	131900	13.1
4/26/2010	13.28	14.55	13.28	14.33	432200	14.14
4/27/2010	14.39	14.45	13.35	13.36	277000	13.19
4/28/2010	13.33	13.7	12.95	12.95	234200	12.78
4/29/2010	13.1	13.38	12.95	13.14	199800	12.97
4/30/2010	13.31	13.55	13.05	13.1	134900	12.93
5/3/2010	13.29	13.73	13.06	13.51	129700	13.33
5/4/2010	13.2	13.45	12.95	13.01	133100	12.84
5/5/2010	12.95	12.98	11.32	12.48	436000	12.32
5/6/2010	12.44	12.6	10.28	11.2	529300	11.05
5/7/2010	11.32	12	10.6	10.91	281200	10.77
5/10/2010	11.64	12.33	11.13	11.31	242200	11.16
5/11/2010	11.01	12.16	11.01	11.91	119600	11.76
5/12/2010	12.38	12.6	11.91	12.11	146900	11.95
5/13/2010	12.06	12.67	12.05	12.4	99600	12.24
5/14/2010	12.15	12.15	11.6	11.78	103300	11.63
5/17/2010	11.68	11.8	10.77	11.34	171900	11.19
5/18/2010	11.51	11.51	9.85	10.13	287000	10
5/19/2010	10.03	10.04	8.95	9.3	540700	9.18
5/20/2010	9	9.75	8.69	9.65	505400	9.52
5/21/2010	9.52	10.76	9.35	10.43	210300	10.29
5/24/2010	10.33	10.52	10.01	10.01	160100	9.88

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
5/25/2010	9.47	10.45	9.06	10.36	193900	10.23
5/26/2010	10.47	11.12	10.11	10.85	168400	10.71
5/27/2010	11.2	12.25	11.2	11.89	216600	11.74
5/28/2010	11.99	12.86	11.8	12.1	265000	11.95
6/1/2010	11.71	12.08	11.3	11.31	219200	11.17
6/2/2010	11.48	12.04	11.25	12.02	136000	11.87
6/3/2010	12.03	12.62	11.4	12.12	194100	11.97
6/4/2010	11.78	12.37	11.7	12.12	178700	11.97
6/7/2010	12.16	12.29	11.3	11.43	210400	11.29
6/8/2010	11.57	11.59	10.58	10.88	175700	10.74
6/9/2010	10.97	11.8	10.83	11.21	127700	11.07
6/10/2010	11.53	12.05	11.47	11.87	116700	11.72
6/11/2010	11.72	13.5	11.64	13.47	300600	13.3
6/14/2010	13.65	14.18	13.59	13.75	282900	13.58
6/15/2010	14	14.1	13.41	14.08	154700	13.9
6/16/2010	13.98	14.5	13.81	14.22	160500	14.04
6/17/2010	14.24	14.8	14.22	14.69	242300	14.51
6/18/2010	14.7	14.94	13.56	13.66	224300	13.49
6/21/2010	13.91	13.91	12.7	13.07	272800	12.91
6/22/2010	13.07	13.51	12.6	12.73	204500	12.57
6/23/2010	12.67	13.03	12.11	12.17	245700	12.02
6/24/2010	12.32	12.67	12.01	12.09	272000	11.94
6/25/2010	12.3	12.63	11.5	12.54	2816400	12.38
6/28/2010	11.52	11.8	10.8	10.88	496300	10.74
6/29/2010	10.51	10.64	9.84	9.95	431300	9.83
6/30/2010	9.96	10.29	9.78	9.86	352000	9.74
7/1/2010	9.91	9.98	9.23	9.78	299600	9.66
7/2/2010	9.86	9.94	9.2	9.31	235100	9.19
7/6/2010	9.49	9.97	9.2	9.22	261500	9.1
7/7/2010	9.21	9.87	9.12	9.81	254600	9.69
7/8/2010	9.87	10.07	9.19	9.72	264900	9.6
7/9/2010	9.67	10.07	9.6	9.95	159800	9.83
7/12/2010	9.98	9.98	9.22	9.42	318300	9.3
7/13/2010	9.57	9.92	9.37	9.66	271200	9.54
7/14/2010	9.6	9.61	9.26	9.32	157000	9.2
7/15/2010	9.36	9.38	8.81	9.34	217600	9.22
7/16/2010	9.29	9.46	9.03	9.09	231900	8.98
7/19/2010	9.15	9.15	8.55	8.73	308100	8.62
7/20/2010	8.55	8.68	8.2	8.5	373900	8.39
7/21/2010	8.65	8.94	8.4	8.55	206800	8.44
7/22/2010	8.71	9.09	8.59	9.03	166400	8.92
7/23/2010	8.95	9.46	8.81	9.34	163200	9.22
7/26/2010	9.48	9.48	9.01	9.41	192000	9.29
7/27/2010	9.6	9.67	9.14	9.44	174700	9.32
7/28/2010	9.5	10.45	9.3	10.16	327300	10.03
7/29/2010	10.16	10.41	9.5	10	228800	9.88
7/30/2010	9.85	10.93	9.8	10.73	305400	10.6
8/2/2010	10.96	11.21	10.45	10.55	351900	10.42
8/3/2010	10.53	11.05	10.43	10.79	127900	10.66
8/4/2010	10.89	11.09	10.5	10.95	138700	10.81
8/5/2010	11	11.14	10.9	10.99	107700	10.85
8/6/2010	10.95	10.95	9.65	10.58	252000	10.45
8/9/2010	10.67	10.75	10.38	10.5	161000	10.37
8/10/2010	10.4	10.51	9.91	10.02	318000	9.89

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
8/11/2010	9.82	9.98	9.37	9.41	180900	9.29
8/12/2010	9.3	9.3	9	9.04	204300	8.93
8/13/2010	9.12	9.12	8.68	8.87	243700	8.76
8/16/2010	8.2	10.29	6.01	10.2	496400	10.07
8/17/2010	10.36	10.75	10.04	10.53	397000	10.4
8/18/2010	10.49	10.67	10.21	10.59	164200	10.46
8/19/2010	10.53	10.63	9.3	9.44	380300	9.32
8/20/2010	9.36	9.66	9.1	9.53	216800	9.41
8/23/2010	9.61	9.78	9.24	9.25	116800	9.13
8/24/2010	9	9.12	8.84	8.89	206400	8.78
8/25/2010	8.84	9	8.65	8.93	126100	8.82
8/26/2010	9	9.1	8.73	8.75	117500	8.64
8/27/2010	9.02	9.6	8.66	9.59	217600	9.47
8/30/2010	9.47	9.72	9.22	9.3	109700	9.18
8/31/2010	9.25	9.56	9	9	106600	8.89
9/1/2010	9.19	9.62	9.19	9.37	158100	9.26
9/2/2010	9.38	9.45	9.22	9.38	132800	9.27
9/3/2010	9.49	9.88	9.49	9.82	227100	9.7
9/7/2010	9.8	9.8	9.2	9.3	119900	9.19
9/8/2010	9.33	9.5	9.14	9.19	114300	9.08
9/9/2010	9.37	9.53	9.3	9.48	111100	9.37
9/10/2010	9.54	9.97	9.5	9.77	135300	9.65
9/13/2010	9.88	10.17	9.87	9.93	142000	9.81
9/14/2010	9.95	9.98	9.46	9.48	130000	9.37
9/15/2010	9.46	9.54	9.33	9.34	70200	9.23
9/16/2010	9.3	9.51	8.97	9.06	141900	8.95
9/17/2010	9.03	9.22	8.78	8.95	166000	8.84
9/20/2010	9.02	9.67	9.01	9.64	160500	9.52
9/21/2010	9.64	9.92	9.48	9.66	83600	9.54
9/22/2010	9.65	9.76	9.53	9.67	72900	9.55
9/23/2010	9.5	9.87	9.5	9.87	158200	9.75
9/24/2010	10	10.28	10	10.24	128800	10.12
9/27/2010	10.27	10.35	10.07	10.16	130800	10.04
9/28/2010	10.28	10.39	9.92	10.13	110900	10.01
9/29/2010	10.12	10.25	9.98	10.22	145900	10.1
9/30/2010	10.37	10.45	9.74	10	187100	9.88
10/1/2010	10.15	10.45	10.02	10.4	152700	10.28
10/4/2010	10.41	10.68	10.27	10.68	147900	10.55
10/5/2010	10.8	11.34	10.78	11.34	253200	11.2
10/6/2010	11.35	11.65	11.28	11.37	146400	11.23
10/7/2010	11.52	11.57	11.12	11.36	101000	11.22
10/8/2010	11.39	11.59	11.38	11.49	152300	11.35
10/11/2010	11.7	12.03	11.25	11.77	274100	11.63
10/12/2010	11.7	13.31	11.65	12.76	406500	12.61
10/13/2010	13.18	13.85	12.91	13.15	391600	12.99
10/14/2010	13.15	13.7	12.7	12.85	225500	12.7
10/15/2010	13.11	13.3	12.74	13	206900	12.84
10/18/2010	13.03	13.24	12.71	13.09	99900	12.93
10/19/2010	12.9	13.47	12.8	12.86	194600	12.71
10/20/2010	12.81	13.08	12.73	12.75	84900	12.6
10/21/2010	12.8	13.13	12.36	12.72	178300	12.57
10/22/2010	12.73	13	12.01	13	65000	12.84
10/25/2010	13.21	13.46	13.11	13.21	120200	13.05
10/26/2010	13.46	14.6	12.93	14.29	505900	14.12

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
10/27/2010	14.21	14.73	13.93	14.62	248500	14.45
10/28/2010	14.68	14.73	14.04	14.13	151700	13.96
10/29/2010	14.11	14.3	13.73	14.05	123900	13.88
11/1/2010	14.02	14.38	13.8	13.99	117000	13.82
11/2/2010	14.12	14.2	13.91	14.17	137300	14
11/3/2010	14.2	14.39	13.85	14.13	77400	13.96
11/4/2010	13.94	14.46	13.94	14.42	123600	14.25
11/5/2010	14.47	14.71	13.95	14.12	99000	13.95
11/8/2010	14.05	14.29	13.81	14.25	107900	14.08
11/9/2010	14.07	14.58	13.98	14.57	159800	14.4
11/10/2010	14.61	15.99	14.47	15.88	451500	15.69
11/11/2010	15.9	16.74	15.61	15.8	282500	15.61
11/12/2010	15.71	15.77	14.89	15	276400	14.82
11/15/2010	15.05	15.85	15.05	15.29	140200	15.11
11/16/2010	15.11	15.22	14.91	15	197100	14.82
11/17/2010	14.89	15.28	14.89	15.08	106300	14.9
11/18/2010	15.27	15.69	15.08	15.65	157300	15.46
11/19/2010	15.66	16.29	15.45	16.23	177800	16.04
11/22/2010	16.22	16.42	15.8	15.92	162600	15.73
11/23/2010	15.7	16.5	15.47	16.48	219500	16.28
11/24/2010	16.65	16.8	16.39	16.7	256200	16.5
11/26/2010	16.63	16.88	16.45	16.6	128100	16.4
11/29/2010	16.81	16.89	16.51	16.89	289400	16.69
11/30/2010	16.76	17.35	16.7	17.21	264500	17.01
12/1/2010	17.5	17.94	17.35	17.88	386500	17.67
12/2/2010	17.98	18.66	17.87	18.52	234300	18.3
12/3/2010	18.5	18.65	18.06	18.32	181200	18.11
12/6/2010	18.36	18.62	18.15	18.51	124500	18.29
12/7/2010	18.82	19.18	18.28	18.42	249200	18.21
12/8/2010	18.58	18.58	15.5	16.95	672400	16.75
12/9/2010	17.13	17.54	16.38	17.23	238800	17.03
12/10/2010	17.34	17.73	17.18	17.68	84500	17.47
12/13/2010	17.77	17.92	17.56	17.64	99900	17.43
12/14/2010	17.76	17.78	17.1	17.14	100700	16.94
12/15/2010	16.89	17.48	16.52	16.55	165700	16.55
12/16/2010	16.54	16.61	15.98	16.3	238700	16.3
12/17/2010	16.2	17.28	15.98	17.13	845600	17.13
12/20/2010	17.17	17.66	16.84	17.52	162800	17.52
12/21/2010	17.65	18.37	17.5	18.16	224400	18.16
12/22/2010	18.18	18.3	17.7	18.14	193700	18.14
12/23/2010	18.1	18.3	17.79	18.04	106700	18.04
12/27/2010	18.06	18.24	17.83	18.22	77500	18.22
12/28/2010	18.29	18.3	18.12	18.25	85400	18.25
12/29/2010	18.26	18.45	18.05	18.36	81200	18.36
12/30/2010	18.35	18.49	18.19	18.22	73200	18.22
12/31/2010	18.15	18.6	18.09	18.09	49000	18.09
1/3/2011	18.18	18.26	17.86	18.2	105000	18.2
1/4/2011	18.31	18.4	17.26	17.72	252000	17.72
1/5/2011	17.6	19.14	17.46	18.63	314400	18.63
1/6/2011	18.67	18.78	18	18.7	130500	18.7
1/7/2011	18.8	18.84	18.34	18.77	87700	18.77
1/10/2011	18.6	18.8	18.4	18.43	73500	18.43
1/11/2011	18.54	18.73	17.92	18.05	125000	18.05
1/12/2011	18.3	18.35	17.85	17.94	55400	17.94

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
1/13/2011	17.88	18.14	16.93	17.31	130000	17.31
1/14/2011	17.31	17.77	17.18	17.77	80900	17.77
1/18/2011	17.78	17.78	16.75	16.84	174000	16.84
1/19/2011	16.78	16.9	15.82	15.99	390900	15.99
1/20/2011	15.98	15.99	15.42	15.78	189700	15.78
1/21/2011	15.64	15.94	15.35	15.5	328800	15.5
1/24/2011	15.48	15.63	15.36	15.46	145600	15.46
1/25/2011	15.4	15.62	15.05	15.55	225200	15.55
1/26/2011	15.56	16.12	15.39	15.65	100200	15.65
1/27/2011	15.65	15.69	15.27	15.31	87100	15.31
1/28/2011	15.25	15.45	15.02	15.23	84800	15.23
1/31/2011	15.29	16	15.21	15.63	152100	15.63
2/1/2011	15.75	16.31	15.75	16.13	98800	16.13
2/2/2011	16.15	16.52	15.92	16.34	108700	16.34
2/3/2011	16.36	16.65	16.27	16.64	112600	16.64
2/4/2011	16.63	16.76	16.02	16.12	115800	16.12
2/7/2011	16.1	16.45	16.08	16.21	56000	16.21
2/8/2011	16.36	16.81	16.35	16.79	224800	16.79
2/9/2011	16.85	17	16.22	16.31	139100	16.31
2/10/2011	16.37	16.41	15.83	16.25	107700	16.25
2/11/2011	16.31	16.41	16.05	16.36	80100	16.36
2/14/2011	16.42	16.53	15.91	16.01	84800	16.01
2/15/2011	16.01	16.09	15.34	15.5	121200	15.5
2/16/2011	15.58	15.62	15.16	15.52	134600	15.52
2/17/2011	15.52	16.44	15.39	16.3	203300	16.3
2/18/2011	16.41	16.6	15.75	15.95	120000	15.95
2/22/2011	15.86	16.24	15.56	15.75	111200	15.75
2/23/2011	15.87	15.96	15.45	15.78	103200	15.78
2/24/2011	15.86	16.23	15.8	15.98	88900	15.98
2/25/2011	16.16	16.57	16.03	16.27	82500	16.27
2/28/2011	16.49	16.62	15.75	16.01	105300	16.01
3/1/2011	16.01	16.01	15	15.03	172200	15.03
3/2/2011	14.97	15.59	14.9	15.33	91200	15.33
3/3/2011	15.39	15.65	15.32	15.39	63500	15.39
3/4/2011	15.35	15.74	15.32	15.48	64400	15.48
3/7/2011	15.61	15.63	14.65	14.7	148400	14.7
3/8/2011	14.69	14.75	14.31	14.55	121800	14.55
3/9/2011	14.66	15.11	14.5	14.51	63100	14.51
3/10/2011	14.3	14.35	13.06	13.25	290600	13.25
3/11/2011	13.45	13.83	13.12	13.68	148200	13.68
3/14/2011	13.73	14.4	13.52	14.03	147100	14.03
3/15/2011	13.56	14.22	13.5	14.05	114600	14.05
3/16/2011	14.22	14.34	13.89	14.06	190300	14.06
3/17/2011	14.33	14.83	14.12	14.16	121300	14.16
3/18/2011	14.25	14.25	13.77	13.99	91600	13.99
3/21/2011	14.22	14.97	14.19	14.75	191700	14.75
3/22/2011	14.83	14.9	14.62	14.66	97800	14.66
3/23/2011	14.65	14.81	14.45	14.54	88800	14.54
3/24/2011	14.64	14.74	14.25	14.36	56500	14.36
3/25/2011	14.31	15.12	14.3	14.8	231500	14.8
3/28/2011	14.92	15.44	14.92	14.96	128700	14.96
3/29/2011	14.96	15.24	14.87	15.07	115900	15.07
3/30/2011	15.22	15.83	15.07	15.71	127100	15.71
3/31/2011	15.85	16.1	15.35	15.41	174400	15.41

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
4/1/2011	15.39	15.64	15.1	15.27	80800	15.27
4/4/2011	15.09	15.77	15.09	15.51	106800	15.51
4/5/2011	15.51	16.14	15.51	15.76	138900	15.76
4/6/2011	15.89	16.08	15.65	15.8	134500	15.8
4/7/2011	15.84	15.99	15.66	15.73	69200	15.73
4/8/2011	15.9	15.98	15.26	15.57	123600	15.57
4/11/2011	15.59	15.77	15.34	15.34	91000	15.34
4/12/2011	15.32	15.32	14.27	14.49	209200	14.49
4/13/2011	14.76	14.85	14.2	14.42	96500	14.42
4/14/2011	14.41	14.99	14.3	14.81	73700	14.81
4/15/2011	14.77	14.82	14.65	14.74	60900	14.74
4/18/2011	14.43	14.49	14.21	14.31	46600	14.31
4/19/2011	14.64	14.64	13.55	13.9	125700	13.9
4/20/2011	14.15	14.3	13.71	14.02	132200	14.02
4/21/2011	14.1	15.83	14.03	15.52	182200	15.52
4/25/2011	15.57	16.09	15.5	15.85	216400	15.85
4/26/2011	16	17.76	16	17.67	291800	17.67
4/27/2011	17.49	17.88	16.27	17.83	269400	17.83
4/28/2011	17.99	18	17.71	17.96	96000	17.96
4/29/2011	18.03	18.39	17.88	18.39	152000	18.39
5/2/2011	17.92	18.37	17.26	17.84	154000	17.84
5/3/2011	17.67	18.16	16.2	16.57	193800	16.57
5/4/2011	16.52	17.1	15.84	16.71	147000	16.71
5/5/2011	16.41	17.17	15.79	16	142100	16
5/6/2011	16.29	16.55	15.6	16.04	146600	16.04
5/9/2011	16.08	16.66	16.08	16.63	99300	16.63
5/10/2011	16.75	17.23	16.43	17.01	101500	17.01
5/11/2011	17.01	17.03	16.1	16.14	136100	16.14
5/12/2011	15.98	16.25	15.6	16.01	123300	16.01
5/13/2011	16.21	16.63	16.11	16.28	138100	16.28
5/16/2011	16.1	16.36	15.87	16.08	87000	16.08
5/17/2011	15.86	16.2	15.86	16.06	132000	16.06
5/18/2011	16.17	16.77	16.1	16.76	135200	16.76
5/19/2011	16.81	16.95	16.75	16.88	75500	16.88
5/20/2011	16.75	17.31	16.52	17.31	154200	17.31
5/23/2011	16.84	17.31	16.71	17.25	190200	17.25
5/24/2011	17.38	17.9	17	17.05	123000	17.05
5/25/2011	16.94	17.64	16.94	17.39	94200	17.39
5/26/2011	17.37	17.7	16.92	17.57	142000	17.57
5/27/2011	17.57	18.02	17.57	18.02	168700	18.02
5/31/2011	18.31	18.41	17.95	18.37	730200	18.37
6/1/2011	18.3	18.45	17.85	17.85	135100	17.85
6/2/2011	17.9	18.24	17.74	17.99	102000	17.99
6/3/2011	17.74	18.27	17.74	17.98	174200	17.98
6/6/2011	18.19	18.23	17.67	17.85	141300	17.85
6/7/2011	18.08	18.19	17.39	17.45	110300	17.45
6/8/2011	17.55	17.71	17.25	17.32	109000	17.32
6/9/2011	17.63	17.86	17.25	17.4	83300	17.4
6/10/2011	17.25	17.54	16.9	17.26	115900	17.26
6/13/2011	17.26	17.31	16	16.07	137500	16.07
6/14/2011	18.13	18.13	16.1	16.52	107700	16.52
6/15/2011	16.15	16.43	15.65	15.93	132500	15.93
6/16/2011	16.37	16.61	15.68	16.03	112400	16.03
6/17/2011	16.17	16.25	15.02	15.28	187800	15.28

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
6/20/2011	15.2	15.63	15.15	15.31	130900	15.31
6/21/2011	15.49	15.56	15.12	15.32	99900	15.32
6/22/2011	15.25	16	15.25	15.58	104700	15.58
6/23/2011	15.28	15.83	14.95	15.74	94800	15.74
6/24/2011	15.76	16.04	15.66	15.93	263900	15.93
6/27/2011	16.31	16.95	16.13	16.94	174700	16.94
6/28/2011	17.22	18.15	17.03	17.93	283600	17.93
6/29/2011	18.03	18.08	17.61	17.97	98800	17.97
6/30/2011	18	18.25	17.94	18.13	131900	18.13
7/1/2011	18.05	18.21	17.65	17.9	147700	17.9
7/5/2011	18.12	19.23	17.82	19.23	211600	19.23
7/6/2011	18.81	20.45	18.81	20.44	427500	20.44
7/7/2011	20.63	20.9	19.62	19.85	274500	19.85
7/8/2011	19.71	19.81	18.8	19.27	186300	19.27
7/11/2011	19.27	19.39	18.9	19.01	122400	19.01
7/12/2011	18.86	19	18.66	18.68	77400	18.68
7/13/2011	18.82	19.3	18.82	19.12	158400	19.12
7/14/2011	19.2	19.34	18.66	19.18	118800	19.18
7/15/2011	19.35	19.73	19.2	19.5	160600	19.5
7/18/2011	19.76	20.41	19.08	19.62	395500	19.62
7/19/2011	19.73	19.87	18.64	18.84	257600	18.84
7/20/2011	18.9	18.92	17.25	17.39	225500	17.39
7/21/2011	17.64	18.04	17.08	17.16	162800	17.16
7/22/2011	17.2	17.56	17.04	17.37	69900	17.37
7/25/2011	17.34	17.55	17	17.03	132600	17.03
7/26/2011	17.01	17.2	16.87	17.17	124500	17.17
7/27/2011	17	17.16	16.78	16.98	124400	16.98
7/28/2011	16.99	17.38	16.61	16.68	93000	16.68
7/29/2011	16.58	16.68	16.08	16.46	105600	16.46
8/1/2011	16.41	16.96	16.13	16.63	100500	16.63
8/2/2011	16.5	16.81	16.3	16.42	87300	16.42
8/3/2011	16.47	16.6	14.68	15	288400	15
8/4/2011	14.74	14.75	13.51	13.71	455100	13.71
8/5/2011	13.4	13.95	12.5	13.31	347300	13.31
8/8/2011	12.75	13.51	12.5	12.8	332500	12.8
8/9/2011	13.27	15.23	12.8	15.13	340500	15.13
8/10/2011	14.75	14.75	13.57	13.94	231400	13.94
8/11/2011	13.99	14.71	13.34	14.43	164800	14.43
8/12/2011	14.68	14.68	13.92	14.04	138300	14.04
8/15/2011	14.44	14.87	14.1	14.87	98500	14.87
8/16/2011	14.82	14.92	14.22	14.26	97100	14.26
8/17/2011	14.5	14.85	13.97	14.55	100100	14.55
8/18/2011	14.01	14.5	13.76	13.88	200300	13.88
8/19/2011	14.01	15.23	13.64	13.9	188000	13.9
8/22/2011	14.38	14.5	12.81	13.5	165700	13.5
8/23/2011	13.67	14.15	13.28	14.07	145100	14.07
8/24/2011	13.99	14.5	13.69	14.29	72400	14.29
8/25/2011	14.44	14.44	13.48	13.48	93500	13.48
8/26/2011	13.37	14.02	13.1	13.93	88200	13.93
8/29/2011	14.26	14.88	14.26	14.82	148300	14.82
8/30/2011	14.94	16	14.7	15.59	133200	15.59
8/31/2011	15.7	17.21	15.7	17.21	238400	17.21
9/1/2011	17.19	19.42	16.93	19.31	523000	19.31
9/2/2011	18.77	19.54	18.02	18.15	400200	18.15

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
9/6/2011	17.68	18.93	16.91	18.15	411400	18.15
9/7/2011	18.53	19.46	18.48	19.37	305600	19.37
9/8/2011	19.3	19.67	18.71	18.84	177800	18.84
9/9/2011	18.55	19	18.04	18.33	169800	18.33
9/12/2011	18.64	19.37	17.98	19.32	191000	19.32
9/13/2011	19.37	19.9	18.86	19.78	180100	19.78
9/14/2011	20	20.19	19.1	19.29	214600	19.29
9/15/2011	19.61	19.61	17.98	18.4	236600	18.4
9/16/2011	18.53	18.8	17.41	17.55	282500	17.55
9/19/2011	17.06	17.89	16.36	16.91	275400	16.91
9/20/2011	17.15	17.35	16.37	16.51	172600	16.51
9/21/2011	16.46	16.6	15.43	15.47	165600	15.47
9/22/2011	14.79	15.3	14.35	14.55	196500	14.55
9/23/2011	14.55	14.71	14.01	14.39	124600	14.39
9/26/2011	14.75	14.75	14	14.5	153500	14.5
9/27/2011	14.85	15.45	14.84	15.08	235400	15.08
9/28/2011	15.22	15.43	14.27	14.27	137500	14.27
9/29/2011	14.76	15.16	13	13.33	296400	13.33
9/30/2011	13.06	14	13.01	13.76	227400	13.76
10/3/2011	13.63	14.15	12.92	13.15	175400	13.15
10/4/2011	13	15.27	12.7	15.25	305300	15.25
10/5/2011	15	15.6	14.05	14.96	196500	14.96
10/6/2011	14.92	15.32	14.71	15.17	159000	15.17
10/7/2011	15.07	15.26	14.06	14.27	137300	14.27
10/10/2011	14.54	15.85	14.54	15.03	202300	15.03
10/11/2011	14.85	15.57	14.85	15.57	166600	15.57
10/12/2011	15.79	15.87	15.27	15.63	171500	15.63
10/13/2011	15.64	16.49	15.35	16.05	117900	16.05
10/14/2011	16.35	16.54	16.05	16.37	99400	16.37
10/17/2011	16.3	16.62	16.2	16.32	114400	16.32
10/18/2011	16.4	16.73	15.96	16.52	164200	16.52
10/19/2011	16.38	16.99	15.94	15.97	158000	15.97
10/20/2011	15.75	16.14	15.35	15.5	223100	15.5
10/21/2011	15.88	15.96	15.41	15.44	106100	15.44
10/24/2011	15.61	16.38	15.58	16.18	136500	16.18
10/25/2011	16	16.15	15.51	15.7	112700	15.7
10/26/2011	16.02	16.3	15.31	15.87	107900	15.87
10/27/2011	16.44	16.9	16.01	16.9	213900	16.9
10/28/2011	16.29	17.05	15.76	16.49	137700	16.49
10/31/2011	16.25	16.49	15.65	15.66	55700	15.66
11/1/2011	15.05	15.93	15.05	15.16	133200	15.16
11/2/2011	15.73	16.44	15.31	16.35	115400	16.35
11/3/2011	16.68	16.76	15.81	16.57	118000	16.57
11/4/2011	16.35	16.52	16.12	16.23	38600	16.23
11/7/2011	16.26	16.5	15.78	16.21	62700	16.21
11/8/2011	16.33	16.48	15.68	16.27	53500	16.27
11/9/2011	15.97	16.27	14.83	14.9	148400	14.9
11/10/2011	15.21	15.26	14.41	14.7	119900	14.7
11/11/2011	15.61	15.61	14.86	15.04	84500	15.04
11/14/2011	14.95	15.15	14.55	15.06	80700	15.06
11/15/2011	15	15.22	14.7	15.13	57500	15.13
11/16/2011	14.9	15.18	14.63	14.7	113000	14.7
11/17/2011	14.73	15.19	14.41	14.6	112800	14.6
11/18/2011	14.54	14.85	14.39	14.59	66000	14.59

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
11/21/2011	14.35	14.65	13.84	14.01	170100	14.01
11/22/2011	14	14.19	13.55	13.75	78600	13.75
11/23/2011	13.55	13.61	13.09	13.12	166600	13.12
11/25/2011	13.12	13.26	12.6	12.68	122800	12.68
11/28/2011	13.25	13.38	13.07	13.29	130300	13.29
11/29/2011	13.35	13.42	13	13.2	194500	13.2
11/30/2011	14.28	14.28	13.78	14.01	287300	14.01
12/1/2011	13.98	14.43	13.98	14.05	186200	14.05
12/2/2011	14.31	14.4	14.15	14.24	137600	14.24
12/5/2011	14.64	14.74	14.18	14.4	182800	14.4
12/6/2011	14.4	14.49	13.93	14.22	124000	14.22
12/7/2011	14.11	14.25	13.51	13.85	117400	13.85
12/8/2011	13.79	13.79	12.82	12.96	211500	12.96
12/9/2011	12.95	13.75	12.95	13.54	99900	13.54
12/12/2011	13.3	13.39	13.05	13.35	126900	13.35
12/13/2011	13.5	13.8	12.72	13.09	98500	13.09
12/14/2011	12.93	12.98	12.39	12.41	135600	12.41
12/15/2011	12.67	12.82	11.86	11.96	210000	11.96
12/16/2011	12.15	12.24	11.67	11.8	232000	11.8
12/19/2011	11.93	11.96	11.28	11.39	234700	11.39
12/20/2011	11.78	12.05	11.6	12.04	217700	12.04
12/21/2011	12	12.21	10.06	11.41	486600	11.41
12/22/2011	11.51	12.1	11.26	11.63	192500	11.63
12/23/2011	11.72	11.73	11.47	11.64	39000	11.64
12/27/2011	11.55	11.8	11.3	11.67	76300	11.67
12/28/2011	11.69	11.69	11.36	11.45	49900	11.45
12/29/2011	11.5	11.95	11.46	11.87	69600	11.87
12/30/2011	11.89	12.3	11.74	12.19	108300	12.19
1/3/2012	12.63	12.76	12.12	12.24	186000	12.24
1/4/2012	12.24	12.29	11.85	12.02	84900	12.02
1/5/2012	11.98	13.09	11.62	12.89	304200	12.89
1/6/2012	12.94	13.16	12.75	12.78	146200	12.78
1/9/2012	13.15	14.69	13.15	14.13	309700	14.13
1/10/2012	14.09	14.5	14.03	14.34	262300	14.34
1/11/2012	14.39	14.73	14.21	14.25	114400	14.25
1/12/2012	14.3	14.41	13.45	13.67	170400	13.67
1/13/2012	13.51	13.62	13.08	13.09	149500	13.09
1/17/2012	13.46	13.46	12.4	12.47	193700	12.47
1/18/2012	12.5	13.38	12.4	13.28	169000	13.28
1/19/2012	13.41	13.52	13.22	13.36	165200	13.36
1/20/2012	13.4	13.43	13.19	13.34	158600	13.34
1/23/2012	13.43	13.45	13.26	13.35	180600	13.35
1/24/2012	13.23	13.43	13.1	13.29	135500	13.29
1/25/2012	13.3	13.39	13.04	13.3	174200	13.3
1/26/2012	13.35	13.35	12.68	12.77	173300	12.77
1/27/2012	12.75	12.77	12.18	12.7	223600	12.7
1/30/2012	12.49	12.67	12.22	12.45	171800	12.45
1/31/2012	12.42	12.62	12.25	12.35	135500	12.35
2/1/2012	12.54	12.9	12.3	12.76	159500	12.76
2/2/2012	12.73	13.4	12.71	13	133400	13
2/3/2012	13.27	13.5	13.1	13.28	217800	13.28
2/6/2012	13.19	13.3	13	13.13	97100	13.13
2/7/2012	13.14	13.37	12.88	13.34	194700	13.34
2/8/2012	13.4	13.4	13.06	13.17	130000	13.17

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
2/9/2012	12.94	13.22	12.79	12.93	221000	12.93
2/10/2012	12.74	12.87	12.5	12.53	93800	12.53
2/13/2012	12.91	13.04	12.67	12.98	101700	12.98
2/14/2012	13.26	13.26	12.71	12.93	83800	12.93
2/15/2012	12.96	12.97	12.56	12.65	122700	12.65
2/16/2012	12.7	13.05	12.65	12.9	112400	12.9
2/17/2012	13	13	12.59	12.84	113200	12.84
2/21/2012	12.91	13.13	12.38	12.51	104800	12.51
2/22/2012	12.52	12.66	11.96	12	170700	12
2/23/2012	12.07	12.15	11.58	11.97	192900	11.97
2/24/2012	11.73	12.09	11.72	11.82	221000	11.82
2/27/2012	11.71	11.75	11.4	11.48	160300	11.48
2/28/2012	11.58	11.7	10.98	11.01	309900	11.01
2/29/2012	11.17	11.5	10.75	10.84	281500	10.84
3/1/2012	10.97	11.2	6.55	7	5672500	7
3/2/2012	7.49	7.66	7	7.22	2480800	7.22
3/5/2012	7.12	7.28	6.82	6.88	583800	6.88
3/6/2012	6.74	6.8	6.5	6.52	697100	6.52
3/7/2012	6.57	6.75	6.52	6.65	344400	6.65
3/8/2012	6.51	6.77	5.93	6.21	970000	6.21
3/9/2012	6.18	6.47	6.15	6.42	518400	6.42
3/12/2012	6.5	6.52	6.08	6.19	489900	6.19
3/13/2012	6.28	6.29	6.09	6.24	369300	6.24
3/14/2012	6.24	6.27	5.96	5.96	484600	5.96
3/15/2012	5.99	5.99	5.25	5.42	1162800	5.42
3/16/2012	5.34	7.35	5.27	6.97	3569800	6.97
3/19/2012	6.91	6.92	6.22	6.3	1026300	6.3
3/20/2012	6.26	6.33	5.98	6.04	476700	6.04
3/21/2012	6.02	6.32	5.77	5.85	784200	5.85
3/22/2012	5.8	5.86	5.38	5.49	513200	5.49
3/23/2012	5.51	5.74	5.45	5.55	557900	5.55
3/26/2012	5.61	5.68	5.52	5.64	325500	5.64
3/27/2012	5.67	6.25	5.5	5.7	1161300	5.7
3/28/2012	5.72	5.73	5.27	5.3	483400	5.3
3/29/2012	5.3	5.3	5.02	5.18	502600	5.18
3/30/2012	5.21	5.27	5.04	5.22	485200	5.22
4/2/2012	5.22	5.3	5	5.07	406700	5.07
4/3/2012	5.07	5.14	4.73	4.78	476300	4.78
4/4/2012	4.71	5.35	4.26	4.67	1688100	4.67
4/5/2012	4.67	4.82	4.21	4.21	612300	4.21
4/9/2012	4.1	4.31	4.02	4.06	417900	4.06
4/10/2012	4.08	4.15	3.6	3.67	596200	3.67
4/11/2012	3.72	4.1	3.55	4.04	690600	4.04
4/12/2012	4.05	4.2	3.85	3.97	547800	3.97
4/13/2012	3.89	3.93	3.72	3.72	291800	3.72
4/16/2012	3.76	3.9	3.57	3.63	244900	3.63
4/17/2012	3.71	3.78	3.64	3.78	222400	3.78
4/18/2012	3.78	3.78	3.44	3.49	505400	3.49
4/19/2012	2.23	2.52	1.96	2.25	3034900	2.25
4/20/2012	2.3	2.3	1.87	1.91	1174600	1.91
4/23/2012	1.85	1.85	1.71	1.79	503300	1.79
4/24/2012	1.81	1.93	1.58	1.63	1122300	1.63
4/25/2012	1.68	1.82	1.5	1.8	917000	1.8
4/26/2012	1.83	2.53	1.8	2.43	3289700	2.43

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
4/27/2012	2.63	3.02	2.49	2.62	3917500	2.62
4/30/2012	2.56	2.56	2.15	2.31	1070400	2.31
5/1/2012	2.32	2.44	2.04	2.38	1049900	2.38
5/2/2012	2.37	2.38	2.2	2.23	362000	2.23
5/3/2012	1.96	1.98	1.55	1.93	4126000	1.93
5/4/2012	2	2.05	1.85	1.85	1241400	1.85
5/7/2012	1.83	1.91	1.76	1.78	558700	1.78
5/8/2012	1.78	1.78	1.64	1.66	717700	1.66
5/9/2012	1.66	1.68	1.6	1.64	460400	1.64
5/10/2012	1.68	1.87	1.66	1.74	975000	1.74
5/11/2012	1.78	1.82	1.62	1.64	536800	1.64
5/14/2012	1.64	1.64	1.53	1.54	479100	1.54
5/15/2012	1.58	1.81	1.54	1.6	932900	1.6
5/16/2012	1.65	1.8	1.6	1.61	1092400	1.61
5/17/2012	1.63	1.68	1.5	1.52	730700	1.52
5/18/2012	1.55	1.8	1.52	1.55	1510700	1.55
5/21/2012	1.59	1.66	1.56	1.63	594800	1.63
5/22/2012	1.62	1.67	1.54	1.55	578300	1.55
5/23/2012	1.54	1.59	1.51	1.53	482000	1.53
5/24/2012	1.55	1.74	1.53	1.72	1256800	1.72
5/25/2012	1.75	1.88	1.62	1.64	1834200	1.64
5/29/2012	1.68	1.79	1.66	1.67	688100	1.67
5/30/2012	1.69	1.69	1.6	1.61	405000	1.61
5/31/2012	1.62	1.64	1.55	1.55	940800	1.55
6/1/2012	1.5	1.61	1.45	1.54	833800	1.54
6/4/2012	1.54	1.58	1.47	1.5	356300	1.5
6/5/2012	1.52	1.54	1.47	1.48	275600	1.48
6/6/2012	1.55	1.65	1.5	1.63	832800	1.63
6/7/2012	1.7	1.72	1.56	1.62	404600	1.62
6/8/2012	1.61	1.66	1.59	1.64	303800	1.64
6/11/2012	1.67	1.77	1.64	1.65	889800	1.65
6/12/2012	1.67	1.68	1.56	1.58	415400	1.58
6/13/2012	1.63	1.64	1.53	1.53	350600	1.53
6/14/2012	1.51	1.64	1.48	1.57	406800	1.57
6/15/2012	1.57	1.58	1.5	1.51	500500	1.51
6/18/2012	1.5	1.56	1.48	1.5	416200	1.5
6/19/2012	1.51	1.59	1.49	1.52	494900	1.52
6/20/2012	1.53	1.57	1.5	1.52	285000	1.52
6/21/2012	1.54	1.54	1.36	1.42	692500	1.42
6/22/2012	1.45	1.5	1.41	1.47	2083200	1.47
6/25/2012	1.45	1.47	1.36	1.36	358000	1.36
6/26/2012	1.37	1.49	1.26	1.34	558200	1.34
6/27/2012	1.35	1.41	1.26	1.27	525800	1.27
6/28/2012	0.88	1.18	0.75	1.17	1574100	1.17
6/29/2012	1.21	1.23	1.08	1.12	628600	1.12
7/2/2012	1.15	1.18	1.13	1.18	228600	1.18
7/3/2012	1.18	1.65	1.12	1.47	642400	1.47
7/5/2012	1.41	1.51	1.12	1.22	1269900	1.22
7/6/2012	1.24	1.24	1.08	1.17	661900	1.17
7/9/2012	1.19	1.22	1.16	1.18	192000	1.18
7/10/2012	1.19	1.19	1.06	1.12	415400	1.12
7/11/2012	1.1	1.1	1.01	1.03	197200	1.03
7/12/2012	1.01	1.03	0.95	0.99	303800	0.99
7/13/2012	0.99	1.08	0.99	1	109600	1

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
7/16/2012	1.04	1.12	1.01	1.07	306900	1.07
7/17/2012	1.08	1.09	1.04	1.06	163700	1.06
7/18/2012	1.06	1.1	1.04	1.05	83400	1.05
7/19/2012	1.14	1.19	0.99	1.01	605100	1.01
7/20/2012	1.01	1.04	0.9	0.9	415600	0.9
7/23/2012	0.98	0.98	0.82	0.86	192900	0.86
7/24/2012	0.86	0.9	0.78	0.85	169600	0.85
7/25/2012	0.81	0.84	0.78	0.8	150900	0.8
7/26/2012	0.81	0.88	0.81	0.87	224800	0.87
7/27/2012	0.89	0.93	0.81	0.89	231500	0.89
7/30/2012	0.91	0.92	0.83	0.86	85900	0.86
7/31/2012	0.85	0.89	0.8	0.81	94800	0.81
8/1/2012	0.78	0.84	0.78	0.83	48200	0.83
8/2/2012	0.83	0.84	0.81	0.82	45600	0.82
8/3/2012	0.85	0.85	0.81	0.83	45800	0.83
8/6/2012	0.83	0.86	0.82	0.82	78500	0.82
8/7/2012	0.83	0.84	0.8	0.83	82600	0.83
8/8/2012	0.83	0.83	0.81	0.83	42500	0.83
8/9/2012	0.82	0.87	0.82	0.86	63200	0.86
8/10/2012	0.87	1.21	0.87	1.18	657600	1.18
8/13/2012	1.19	1.23	1.05	1.1	326000	1.1
8/14/2012	1.11	1.11	0.98	1.02	73300	1.02
8/15/2012	1.02	1.23	0.93	1.14	308700	1.14
8/16/2012	1.16	1.18	1.1	1.13	85200	1.13
8/17/2012	1.16	1.21	1.07	1.12	205500	1.12
8/20/2012	1.11	1.11	1.01	1.05	41200	1.05
8/21/2012	1.09	1.17	1.02	1.12	337600	1.12
8/22/2012	1.11	1.12	1.05	1.05	107200	1.05
8/23/2012	1.05	1.1	1.05	1.05	87700	1.05
8/24/2012	1.04	1.05	1.01	1.03	122400	1.03
8/27/2012	1.02	1.05	1	1.03	48300	1.03
8/28/2012	0.98	1.02	0.96	1	176100	1
8/29/2012	1.01	1.02	0.92	0.95	84600	0.95
8/30/2012	0.95	0.98	0.93	0.95	60400	0.95
8/31/2012	0.95	0.97	0.9	0.9	137000	0.9
9/4/2012	0.88	1.03	0.88	0.97	250300	0.97
9/5/2012	0.96	0.99	0.91	0.94	70500	0.94
9/6/2012	0.95	0.95	0.91	0.92	90800	0.92
9/7/2012	0.91	1	0.9	0.93	59600	0.93
9/10/2012	0.93	1.14	0.93	1.1	398100	1.1
9/11/2012	1.14	1.42	1.12	1.42	1200600	1.42
9/12/2012	1.45	1.57	1.26	1.28	1184400	1.28
9/13/2012	1.25	1.28	1.15	1.27	514900	1.27
9/14/2012	1.25	1.29	1.18	1.24	358200	1.24
9/17/2012	1.25	1.25	1.06	1.15	419500	1.15
9/18/2012	1.17	1.19	1.15	1.19	195400	1.19
9/19/2012	1.21	1.21	1.14	1.14	119700	1.14
9/20/2012	1.12	1.19	1.11	1.18	159500	1.18
9/21/2012	1.2	1.32	1.17	1.27	579600	1.27
9/24/2012	1.27	1.27	1.11	1.15	444500	1.15
9/25/2012	1.12	1.13	1.07	1.07	319500	1.07
9/26/2012	1.04	1.07	0.99	1	633000	1
9/27/2012	1.04	1.06	0.93	0.96	596600	0.96
9/28/2012	0.94	0.94	0.89	0.9	675000	0.9

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
10/1/2012	0.77	1.06	0.63	0.63	6187300	0.63
10/2/2012	0.68	0.68	0.62	0.63	1940300	0.63
10/3/2012	0.64	0.66	0.58	0.6	1299400	0.6
10/4/2012	0.62	0.62	0.55	0.55	1623900	0.55
10/5/2012	0.56	0.61	0.55	0.58	1127900	0.58
10/8/2012	0.6	0.61	0.56	0.57	1857800	0.57
10/9/2012	0.57	0.57	0.46	0.47	3787300	0.47
10/10/2012	0.48	0.48	0.44	0.44	1977600	0.44
10/11/2012	0.47	0.52	0.42	0.48	1464900	0.48
10/12/2012	0.48	0.48	0.43	0.44	1254400	0.44
10/15/2012	0.45	0.45	0.4	0.41	1632500	0.41
10/16/2012	0.39	0.43	0.38	0.4	1353200	0.4
10/17/2012	0.41	0.45	0.39	0.45	1053400	0.45
10/18/2012	0.44	0.44	0.4	0.4	1098400	0.4
10/19/2012	0.42	0.42	0.39	0.4	685600	0.4
10/22/2012	0.4	0.45	0.39	0.43	1593600	0.43
10/23/2012	0.43	0.45	0.39	0.42	1525000	0.42
10/24/2012	0.43	0.44	0.4	0.41	1027900	0.41
10/25/2012	0.43	0.43	0.41	0.41	699500	0.41
10/26/2012	0.41	0.42	0.39	0.41	822900	0.41
10/31/2012	0.43	0.66	0.41	0.64	5902100	0.64
11/1/2012	0.68	0.75	0.55	0.61	5405000	0.61
11/2/2012	0.61	0.61	0.48	0.57	1887800	0.57
11/5/2012	0.58	0.64	0.5	0.58	1805300	0.58
11/6/2012	0.59	0.62	0.53	0.55	938300	0.55
11/7/2012	0.55	0.57	0.53	0.55	450800	0.55
11/8/2012	0.56	0.63	0.54	0.56	1138000	0.56
11/9/2012	0.54	0.6	0.54	0.57	1081900	0.57
11/12/2012	0.55	0.56	0.47	0.47	885800	0.47
11/13/2012	0.55	0.55	0.48	0.5	665900	0.5
11/14/2012	0.5	0.52	0.48	0.49	374800	0.49
11/15/2012	0.5	0.52	0.47	0.49	188100	0.49
11/16/2012	0.51	0.52	0.47	0.47	371600	0.47
11/19/2012	0.5	0.52	0.47	0.5	274600	0.5
11/20/2012	0.51	0.52	0.48	0.51	301100	0.51
11/21/2012	0.52	0.52	0.49	0.5	418400	0.5
11/23/2012	0.52	0.52	0.5	0.51	60300	0.51
11/26/2012	0.51	0.62	0.5	0.59	1474900	0.59
11/27/2012	0.59	0.59	0.52	0.54	478700	0.54
11/28/2012	0.57	0.57	0.52	0.55	307500	0.55
11/29/2012	0.55	0.57	0.53	0.57	212100	0.57
11/30/2012	0.52	0.62	0.52	0.56	1543100	0.56
12/3/2012	0.59	0.6	0.55	0.57	363300	0.57
12/4/2012	0.57	0.61	0.56	0.56	334600	0.56
12/5/2012	0.57	0.58	0.55	0.55	379700	0.55
12/6/2012	0.57	0.57	0.54	0.54	121600	0.54
12/7/2012	0.54	0.56	0.53	0.54	225600	0.54
12/10/2012	0.58	0.58	0.52	0.54	1115400	0.54
12/11/2012	0.24	0.24	0.21	0.23	6615500	0.23
12/12/2012	0.24	0.24	0.2	0.22	3942400	0.22
12/13/2012	0.21	0.22	0.19	0.22	1631500	0.22
12/14/2012	0.21	0.22	0.21	0.21	911100	0.21
12/17/2012	0.21	0.26	0.2	0.23	3864300	0.23
12/18/2012	0.25	0.25	0.21	0.22	1326600	0.22

Houston American Energy Corp. Historical Stock Prices - Yahoo! Finance
(October 1, 2009 to December 31, 2012)

Date	Open	High	Low	Close	Volume	Adj Close
12/19/2012	0.22	0.22	0.21	0.22	1068400	0.22
12/20/2012	0.22	0.23	0.21	0.22	801400	0.22
12/21/2012	0.22	0.22	0.21	0.21	516900	0.21
12/24/2012	0.21	0.21	0.21	0.21	182600	0.21
12/26/2012	0.2	0.22	0.2	0.21	750700	0.21
12/27/2012	0.21	0.21	0.21	0.21	575000	0.21
12/28/2012	0.21	0.22	0.2	0.21	377900	0.21
12/31/2012	0.21	0.22	0.21	0.22	547500	0.22

EXHIBIT 38

CONFIDENTIAL
CONTAINS INFORMATION SUBJECT TO THE PROTECTIVE ORDERS IN ADMINISTRATIVE PROCEEDING FILE NO. 3-16000

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

HOUSTON AMERICAN ENERGY CORP., JOHN F. TERWILLIGER, JR., UNDISCOVERED EQUITIES INC., and KEVIN T. McKNIGHT

Respondents.

REPORT

OF

LUCY P. ALLEN

November 21, 2014

TABLE OF CONTENTS

I. Scope of Assignment

1. I have been asked by Counsel for Houston American Energy Corp. ("Houston American," "HUSA," or "the Company") to analyze the materiality of statements attributable to Houston American and John Terwilliger that the Securities and Exchange Commission ("SEC") alleges to be materially false and misleading, as detailed in the SEC's Order Instituting Cease-and-Desist Proceeding Pursuant to Section 8A of the Securities Act of 1993 and 21C of the Securities Exchange Act of 1934 ("SEC OIP") and the Supplemental Appendix dated September 18, 2014.

II. Qualifications and Remuneration

A. Qualifications

2. I am a Senior Vice President of NERA Economic Consulting ("NERA") and member of NERA's Securities and Finance Practice. NERA provides practical economic advice related to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance, and litigation. It was established in 1961 and now employs approximately 500 people in more than 20 offices worldwide. NERA's Securities and Finance Practice, which performs research in securities and financial markets, dates from the early 1970s and employs a research staff of more than 100 professionals holding degrees in economics, finance, and mathematics. The practice group counts among its clients major securities exchanges, risk managers, principals needing valuation services, and parties in litigation.

3. I have an A.B. from Stanford University, an M.B.A. with a concentration in Finance and Accounting from Yale University, and M.A. and M. Phil. degrees in Economics, also from Yale University. Prior to joining NERA, I was an Economist for both President George H. W. Bush's and President Bill Clinton's Council of Economic Advisers, providing economic analysis on regulation and health care policy issues. In my 20 years at NERA, I have been engaged as an economic consultant or expert witness in numerous projects involving securities and financial economics. In the course of this work, I have analyzed the effect of information on the stock prices of over 100 companies. My resume with recent publications and testifying experience is included as Appendix A.

B. Remuneration

4. NERA is being compensated for the time spent by me and my team at standard billing rates and for out-of-pocket expenses at cost. NERA currently bills for my time at $725 per hour. NERA's fees are not in any way contingent upon the outcome of this matter.

III. Materials Considered

5. In preparing this report, we considered the following materials:

a) Order Instituting Cease-and-Desist Proceeding Pursuant to Section 8A of the Securities Act of 1993 and 21C of the Securities Exchange Act of 1934 dated August 4, 2014 ("SEC OIP");

b) SEC's Notice of Service of Supplemental Appendix dated September 18, 2014;

c) Analyst reports on Houston American and peer companies;

d) Houston American's and peer companies' filings with the SEC;

e) Press coverage on Houston American and peer companies from Factiva, Bloomberg and the SEC's website;

f) Stock price and volume data for Houston American, peer companies, and indices from FactSet Research Systems, Inc. and Bloomberg, L.P.;

g) Insider transaction data from Thomson Reuters;

h) Short interest data from Bloomberg, L.P.;

i) Institutional holdings data from FactSet Research Systems, Inc.;

j) Testimony and Testimony exhibits of William Doyle (11/8/2011), Michael Schmidt (11/15/2011), Timothy Arthurs (11/16/2011), Gregory Tuerk (11/16/2011), Philip McPherson (11/18/2011), Stephen Mathes (12/2/2011), Brandon Winkler (12/5/2011), John Terwilliger (3/14/2012), John Terwilliger (3/15/2012), James Jacobs (7/24/2012), John Terwilliger (1/29/2013), James Fluker, III (11/10/2014), Brett Hendrickson (11/12/2014), Gregory Tuerk (11/19/2014), David Snow (11/19/2014), Philip McPherson (11/20/2014);

k) "Bluesheet" data from spreadsheets: SEC-E-BLUESHEET-0000001 1100154 2009.10.15_2009.12.31.xls, SEC-E-BLUESHEET-0000002 1100154 2010.01.04_2010.03.14.xls, SEC-E-BLUESHEET-0000003 1100154 2010.03.15_2010.03.31.xls, SEC-E-BLUESHEET-0000004 1100154 2010.04.01_2010.04.07.xls, SEC-E-BLUESHEET-0000005 1100154 2010.04.08_2010.04.13.xls, SEC-E-BLUESHEET-0000006 1100154 2010.04.14_2010.04.30.xls, SEC-E-BLUESHEET-0000007 1100154

2010.05.01_2010.05.31.xls, SEC-E-BLUESHEET-0000008 1100154
2010.06.01_2010.06.30.xls, SEC-E-BLUESHEET-0000009 1100154
2010.07.01_2010.10.26.xls, SEC-E-BLUESHEET-0000010 1100154
2010.10.27_2010.11.23.xls, SEC-E-BLUESHEET-0000011 1101493
2011.05.23_2011.07.06.xls, SEC-E-BLUESHEET-0000012 31101493
2011.07.07_2011.08.09.xls, SEC-E-BLUESHEET-0000013 1101493
2011.08.10_2011.09.15.xls, SEC-E-BLUESHEET-0000014 1101493
2011.09.16_2011.09.21.xls, and SEC-E-BLUESHEET-0000015 1101502
2011.05.23_2011.09.22.xls;

l) Nokomis investor letters and transaction data from "HUSA trades from March 2008 to Sept 16, 2014.xlsx";

m) Columbia Wanger transaction history from "HUSA Trade History.pdf";

n) Affidavit of Brett Hendrickson dated May 30, 2012 and Affidavit of David Snow dated and May 1, 2013;

o) Global Hunter emails obtained from Counsel;

p) Emails on HUSA's December 2009 offering GRE00076191, GRE00076853, KBP00000014- KBP00000016, and KBP00000019-KBP00000021;

q) Financial documents for John Terwilliger and Orrie Lee Tawes: Morgan Stanley Smith Barney Bank Statements, March 31, 2010 to August 31, 2011 (SEC-MSSB-P-0000041 through SEC-MSSB-P-0000295), Morgan Stanley Smith Barney Statements for Account Number 428-2311C-18 029 (March 2012); share pledge documents of John Terwilliger marked HA569 through HA590, HA606, and February 2010 letter from Morgan Stanley Smith Barney to John Terwilliger; share pledge documents of Orrie Lee Tawes marked HA612 through HA625;

r) SEC guidelines for oil and gas producing activities reporting; and

s) Academic literature on finance and statistics.

IV. Background

A. Company Background

6. Houston American is an energy company with interests in oil and natural gas wells and prospects. The Company's oil and gas exploration and production activities are focused on properties in Colombia, Texas, and Louisiana.[1] On October 16, 2009, Houston American announced that it had finalized an agreement with S.K. Energy for a 25% interest in a

[1] See, for example, Houston American's Form 10-K filed March 26, 2010, p.3.

345,452 acre property located in in the Western Llanos Basin in Colombia known as the "CPO-4 block."[2]

B. SEC Allegations

7. The SEC alleges that during a period from late 2009 to early 2010 Houston American made "fraudulent statements and omissions" that materially inflated the value of the CPO-4 block and caused an increase in its stock price. In particular, the SEC alleges the Company fraudulently represented that the CPO-4 block contained "estimated recoverable reserves of 1 to 4 billion barrels" of oil, and that the oil was worth between $20 and $25 per barrel.[3]

8. According to the SEC, the statement that the CPO-4 block contained 1 to 4 billion barrels of "estimated recoverable reserves" was misleading not only because the multi-billion-barrel estimate was exaggerated and not supported by project-specific data but also because such an estimate did not refer to "discovered, commercially producible petroleum accumulations" and therefore was not a "reserve" but rather a "prospective resource."[4] Moreover, the SEC alleges that the Company's $20-$25 per barrel valuation was not based in fact because "it described a valuation for proved reserves, and there were no proved reserves on the CPO-4 block."[5]

9. In total, the SEC claims that there were 19 allegedly false and misleading statements that are "attributable to Houston American and John Terwilliger."[6] According to the SEC, these alleged misrepresentations were made between November 10, 2009 and February 15, 2010, as detailed in the table below. The first alleged misrepresentation was publicly disseminated to the market by Houston American in a November 10, 2009 investor presentation attached to a Form 8-K SEC filing. The other alleged misrepresentations are not alleged to be publicly disclosed by Houston American, but rather were statements made to individual investors or publicly disclosed by analysts.

---

2 "Houston American Energy Corp Announces Completion of New Farmout in Colombia," *PR Newswire*, October 16, 2009.

3 SEC OIP, ¶II.C.2.

4 SEC OIP, ¶¶II.C.13, 41, 45.

5 SEC OIP, ¶¶II.C.80, 85.

6 "Supplemental Appendix Statements Attributable to Houston American and John Terwilliger," dated September 18, 2014.

#	Date	Statement	Maker
1.	11/10/2009	"The CPO-4 block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels."	Houston American Investor Presentation in an 8-K filing
2.	11/20/2009	"[SK Energy] see[s] +100 closures on the block .... They think block has 3-4 bbls recoverable oil ... We say 1-5."	Terwilliger statement to William Doyle of Columbia Wanger
3.	11/24/2009	"SK found over 100 prospects on this block and they estimate mid-range recovery of 3.5b barrels. HUSA uses a range 1-5b."	Terwilliger statement to Brett Hendrickson of Nokomis
4.	11/24/2009	"600mm barrels x 25% would be $150MM put govt / royalty nets that to l00MM barrels net to HUSA CaraCara sold for $26/barrel in the ground / probably $100MM of cap ex (but had sold 5MM / barrels out) API 21-23"	Terwilliger statement to Brett Hendrickson of Nokomis
5.	12/31/2009	"SK Energy believes the CPO 4 Block has over 100 viable drilling locations with estimated recoverable reserves of 1-4 billion barrels."	Undiscovered Equities
6.	12/1/2009	"SK Energy has estimated potential of 3-5 Billion barrels of oil under this property .... I would like to lay out what this would mean to HUSA ... $4.725B/31MM shares out=~$200/share[1] to HUSA. The property currently has 2-D Seismic on it; and two exploratory wells have been drilled on the property." [1]Later versions of this email were "corrected" to show a $150/share value.	Global Hunter, emails to potential investors
7.	12/1/2009	"The key is the CPO 4 property .... The CEO truly believes the potential of the property is 3-5 billion barrels of oil but if we assume it's 1 billion barrels here's some quick math ... that's $195/share of value."	Global Hunter, emails to potential investors
8.	1/8/2010	"This is some internal SK work on the reserves. In this example they used 150 BO per acre foot recoveries and everyone in the Llanos used 500 BO per acre foot. If you adjust to accepted recoveries, this example is 500 divided by 150 or 3.33 x 974,000 or 3,243,420 BO recoverable. It is only from the attached 22 leads."	Memorandum from Terwilliger to Phil McPherson
9.	1/19/2010	"SK energy has identified 22 prospects with unrisked oil exposure of 1 billion barrels."	Global Hunter Research Report

#	Date	Statement	Maker
10.	1/19/2010	"[SK Energy] has found over 100 prospects. Thus far they have high graded 22 of those prospects which contain an estimated 1 billion barrels of unrisked oil potential."	Global Hunter Research Report
11.	1/19/2010	"SK Energy has identified the three primary hydrocarbon bearing sands on the CPO-4 block .... The company then places 150 barrels per acre foot as the amount of oil recoverable. It should be noted that these sands in other Llanos basin blocks typically have 500 barrels per acre foot. As a comparison Netherland Swell & Associates assigned 450 barrels per acre foot at the Capella heavy oil discovery."	Global Hunter Research Report
12.	1/25/2010	"SK Energy has identified 24 prospects that they believe contain 3-5 billion barrels of oil .... If SK Energy and Houston American find only 500m barrels on this property this would be a windfall for HUSA. 500m barrels ... equates to $2.5bil to HUSA ... or approximately $80/share.	Global Hunter, emails to potential investors
13.	2/2010	"100 targets, 3.5B recoverable, [SK Energy] say[s]." / "CPO-4 -- $20- 25/bbl in ground."/ "CPO-4 ... =$100/shr."	Terwilliger conversation with David Snow of Energy Equities, Inc.
14.	2/2010	"CPO-4: 8 + 31 % 1 B bbls 150 net vs 250 20 3B = $100/shr"	Terwilliger conversation with David Snow of Energy Equities, Inc.
15.	2/2010	"CPO-4 SK—up to 3 1/2 B bbls Vo: 105 wells, 70% 32-33% royal 1 B bbls, 150 net (not 250) x 20 = 3B/31 = 100/shr	Terwilliger conversation with David Snow of Energy Equities, Inc.
16.	2/15/2010	"Over 100 leads in total have been identified with 2D seismic, with estimated potential recover-able reserves of 1 to 4 billion barrels."	Energy Equities, Inc. Research Report
17.	2/15/2010	"A 1-4 billion bbl resource would thus be 157-635mm bbls net. In '09 Hepecol/HUSA sold a major field for $26/bbl. HUSA believes CPO-4 oil in the ground is worth $20-25/bbl .... Risked at HUSA's total 70% success rate to date, this is ... midpoint $168/share."	Energy Equities, Inc. Research Report

#	Date	Statement	Maker
18.	2/8/2010	150 barrels per acre foot used by SK Energy is "a silly number."	Terwilliger statement to William Doyle of Columbia Wanger
19.	2/8/2010	SK Energy's 974 million barrel estimate is based on just "22 prospects out of the 100."	Terwilliger statement to William Doyle of Columbia Wanger

10. The SEC claims that as a result of the Company's allegedly fraudulent statements, between November 2009 and April 2010, "Houston American's stock price increased from approximately $4.00 per share to $20.00 per share, and its market capitalization increased from less than $150 million to more than $600 million."[7] Moreover, the SEC implies that Mr. Terwilliger, the Company's President and CEO, inflated the stock price for his own financial gain.[8]

11. According to the SEC, "[i]n April 2010, two blog posts raised questions about the integrity of Houston American's management and the validity of its estimates," which caused the stock to "promptly" fall.[9]

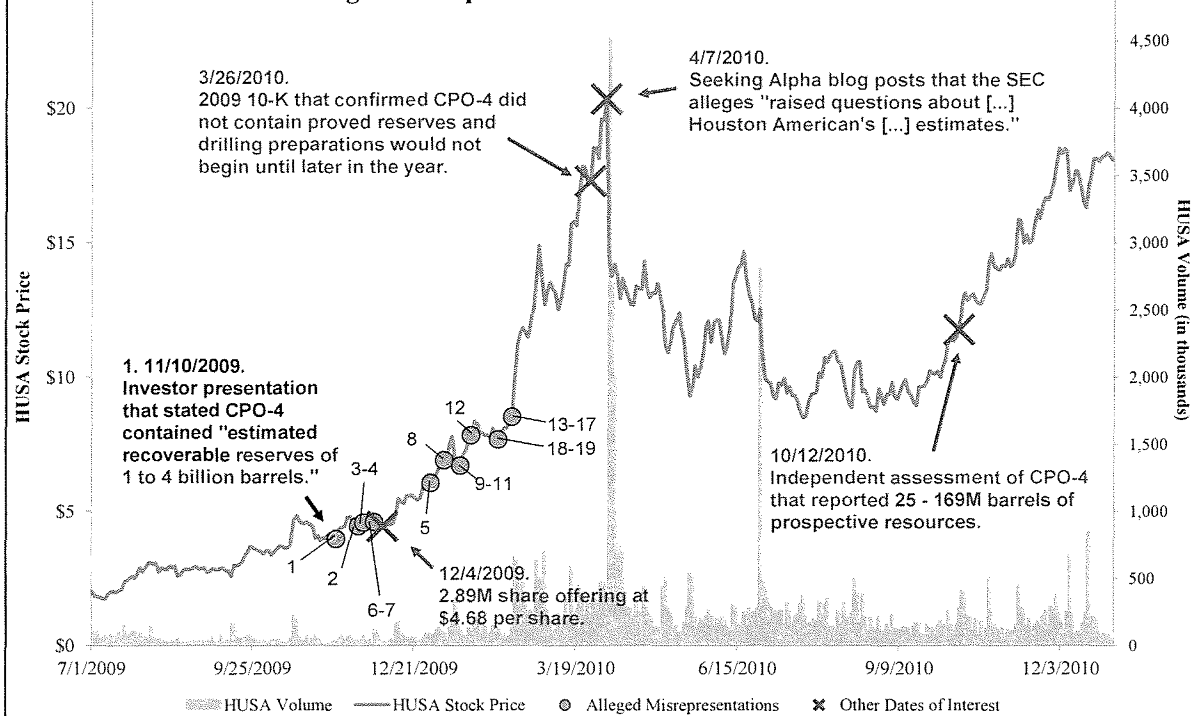
12. The chart below shows Houston American's stock price and summarizes the dates of the alleged misrepresentations and other dates of interest between July 2009 and December 2010.

7 SEC OIP, ¶II.C.6.

8 SEC OIP, ¶¶II.C.92-93.

9 SEC OIP, ¶II.C.88.

Houston American Stock Price and Volume
with Alleged Misrepresentations and Other Dates of Interest



Notes and Sources:
Price data from FactSet Research Systems, Inc.
Alleged misrepresentations from the SEC Supplemental Appendix.

V. MARKET EVIDENCE SHOWS THE STOCK PRICE RISE BETWEEN NOVEMBER 2009 AND APRIL 2010 WAS ATTRIBUTED TO PETROMINERALES' SUCCESS AT NEIGHBORING WELLS, NOT THE ALLEGED MISREPRESENTATIONS

13. The SEC implies that Houston American's stock price rise in early 2010 was due to the Company's allegedly false and misleading statements.[10] Contrary to the SEC's implications, market commentary provide no indication that Houston American's stock price rise from November 2009 to April 2010 was due to the alleged misrepresentations. Rather, analyst reports and news articles attributed Houston American's stock price rise during this period to the success Petrominerales, an oil exploration company, was having at wells neighboring the CPO-4 block. Market commentary also indicated that there was general enthusiasm and high expectation regarding the Colombian oil industry in this time period.

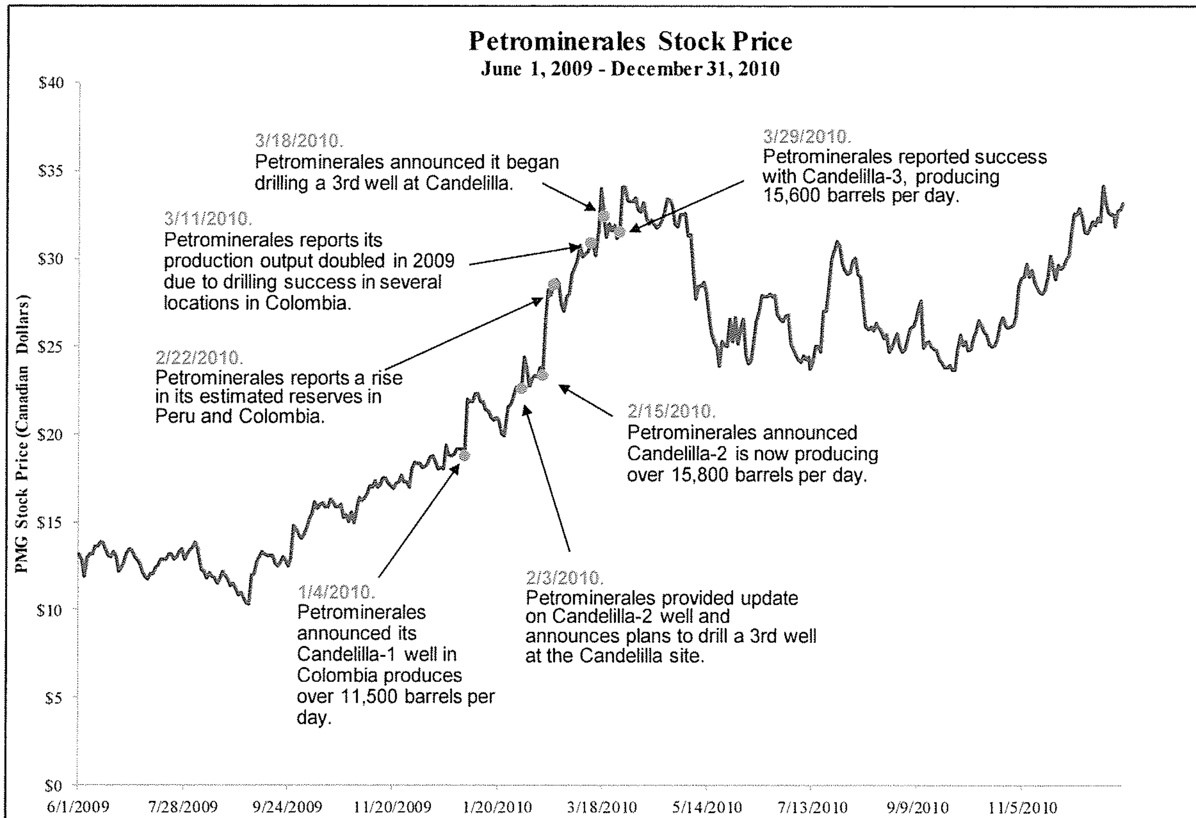
[10] See, for example, "In the course of Houston American's promotional efforts, the price of its common stock increased from close to $4 per share to more than $20 per share," SEC OIP, ¶II.C.88.

A. Analyst reports, news articles, and testimony attribute Houston American's stock price rise to success Petrominerales was having with wells neighboring CPO-4

14. In January 2010, Petrominerales, an oil exploration and production company, began issuing updates on its Candelilla wells, which neighbored the CPO-4 block. As shown in the chart below, many of these announcements corresponded with large movements in Houston American's stock price:

Notes and Sources:
Price and volume data from FactSet Research Systems, Inc. News obtained from Factiva and Houston American's SEC filings.

15. Like Houston American, Petrominerales' stock price increased substantially between January 2009 and April 2009, as shown in the chart below:



Notes and Sources:
Data from FactSet Research Systems, Inc. News obtained from Factiva.

16. Analysts covering Petrominerales called their results in Colombia impressive, and many raised their estimates and price targets based on the announcements. For example:

> **Petrominerales' impressive 11,500 bbl/d (44 degree API) test rate from the Candelilla-1 well at its Guatiquia Block (south of Corcel) was a positive surprise** given the marginal results from the first well at Percheron-1 and continues to reaffirm the company's growth potential.[11]

> Petrominerales Provides Exploration Update – **Potentially Another Gusher at Candelilla Increasing our Target Price and Maintaining our Strong Buy Recommendation**[12]

> Petrominerales' exploration program is hitting on all cylinders and Candelilla is proving to be another world-class play for the Company. Further exploration

[11] Scotia Capital analyst report on Petrominerales, January 4, 2010 (emphasis added).

[12] Fraser Mackenzie analyst report on Petrominerales, February 3, 2010 (emphasis added).

success could increase our forecasts materially. We maintain our BUY recommendation.[13]

Historically, Petrominerales' stock price has reacted positively to successful drilling results. Most recently the stock rose 17% with the Candelilla-1 results on January 4th, and increased 13% with the announcement of Candelilla-2 results on February 16th and a further 7% on February 17th.[14]

Third success on Guatiquia Block: Following success on Candellila-3, we increase our price target to $41 from $39. Petrominerales has announced that the Candelilla-3 well has been tested and is producing naturally at over 15,600 bbl/d of 43API oil with less than 1% water cut from the Lower Sand 3 formation.[15]

17. Analysts covering Houston American noted the strong performance of oil wells in blocks neighboring Houston American, including those owned by Petrominerales. For example, the January 19, 2010 Global Hunter analyst report on Houston American stated:

Petrominerales has announced another significant discovery, the Guatiquia, a well that had initial production of 11,500 bopd. This is in addition to the Corcel discovery which currently has 10 wells producing in excess of 20,000 bopd. HUSA's CPO-4 block lies two miles west and adjacent to these discoveries.[16]

18. News stories attributed the increase in Houston American's stock price to Petrominerales' success with oil wells near CPO-4. For example:

Shares of Houston American Energy Corp. hit a 52-week high Tuesday, **boosted by the success that Petrominerales Ltd. is having with Colombian oil wells near acreage Houston American is soon expected to drill.**[17]

The [CPO-4] block is nestled between projects that have been producing solid results for other companies, and if Houston American has similar success to what its neighbors have had, its stock, which closed Tuesday at $13.70, could easily reach $50 over the next two years, Global Hunter Securities analyst Philip McPherson said.[18]

---

13 Clarus Securities analyst report on Petrominerales, February 16, 2010.

14 Dundee Securities analyst report on Petrominerales, March 8, 2010.

15 RBC Capital analyst report on Petrominerales, March 29, 2010.

16 Global Hunter analyst report on Houston American, January 19, 2010.

17 "Houston American Gains On Success Of Neighbor's Well," *Dow Jones News Service*, February 16, 2010 (emphasis added).

18 "Houston American's Colombia Stake May Pay Big," *Dow Jones News Service*, March 3, 2010 (emphasis added).

> **Houston American's stock began going on a tear in mid-February when Colombia-based Petrominerales Ltd. announced huge production rates in acreage that abuts the CPO 4.**[19]
>
> A chunk of revenue derived from the CPO 4 block will go to partner SK Energy and the Colombian government, **but if just one well there produces at rates similar to Petrominerales' wells, Houston American's revenue will at least double**, Mr. McPherson [Global Hunter Securities analyst] said.[20]

19. Additionally, the April 2010 Seeking Alpha blog posts cited by the SEC attributed Houston American's stock price increase from December 2010 through April 2010 to Petrominerales news, and noted that Petrominerales' success was driving investor "hopes" and "excitement." For example:

> **The main driver** [of HUSA's stock rise] seems to be the promise of their newly acquired Columbian *[sic]* properties (and due to recent liberalization, Columbia *[sic]* is indeed a hot new oil exploration prospect). **Adjacent to one of these (the CPO-4 block), two [Petrominerales] wells (Candililla 1&2) produced rather great results, and the stock price [of HUSA] subsequently began to take off.**[21]
>
> **Candelilla. This seems to be the main reason for the excitement**. With two recent big hits with the **[Petrominerales]** Candililla 1&2 wells producing over 10,000bbl/d and being just 2.4 miles from HUSA's acreage and on the same fault line, **hopes are obviously high similar discoveries can be made within their acreage.**[22]
>
> In addition, the HUSA CPO-4 deal was announced after a number of positive high profile data points were announced in Colombia. This includes the $800 million acquisition of Emerald Energy by Sinochem in August 2009 and large success by Petrominerales Ltd. (PMGLF.PK) Corcel-A2 in September 2009.[23]

20. Brett Hendrickson, the portfolio manager for Nokomis Capital Partners, which purchased shares in Houston American's December 2009 stock offering, testified that Houston American's stock price increased in response to Petrominerales announcements of successful drilling results on the block next to CPO-4. For example:

---

[19] "Houston American's Colombia Stake May Pay Big," *Dow Jones News Service*, March 3, 2010 (emphasis added).

[20] "Houston American's Colombia Stake May Pay Big," *Dow Jones News Service*, March 3, 2010 (emphasis added).

[21] "Houston American Energy Priced for Perfection," posted April 7, 2010 on SeekingAlpha.com (emphasis added).

[22] "Houston American Energy Priced for Perfection," posted April 7, 2010 on SeekingAlpha.com (emphasis added).

[23] "Houston American Energy Corp. Set Up for Collapse," posted April 7, 2010 on SeekingAlpha.com.

Q. By the way, did you see that as Petrominerales was announcing the success of its wells on the Guatiquia, that the stock price for Houston American, which was on the adjacent block, was going up in response to those announcements?

A. Those are generally true, particularly if you move past 2009; particularly in 2010, the stock would move on those announcements.

Q. On the announcements of Petrominerales?

A. Yes.

Q. And you actually witnessed that in the market place as that was coming out –

A. Yes.

Q. -- as you were tracking it?

A. Yes.[24]

B. Market commentary indicates that there was general enthusiasm and high expectations regarding the Colombian oil industry

21. Market commentary also indicates that, in addition to excitement surrounding Petrominerales' success at neighboring wells, there was general enthusiasm and high expectations regarding the Colombian oil industry in late 2009 and early 2010. For example:

> **The recent and expected future rise in production levels [in Colombia]** will come from new discoveries and efforts by firms to boost production at existing fields.[25]

> **Several new junior oil explorers with top quality management and big land positions** in a country with proven permissive geology. And all of them have been able to raise large amounts of money.[26]

> We view Colombia as ripe for continued exploration success. Past geopolitical risk has created unparelle[ed] opportunities that can not [sic] be found in the United States. More often than not, geopolitical risk is assumed in absence of geological risk when operating in foreign countries.[27]

---

24 Testimony of Brett Hendrickson, November 12, 2014, 96:18-97:7. See also 146:10-147:1.

25 "Colombian Oil: The Next Big Thing?" *Canwest News Service*, December 4, 2009 (emphasis added).

26 "Colombian Oil: The Next Big Thing?" *Canwest News Service*, December 4, 2009 (emphasis added).

27 Global Hunter analyst report on Houston American, January 19, 2010.

Colombia is a new frontier for oil exploration. The country's prolific basins, underexploited resources and favorable fiscal terms have attracted significant foreign investment, and operators have achieved an impressive exploration well success rate of 46% on 407 wildcat wells drilled since 2002.[28]

VI. The Only Public Alleged Misrepresentation Made By Houston American – That There Were "1 to 4 Billion Barrels" of "Estimated Recoverable Reserves" At CPO-4 – Was Not Material to Investors

22. As noted above, only one of the 19 alleged misrepresentations identified by the SEC was publicly disseminated to the market by Houston American. This one alleged misrepresentation was in an investor presentation attached to an 8-K filing on November 10, 2009. The investor presentation included the following statement:

"[The] CPO 4 Block consists of 345,452 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels"[29]

23. The SEC claims this statement was false and misleading because the multi-billion-barrel estimate was exaggerated and not supported by project-specific data and analysis. This statement was also allegedly misleading because, according to the SEC, the term "reserve" refers to quantities of petroleum that are "discovered, technically recoverable, commercial, and remaining," but the Company's multi-billion-barrel estimate "did not refer to discovered, commercially producible petroleum accumulations."[30]

24. Investors did not understand the word "reserves" in the alleged misrepresentation to mean what the SEC implies. Rather, the evidence indicates that the market was aware that the term "reserves" referred to an estimate of potential recovery for a property that was years away from being drilled. Moreover, when the presumably corrective information was disclosed in October 2010, Houston American's stock price did not react negatively.

---

[28] C.K. Cooper analyst report on Houston American, June 24, 2010 (emphasis in original).

[29] Houston American's Form 8-K, filed November 10, 2009, p. 12.

[30] SEC OIP, ¶¶II.C.11, 41.

A. There was no statistically significant price reaction following the Company's first public announcement that there were "1 to 4 billion barrels" of "estimated recoverable reserves" at CPO-4

25. The November 2009 investor presentation attached to the 8-K filing was the first time the Company publicly stated that the CPO-4 block contained an estimated "1 to 4 billion barrels" of "recoverable reserves." If the allegedly misleading information were material to investors, then, in an efficient market, one would expect a significant reaction to the first public announcement of such material news. Thus, a test of whether information is material to investors is whether the stock reacts when the information is first publicly disclosed.

26. A standard method of testing whether Houston American's stock price reacted following the release of the November 10, 2009 investor presentation is to perform an event study. Academics often use an event study to determine whether stock prices respond to new information.[31] An event study is a commonly accepted statistical analysis that measures the movement in a stock's price after an event, typically adjusting for the movement in the overall market and/or industry.[32]

27. To control for movements in the market, the S&P 500 index was used. This is the market index Houston American compares its stock price performance to in its SEC filings.[33] To control for industry movements, two alternatives were used: (1) the Dow Jones U.S. Exploration and Production index, which is the industry index Houston American compares its stock price performance to in its SEC filings;[34] and (2) the Bloomberg Independent E&P and Integrated Oils index.[35] After selecting indices to control for market and industry effects, the next step in an event study is to use a statistical analysis called a regression to estimate the relationship between

---

[31] See, for example: Craig A. MacKinlay, "Event Studies in Economics and Finance," *Journal of Economic Literature*, Vol. XXXV (March 1997), 13-39; and Robert G. Bowman, "Understanding and Conducting Event Studies," *Journal of Business Finance & Accounting*, Vol. 10,4 (1983), 561-584.

[32] See, for example: Janet C. Alexander, "The Value of Bad News in Securities Class Actions," *UCLA Law Review*, Vol. 41 (1994), 1421-1469; Daniel R. Fischel, "Use of Modern Finance Theory in Securities Fraud Cases Involving Actively Traded Securities," *The Business Lawyer*, Vol. 38 (November 1982), 1-20; Frederick Dunbar and David Tabak, "Materiality and Magnitude: Event Studies in the Courtroom," in *Litigation Services Handbook: The Role of the Financial Expert*, edited by Roman L. Weil, Michael J. Wagner and Peter B. Frank (John Wiley & Sons, Inc., 2001).

[33] See, for example, Houston American's Form 10-K, dated March 15, 2011, p. 27.

[34] See, for example, Houston American's Form 10-K, dated March 15, 2011, p. 27.

[35] Note that, after controlling for the S&P 500, the first alternative industry index (Dow Jones Energy Index) was not statistically significant while the second industry index (Bloomberg Independent E&P and Integrated Oils index) was statistically significant.

Houston American's daily stock price returns and the daily returns of the indices.[36] Then, using the regression results and the returns of the indices, Houston American's predicted stock price movement and excess stock price movement (or the amount the stock price moves in excess of the predicted amount) are calculated for the day being tested. The final step is to test the statistical significance of the excess stock price movement.

28. Based on the event study, I found that there was no statistically significant price reaction after the November 10, 2009 investor presentation using the standard 95% confidence interval (see Appendix B).[37] If a price reaction is not statistically significant, it is within the range of normal expected daily variation in stock prices. The absence of a statistically significant price reaction demonstrates that the alleged misstatement was not material to investors.

B. The market understood the statement regarding "estimated recoverable reserves" at CPO-4 was not, as the SEC alleges, an estimate of discovered and deemed to be commercial oil reserves

29. According to the SEC, "[t]he term 'reserves' describes an estimated petroleum quantity that has been *discovered* and deemed to be *commercial*."[38] As the SEC notes, the Petroleum Resource Management System ("PRMS") classifies reserves as "proved," "probable" or "possible," based on the level of uncertainty that the estimated quantities will be recovered.[39] Nonetheless, "all categories of reserves—whether proved, probable, or possible—are quantities that are recoverable from *known accumulations* under existing economic conditions."[40] The SEC claims that by using the term "reserves" in its November 2009 investor presentation, Houston American implied that the "multi-billion-barrel estimate [...] referred to discovered, commercially producible petroleum accumulations."[41]

---

36 Regression analysis is used to estimate the relationship between two or more variables. The regression estimation period used in the event study was the one-year period prior to the event, excluding returns on other days being tested. See, for example, Robert V. Hogg and Elliot A. Tanis, *Probability and Statistical Inference*, (Upper Saddle River: Prentice Hall, 5th Edition, 1997).

37 For discussion on the standard 95% confidence interval, see, for example: David A. Freedman and David H. Kaye, "Reference Guide on Statistics," *Reference Manual on Scientific Evidence*, (Federal Judicial Center, Second Edition, 2000), p. 124; and Franklin M. Fisher, "Multiple Regression in Legal Proceedings," *Columbia Law Review*, Vol. 80 (1980), pp. 717-718.

38 SEC OIP, ¶II.C.10 (emphasis in original).

39 SEC OIP, ¶II.C.12.

40 SEC OIP, ¶II.C.13 (emphasis in original).

41 SEC OIP, ¶II.C.41.

30. Contrary to the SEC's claims, there is no evidence or indication that market participants understood the Company's statement regarding "estimated recoverable reserves" at CPO-4 to be an estimate of proved, probable or possible reserves as defined by PRMS. As discussed below, Houston American's first 10-K filing after November 10, 2009 made clear that the Company's proved reserves did not include CPO-4. Additionally, analysts did not include CPO-4 in their estimates of the Company's reserves, and heavily discounted their estimates of the value of CPO-4. Finally, the testimony of investors and analysts demonstrate that these market participants understood Houston American never had "known accumulations" of commercially producible oil at CPO-4, and the Company's November 2009 investor presentation did not "imply" there were proved, probable or possible reserves.

1. Houston American's 2009 10-K filing made clear that its proved reserves did not include CPO-4

31. On March 26, 2010, Houston American filed its 2009 10-K. This was Houston American's first annual report filing after the alleged misrepresentation in the November 2009 investor presentation. In its 2009 10-K filing, the Company disclosed both its developed acreage and its oil and gas proved reserves. The filing was clear that CPO-4 had neither developed acreage nor proved reserves.

32. Oil and gas companies are required to disclose information about developed acreage (i.e. acreage assigned to productive wells), and undeveloped acreage in their SEC filings.[42] In its 2009 10-K, Houston American detailed its developed and undeveloped acreage for its properties in Colombia. The table below is from the Company's 2009 10-K and shows that the Company reported no developed acres and no productive wells at the CPO-4 block.

Property	Operator	Ownership Interest	Total Gross Acres	Total Gross Developed Acres	Gross Productive Wells
Dorotea Contract	Hupecol	12.50%	51,321	800	5
Cabiona Contract	Hupecol	12.50%	86,066	640	4
Surimena Concession	Hupecol	6.25%	69,000	0	0
Las Garzas Concession	Hupecol	12.50%	103,000	320	2
Leona Concession	Hupecol	12.50%	70,343	800	5
La Cuerva Contract	Hupecol	1.60%	48,000	320	2
Los Picachos TEA	Hupecol	12.50%	86,235	0	0
CPO 4 Block	SK Energy	25.00%	345,452	0	0
Serrania Block	Shona Energy	12.50%	110,769	0	0
Total			970,186	2,880	18

[42] 17 CFR (§229.1208). The SEC defines productive wells as "producing wells and wells mechanically capable of production."

33. Instead, the Company classified the CPO-4 acreage as "undeveloped acreage," which the SEC defines to be "leased acres on which wells have ***not been drilled or completed to a point that would permit the production of economic quantities of oil*** or gas regardless of whether such acreage contains proved reserves."[43]

34. In addition to acreage owned, oil and gas companies are also required to disclose information about their proved reserves in their SEC filings.[44] The SEC defines proved reserves as, "quantities of oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible…."[45] Proved reserves can be either developed or undeveloped. Developed reserves are reserves that can be recovered "[t]hrough existing wells with existing equipment and methods, or in which the cost of required equipment is relatively minor compared to the cost of a new well."[46] Undeveloped reserves are "reserves of any category that are expected to be recovered from new wells or undrilled acreage, or from existing wells after a major expenditure."[47]

35. Houston American had Lonquist & Co, an independent engineering firm specializing in the technical and financial evaluation of oil and gas assets, prepare reserve estimates to be filed in Company's 2009 10-K.[48] These estimates of the Company's proved developed reserves and proved undeveloped reserves did not include any estimated reserves for CPO-4.

36. Note that Houston American did report an increase of 168,000 barrels of "proved developed reserves." This increase was clearly unrelated to the estimates of the CPO-4 block, given that the CPO-4 block was not classified by Houston American as "developed acreage," and the 168,000 barrel increase was many times less than the estimates in the November 2009 presentation.

---

43 17 CFR (§229.1205)(c)(4).

44 17 CFR (§229.1202).

45 17 CFR (§ 210.4-10.)(a)(22).

46 17 CFR (§210.4-10.)(a)(6).

47 17 CFR (§ 210.4-10.)(a)(31).

48 Houston American's Form 10-K, filed March 26, 2010, pp. 9-10.

37. In addition to its proved developed reserves, Houston American also reported its "proved undeveloped (PUD) reserves." The Company stated that "[a]ll of our PUD reserves at December 31, 2009 were associated with our properties operated by Hupecol in Colombia."[49] Since CPO-4 was operated by S.K. Energy, not Hupecol, the Company's reported PUD reserves clearly did not include CPO-4. This information was also detailed in Lonquist & Co's estimates, which were attached as an exhibit to the 2009 10-K filing.

38. The table below is from the Company's 2009 10-K and shows that Houston American estimated 1,205,125 barrels of proved oil reserves as of December 31, 2009—a figure much smaller than the 1-4 billion barrel estimate for CPO-4 reported in the November 2009 investor presentation.

	Reserves		
	Oil (bbls)	Natural Gas (mcf)	Total (1) (boe)
Reserve category			
Proved Developed			
United States	2,898	70,193	14,597
Colombia	307,993	—	307,993
Total Proved Developed Reserves	310,891	70,193	322,590
Proved Undeveloped			
United States	—	—	—
Colombia	894,234	—	894,234
Total Proved Undeveloped Reserves	894,234	—	894,234
Total Proved Reserves	1,205,125	70,193	1,216,824

(1) Natural gas is converted on the basis of six mcf of gas per one barrel of oil equivalent.

2. Market analysts did not include CPO-4 in their estimates of Houston American's reserves

39. Not only did Houston American not include CPO-4 in its proved reserves, as detailed in its 2009 10-K filing, but market analysts following the Company also did not include CPO-4 in their estimates of the Company's reserves.

40. In a January 19, 2010 report, Global Hunter provided a valuation of the Company—including a valuation of the Company's reserves. Global Hunter's estimate of the value of CPO-4 was not included as "Reserves" but rather as "Other Assets." The table below is from Global Hunter's report and has a specific section for "Reserves" that clearly does not include estimates for CPO-4.

[49] Houston American's Form 10-K, filed March 26, 2010, p. 11.

Houston American Energy (HUSA) Discounted Net Asset Value (DNAV)							January-10
Reserves	Oil (BBL)	Gas (MCF)	PV-10 Value	Discount Factor	Discounted Value		Discounted Per Share Value
Proved Developed	213	19	3,151	0%	$ 3,151	$	0.10
Proved Undeveloped	-	-	-	0%	$ -	$	-
Total Proved Reserves	213	19	3,151	0%	$ 3,151	$	0.10
Other Assets			482,438	0%	482,438	$	15.56
Net Working Capital					17,000	$	0.55
Debt					-	$	-
Total Discounted Net Asset Value						$	16.21
Outstanding Shares			31,000				

Other Assets	Net Locations	EUR-MBOE	Per BOE	Value	Discount	DNAV		Per Share
2009 Reserve Additions	1	1,500	$ 15.00	22,500	0%	22,500	$	0.73
Las Garzas Field - 75 Locations	9.375	1,000	$ 15.00	140,625	90%	14,063	$	0.45
Leona Field - 25 Locations	3.125	2,000	$ 15.00	93,750	90%	9,375	$	0.30
Dorotea Field - 20 Locations	3.75	2,000	$ 15.00	112,500	90%	11,250	$	0.36
Cabion Field - 12 Locations	1.5	1,000	$ 15.00	22,500	90%	2,250	$	0.07
Serrania Block - Ombu Extension	1	20,000	$ 10.00	200,000	75%	50,000	$	1.61
Serrania Block - North Anticline	1	10,000	$ 10.00	100,000	90%	10,000	$	0.32
CPO-4 Block	22	11,000	$ 15.00	3,630,000	90%	363,000	$	11.71
Total Other Assets & Liabilities				4,321,875		482,438	$	15.56

Commodity Price Deck	Oil	Gas
Year-End 2008	$ 44.60	$ 5.62
Current	$ 79.00	$ 5.75
Year-End 2009 GHS (E)	$ 65.00	$ 5.00

41. Similarly, when valuing Houston American in its initiation report on June 24, 2010, C.K. Cooper classified CPO-4 as an "Exploration Upside" and "Unproven" rather than part of the Company's "Proved Assets." The table below is from C.K. Cooper's report.

HOUSTON AMERICAN ENERGY NET ASSET VALUATION	Reserve/Resource Metrics						Valuation		
	Gross MMBO	Net MMBO	% Oil	PD	Risk Multiplier	MMBO	Unit ($/Bbl)	Total ($MM)	Per Share ($/Share)
PROVED ASSETS									
Proved Reserves	NA	1.2	99%	74%	100%	1.2	$18.00	21.9	$0.71
Cash								12.0	$0.39
Proved NAV								**33.9**	**$1.09**
EXPLORATION UPSIDE									
Serrania (12.5% W.I.) (1)	220	27.5	100%	0%	25%	6.9	$13.00	89.4	$2.88
CPO-4 (25% W.I.) (2)	300	75.0	100%	0%	25%	18.8	$18.00	337.5	$10.89
Unproven NAV	**520**	**102.5**	**100%**	**0%**	**25%**	**25.6**	**$16.66**	**426.9**	**$13.77**
Total (Proved + Unproven) NAV								**460.8**	**$14.86**
Source: CKCC Research									
Number of Diluted Shares			**31**						

(1) - assumes 2 large prospects identifed on Serrania acreage, when combined, are equal in size to Sinochem-operated Capella Field (est. at 220 MMBO)
(2) - assumes unrisked upside from 100 potential well locations (EUR=3 MMBO/Well)

3. Analysts and institutional investors heavily discounted estimates of the CPO-4 block but did not discount HUSA's reserves

42. Analysts not only excluded CPO-4 from their estimates of Houston American's reserves but also heavily discounted their estimates of CPO-4. The same analysts did not discount estimates of the Company's reserves. This demonstrates that, contrary to the SEC's claims, the market recognized that CPO-4 did not have reserves but instead had resources that had a high risk of not materializing.

43. Global Hunter estimated that there were approximately 1 billion barrels of oil at CPO-4, in line with S.K. Energy's estimates for the block. To this estimate, Global Hunter applied a discount factor of 90%.[50] In other words, their estimated value for CPO-4 was only 10% of the estimated potential value.[51] The tables below are from Global Hunter's January 19, 2010 report.

Other Assets	Net Locations	EUR-MBOE	Per BOE	Value	Discount	DNAV	Per Share
2009 Reserve Additions	1	1,500	$ 15.00	22,500	0%	22,500	$ 0.73
Las Garzas Field - 75 Locations	9.375	1,000	$ 15.00	140,625	90%	14,063	$ 0.45
Leona Field - 25 Locations	3.125	2,000	$ 15.00	93,750	90%	9,375	$ 0.30
Dorotea Field - 20 Locations	3.75	2,000	$ 15.00	112,500	90%	11,250	$ 0.36
Cabion Field - 12 Locations	1.5	1,000	$ 15.00	22,500	90%	2,250	$ 0.07
Serrania Block - Ombu Extension	1	20,000	$ 10.00	200,000	75%	50,000	$ 1.61
Serrania Block - North Anticline	1	10,000	$ 10.00	100,000	90%	10,000	$ 0.32
CPO-4 Block	22	11,000	$ 15.00	3,630,000	90%	363,000	$ 11.71
Total Other Assets & Liabilities				4,321,875		482,438	$ 15.56

In contrast, when valuing Houston American's reserves, Global Hunter applied no discount factor. Thus, CPO-4 is clearly treated differently than reserves.

Houston American Energy (HUSA) Discounted Net Asset Value (DNAV)						January-10
Reserves	Oil (BBL)	Gas (MCF)	PV-10 Value	Discount Factor	Discounted Value	Discounted Per Share Value
Proved Developed	213	19	3,151	0%	$ 3,151	$ 0.10
Proved Undeveloped	-	-	-	0%	$ -	$ -
Total Proved Reserves	213	19	3,151	0%	$ 3,151	$ 0.10

[50] Global Hunter analyst report on Houston American, January 19, 2010. Total recovery at CPO-4 equals net locations (22) times the estimated ultimate recovery ("EUR") for each location (11,000 MBOE), divided by Houston American's working interest in the block (25%).

[51] Global Hunter did not change their discount factor for the CPO-4 block after the November 2009 investor presentation.

44. Like Global Hunter, C.K. Cooper did not treat CPO-4 as a proved reserve. The C.K. Cooper analyst applied no discount when valuing the Company's proved reserves, but applied a discount factor of 75% to CPO-4. In particular, C.K. Cooper in its June 24, 2010 report estimated a potential of 300 million barrels of oil at CPO-4 to which it applied a 75% discount rate.[52] Below is a summary of both analysts' estimates.

Analyst Estimates of CPO-4 Site

Estimated Barrels of Oil Recovery	Price Per BOE	Discount	Total Value of Oil	HUSA Share	Value Per Share
(1)	(2)	(3)	(4)	(5)	(6)
			(1)*(2)*(3)	(4) * 25%	(5) / 31M
Global Hunter Estimate - January 19, 2010					
968M [1]	$15.00	90%	$1,452 M	$363 M	$11.71
C.K. Cooper Estimate - June 24, 2010					
300M	$18.00	75%	$1,350 M	$338 M	$10.89

Note:

[1] Estimated by dividing Global Hunter's estimate of net recovery at CPO-4 (22 locations times 11 million barrels of oil) by Houston American's working interest in the property (25%).

45. William Doyle, the fund manager at Columbia Wanger, one of Houston American's largest investors, provides further support that investors were not misled and did not understand the 1-4 billion reserves to mean what the SEC alleges. In his testimony, Mr. Doyle confirmed that he discounted the Company's estimates of CPO-4 because "the one to five billion barrel estimate is a large degree of optimism" and "nothing really counts until oil comes out of the ground."[53]

46. In short, market analysts and investors clearly understood CPO-4 did not have reserves in the way the SEC defines the term. Furthermore, their valuations of the Company demonstrate that they understood that CPO-4 contained resources that had a high chance of not materializing.

---

52 C.K. Cooper analyst report on Houston American, June 24, 2010, p. 6. C.K. Cooper arrived at the 300 million barrel estimate by estimating potential recovery of 3 million barrels of oil at 100 potential well locations.

53 Testimony of William Doyle, November 8, 2011, 65:14-18 and 125:4-5.

4. Testimony indicates that market participants understood the "estimated recoverable reserves" at CPO-4 was not an estimate of proved, probable or possible reserves as per the SEC's definition

47. The testimony of analysts and institutional investors demonstrate that these market participants understood at the time that there were no proved, probable or possible reserves at CPO-4 as per the SEC's definition. Mr. Hendrickson, a director at one of the hedge funds that invested in Houston American, testified that the information in the November 2009 presentation "did not imply" that Houston American had proved, probable or possible reserves at CPO-4:

> Q. You understood that the information in here [November 2009 investor presentation] was not information about what proven, probable, or possible reserves the company might have on CPO-4?
>
> A. Yes. It **did not imply** that they had any at the time, yes.[54]

Mr. Hendrickson also testified that he had understood there were no proved, probable or possible reserves at CPO-4:

> Q. But you were aware that Houston American – since the beginning of your investments in Houston American, that they had no proven, no probable and no possible reserves on CPO-4, correct?
>
> A. That's true.
>
> Q. Using the SEC definitions?
>
> A. That's true.[55]

48. Moreover, analysts testified that they had understood Houston American did not have known accumulations of commercially producible petroleum at CPO-4. Mr. Snow of Energy Equities, Inc., testified that he had understood known accumulations of commercially producible oil could not be determined until drilling actually occurred:

> Q. To determine whether there is a known accumulation of oil on a property you actually have to drill.
>
> A. That's correct.[56]

---

[54] Testimony of Brett Hendrickson, November 12, 2014, 194:21-25 (emphasis added).

[55] Testimony of Brett Hendrickson, November 12, 2014, 158:12-18.

[56] Testimony of David Snow, November 19, 2014, 119:25-120:4.

Mr. Tuerk, head of sales at Global Hunter, concurred and further testified that he had understood drilling not only was to occur at some point later in the future but also was not guaranteed to happen:

> Q. And did you understand that whether any leads or prospects on the concession on CPO 4 -- **whether those contained commercially viable oil would not be known until after they were actually drilled and tested**?
>
> A. **Yes.**
>
> Q. And you understood that drilling was to occur at some point in the future?
>
> A. Yes. Again, that was the plan. It wasn't like I didn't understand that it was going to definitely happen. I don't know if that's what that question was but **there were no guarantees that drilling was going to occur**. It was in the plans, not it was going to happen.[57]

49. Thus, as the testimony of market participants following Houston American stock at the time make clear, the market understood that the "estimated recoverable reserves" at CPO-4 was not an estimate of any category of "reserves" under the SEC's definitions.

C. Analysts interchangably used the terms "resources" and "reserves"

50. As shown above, market participants following the Company did not consider CPO-4 to have reserves under the SEC's definitions and did not treat estimates of CPO-4 as such in their valuations of the Company. In fact, analysts used the terms "reserve" and "resource" interchangeably when discussing CPO-4—further indication that even though the Company used the term "estimated recoverable reserves" in the November 2009 investor presentation, the market understood it to mean "resource" under the SEC's definitions, and was not misled about the potential risks of the CPO-4 block.

51. For example, in C.K. Cooper's report on Houston American dated June 24, 2010, the analyst noted that the CPO-4 block was "highly prospective" and had an "unrisked ***reserve potential*** of 1 to 4 billion barrels of oil." Later in the same report, C.K. Cooper stated that "HUSA has identified about 100 prospects on CPO-4 with an estimated unrisked upside ***resource potential*** of 1 to 4 billion barrels of oil."[58]

57 Testimony of Gregory Tuerk, November 19, 2014, 33:7-20 (emphasis added).

58 C.K. Cooper analyst report on Houston American, June 24, 2010 (emphasis added).

52. Similarly, David Snow of Energy Equities, Inc., in a report on Houston American issued on February 15, 2010 used "resources" and "reserves" interchangeably. Mr. Snow writes, "Over 100 leads have been identified with 2D seismic, with estimated ***potential recover-able*** [*sic*] ***reserves*** of 1 to 4 billion barrels," but later states, "A 1-4 billion bbl ***resource*** would thus be 157-635mm bbls net."[59]

D. There was no statistically significant price reaction to the presumably corrective information (when it was disclosed that CPO-4 contained *25 to 169 million* barrels of *prospective resources* rather than *1 to 4 billion* barrels of *recoverable reserves*)

53. According to the SEC, the Company's statement that there were "1 to 4 billion barrels" of "estimated recoverable reserves" was false and misleading. On October 12, 2010, Houston American publicly released information in an 8-K filing that, if the SEC's allegations were true, would have been corrective of the alleged misstatement. First, this would be corrective because it disclosed that estimates for CPO-4 by an independent engineer were *25-169 million* barrels rather than *1 to 4 billion* barrels.[60] Second, rather than using the term "reserves," the 8-K filing classified the CPO-4 estimates as "Prospective Resources." The table below is from the Company's 8-K filing.[61]

Unrisked Prospective Resouces - CPO 4 Block						
	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	6,305	2,365	16,097	6,036	41,806	15,677
Total	**24,917**	**9,344**	**65,465**	**24,549**	**169,171**	**63,439**

54. Based on the event study described above, there was no statistically significant price decline following this "corrective" disclosure (see Appendix B). In fact, Houston American's stock price increased on October 12, 2010. The lack of a statistically significant

[59] David Snow, Energy Equities Inc., February 15, 2010 (emphasis added).

[60] Houston American's Form 8-K, filed October 12, 2010, p. 9. The filing contains a letter from Petrotech, the independent engineer who estimated HUSA's reserve, which notes, "3D seismic survey represents approximately 30% of the area within the CPO 4 Block area." Tripling the 25-169 million barrel estimate would result in an estimate of 75-507 million barrels.

[61] Houston American's Form 8-K, p. 9.

price reaction after this corrective disclosure indicates that the correction of the 1-4 billion barrel estimate, along with the correction of the term "reserves" to "resources," were not material to the market and further demonstrates that the market did not consider the original alleged misstatement of 1-4 billion barrels of "estimated recoverable reserves" to be material.

55. Moreover, as shown below, after the disclosure that CPO-4 contained an estimated 25-169 million barrels of "prospective resources," Houston American's stock price was well above its price after the alleged misstatement of 1-4 billion barrels of recoverable reserves. That is, after the Company publicly disclosed the actual information that according to the SEC's theory would be corrective of the alleged misstatements, the stock price was nearly three times higher that it was after the alleged misstatement. As shown in the chart below, on November 10, 2009, the market priced Houston American's stock at $4.35 after allegedly being misled that there were 1-4 billion barrels of recoverable reserves at CPO-4, while after learning the "truth" on October 12, 2010 of 25-169 million barrels of resources, the market priced the stock at $12.76, or almost three times higher. This is inconsistent with the SEC's claims that the alleged misstatement regarding the 1 to 4 billion barrels of "recoverable reserves" was material.

Notes and Sources:
Data from Factset Research Systems, Inc.
Alleged misrepresentation from the SEC Supplemental Appendix.

56. Moreover, the market price of HUSA stock at the end of 2009 completely belies the SEC's claims. If the SEC's claims were true, HUSA's stock price should have been 25 to over 100 times higher than its actual trading price. In particular, the SEC alleges that at the end of 2009 Mr. Terwilliger made misrepresentations to investors that the potential reserves at CPO-4 could be worth $20-$25 a barrel.[62] The SEC states that the $20-$25 a barrel "described a valuation for proved reserves, and there were no proved reserves on the CPO-4 block."[63] If, as the SEC claims, the market understood that CPO-4 had proved reserves of 1 to 4 billion barrels that could sell for $20-$25 a barrel, then Houston American's stock price should have been priced between $160 and $800 per share, based on CPO-4 alone.[64] This is not remotely close to

---

[62] SEC OIP, ¶¶II.C.2.85.

[63] SEC OIP, ¶II.C.85.

[64] 1 billion barrels times $20 per barrel times 25% HUSA share divided by 31 million shares outstanding equals $160.
4 billion barrels times $25 per barrel times 25% HUSA share divided by 31 million shares outstanding equals $800.

Houston American's actual stock price, which never closed above $6 in 2009. Thus, Houston American's stock price at the end of 2009 is inconsistent with the SEC's claims that the alleged misrepresentation regarding 1 to 4 billion barrels of recoverable reserves potentially worth $20-$25 a barrel was material.

57. In short, I find there is no evidence that any of the alleged public misrepresentations were material to investors, caused investors to purchase Houston American stock, inflated the stock price, or otherwise materially misled the market.

VII. No Evidence That The Other Alleged Misrepresentations Were Material To Investors

A. No evidence that the alleged misrepresentations made to Columbia Wanger were material

58. The SEC claims the following alleged misrepresentations were made to William Doyle of Columbia Wanger in November 2009 and February 2010.

#	Date	Statement	Maker
2.	11/20/2009	"[SK Energy] see[s] +100 closures on the block .... They think block has 3-4 bbls recoverable oil ... We say 1-5."	Terwilliger statement to William Doyle of Columbia Wanger
18.	2/8/2010	150 barrels per acre foot used by SK Energy is "a silly number."	Terwilliger statement to William Doyle of Columbia Wanger
19.	2/8/2010	SK Energy's 974 million barrel estimate is based on just "22 prospects out of the 100."	Terwilliger statement to William Doyle of Columbia Wanger

59. Both Mr. Doyle's testimony and Columbia Wanger's trading pattern are not consistent with the SEC's claim that the alleged misrepresentations were material.

60. Mr. Doyle authorized Columbia Wanger's purchase of 2.4 million shares of Houston American's stock in the Company's December 2009 offering.[65] Mr. Doyle's testimony demonstrates that the alleged misrepresentations did not influence his investment decision and

[65] See, for example, GRE00076191.

were not material. Rather, Mr. Doyle testified that he invested in Houston American principally because of its "prospectivity," explaining that he was "most interest[ed]" in the "highly profitable wells" drilled near CPO-4 and the "large scale investments" made in its vicinity.

> Q. Okay, and you said that your investment decision was based on your view of the prospectivity of the CPO 4 block principally?
>
> A. Yes.
>
> [...]
>
> Q. Can you tell me what it is about the prospectivity of the CPO 4 block that was interesting to you?
>
> A. Sure. The two things that most interest me in CPO 4 block is the fact that there are very highly productive wells, highly profitable wells, drilled almost immediately to the northern boundary of CPO 4. That there are large scale investments being made immediately made to the east of the CPO 4 block in the CPO 5 block by the oil and nature gas company of India, or ONGC for short.[66]

Mr. Doyle further testified, "It's also my belief that the nation of Columbia [*sic*] sits atop a working hydrocarbon system that extends from Ecuador to Trinidad. And, that trend if you look at it on a map, runs right through the CPO 4 block."[67]

61. Regarding the alleged misrepresentations, Mr. Doyle testified that he understood that "the one to five billion barrel estimate is a large degree of optimism" and "is just one man's opinion."[68] When asked about Houston American's reserves estimates, he testified that the numbers "[didn't] prompt that large a reaction in me."[69] Mr. Doyle also testified that "we had a company drill a billion barrel prospect last week and find zero hydrocarbons and that happens all the time."[70] Mr. Doyle's testimony indicates that he understood that CPO-4 had "prospects," not reserves, and that these prospects had a large risk of not materializing.

62. Although Mr. Doyle testified that he used Houston American's reserve estimates as "starting points to evaluate what the blocks may recover,"[71] he discounted the Company's

---

66 Testimony of William Doyle, November 8, 2011, 74:6 – 74:20.

67 Testimony of William Doyle, November 8, 2011, 75:1 – 75:4.

68 Testimony of William Doyle, November 8, 2011, 125:4-5, 12-13.

69 Testimony of William Doyle, November 8, 2011, 64:24-25.

70 Testimony of William Doyle, November 8, 2011, 65:4-6.

71 Testimony of William Doyle, November 8, 2011, 75:22-25.

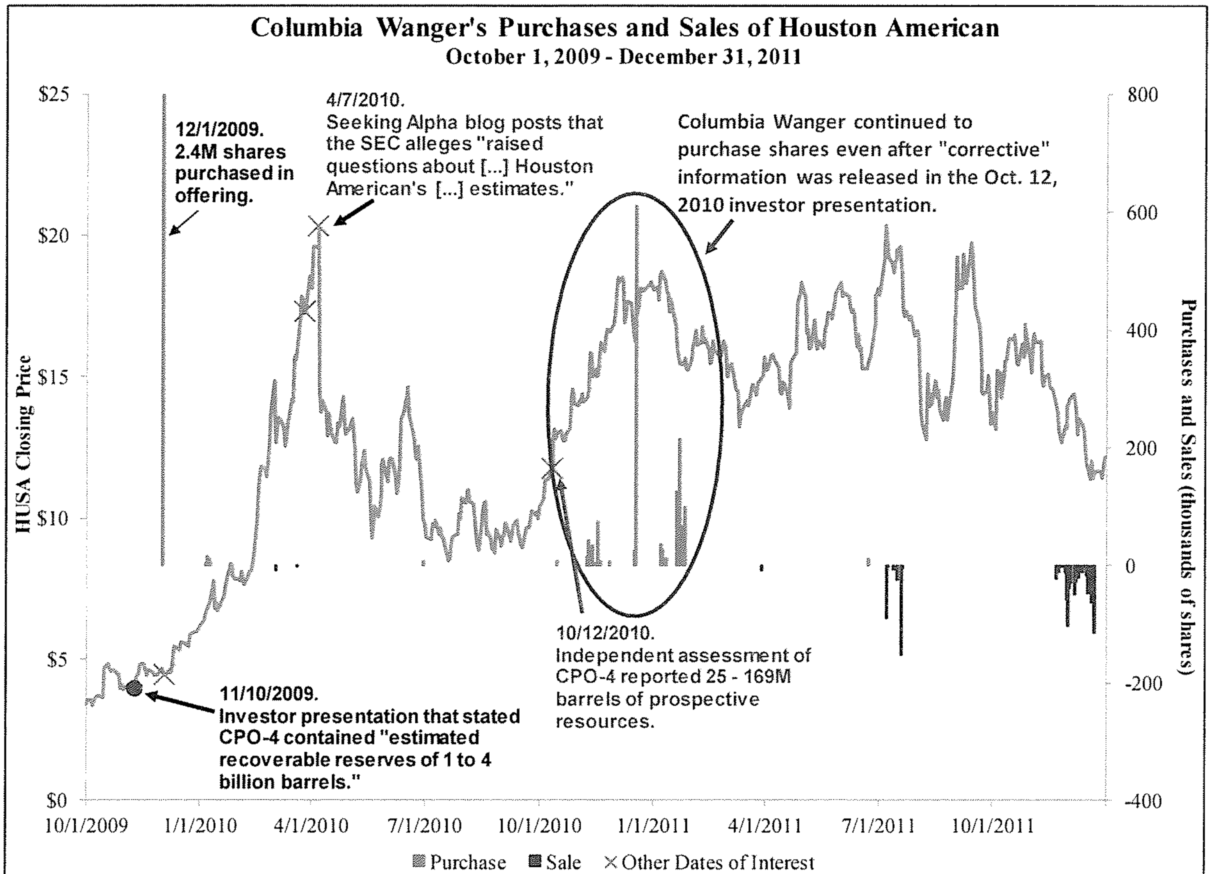
estimates of CPO-4 because "nothing really counts until oil comes out of the ground."[72] Moreover, Mr. Doyle testified that before purchasing Houston American shares in the December 2009 offering, Columbia Wanger created its own model of CPO-4's potential recovery and used one hundred million barrels of recoverable oil at CPO-4, despite the Company's alleged misrepresentation that there were 1 to 4 billion barrels of estimated recoverable reserves.[73]

63. In addition to Mr. Doyle's testimony, Columbia Wanger's purchase and sale pattern is not consistent with the SEC's claim that the alleged misstatements were material. First, as shown in the chart below, Columbia Wanger purchased more shares after the October 12, 2010 disclosure of the "corrective information" that there was an estimated 25 to 169 million barrels of prospective resources at CPO-4, rather than 1 to 4 billion barrels of estimated recoverable reserves. Second, the price at which Columbia Wanger purchased its shares in October 2010, after the disclosure of the "corrective information," was even higher than the price it paid in the December 2009 offering. In particular, Columbia Wanger purchased 842,588 shares of Houston American between October 14, 2010 and December 17, 2010 at prices ranging from $12.85 to $17.13—much more than the $4.68 it paid in the 2009 offering.[74] The chart below shows Houston American's stock price along with Columbia Wanger's purchases and sales.

72 Testimony of William Doyle, 65:14-18.

73 Testimony of William Doyle, 81:14-86:19.

74 Columbia Wanger transaction history from "HUSA Trade History.pdf." Assumes purchases occurred at the closing price on the day of the purchase.



Notes and Sources:
Price data from FactSet Research Systems, Inc. Transaction data from "HUSA Trade History.pdf".

64. Not only are Columbia Wanger's transactions in Houston American stock inconsistent with the claim that the alleged misrepresentations were material, but Columbia Wanger also profited from their purchase of Houston American shares in the December 2009 offering. Columbia Wanger's profits from the December 2009 offering totaled $3 million to $10 million, depending on whether profits are calculated based on a Last-In-First-Out (LIFO) methodology or a First-In-First-Out (FIFO) methodology.[75]

65. In summary, Mr. Doyle's testimony indicates that he chose to invest in CPO-4 principally because of its proximity to successful wells. He understood that CPO-4 had

[75] Under FIFO, a sale is matched to the earliest purchase that occurred prior to the sale. Under LIFO, a sale is matched to the most recent purchase that occurred prior to the sale. Columbia Wanger's transaction from "HUSA Trade History.pdf"

"prospects," not reserves, and that these prospects carried a large risk of not materializing. In addition, Columbia Wanger's trading pattern is not consistent with the SEC's claims because it continued to purchase Houston American shares in fourth quarter 2010—at higher prices than it paid in the 2009 offering—even after the "corrective" information regarding reserve estimates at CPO-4 was released in October 2010.

B. No evidence that the alleged misrepresentations made to Nokomis were material

66. The SEC claims the following alleged misrepresentations were made to Brett Hendrickson of Nokomis in November 2009 and February 2010.

#	Date	Statement	Maker
3.	11/24/2009	"SK found over 100 prospects on this block and they estimate mid-range recovery of 3.5b barrels. HUSA uses a range 1-5b."	Terwilliger statement to Brett Hendrickson of Nokomis
4.	11/24/2009	"600mm barrels x 25% would be $150MM put govt / royalty nets that to l00MM barrels net to HUSA CaraCara sold for $26/barrel in the ground / probably $100MM of cap ex (but had sold 5MM / barrels out) API 21-23"	Terwilliger statement to Brett Hendrickson of Nokomis

67. The commentary in letters Nokomis sent to its investors, Brett Hendrickson's testimony, and Nokomis' trading patterns are inconsistent with the SEC's claim that the alleged misrepresentations were material.

68. Nokomis purchased 375,000 shares in Houston American's December 4, 2009 offering.[76] In a letter to investors, Nokomis justified the investment in Houston American by highlighting Petrominerales' success with neighboring wells:

> More importantly, CPO-4 lies to the West of a series of wells being drilled by Canadian E&P company Petrominerales. [...] Fortunately for HUSA, PMG.TO [Petrominerales]'s success in this area was just starting to become known when it was negotiating its deal with SK last year. Moreover, it was not until January of this year when PMG.TO started reporting even larger success in a block called the Guatiquia Block, which actually shares a border with the CPO-4 Block.[77]

[76] See, for example, GRE00076191.

[77] "Nok_Q1 '10 Quarterly Letter", April 28, 2010.

69. Mr. Hendrickson testified that the success of Petrominerales was the primary reason he purchased Houston American shares, and he would not have purchased the shares if not for the success Petrominerales had in the neighboring area.

> Q. And you were aware at the -- before you made your investment that Petrominerales had had some success, some good success on the Corcel block which was close by the CPO-4 block, right?
>
> A. Definitely.
>
> Q. And that was the primary driver for your interest in purchasing shares in Houston American, right?
>
> A. Yeah, they -- **it's very accurate to say if Petrominerales hadn't had those results, we wouldn't have bought any shares.**[78]

70. Mr. Hendrickson further testified that he did not rely on the alleged misrepresentation.

> A. The fact that SK thought they had three -- let's say this: You can't take something that someone said to the bank. So, no, it wasn't -- I didn't rely on the 3.5 billion barrels in buying the stock.
>
> Q. It didn't cause you to buy them?
>
> A. Certainly that by itself could never be causation to buy a stock.[79]

71. Nokomis relied upon a former Exxon engineer whom they hired to visit Houston American on two occasions to review CPO-4 geological data. On his first visit, the engineer found that "much of the CPO-4 block is structurally similar to [Petrominerales]'s blocks to the East-Northeast and that similarly prolific fields could likely be identified and drilled with the aid of 3-D seismic maps."[80] After a second visit, Nokomis stated that they had "increased confidence that the far west and northwest portions of CPO-4 have some of the same heavy oil structures contained in some of the prolific heavy oil fields of the Llanos basin."[81]

---

78 Testimony of Brett Hendrickson, November 12, 2014, 38:7-17 (emphasis added).

79 Testimony of Brett Hendrickson, November 12, 2014, 212:21-213:2.

80 "Nok_Q1 '10 Quarterly Letter", April 28, 2010, pp. 4-5.

81 "Nok_Q1 '10 Quarterly Letter", April 28, 2010, pp. 4-5.

72. Furthermore, even after the disclosure of the "corrective information" in the October 2010 8-K filing, Nokomis stated in a letter to investors, discussing short-seller activity and commentary, that they did not find Mr. Terwilliger to be dishonest:

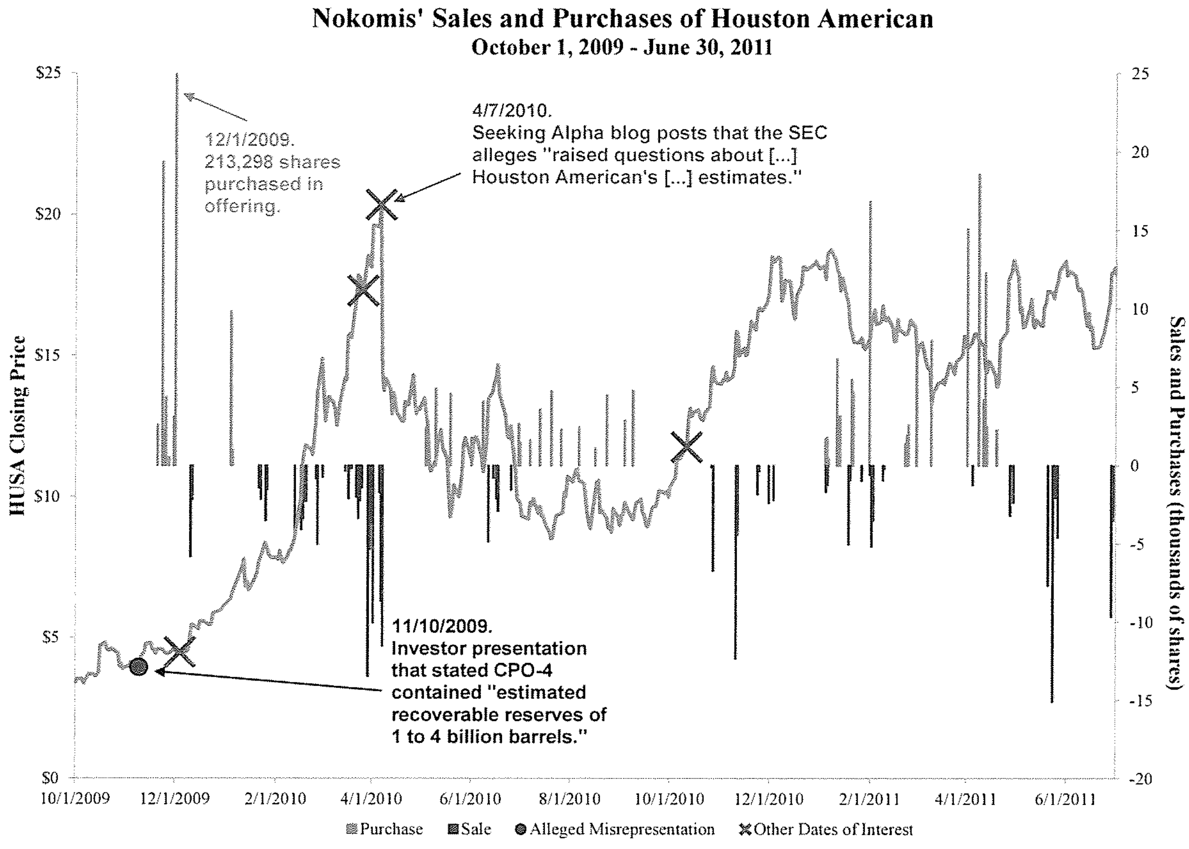
> [W]e note that CEO John Terwilliger has still never sold a single share of HUSA since he took it public and we believe that he has the vast majority of his net worth tied up in this company. Further, we have back checked several things that he has told us and never found him to be dishonest.[82]

73. In addition to commentary in letters to investors and Mr. Hendrickson's testimony, Nokomis' transactions in Houston American stock are not consistent with the SEC's claims that Houston American's alleged misstatements were material. Nokomis continued to purchase shares of Houston American after the allegedly corrective blog posts in April 2010, as well as after the disclosure of the "corrective information" in the October 2010 8-K. Nokomis purchased these later shares at even higher prices (between $8.53 and $18.27) than the price they had paid in the December 2009 offering after the alleged misstatement.[83] The chart below shows Houston American's stock price along with Nokomis' purchases and sales.[84]

[82] "Nok_Q4 '10 Quarterly Letter", January 31, 2011.

[83] "HUSA trades from March 2008 to Sept 16, 2014.xlsx."

[84] Nokomis' transactions are from the spreadsheet "HUSA trades from March 2008 to Sept 16, 2014.xlsx." Mr. Hendrickson testified that this data does not include transactions for two separately managed accounts. He noted that the accounts were managed pari passu with the fund. Thus Nokomis purchased 375,000 shares in the December 2009 offering, 213,298 shares of which were purchased for the fund. Testimony of Brett Hendrickson, November 12, 2014, 119:4-120-11.



Notes and Sources:
Price data from FactSet Research Systems, Inc. Transaction data from spreadsheet titled "HUSA trades from March 2008 to Sept 16, 2014.xlsx.

74. Moreover, Nokomis bought shares in Houston American's May 2012 offering, which occurred two weeks after Houston American announced that it would not complete drilling on its first CPO-4 well, and that the Company was under investigation by the SEC.[85] In particular, despite these developments, which would undermine Nokomis' rationale for purchasing Houston American stock if the alleged misstatements were material, Nokomis purchased 1.675 million shares in the Company's May 3, 2012 offering.[86]

75. Not only are Nokomis' transactions in Houston American stock inconsistent with the claim that the alleged misrepresentations were material, but Nokomis also profited from their purchase of Houston American shares in the December 2009 offering. Using a First-In-First-Out

[85] "Houston American Energy Announces Termination of Testing and Completion Efforts on Tamandua #1 Well, Plans for Next Well on CPO 4 Block in Colombia and Confirms SEC Investigation," *PR Newswire*, 4/19/2012.

[86] "HUSA trades from March 2008 to Sept. 16, 2014.xlsx."

(FIFO) methodology, Nokomis' profits totaled $2.7 million, while using a Last-In-First-Out (LIFO) methodology, their profits were approximately $750,000.[87] In fact, Mr. Hendrickson testified that investing in Houston American was "one of the more successful investments of [his] career."[88]

76. In summary, Nokomis' letters to investors, Mr. Hendrickson's testimony and transactions in Houston American stock are not consistent with the SEC's claims that Houston American's alleged misstatements were material. Nokomis explained to investors that it purchased Houston American shares based on CPO-4's proximity to successful wells and its own independent review of data on CPO-4, not on any of the alleged misstatements. Moreover, Nokomis continued to purchase shares of Houston American following the October 12, 2010 corrective disclosure, as well as after the announcement in May 2012 that the Company was under investigation by the SEC.

C. No evidence that the alleged misrepresentations made by Global Hunter in emails to potential investors were material

77. The SEC claims the following alleged misrepresentations were made by Global Hunter in emails to potential investors. The SEC claims these statements were "attributable" to Mr. Terwilliger and Houston American.[89]

#	Date	Statement	Maker
6.	12/1/2009	"SK Energy has estimated potential of 3-5 Billion barrels of oil under this property .... I would like to lay out what this would mean to HUSA ... $4.725B/31MM shares out=~$200/share[1] to HUSA. The property currently has 2-D Seismic on it; and two exploratory wells have been drilled on the property."[1] [1]Later versions of this email were "corrected" to show a $150/share value.	Global Hunter, emails to potential investors

87 Calculated using data from "HUSA trades from March 2008 to Sept. 16, 2014.xlsx." Under FIFO, a sale is matched to the earliest purchase that occurred prior to the sale. Under LIFO, a sale is matched to the most recent purchase that occurred prior to the sale.

88 Testimony of Brett Hendrickson, November 12, 2014, 251:8-9.

89 "Supplemental Appendix Statements Attributable to Houston American and John Terwilliger," dated September 18, 2014.

#	Date	Statement	Maker
7.	12/1/2009	"The key is the CPO 4 property .... The CEO truly believes the potential of the property is 3-5 billion barrels of oil but if we assume it's 1 billion barrels here's some quick math ... that's $195/share of value."	Global Hunter, emails to potential investors
12.	1/25/2010	"SK Energy has identified 24 prospects that they believe contain 3-5 billion barrels of oil .... If SK Energy and Houston American find only 500m barrels on this property this would be a windfall for HUSA. 500m barrels ... equates to $2.5bil to HUSA ... or approximately $80/share.	Global Hunter, emails to potential investors

78. Based on the event study described above, Houston American's stock price did not rise in a statistically significant manner on or after the days these emails were sent out. The December 1, 2009 Global Hunter emails were sent to almost 150 potential investors. If the information in these emails were material positive information, then one would expect investors to purchase Houston American shares and drive up the stock price. However, there was no statistically significant increase in Houston American's stock price following any of these emails (see Appendix B).

D. No evidence that the alleged misrepresentations made to analysts were material

79. The final category of SEC allegations includes alleged misstatements made by Houston American to securities analysts, and alleged misstatements attributable to Houston American that were disseminated to the market through analyst reports. These alleged misstatements were made to Kevin McKnight of Undiscovered Equities, David Snow of Energy Equities, Inc., and Phil McPherson of Global Hunter. I find no evidence that these alleged misstatements were material.

Undiscovered Equities Report – December 31, 2009

80. The SEC claims that an Undiscovered Equities report dated December 31, 2009, contained the following alleged misrepresentation attributable to Houston American.

#	Date	Statement	Maker
5.	12/31/2009	"SK Energy believes the CPO 4 Block has over 100 viable drilling locations with estimated recoverable reserves of 1-4 billion barrels."	Undiscovered Equities

81. The SEC alleges that this statement was misleading because Undiscovered Equities attributed the 1-4 billion barrel estimate to S.K. Energy. This statement was publicly disclosed through the Undiscovered Equities report issued on December 31, 2009. Based on the event study described above, there was no statistically significant stock price reaction after the Undiscovered Equities report was released (see Appendix B).[90] This is inconsistent with the claim that the alleged misrepresentation on December 31, 2009 was material.

Global Hunter Report – January 19, 2010

82. The SEC claims that Mr. Terwilliger made an alleged misrepresentation to Phil McPherson of Global Hunter on January 8, 2010, and that the January 19, 2010 Global Hunter analyst report contained the following alleged misrepresentations.

#	Date	Statement	Maker
8.	1/8/2010	"This is some internal SK work on the reserves. In this example they used 150 BO per acre foot recoveries and everyone in the Llanos used 500 BO per acre foot. If you adjust to accepted recoveries, this example is 500 divided by 150 or 3.33 x 974,000 or 3,243,420 BO recoverable. It is only from the attached 22 leads."	Memorandum from Terwilliger to Phil McPherson
9.	1/19/2010	"SK energy has identified 22 prospects with unrisked oil exposure of 1 billion barrels."	Global Hunter Research Report
10.	1/19/2010	"[SK Energy] has found over 100 prospects. Thus far they have high graded 22 of those prospects which contain an estimated 1 billion barrels of unrisked oil potential."	Global Hunter Research Report

[90] Because it is unclear what time of day the Undiscovered Equities report was released, I tested Houston American's price reaction on both December 31, 2009, and January 4, 2010 (the first trading date after December 31, 2009), and found there was no statistically significant price reaction on either day.

#	Date	Statement	Maker
11.	1/19/2010	"SK Energy has identified the three primary hydrocarbon bearing sands on the CPO-4 block .... The company then places 150 barrels per acre foot as the amount of oil recoverable. It should be noted that these sands in other Llanos basin blocks typically have 500 barrels per acre foot. As a comparison Netherland Swell & Associates assigned 450 barrels per acre foot at the Capella heavy oil discovery."	Global Hunter Research Report

83. The SEC alleges that S.K. Energy did not identify prospects, therefore the use of the term "prospects" in the January 19, 2010 Global Hunter analyst report was misleading.

84. The memorandum Mr. Terwilliger sent Mr. McPherson on January 8, 2010, included a presentation from S.K. Energy that contained a chart describing potential recovery at CPO-4. The chart showed that S.K. Energy estimated "total potential" "recoverable reserve[s]" of 974 million barrels from 22 leads.[91] Mr. McPherson included this chart from S.K. Energy in the January 19, 2010 Global Hunter analyst report and used the terms "prospect" and "lead" interchangeably in his report. For example:

> "[SK Energy] has found over 100 prospects. Thus far they have high graded ***22 of those prospects*** which contain an estimated 1 billion barrels of unrisked oil potential. Those ***leads*** are detailed in the following graph.[92]

The chart from S.K. Energy in the Global Hunter report also labeled these potential drilling sites as leads:

[91] See Testimony Exhibit 98, dated March 15, 2012 - PMP00005795 and PMP00005797.

[92] Global Hunter analyst report on Houston American, January 19, 2010.

CPO-4 Prospect Inventory						
Lead	Acres			Oil Per Acre	Net Pay	Unrisked Oil
	C7	Mirador	Une	BBls	Feet	MMBOE
1	1055	724	899	150	50/100/75	29
2	556	212	417	150	50/100/75	12
3	420	291	0	150	50/100/75	8
4	6358	6506	3495	150	50/100/75	185
5	1018	2119	1435	150	50/100/75	56
6	531	114	388	150	50/100/75	10
7	1097	657	311	150	50/100/75	22
8	1606	1074	694	150	50/100/75	36
9	3821	7037	220	150	50/100/75	139
10	469	0	0	150	50/100/75	4
11	447	622	509	150	50/100/75	18
12	664	659	0	150	50/100/75	15
13	2687	936	761	150	50/100/75	43
14	882	3399	1625	150	50/100/75	76
15	993	1692	605	150	50/100/75	40
16	234	847	252	150	50/100/75	20
17	0	420	326	150	50/100/75	10
18	0	818	0	150	50/100/75	12
19	0	0	1247	150	50/100/75	14
20	3320	4029	2364	150	50/100/75	112
21	2510	2611	3162	150	50/100/75	94
22	790	1102	0	150	50/100/75	22
Total - MMBOE						**977**
Average Field Size - MMBOE						**44.4**

85. The fact that Mr. McPherson used these terms interchangeably demonstrates that he did not see a material difference between "prospects" and "leads."[93]

86. The other alleged misrepresentations were statements regarding the number of barrels per acre foot used to estimate recovery on the CPO-4 block. Mr. McPherson's report gives no indication that he relied on the alleged misrepresentation in valuing Houston American. As described above, when estimating the value of the CPO-4 block, Mr. McPherson used an estimate of around 1 billion barrels of oil at CPO-4, in line with S.K. Energy's figure. S.K.

[93] See also, Testimony of Phil McPherson, November 20, 2014, 46:8:13. (rough draft transcript) ("I mean, lead and process possibilities [prospects] are the same thing. So, yeah.")

Energy's estimate assumed a recovery of 150 barrels per acre foot, as Mr. McPherson clearly described in his report. Therefore, there is no evidence that Mr. Terwillger's statement regarding 500 barrels per acre foot was material to Mr. McPherson.

87. The Global Hunter analyst report was publicly disseminated, and therefore if the information was new and material one would expect a significant stock price reaction after the report was published.[94] However, based on the event study described above, there was no statistically significant price reaction following the release of the Global Hunter analyst report on January 19, 2010 (see Appendix B), and thus this indicates the information in the report was not material to investors.[95]

Energy Equities Inc. Report – February 15, 2010

88. The SEC claims that Mr. Terwilliger made alleged misrepresentations to David Snow of Energy Equities, Inc. in February 2010, and that Energy Equities, Inc. issued a report on February 15, 2010 that contained alleged misrepresentations.

#	Date	Statement	Maker
13.	2/2010	"100 targets, 3.5B recoverable, [SK Energy] say[s]." / "CPO-4 -- $20- 25/bbl in ground."/ "CPO-4 ... =$100/shr."	Terwilliger conversation with David Snow of Energy Equities, Inc.
14.	2/2010	"CPO-4: 8 + 31 % 1 B bbls 150 net vs 250 20 3B = $100/shr"	Terwilliger conversation with David Snow of Energy Equities, Inc.
15.	2/2010	"CPO-4 SK—up to 3 1/2 B bbls Vo: 105 wells, 70% 32-33% royal 1 B bbls, 150 net (not 250) x 20 = 3B/31 = 100/shr	Terwilliger conversation with David Snow of Energy Equities, Inc.
16.	2/15/2010	"Over 100 leads in total have been identified with 2D seismic, with estimated potential recover-able reserves of 1 to 4 billion barrels."	Energy Equities, Inc. Research Report

94 See, for example, Richard A. Brealey, Stewart Myers & Franklin Allen, Principles of Corporate Finance (McGraw-Hill: New York, 11th ed., 2014), p. 337. ("If the market is efficient, prices impound all available information.")

95 Because it is unclear what time of day the Global Hunter report was released, I tested Houston American's price reaction on both January 19, 2010, and January 20, 2010, and found there was no statistically significant price reaction on either day.

#	Date	Statement	Maker
17.	2/15/2010	"A 1-4 billion bbl resource would thus be 157-635mm bbls net. In '09 Hepecol/HUSA sold a major field for $26/bbl. HUSA believes CPO-4 oil in the ground is worth $20-25/bbl .... Risked at HUSA's total 70% success rate to date, this is ... midpoint $168/share."	Energy Equities, Inc. Research Report

89. According to the SEC, the alleged misrepresentations in the February 15, 2010 Energy Equities report caused Houston American's stock price to increase. The SEC notes that "[t]he next day, on February 16, 2010, an article published by *Dow Jones Newswires* noted a spike in Houston American's stock price."[96] However, contrary to the SEC's claim, the article attributed Houston American's stock price rise to Petrominerales' success with wells near CPO-4, and does not mention the Energy Equities report.

> Shares of Houston American Energy Corp. (HUSA) hit a 52-week high Tuesday, ***boosted by the success that Petrominerales Ltd. (PMG.T, PMGLF) is having*** with Colombian oil wells near acreage Houston American is soon expected to drill.[97]

90. In fact, on February 15, 2010, one day before, Petrominerales had announced that its Candelilla-2 well was producing over 15,800 barrels per day.[98] Reuters noted that following this announcement, Petrominerales shares hit a "lifetime high" during trading on February 16, 2010 after rising 19% intraday.[99] The article cited by the SEC attributes Houston American's stock price rise to Petrominerales' success, and I could find no evidence that the rise was due to the Energy Equities report.

91. Furthermore, as described above, Mr. Snow interchangeably used the terms "reserves" and "resources," evidence that he understood that "estimated recoverable reserves" did not refer to "discovered, commercially producible petroleum accumulations" as the SEC implies. Mr. Snow testified that he understood the SEC's definition of "reserves" and, according

96 SEC OIP, ¶II.C.70.

97 Update: Houston American Gains On Success Of Neighbor's Well," *Dow Jones News Service*, February 16, 2010 (emphasis added).

98 "Petrobank Energy & Resources Ltd - Petrominerales Produces Candelilla-2 at Over 15,800 bopd and Cases Yenac-1 As Another Potential Oil Well," *Market News Publishing*, February 15, 2010.

99 "UPDATE 1-Petrominerales shares hit life-high on Colombian oil find," *Reuters*, February 16, 2010.

to that definition, knew "[t]here were no actual reserves" at CPO-4.[100] Mr. Snow further testified that he "interpreted Mr. Terwilliger as describing only potential reserves that might be found, not actual reserves."[101]

92. Moreover, Mr. Snow testified that he agreed that "[w]ith respect to statements that were made by Mr. Terwilliger to you or by Mr. Tawes to you that you did not include in your report," he was "unaware of anyone purchasing or selling Houston American stock in connection with those statements."[102]

93. In short, I find there is no evidence that any of the alleged misrepresentations identified by the SEC in this matter were material to investors, caused investors to purchase Houston American stock in the December 2009 offering or at any other time, inflated the stock price, misled the market into believing that the CPO-4 block actually contained SEC or PRMS reserves of any category, or otherwise materially misled the market.

VIII. THE MARKET UNDERSTOOD THAT HOUSTON AMERICAN WAS A SPECULATIVE INVESTMENT

A. Houston American publicly disclosed the many risks it faced as a small oil and gas exploration and production company

94. Houston American described itself as "an oil and gas exploration and production company."[103] In its SEC filings, the Company disclosed many risk factors, including:

> A substantial percentage of our properties are undeveloped; therefore the risk associated with our success is greater than would be the case if the majority of our properties were categorized as proved developed producing.
>
> We are dependent upon third party operators of our oil and gas properties.
>
> Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.[104]

[100] Testimony of David Snow, November 19, 2014, 33:12-14.

[101] Testimony of David Snow, November 19, 2014, 81:12-15.

[102] Testimony of David Snow, November 19, 2014, 43:9-19.

[103] Houston American's Form 10-K, filed March 16, 2009.

[104] Houston American's Form 10-K, filed March 16, 2009.

95. Analysts also noted the risks of investing in Houston American. For example, when initiating coverage of Houston American, C.K. Cooper warned that:

> HUSA's assets are largely comprised of **untested acreage** in Columbia. While exploration success on **neighboring properties may be encouraging** and provide some validation for the upside exploration potential for HUSA's properties, **it does not guarantee success**. Furthermore, oil exploration is often a statistical venture, which may require numerous attempts before success is realized. **If exploration success is not realized early, the firm may deplete its capital resources, making it difficult to continue a well testing program.**[105]

96. Canaccord similarly noted that the Company was risky, and that its own estimates of CPO-4 were made before a single well was drilled on the block:

> Houston American has almost no current production, with cash flow fully dependent on future exploration success.
>
> Houston American has only minimal reserves attributable to the company after the sale of the company's working interests in Colombia and the US in late 2010.
>
> **We caution investors that [our analysis] is done without the benefit of a single well being drilled** on Houston American's lands by Houston American or the company's current partners.[106]

B. The market understood that drilling on CPO-4 was years away

97. On October 16, 2009, Houston American announced that it had completed a farm-out agreement with SK Energy for a 25% interest in the CPO-4 block.[107] The press release emphasized CPO-4's proximity to other productive wells in the area and indicated that drilling was years away. In particular, the press release stated that the drilling of two exploration wells would not be completed until June 2012:

> The Phase 1 Work Program consists of reprocessing approximately 400 kilometers of existing 2-D seismic data, the acquisition, processing and interpretation of a 2-D seismic program containing approximately 620 kilometers

[105] C.K. Cooper analyst report on Houston American, June 24, 2010 (emphasis added).

[106] Canaccord, February 8, 2011.

[107] "Houston American Energy Corp Announces Completion of New Farmout in Colombia," *PR Newswire*, October 16, 2009.

of data and the drilling of two exploration wells. The Phase 1 Work Program is estimated to be completed by June 17, 2012.[108]

98. After the October 16 press release, Global Hunter made clear in an October 19, 2009 report that the drilling of exploration wells on the CPO-4 block would not begin until 2011.

> The JV [joint venture] will shoot 530 square kilometers of high resolution 3D seismic during the 1st half of 2010, **with the first exploration well expected in 1Q11.**[109]

Global Hunter reiterated the same information in its November 9, 2009 and January 19, 2010 reports.

> We would expect the shooting of seismic and reprocessing to take nine to twelve months, **with the first exploration well to be drilled in 1Q11.**[110]
>
> Several prospects have the potential to contain all three sands. The first two wells will most likely be drilled at the end of 2010 or early 2011.... [U]ntil the block is drilled we won't know if or how much oil is in place [111]

99. On June 24, 2010, C.K. Cooper noted that drilling was still six months away, and would start in January 2011: "HUSA's first exploration test at CPO 4 is scheduled to spud in January 2011."[112] Even as late as February 2011, analysts continued to note that their estimates of CPO-4 were made before any wells had been drilled.

> **We caution investors that [our analysis] is done without the benefit of a single well being drilled** on Houston American's lands by Houston American or the company's current partners.[113]

---

108 The press release also made it clear that, "The information in this release includes certain forward-looking statements that are based on assumptions that in the future may prove not to have been accurate, including estimated costs of, and time to complete, the Phase 1 Work Program and potential production, revenues, reserves, growth or profitability Houston American may realize from the CPO 4 Contract. Those statements, and Houston American Energy Corp, are subject to a number of risks, including production variances from expectations, volatility of product prices, the capital expenditures required to fund its operations, environmental risks, competition, government regulation, and the ability of the company to implement its business strategy. "Houston American Energy Corp Announces Completion of New Farmout in Colombia," *PR Newswire*, October 16, 2009.

109 Global Hunter analyst report on Houston American, October 19, 2009.

110 Global Hunter analyst report on Houston American, November 9, 2009.

111 Global Hunter analyst report on Houston American, January 19, 2010.

112 C.K. Cooper analyst report on Houston American, June 24, 2010.

113 Canaccord analyst report on Houston American, February 8, 2011.

C. Analysts commented that Houston American stock was "speculative"

100. The market understood that investing in Houston American was risky and speculative. For example, in its June 2010 report, C.K. Cooper noted that most of the Company's assets were untested acreage in Colombia.

> HUSA's assets are largely comprised of **untested acreage** in Columbia. While exploration success on **neighboring properties may be encouraging** and provide some validation for the upside exploration potential for HUSA's properties, **it does not guarantee success**. Furthermore, oil exploration is often a statistical venture, which may require numerous attempts before success is realized. **If exploration success is not realized early, the firm may deplete its capital resources, making it difficult to continue a well testing program.**[114]

101. C.K. Cooper further elaborated that the potential upside of the Company's untested acreage largely rested on the success of "neighboring and nearby" wells.

> Most of the firm's efforts and capital now are being concentrated on exploration activities at two oil and gas exploration areas, called Serrania and CPO 4. Although both areas are untested, well results from neighboring and nearby properties serve as an analog to the considerable upside oil resource potential.[115]

102. C.K. Cooper concluded that its valuation of Houston American was "very speculative," with proved reserves and cash accounting for only a little over $1/share of its $15/share price target:

> Our target price is based on our NAV/share of $14.86, which allocates $13.77 to our risked asset valuation for exploratory upside. While the upside potential HUSA is quite significant, the stock is currently trading at ~12x proved reserve value, suggesting that there is **meaningful downside risk** if early exploration success is not realized [...] While our rating system does not distinguish between risky and less risky investments, we consider our $15.00/Share NAV for HUSA to be **very speculative**, with **proved reserve value plus cash accounting for only $1.09/Share** and our estimate of risked upside potential accounting for the balance of NAV.[116]

103. Additionally, Canaccord—in its February 2011 initiation report—rated Houston American as a "Speculative Buy," stipulating that its valuation of the Company was "done

---

114 C.K. Cooper analyst report on Houston American, June 24, 2010.

115 C.K. Cooper analyst report on Houston American, June 24, 2010.

116 C.K. Cooper analyst report on Houston American, June 24, 2010, emphasis added.

without the benefit of a single well being drilled on Houston American's lands by Houston American or the company's current partners." Rather, Canaccord noted its analysis was supported by "the success of industry in *close proximity* to both of the company's blocks."[117]

104. One of the blog posts in April 2010 that the SEC cites further corroborates the speculative nature of investing in Houston American, calling small-cap exploration and production stocks like Houston American "lottery tickets for investors" and noting that the "higher risk appetite in the market" was fueling more speculative investments.

> Small-cap exploration and production stocks **are like lottery tickets** for investors. While most are failures, some strike it rich. **Significantly higher risk appetite in the market has created an environment for small cap E&P story stocks to get egregiously ahead of themselves.** We believe this is the case at Houston American Energy Corp.[118]

105. Mr. Hendrickson at Nokomis has also referred to Houston American stock as a "lottery ticket."[119]

IX. ADDITIONAL ISSUES WITH THE SEC'S ALLEGATIONS

A. The "two blog posts" on April 7, 2010 and subsequent stock price drop were unrelated to the Company's statement regarding "1 to 4 billion barrels" of "estimated recoverable reserves"

106. According to the SEC, "In the course of Houston American's promotional efforts, the price of its common stock increased from close to $4 per share to more than $20 per share. In April 2010, two blog posts raised questions about the integrity of Houston American's management and the validity of its estimates."[120] The SEC seems to be referring to two blog posts posted on Seeking Alpha in April 2010.[121]

107. Contrary to the SEC's implications, there is no indication that the two Seeking Alpha blog posts were related to or corrective of the Company's alleged misstatement regarding

---

117 Canaccord analyst report on Houston American, February 8, 2011, emphasis added.

118 "Houston American Energy Corp. Set Up for Collapse," posted April 7, 2010 on SeekingAlpha.com (emphasis added).

119 Testimony of Brett Hendrickson, November 12, 2014, p. 242:22-24. ("Because I said at 96 cents… I can overlook it because [HUSA's] a lottery ticket.")

120 SEC OIP, ¶II.C.88.

121 "Houston American Energy Priced for Perfection," Seeking Alpha, April 7, 2010; "Houston American Energy Corp. Set Up for Collapse," Seeking Alpha, April 7, 2010.

"1 to 4 billion barrels" of "estimated recoverable reserves." One of the blog posts simply repeated the Company's statement regarding the 1 to 4 billion barrels of oil while the other post made no reference to Houston American's oil reserves. Moreover, after the publication of the two blog posts, market analysts following the company continued to reiterate the company's estimate of 1 to 4 billion barrels of oil—further evidence that the market did not consider the blog posts to be corrective of the alleged misstatements.[122]

108. Rather than correcting the prior misstatements, the two blog posts contained negative information unrelated to the SEC allegations including: alleged past "indiscretions" of Houston American's management, examples of other times when Houston American's stock price had "spiked" only to later fall, and critiques of recent valuations of Houston American by other analysts.

109. The authors of both blog posts disclosed that they were short Houston American at the time of the publication of their respective posts, and thus had an incentive to drive the stock price down.

110. Moreover, not only did Columbia Wanger and Nokomis continue to purchase Houston American shares after the April 2010 short reports, but institutional investors, such as Blackrock Fund Advisors, Goldman Sachs & Co., and Credit Suisse Securities, also continued to purchase stock. For example, between March 31, 2010 and June 30, 2010, Blackrock Fund Advisors increased their holdings in Houston American from 30,598 shares to 636,305 shares.[123]

B. Mr. Terwilliger's transactions are inconsistent with the SEC's allegations

111. Mr. Terwilliger owned around 30% of Houston American common stock between November 2009 and April 2010.[124] As the SEC notes, over this period, "Houston American's stock price increased from approximately $4.00 per share to $20.00 per share, and its market capitalization increased from less than $150 million to more than $600 million."[125] Yet, though

122 See, for example, C.K. Cooper reports analyst reports on Houston American on June 24, 2010 and August 17, 2010.

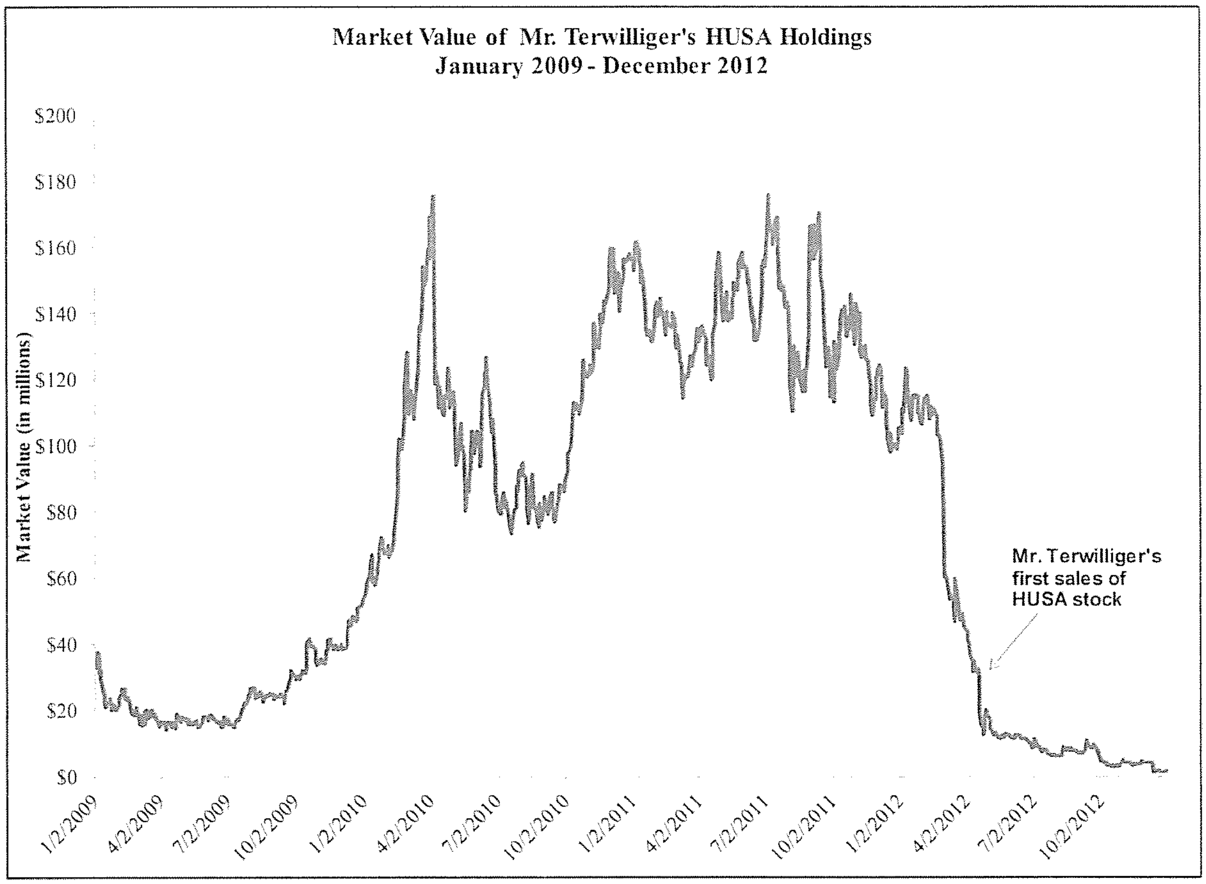
123 Institutional holdings data obtained from FactSet Research Systems, Inc. These are institutions that purchased shares between March 31, 2010 and June 30, 2010.

124 Based on the Company's DEF-14A filings.

125 SEC OIP, ¶II.C.6.

the Company's market capitalization increased over $450 million and the value of Mr. Terwilliger shares increased by approximately $150 million, Mr. Terwilliger did not sell any shares during this period. In fact, the only sales he made were in April 2012 after the stock had dropped below $2.[126] This trading pattern is inconsistent with the SEC's allegation that Mr. Terwilliger inflated the stock price for his own personal gain.

112. As shown below, the market value of Mr. Terwilliger's holdings increased to a peak of $175 million in April 2010, yet Mr. Terwilliger did not sell any shares until April 2012.



Lucy P. Allen

[126] As noted by the SEC, the sales in April 2012 were to cover a margin call. See, SEC OIP, ¶II.C.93.

NERA
ECONOMIC CONSULTING

Lucy P. Allen
Senior Vice President

[redacted]

Appendix A

LUCY P. ALLEN
SENIOR VICE PRESIDENT

Education

YALE UNIVERSITY
M.Phil., Economics, 1990
M.A., Economics, 1989
M.B.A., 1986

STANFORD UNIVERSITY
A.B., Human Biology, 1981

Professional Experience

1994-Present **National Economic Research Associates, Inc.**
Senior Vice President. Responsible for economic analysis in the areas of securities, finance and environmental and tort economics.
Vice President.
Senior Consultant.

1992-1993 **Council of Economic Advisers, Executive Office of the President**
Staff Economist. Provided economic analysis on regulatory and health care issues to Council Members and interagency groups. Shared responsibility for regulation and health care chapters of the *Economic Report of the President, 1993*. Working Group member of the President's National Health Care Reform Task Force.

1986-1988
1983-1984 **Ayers, Whitmore & Company (General Management Consultants)**
Senior Associate. Formulated marketing, organization, and overall business strategies including:
Plan to improve profitability of chemical process equipment manufacturer.
Merger analysis and integration plan of two equipment manufacturers.
Evaluation of Korean competition to a U.S. manufacturer.
Diagnostic survey for auto parts manufacturer on growth obstacles.
Marketing plan to increase international market share for major accounting firm.

Summer 198□ **WNET/Channel Thirteen, Strategic Planning Department**
Associate. Assisted in development of company's first long-term strategic plan. Analyzed relationship between programming and viewer support.

1981-1983 **Arthur Andersen & Company**
Consultant. Designed, programmed and installed management information systems. Participated in redesign/conversion of New York State's accounting system. Developed municipal bond fund management system, successfully marketed to brokers. Participated in President's Private Sector Survey on Cost Control (Grace Commission). Designed customized tracking and accounting system for shipping company.

Teaching

1989- 1992 **Teaching Fellow, Yale University**
Honors Econometrics
Intermediate Microeconomics
Competitive Strategies
Probability and Game Theory
Marketing Strategy
Economic Analysis

Publications, Speeches and Conference Papers

Participant in panel on "Expert Reports and Depositions" at *PLI Expert Witness 2014*, hosted by the Practising Law Institute, New York, New York, 2014.

"Snapshot of Recent Trends in Asbestos Litigation: 2014 Update," (co-author), NERA Report, 2014.

Participant in panel on "Use of Experts" at *PLI Pretrial Practice 2014*, hosted by the Practising Law Institute, New York, New York, 2014.

"High Frequency Trading --A Primer in 1,800,000 Milliseconds" before the Litigation Group at Morrison Foerster, New York, New York, 2014.

"Snapshot of Recent Trends in Asbestos Litigation: 2013 Update," (co-author), NERA Report, 2013.

Participant in panel on "Use of Experts" at *PLI Pretrial Practice 2013*, hosted by the Practising Law Institute, New York, New York, 2013.

Participant in panel on "Use of Experts" at *PLI Pretrial Practice 2012*, hosted by the Practising Law Institute, Chicago, Illinois, 2012.

□Asbestos Payments per Resolved Claim □ncreased □□□ in the Past □ear □ □s This □ncrease as Dramatic as it Sounds□ Snapshot of Recent Trends in Asbestos □itigation: 2012 Update,□ □co-author□ NERA Report, 2012.

□Snapshot of Recent Trends in Asbestos □itigation: 2011 Update,□ □co-author□ NERA White Paper, 2011.

□2011 □ Beyond□Predicting Mass Tort □itigation: with a Focus on Pharmaceutical Torts□presented at *Emer□in□ □ns□r□nce □o□er□□e □nd □□□oc□tion □ss□es*, hosted by Perrin Conferences, New □ork, New □ork, 2011.

Presented recent trends in settlements, predicting settlement amounts, and the use of economic analysis at mediation in the □Settlement Trends □ Tactics□panel at *□ec□rities □iti□□tion □ Enforcement□□□rrent □e□e□opments □ □tr□te□ies*, hosted by the New □ork City Bar, New □ork, New □ork, 2010.

□Snapshot of Recent Trends in Asbestos □itigation: 2010 Update,□ □co-author□ NERA White Paper, 2010.

□Settlement Trends and Tactics□presented at *□ec□rities □iti□□tion □□rin□the □in□nci□□ □risis□□□rrent □e□e□opment □ □tr□te□ies*, hosted by the New □ork City Bar, New □ork, New □ork, 2009.

□GM and Chrysler Bankruptcies: Potential □mpact on □ther Asbestos Defendants□ presented at *□s□estos □iti□□tion □onference□□ □omprehensi□e □□tion□□□er□ie□ □nd □□t□oo□*, hosted by Perrin Conferences, San Francisco, California, 2009.

□Snapshot of Recent Trends in Asbestos □itigation,□ □co-author□ NERA White Paper, 2009.

□Emerging Economies and Product Recall -- Are the Claims Coming□□presented at *□he □ntern□tion□□Reins□r□nce □□mmit □□□□*, Hamilton, Bermuda, 2008.

□China Product Recalls: What's at Stake and What's Ne□t,□ □co-author□ NERA Working Paper, 2008.

□Recent Trends in Securities □itigation□presented at *□tr□te□ies, □□□□□□tions □ □ns□r□nce in □omp□e□□□□siness □iti□□tion*, hosted by the Directors Roundtable, New □ork, New □ork, 2008.

□The Current □andscape□presented at *□ e□□e□□s Prod□ct Rec□□□□i□□i□t□□onference□ □ □de in □hin□ □nd □e□ond*, Washington, DC, 200□

□China Product Recalls: What□s at Stake and What□s Ne□t□presented at *□hin□ Prod□ct Rec□□□s*, sponsored by National Economic Research Associates, New □ork, New □ork, 200□

"Damages and Loss Causation in Shareholder Class Actions after *Dura*," presented at *Securities Litigation: Emerging Trends in Enforcement and Winning Litigation Strategies* hosted by the International Quality & Productivity Center, New York, New York, 2006.

"Damages per Share in Shareholder Class Actions after *Dura*," presented at the 9th Annual Finance, Law and Economics Securities Litigation Seminar, sponsored by National Economic Research Associates, Deer Valley, Utah, 2006.

"Forecasting Product Liability by Understanding the Driving Forces," (co-author), *The International Comparative Legal Guide to Product Liability*, 2006.

"*Loss Causation*," presented at the 7th Annual Finance, Law and Economics Securities Litigation Seminar, sponsored by National Economic Research Associates, Beaver Creek, Colorado, 2004.

"Recent Trends in Securities Class Action Litigation," presented at The Class Action Litigation Summit program, *Class Action in the Securities Industry*, Washington, D.C., 2003.

"Product Liability Claims Estimation – Four Steps, Four Myths," presented at Standard & Poor's Seminar, New York, New York, 2001.

"How Bad Can It Be? The Economics of Damages and Settlements in Shareholder Class Actions," at *Balancing Disclosure and Litigation Risks for Public Companies or Soon-to-be Public Companies*, seminar sponsored by Alston & Bird LLP and RR Donnelley Financial, Nashville, Tennessee, 2000.

"Securities Litigation Reform: Problems and Progress," *Viewpoint,* November 1999, Issue No. 2 (co-authored).

"Trends in Securities Litigation and the Impact of the PSLRA," *Class Actions & Derivative Suits*, American Bar Association Litigation Section, Vol. 9, No. 3, Summer 1999 (co-authored).

"Random Takes, Random Claims," *Regulation*, Winter 199[illegible], pp. 6-[illegible] (co-authored).
"Adverse Selection in the Market for Used Construction Equipment," presented at the NBER Conference on Research in Income and Wealth, Federal Reserve Board, June 1992.

Expert Reports, Depositions & Testimony (4 Years)

Deposition Testimony and Expert Report before the United States District Court for the Northern District of Texas, Dallas Division in *The Archdiocese of Milwaukee Supporting Fund, Inc. et al. v. Halliburton Company, et al.*, 2014.

Deposition Testimony and E□pert Report before the United States District Court for the Eastern District of Pennsylvania in *Po□er Restor□tion □ntern□tion□□ □nc□□□Pepsi□o, □nc□ □ott□n□ □ro□p, □□□, □nd □rito□□□□□r□din□ □omp□n□ □□rope□ □m□h*, 2014.

E□pert Report before the United States District Court Southern District of New □ork in *□ □re□□och□ □□1□ □h□rch □□□, et □□□ □n re □o□er □ □nh□tt□n □is□ster □ite □iti□□tion*□ 2014.

E□pert Report before the United States District Court Southern District of New □ork in *□ □dem□r Rope□□nd □r□st□n□Rope□□□he □□n□of □e□ □or□□et □□□□n re □o□er □ □nh□tt□n □is□ster □ite □iti□□tion*□ 2014.

E□pert Report before the United States District Court Southern District of New □ork in *□ □□d□s□□ □□□sni□□□1□□ □ □ter □treet, □nc□et □□□□n re □o□er □ □nh□tt□n □is□ster □ite □iti□□tion*□ 2014.

E□pert Report before the United States District Court Southern District of New □ork in *□n re □o□er □ □nh□tt□n □is□ster □ite □iti□□tion*, 2014.

Deposition Testimony and E□pert Report before the United States District Court Southern District of Florida in *□r□□□□m□r □ood, et □□□□□□r□□□st Ph□rm□ce□tic□□ P□rtners □nc□et □□*□ 2014.

Declaration before the Superior Court of Gwinnett County State of Georgia in *□it□of Ri□er□ □e□ch □ener□□Emp□o□ees Retirement □□stem, et □□□□□□ron□s □nc□et □□*□ *□orfo□□□o□nt□Retirement □□stem, et □□□□□□ron□s □nc□et □□*□ 2014.

Deposition Testimony, Surrebuttal Report and E□pert Report before the United States District Court Middle District of Tennessee Nashville Division in *□ □rden □it□ Emp□o□ees□Retirement □□stem □nd □entr□□□tes, □o□the□st □nd □o□th□est □re□s Pension □□nd, et □□□□Ps□chi□tric □o□□tions, □nc□et □□*□ 2014.

Declaration before the United States District Court Northern District of California San □ose Division in *□□oc□ et □□□□□he □it□of □□nn□□□e, et □□*□ 2014.

Deposition Testimony and E□pert Report before the United States District Court for the District of Maryland □Northern Division□in *□o□□e, et □□□□□□□ □□e□ et □□*□ 2014.

Declaration before the United States District Court Northern District of California in *□□n □r□ncisco □eter□n Po□□ce □fficers □ssoci□tion, et □□□□□he □it□ □nd □o□nt□of □□n □r□ncisco, et □□*□ 2014.

Testimony before the United States Bankruptcy Court Southern District of New □ork in *□n re Residenti□□□□pit□□ □□□, et □□*□ 2013.

Deposition Testimony and Expert Report before the United States District Court for the Eastern District of Michigan Southern Division in *Timothy Bennington, Byron McHenry and Christopher □oc□s et al. v. General Electric Company*, 2013.

Declaration before the United States Bankruptcy Court Southern District of New York in *In re Residential Capital, LLC, et al.*, 2013.

Declaration before the United States District Court for the Western District of New York in *New York State Rifle and Pistol Association, Inc. et al. v. Cuomo, et al.*, 2013.

Expert Report before the United States District Court for the District of New Jersey in *Charles □□n□□e, Jr. v. PepsiCo, Inc. et al.*, 2013.

Deposition Testimony before the United States District Court for the Southern District of New York, *In re Winstar Communications Securities Litigation*, 2013.

Supplemental Report before the United States District Court for the District of New Jersey in *Howmedica Osteonics Corp. v. Zimmer, Inc. et al.*, 2013.

Expert Report before the United States District Court of New Jersey in *Doris □o□den□er□, et al. v. □nde□, Inc. et al.*, 2013.

Deposition Testimony before the United States Court of Federal Claims in *Starr International Company, Inc. v. The United States of America*, 2013.

Expert Report before the United States Court of Federal Claims in *Starr International Company, Inc. v. The United States of America*, 2013.

Expert Report before the Circuit Court for the County of Fairfax in *John DeGroote as Liquidating Trustee for and on behalf of the BearingPoint, Inc. Liquidating Trust v. Edwin Harbach, et al.*, 2013.

Expert Report before the United States District Court for the Southern District of New York, *In re Winstar Communications Securities Litigation*, 2012.

Expert Report before the United States District Court for the Northern District of Georgia, *In re Synovus Financial Corp.*, 2012.

Deposition Testimony before the United States District Court for the District of New Jersey in *Howmedica Osteonics Corp. v. Zimmer, Inc. et al.*, 2012.

Deposition Testimony before the United States District Court of New Jersey in *Doris □o□den□er□, et al. v. □nde□, Inc. et al.*, 2012.

Expert Report before the United States District Court of New Jersey in *Doris □o□den□er□, et al. v. □nde□, Inc. et al.*, 2011.

E□pert Report before the United States District Court for the District of New □ersey in *□o□medic□□steonics □orp□□□immer, □nc□et □□*, 2011.

E□pert Report before the United States District Court for the Southern District of New □ork, *□n re □□ □□ □orpor□tion □ec□rities □iti□□tion*, 2011.

Testimony, Supplemental Declaration and Declaration before the American Arbitration Association □nternational Centre for Dispute Resolution in *E□rotire, □nc□□□□om□ts□ □meric□□orp□*, 2011.

Deposition Testimony before the Superior Court Department of the Trial Court, Suffolk County, Commonwealth of Massachusetts in *□e□in□ton □ns□r□nce □omp□n□□ □□e□r□□ter □ns□r□nce □omp□n□*, 2011.

Deposition Testimony and E□pert Report before the United States District Court for the Southern District of New □ork, *□n re □□ □□ □orpor□tion □ec□rities □iti□□tion*, 2010.

E□pert Report and Rebuttal E□pert Report before the Court of the Chancery of the State of Delaware in *□o□isi□n□□ □nicip□□Po□ice Emp□o□ees□Retirement □□stem, et □□□□ □i□m□n □□ertitt□, et □□□□nd □□ndr□□s Rest□□r□nts, □nc□*, 2010.

Deposition Testimony before the United States District Court for the Southern District of New □ork in *□de□phi□Reco□er□□r□st □□□□n□of □meric□□□□□et □□*, 2010.

November 2014

Appendix □□□
Statistical Significance of □USA□s Price Reactions on Event Days
(After Controlling for the S&P □□□ and the Do□ □ones U.S. Exploration and Production Index)

Event Date□	Reaction Date□	Description	LN Daily Return: □USA	LN Daily Return: S&P □□□	LN Daily Return: Do□ □ones U.S. Exploration and Production Index	Excess Return□	t□stat□	Statistically Significant□
11□10□2009	11□10□2009	HUSA 8-K states, □CP□ 4 Block consists of 34□4□2 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels.□	0.09□	0.000	-0.002	0.098	1.□3	No
12□1□2009	12□1□2009	Global Hunter emails sent to potential investors	0.013	0.012	0.021	-0.01□	-0.28	No
12□31□2009	12□31□2009 [4]	Undiscovered Equities Report	0.01□	-0.010	-0.014	0.03□	0.66	No
1□19□2010	1□19□2010 [4]	Global Hunter analyst report on Houston American is released	0.064	0.012	0.008	0.042	0.81	No
1□2□□2010	1□2□□2010	Global Hunter emails sent to potential investors	0.06□	0.00□	0.016	0.0□3	1.03	No
2□1□□2010	2□16□2010	Petrominerales announces drilling success at second Candelilla well and Equity Energies report released. WS□ attributes HUSA stock rise to success of Petrominerales wells	0.161	0.018	0.029	0.124	2.□1 □	□es
3□26□2010	3□29□2010	HUSA 10-K shows no proved reserves at CP□-4	0.069	0.006	0.028	0.0□3	1.10	No
10□12□2010	10□12□2010	□ndependent assessment of CP□-4 reports 2□- 169M barrels of prospective resources	0.081	0.004	-0.003	0.0□6	1.61	No

Notes and Sources□

Price data obtained from FactSet Research Systems, □nc. and Bloomberg, □P. Returns are log returns.

The regression period used is one year prior to the event, e□cluding returns on other days tested.

[1] □f an event occurs after the market closes □4:00 p.m.□ the market reaction will not be observed until the ne□t trading day.

[2] Calculated as the difference between Houston American□s return and Houston American□s predicted return using the regression one year prior to the event.

[3] Calculated as the daily e□cess return divided by the standard error of the regression over the regression period. □ indicates significance at the 9□□ level.

[4] Assumes that the report was issued before or during market hours. The analysis was also completed assuming that the report was issued after the market closed, and it does not change my conclusions.

Appendix □□□
Statistical Significance of □USA□s Price Reactions on Event Days
(After Controlling for the S&P □□□and the □□G Independent E&P and Integrated Oils Index)

Event Date[1]	Reaction Date[1]	Description	LN Daily Return: □USA	LN Daily Return: S&P □□□	LN Daily Return: □□G Independent E&P and Integrated Oils Index	Excess Return[2]	t□stat[3]	Statistically Significant□
11□10□2009	11□10□2009	HUSA 8-K states, □CP□ 4 Block consists of 34□4□2 net acres and contains over 100 identified leads or prospects with estimated recoverable reserves of 1 to 4 billion barrels.□	0.09□	0.000	-0.00□	0.101	1.□9	No
12□1□2009	12□1□2009	Global Hunter emails sent to potential investors	0.013	0.012	0.021	-0.016	-0.30	No
12□31□2009	12□31□2009 [4]	Undiscovered Equities Report	0.01□	-0.010	-0.006	0.030	0.□8	No
1□19□2010	1□19□2010 [4]	Global Hunter analyst report on Houston American is released	0.064	0.012	0.014	0.042	0.83	No
1□2□2010	1□2□2010	Global Hunter emails sent to potential investors	0.06□	0.00□	0.009	0.0□□	1.08	No
2□1□2010	2□16□2010	Petrominerales announces drilling success at second Candelilla well and Equity Energies report released. WS□attributes HUSA stock rise to success of Petrominerales wells	0.161	0.018	0.024	0.126	2.□8 □	□es
3□26□2010	3□29□2010	HUSA 10-K shows no proved reserves at CP□-4	0.069	0.006	0.044	0.038	0.80	No
10□12□2010	10□12□2010	□ndependent assessment of CP□-4 reports 2□- 169M barrels of prospective resources	0.081	0.004	0.002	0.0□8	1.69	No

Notes and Sources□

Price data obtained from FactSet Research Systems, □nc. and Bloomberg, □P. Returns are log returns.
The regression period used is one year prior to the event, e□cluding returns on other days tested.

[1] □f an event occurs after the market closes □4:00 p.m.□ the market reaction will not be observed until the ne□t trading day.

[2] Calculated as the difference between Houston American□s return and Houston American□s predicted return using the regression one year prior to the event.

[3] Calculated as the daily e□cess return divided by the standard error of the regression over the regression period. □indicates significance at the 9□□ level.

[4] Assumes that the report was issued before or during market hours. The analysis was also completed assuming that the report was issued after the market closed, and it does not change my conclusions.

EXHIBIT 39

8-K 1 form8-k.htm HOUSTON AMERICAN ENERGY CORP 8-K 10-12-2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 12, 2010

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in Charter)

Delaware	[redacted]	[redacted]
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

[redacted]

(Address of Principal Executive Offices)(Zip Code)

[redacted]

(Issuer Telephone number)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

Houston American Energy Corp. (the "Company") has prepared updated slides to be posted on the Company's web site and for use in connection with investor presentations. The presentation slides to be used are attached to this Current Report on Form 8-K as Exhibit 99.1 and are incorporated herein solely for purposes of this Item 7.01.

In accordance with General Instruction B.2 of Form 8-K, the information set forth in this Item 7.01, including Exhibit 99.1, is furnished pursuant to Item 7.01 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

99.1 Investor Presentation Slides

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: October 12, 2010

By: /s/ James J. Jacobs
James J. Jacobs
Chief Financial Officer

EX-99.1 2 ex99_1.htm EXHIBIT 99.1

Exhibit 99.1

HOUSTON AMERICAN ENERGY CORP

Investor Presentation

October 2010

HOUSTON AMERICAN ENERGY CORP

Forward-Looking Statements

This presentation contains forward-looking statements, including those relating to our future financial and operational results, reserves or transactions, that are subject to various risks and uncertainties that could cause the Company's future plans, objectives and performance to differ materially from those in the forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "may," "expect," "intend," "plan," "subject to," "anticipate," "estimate," "continue," "present value," "future," "reserves," "appears," "prospective," or other variations thereof or comparable terminology. Factors that could cause or contribute to such differences could include, but are not limited to, those relating to the results of exploratory drilling activity, the Company's growth strategy, changes in oil and natural gas prices, operating risks, availability of drilling equipment, availability of capital, weaknesses in the Company's internal controls, the inherent variability in early production tests, dependence on weather conditions, seasonality, expansion and other activities of competitors, changes in federal or state environmental laws and the administration of such laws, the general condition of the economy and its effect on the securities market, the availability, terms or completion of any strategic alternative or any transaction and other factors described in "Risk Factors" and elsewhere in the Company's Form 10-K and other filings with the SEC. While we believe our forward-looking statements are based upon reasonable assumptions, these are factors that are difficult to predict and that are influenced by economic and other conditions beyond our control.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose proved, probable and possible reserves. We use certain terms in this document, such as non-proven, resource potential, Probable, Possible, Exploration and unrisked resource potential. These terms include reserves with substantially less certainty than proved reserves, and no discount or other adjustment is included in the presentation of such reserve numbers. The recipient is urged to consider closely the disclosure in our Form 10-K, File No. 001-32955, available from us at 801 Travis, Suite 1425, Houston, Texas 77002. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

Company Overview

- Houston American Energy Corp (NYSE Amex:HUSA), the "Company", is a growth-oriented independent energy company engaged in the exploration, development and production of crude oil and natural gas resources

Market Cap:	$358.3MM	Debt Outstanding:	$0.0
Average Volume:	195,478	Shares Outstanding:	31,080,772

- Operations focused in Colombia
  - Current production, net to the Company, of approx. 1,000 barrels of oil equivalent per day
  - Participated in drilling of 107 wells in Colombia to date
  - Developing new international projects with a focus on Colombia, Peru and Brazil
- Significant concessions in Colombia with substantial drilling inventory identified by advanced 3-D seismic interpretation
  - Over 895,000 gross acres with more than 50 currently identified drilling prospects on 3D seismic data

Investment Opportunity

- Unique portfolio of high impact, large reserve potential projects in Colombia
  - Pure-play small cap oil focused investment opportunity with substantial upside potential
  - Significant acreage position focused in the Llanos Basin in Colombia
  - Favorable government royalties and fiscal terms on existing contracts
- Significant Technical Partner with SK Energy, a leading Asian integrated oil and gas company
- Proven Track Record
  - Participating in successful drilling program led by Hupecol
  - Drilled 107 wells in Colombia with approximately 70% success rate to date
  - With nearly $33.3MM in invested capital management has generated in excess of $358.3MM of market capital to date
- Low cost structure
  - Non-operator strategy allows for minimal corporate staff
  - Colombian properties have lower finding and development costs versus U.S. conventional and unconventional reserves
- Experienced management and board of directors with access to proprietary deal flow
- Simple capitalization structure

Business Strategy

- Explore and develop existing properties through the drill bit
  - Increase production and cash flow by drilling and completing identified well locations
  - Quantify value of our asset base through an aggressive testing and drilling program
  - Explore for and develop additional proved reserves on approximately 200,000 net acres
- Acquire additional interest in oil and gas properties through partnerships and joint ventures with experienced operators
  - Target acquisitions that enhance our core areas
  - Focus on high impact, lower risk drilling prospects
- Capitalize on the expertise, experience and strategic relationships of the management team and board of directors

International Assets

International Operations - Colombia

[illegible]

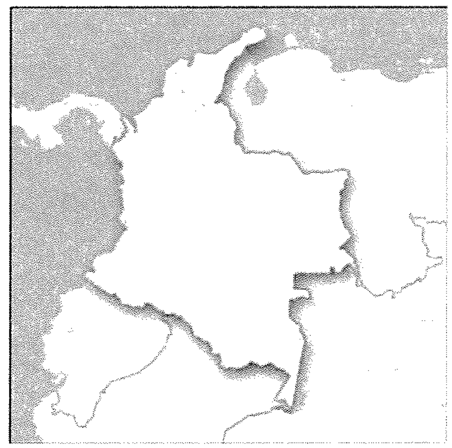
Operator	Interest
SK Energy	37.5% working interest in the CPO 4 concession covering ~ 345,452 acres
Shona	12.5% working interest in the Serrania concession covering ~ 110,769 acres
Hupecol	12.5% interest in the Los Picachos Technical Evaluation Agreement (the "TEA") ~ 86,235 acres
Hupecol	12.5% interest in the Macaya Technical Evaluation Agreement ~ 195,201 acres
Hupecol	12.5% working interest in the Las Garzas concession covering ~ 103,000 acres (1)
Hupecol	12.5% working interest in the Leona concession covering ~ 70,343 acres (1)
Hupecol	12.5% working interest in the Cabiona concession covering ~ 86,066 acres (1)
Hupecol	12.5% working interest in Dorotea concession covering ~ 51,321 acres (1)
Hupecol	6.25% working interest in the Surimena concession covering ~ 69,000 acres
Hupecol	1.6% working interest in La Cuerva contract covering ~ 48,000 acres

(1) The Las Garzas, Leona, Cabiona and Dorotea concessions are subject to a pending Purchase and Sale Agreement pursuant to which the Company expects to realize approx. $35.125 million of sales proceeds.

Overview of Colombia

- President Juan Manuel Santos (elected August 7, 2010) - Pro Business
- Main US ally in South America
- Population: 45,644,023
- Capital Bogotá: 8,840,116 citizens
- Exchange rate 2010: 1,807 COP$/US$
- Gross domestic product, GDP, 2008: US$ 395.4 Billion
- GDP / Capita, 2008: $8,800
- Current Production of 750,000 bbl/day

Colombia



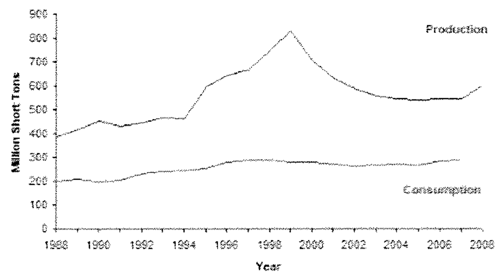
Source: Wood Mackenzie, IHS, CIA.GOV

HOUSTON AMERICAN ENERGY CORP

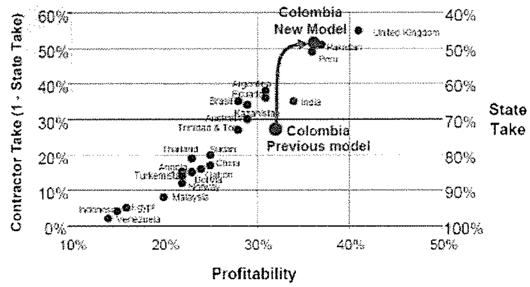
Overview of Colombia

- Colombia is currently a net exporter (~ 282,000 bbls/d) of crude oil, but the country's reserves and production have been declining
- To combat this decline, the Colombian government enacted a number of incentives aimed to attract foreign investment:
  - Sliding scale royalty rates based on field size, with an 8% royalty rate for most fields
  - 100% company ownership of production projects
  - Eliminated government back-in rights on new concessions
  - Vastly improved security environment - President Santos on offensive with broad popular support
  - Military increased 273,000 to 370,000 personnel in 2 years. US assistance at US$600 million/year
  - Progressive Colombia fiscal changes similar to those in UK which spurred renewed interest in the North Sea
- Colombia has a well developed infrastructure system comprising of over 3,700 miles of crude and product pipelines. This system is concentrated on transporting crude from the main producing basins (Llanos and Magdalenas)

Colombia's Oil Production and Consumption



Source: EIA Country Energy Profiles; Short Term Energy Outlook



Source: Wood Mackenzie, IHS, CIA.GOV

HOUSTON AMERICAN ENERGY CORP

Independent Engineer's Recoverable Resource Evaluation Summary

Recoverable Resource Summary

(All figures in thousands of barrels of oil)

Unrisked Prospective and Undiscovered Resouces - CPO 4, Serrania & Picachos Blocks	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	67,535	10,019	231,686	32,985	757,082	105,086
Total	**86,147**	**16,998**	**281,054**	**51,498**	**884,446**	**152,848**

Unrisked Prospective Resouces - CPO 4 & Serrania Blocks	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	43,756	7,046	136,741	21,117	417,795	62,676
Total	**62,367**	**14,026**	**186,109**	**39,629**	**545,160**	**110,437**

Unrisked Prospective Resouces - CPO 4 Block	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	6,305	2,365	16,097	6,036	41,806	15,677
Total	**24,917**	**9,344**	**65,465**	**24,549**	**169,171**	**63,439**

Unrisked Prospective Resouces - Serrania Block	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Heavy Oil						
Recoverable Oil (Mbbl)	**37,450**	**4,681**	**120,644**	**15,081**	**375,989**	**46,999**

Unrisked Undiscovered Resouces - Serrania & Picachos Blocks	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	HUSA Share	100% W.I.	HUSA Share	100% W.I.	HUSA Share
Heavy Oil						
Recoverable Oil (Mbbl)	**23,780**	**2,972**	**94,945**	**11,868**	**339,287**	**42,411**

PETROTECH ENGINEERING LTD.
7536 Manzanita Place, Burnaby, B. C., Canada V3N 4X1 Phone: (604) 525 6896
Email: johnyu@axion.net

October 6, 2010

Ref. 10 – 23

Houston American Energy Corp.
801 Travis, Suite #1425
Houston, Texas 77002
U. S. A.

Attention: Mr. John F. Terwilliger, Chairman

Dear Sirs:

Re: Evaluation of the Interests of Houston American Energy Corp. in Serrania, Picachos and CPO 4 Blocks in Caguán-Putumayo and Llanos Basin, Colombia

At your request, we have prepared an engineering and economic evaluation of the prospective resources in the above-mentioned three exploration and production (E&P) blocks which Houston American Energy Corp. (here-in-after referred to as the "Company") has an interest. The purpose of the evaluation is to determine the prospective and undiscovered resources in these three E&P blocks. The evaluation is prepared using an effective date of September 30, 2010.

The Company has various interests in two E&P blocks in Colombia subject to the sliding scale royalty and additional X% royalty to the Agencia de Nacional Hidrocarburos (ANH) as follows:

Block Name	Basin	Gross Area	W. I.	X% Royalty	Contract Date
Serrania	Caguán-Putumayo	110,769 acres	12.5%	0	December 5, 2008
CPO 4	Llanos	345,452 acres	37.5%	31	December 18, 2008

In addition, the Company has a 12.5% working interest in a Technical Evaluation Contract (TEA) in the Picachos Block with an area of 86,235 acres in the Caguán-Putumayo Basin which is immediately west of the Serrania Block and north of the Ombu heavy oil discovery. This block has completed the work program commitments and is currently under application to convert to an E&P block.

The two E&P Contracts are with ANH. The operator of the Serrania and Picachos Blocks is Hupecol S.A. and the operator in the CPO 4 Block is SK Petroleum Corp.

In the CPO 4 Block, 205 square miles (131,200 acres) of 3D seismic data was acquired and interpreted resulting in the identification of 16 prospective areas with 54 prospects in the Mirador, Guadalupe and Une formations. The 3D seismic survey represents approximately 30 % of the area within the CPO 4 Block area. The CPO 4 Block is immediately southwest of the two recent oil discoveries in the Corcel and Candelilla fields by Petrominerales and northeast-east of the Apiay and Suria producing fields which have a total recoverable of over 500 MMbbl (from IHS Source). The identified prospects are on trend with these four fields. In the Serrania Block, two prospects and one lead have been identified with 2D seismic data with similar characteristics to the Ombu heavy oil discovery in the neighboring block. In the Picachos Block, one lead has been identified. Both Serrania and Picachos Blocks will require additional seismic data to upgrade the leads to prospects and from undiscovered to prospective resources.

This evaluation uses the definition of resources and follows the guidelines from the Canadian Oil and Gas Evaluation (COGE) Handbook. At the request of the Company, no economic evaluation is conducted. The prospective and undiscovered resources are disclosed at 100% working interest and the Company's share of the gross interest before deduction of royalties to ANH. A summary of the Company's gross share of the prospective and undiscovered resources (unrisked) is as follows:

Unrisked Prospective and Undiscovered Resources – CPO 4, Serrania & Picachos Blocks

Total	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	Gross Share	100% W.I.	Gross Share	100% W.I.	Gross Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	67,535	10,019	231,686	32,985	757,082	105,086
Total	**86,147**	**16,998**	**281,054**	**51,498**	**884,446**	**152,848**

Unrisked Prospective Resources – CPO 4 & Serrania Blocks

	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	Gross Share	100% W.I.	Gross Share	100% W.I.	Gross Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	43,756	7,046	136,741	21,117	417,795	62,676
Total	**62,367**	**14,026**	**186,109**	**39,629**	**545,160**	**110,437**

Unrisked Prospective Resources – CPO 4 Block

	Low Estimate		Best Estimate		High Estimate	
	100% W.I.	Gross Share	100% W.I.	Gross Share	100% W.I.	Gross Share
Light & Medium Crude						
Recoverable Oil (Mbbl)	18,612	6,979	49,368	18,513	127,365	47,762
Heavy Oil						
Recoverable Oil (Mbbl)	6,305	2,365	16,097	6,036	41,806	15,677
Total	**24,917**	**9,344**	**65,465**	**24,549**	**169,171**	**63,439**

Unrisked Prospective Resources – Serrania Block

Heavy Oil	Low Estimate 100% W.I.	Low Estimate Gross Share	Best Estimate 100% W.I.	Best Estimate Gross Share	High Estimate 100% W.I.	High Estimate Gross Share
Recoverable Oil (Mbbl)	37,450	4,681	120,644	15,081	375,989	46,999

Unrisked Undiscovered Resources – Serrania and Picachos Blocks

Heavy Oil	Low Estimate 100% W.I.	Low Estimate Gross Share	Best Estimate 100% W.I.	Best Estimate Gross Share	High Estimate 100% W.I.	High Estimate Gross Share
Recoverable Oil (Mbbl)	23,780	2,972	94,945	11,868	339,287	42,411

Additions may not add up due to computer rounding of the decimal places. Details of the prospective and undiscovered resources in each of the blocks are shown in the Summary Table 1. The estimated chance of success in each prospect is disclosed with the estimated recoverable resource. At the request of the Company, no economic evaluation is performed on the prospective resources at this time until a discovery is made.

In reviewing the resource estimates, it should be understood that there are inherent uncertainties and limitations with both the database available for analysis and the interpretation of such engineering and geological data. The judgments used in assessing the prospective and undiscovered resources are considered reasonable given the historical data on well performances and the knowledge of the property reviewed. Pertinent information such as extent and character of ownership of the Contracts, and all factual data submitted by the Company and the Company's representatives are believed to be true. A field inspection of the oil and gas properties was not conducted due to availability of public, published, and internal data.

If additional information is required, please advise.

Respectfully Submitted,

Petrotech Engineering Ltd.

John Yu, P. Eng.

CERTIFICATE OF QUALIFICATION

I, JOHN YU, P. Eng., with an office at 7536 Manzanita Place, Burnaby, British Columbia hereby certify

1. That I am a Consulting Petroleum Engineer employed by Petrotech Engineering Ltd., which company has prepared a report on the interests for Houston American Energy Corp. during the months of September and October 2010.

2. That Petrotech Engineering Ltd.'s officers or its employees have no direct or indirect interests, nor do they expect to receive any direct or indirect interest, in the properties or in any securities of Houston American Energy Corp.

3. That I attended the University of Alberta and that I graduated with a Bachelor of Science in Metallurgical Engineering in 1974. That I am a registered Professional Engineer in the Province of British Columbia, and that I have in excess of thirty-five years' experience in engineering studies, evaluation of oil and gas properties, drilling, completion, production and process engineering of oil and gas operations and evaluation of mineral properties in Canada, U. S. A., Guatemala, Nicaragua, Colombia, Australia, New Zealand, China, Kazakhstan, Russian Federation, United Arab Emirates, North Sea, Russian Federation, Argentina, Cameroon, Peru, Thailand, and Indonesia.

4. That I am a qualified evaluator and auditor as defined in National Instrument 51-101.

5. That a field inspection was deemed unnecessary due to the availability of public data and from the Company's records.

PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
J. YU

John Yu.
Professional Engineer
Reg. No. B. C. – 12068

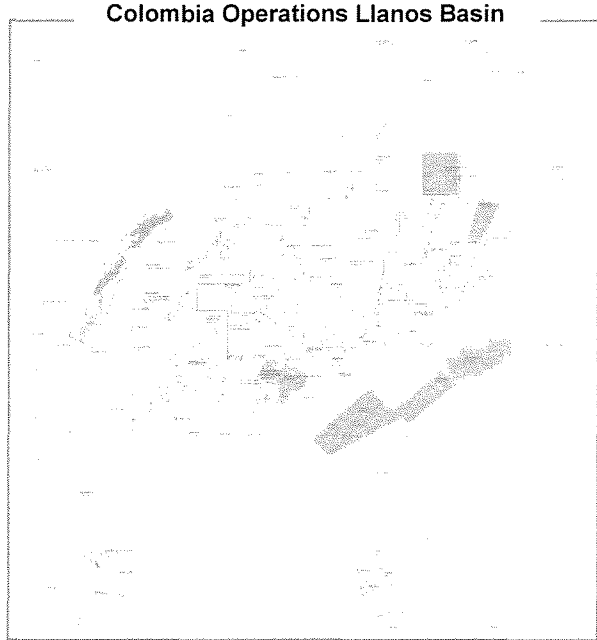
Note: The author and Petrotech Engineering Ltd. have performed numerous reserve and resource evaluations for both public and private companies with producing and exploration properties in Colombia. The public companies are Pacific Rubiales Energy Corp. (TSX: PRE), Alange Energy Corp. (TSX V: ALE), Petro America Oil Corp. (TSX V: PTA), Benchmark Energy Corp. (TSX V: BEE), Petro Dorado Energy Ltd. (TSX V: CAV) and Petro Vista Energy Corp. (TSX V: PTV). The private companies are Hupecol S.A., Petro Nova Inc. (waiting IPO approval), P1 Energy Inc., APO Energy Inc. and Delavaco Energy Corp.

Hupecol Operated Assets

Hupecol Operations Llanos Basin

- Operator: Hupecol
- Hupecol has acquired significant concessions in the Llanos Basin since Houston American Energy's inception in April 2001. The following are HUSA's effective working interests in the Llanos Basin based on its indirect ownership interests in Hupecol:
  - Dorotea 12.5% W.I.
  - Leona 12.5% W.I.
  - Cabiona 12.5% W.I.
  - Las Garzas 12.5% W.I.
  - Surimena 6.25% W.I.
  - La Cuerva 1.6% W.I.
- Current net production of 1,000 boe/d
- Currently 4 of the six concessions operated by Hupecol in the Llanos Basin are under contract to be sold for $281.0 million, or $35.125 million net to Houston American Energy

Colombia Operations Llanos Basin



HOUSTON AMERICAN ENERGY CORP

Llanos Basin

- The Llanos Basin covers an area of approximately 125,000 square miles
- Its primary geologic formations are: the Upper Cretaceous, Paleocene and Eocene
- There are currently more than 25 operators located in the Llanos Basin
- The Llanos Basin is one of the most active basins in Colombia

Other Llanos Basin Operators

Colombia

Source: Wood Mackenzie, IHS, CIA.GOV

HOUSTON AMERICAN ENERGY CORP

Overview of Hupecol *(Private Company)*

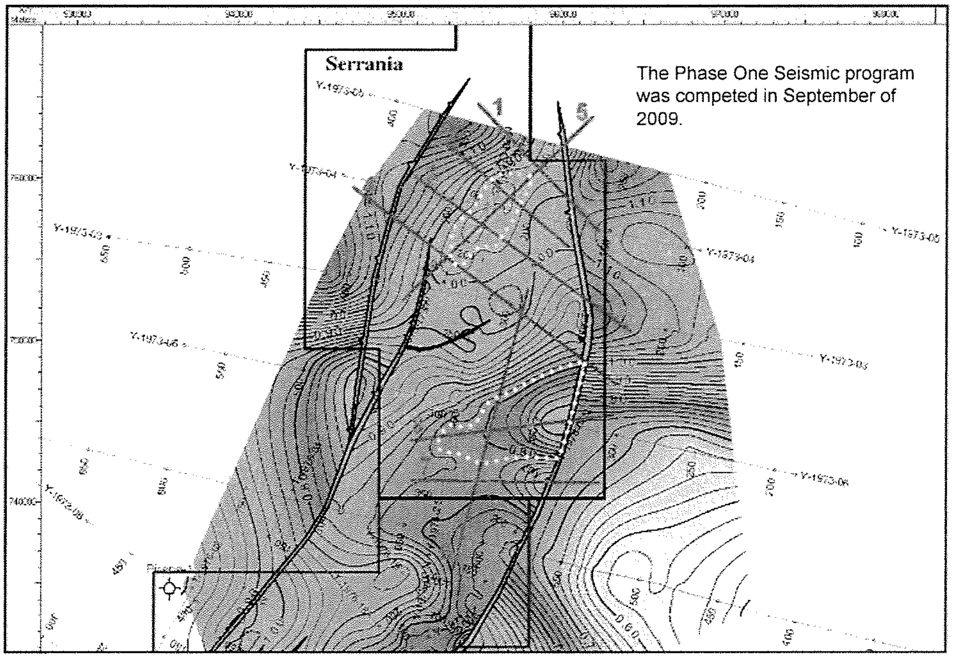
- Operator of the majority of the Company's existing producing Colombian assets
- Privately held E&P company with offices in Colombia and Texas
  - Hupecol's managing partner currently operates significant production and gathering facilities domestically in the U.S.
  - Operates with an extensive staff of geologists, petroleum engineers, geophysical and accounting professionals
- One of the more active independents operating in Colombia
  - Hupecol currently produces approximately 9,000 barrels of oil equivalent per day in Colombia
  - Hupecol sits on the Board of Directors of the Colombian Petroleum Association General Assembly along with Perenco, Petrobras, ExxonMobil, Hocol, and Terpel
- Proven track record
  - In June 2008, the Company, through Hupecol Caracara LLC as owner/operator, sold all of the Caracara assets to Cepsa, covering approximately 232,500 acres for USD $920 million
  - As a result of the sale of the Caracara assets, HUSA received net proceeds of $11.55 mm
  - Drilled over 107 wells in Colombia to date with a 70% success ratio

Serrania Block
Los Picachos and Macaya TEAs
(Northern Putumaya Basin)

Serrania Block

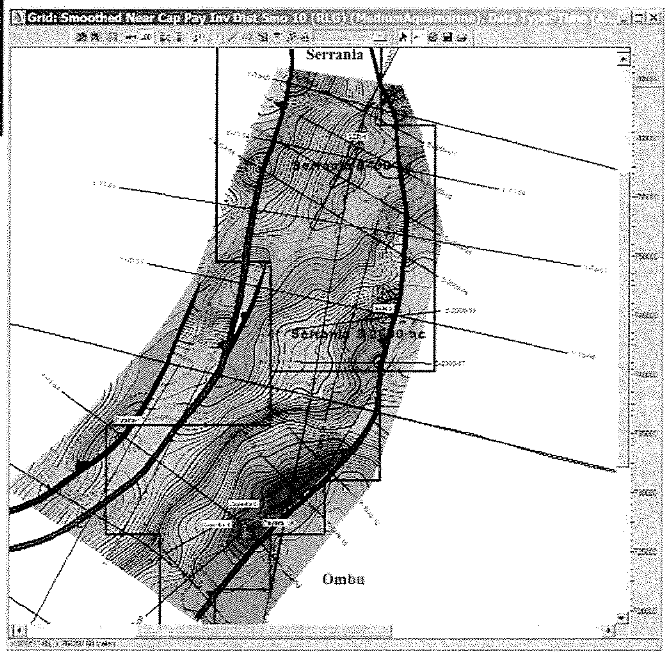
- Contract entered between Shona Energy (Colombia) Limited (major investors of which include Encap and Nabors) and Houston American Energy on June 24, 2009
- Right to earn an undivided twelve and one half percent (12.5%) of the rights to the Serrania Contract for Exploration and Production (the Serrania Contract) which covers the Serrania Block located in the municipalities of Uribe and La Macarena in the Department of Meta
- Serrania Block consists of approximately 110,769 acres
- Oil Royalty: 8% to 5,000 BOPD and sliding scale to 20% at 125,000 BOPD
- The Block is located adjacent to the recent Ombu discovery, which is estimated to have potentially over two billion barrels of oil in place
- The Company agreed to pay 25% of Phase 1 Work Program. The Phase 1 work program consisted of completing a geochemical study, reprocessing existing 2-D seismic data, and the acquisition, processing and interpretation of 2D seismic program containing approximately 116 kilometers of 2-D data. Phase 1 work program completed September 2009.

Serrania Phase One Seismic Program



HOUSTON AMERICAN ENERGY CORP

Picture of Ombu field extension onto Serrania



Key Points
Ombu Field

Canacol Energy LTD (TSX-V: CNE) - 10% owner of the Ombu field is estimating that there is up to 2.2 billion barrels of original oil in place on the Ombu field

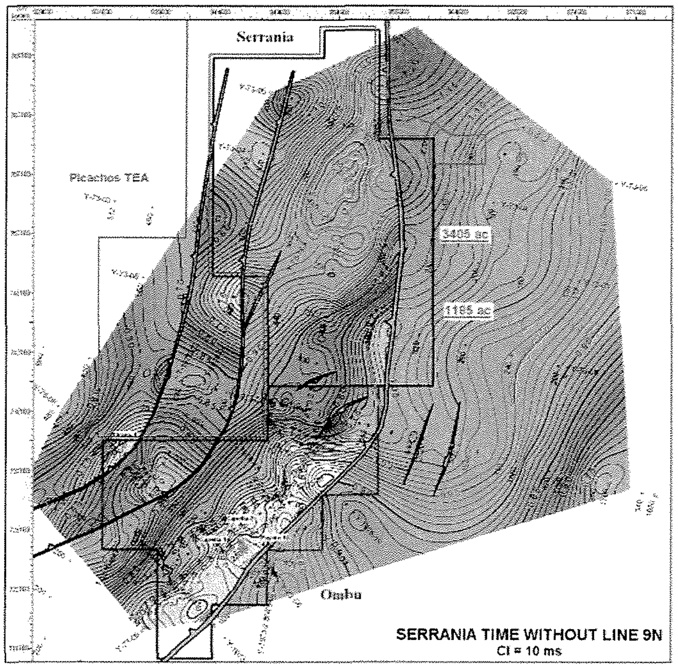
Emerald Energy - 90% owner and operator of the Ombu field sold to Sinochem Resources for approximately $836 million USD. Emerald's major assets were located in Syria and Colombia. Emerald's major Colombian asset was the Ombu Field in the Putumaya Basin

In 2009 Emerald Energy after drilling 7 wells on the Ombu field was given potential recoverable reserves of 220 million barrels by Netherland, Sewell & Associates, Inc. Production rates of the 7 wells ranged from 108 to 437 bbl/d

Source: Emeraldenergy.com, Canacolenergy.com

HOUSTON AMERICAN ENERGY CORP

Los Picachos TEA

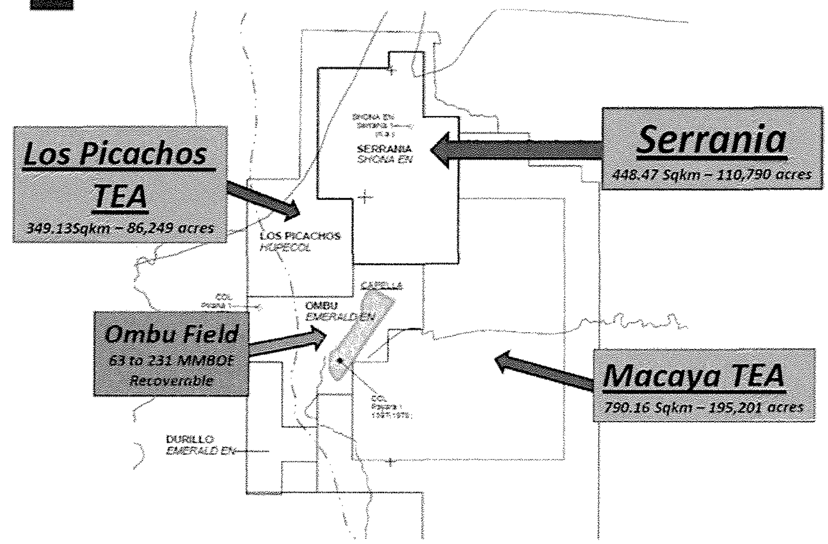


Los Picachos encompasses an 86,235 acre region located to the west and northwest of the Serrania block

Los Picachos establishes a future growth area for the Serrania concession

Initial 2-D data has identified several large prospects located on the Los Picachos TEA similar to those found on the Ombu Block to the south east

Macaya TEA



Macaya encompassesan 195,201 acre region located to the east and southeast ofthe Serrania block

Macaya establishes a future growth area for the Serrania concession

Houston American Energy Corp owns a 12.5 % interest in the Serrania E & P Block as well as the Los Picachos and Macaya TEA's.

SK Energy - CPO 4 Block

Overview of SK Energy

Large Asian conglomerate with an integrated business model

Refining and Petroleum Business

In 2008, SK Energy had $27.12 billion USD in sales (71% of revenues), with refining capacity of 1.1 million barrels of oil per day. This represents the largest capacity in Korea, as well as one of the largest in all of Asia

Petrochemical Business

SK Energy is the undisputed leader in the petrochemical business in Korea. During 2008 SK sold 8,445,000 tons of petrochemical products for $8.75 billion USD in sales in 2009

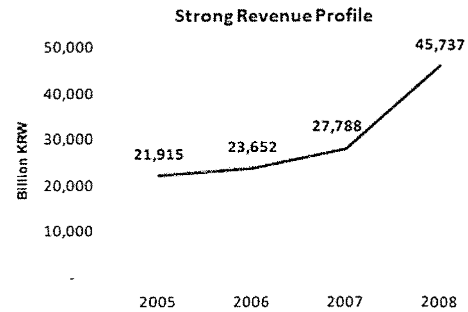
E&P Business

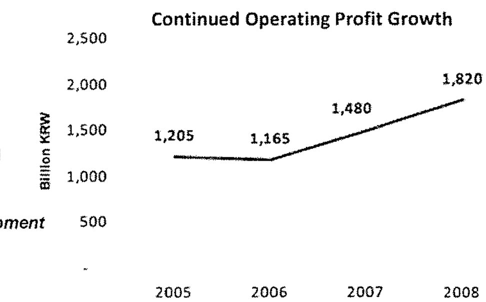
SK Energy Participates in 34 oil and gas blocks and four LNG projects in 17 countries, with proved oil equivalent reserves of 520 million barrels (BOE).

Lubricants Business

Leading lubricant manufacturer in Korea. During 2008 SK Energy sold 9,531,000 barrels of Lubricants

It should also be noted that SK Energy has Research and Development and Technology businesses that are leaders in the industry.





Source: SK Energy Presentation
1 USD = 1189 KRW

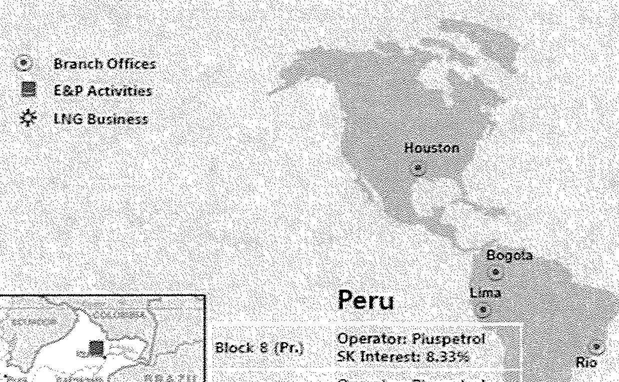
HOUSTON AMERICAN ENERGY CORP

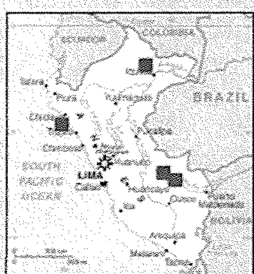
SK Energy E&P Activities

SK Energy

34 Blocks (11 Dev./Prod. and 23 Exp.) and 4 LNG Businesses in 17 Countries

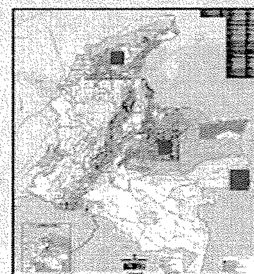
- Reserves: 520 MM Boe at the end of 2008





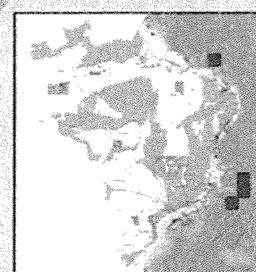
Peru

Block 8 (Pr.)	Operator: Pluspetrol SK Interest: 8.33%
Block 56 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Block 88 (Pr.)	Operator: Pluspetrol SK Interest: 17.60%
Z-46 (Ex.)	Operator: SK SK Interest: 90%
Peru LNG	Operator: Hunt SK Interest: 20%



Colombia

CPE-5 (Ex.)	Operator: BHP SK Interest: 28.6%
CPO-4 (Ex.)	Operator: SK SK Interest: 50%
SSJN-5(Ex.)	Operator: SK SK Interest: 50%



Brazil

BMC-8 (Pr.)	Operator: Devon SK Interest: 40%
BMC-30 (Ex.)	Operator: Anadarko SK Interest: 20%
BMC-32 (Ex.)	Operator: Devon SK Interest: 26.67%
Bar-3 (Ex.)	Operator: Devon SK Interest: 30%

26

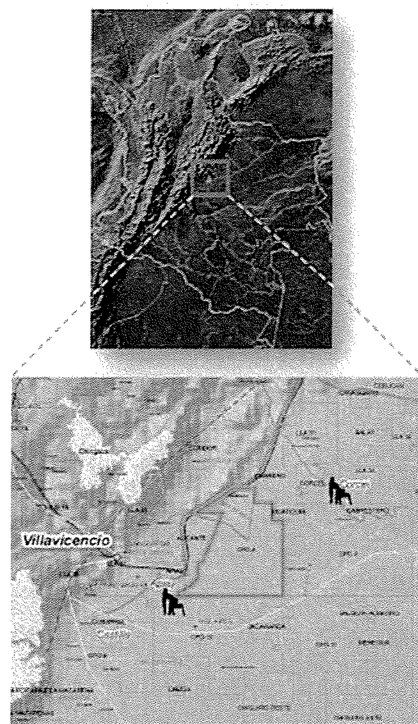
SK Energy - Farmout Agreement and JOA - CPO 4

- Contract entered between National Hydrocarbon Agency of Colombia and SK Energy
- Right to earn an undivided 37.5% of the rights of the CPO 4 Contract located in the Western Llanos Basin in the Republic of Colombia
- CPO 4 Block consists of 345,452 net acres and contains over 50 identified prospects based on 3D seismic data
- The Block is located along the highly productive western margin of the Llanos Basin and is adjacent to Apiay field which is estimated to have in excess of 610 million barrels of 25-33 API oil in place. On the CPO 4 Block's Northeast side lies the Corcel and Guatiquia Blocks where well rates of 2,000 to 15,800 barrels of initial production per day have been announced for recent discoveries.
- In addition, the CPO 4 Block is located nearby oil and gas pipeline infrastructure.
- The Company has agreed to pay 37.5% of all past and future cost related to the CPO 4 block as well as an additional 12.5% of the seismic acquisition costs incurred during Phase 1 Work Program
- All future cost and revenue sharing (excluding the phase 1 seismic cost) will be on a heads up basis; 50% SK Energy, 37.5% HUSA, and 12.5% Gulf United Energy - no carried interest or other promoted interest on the block

Block Overview

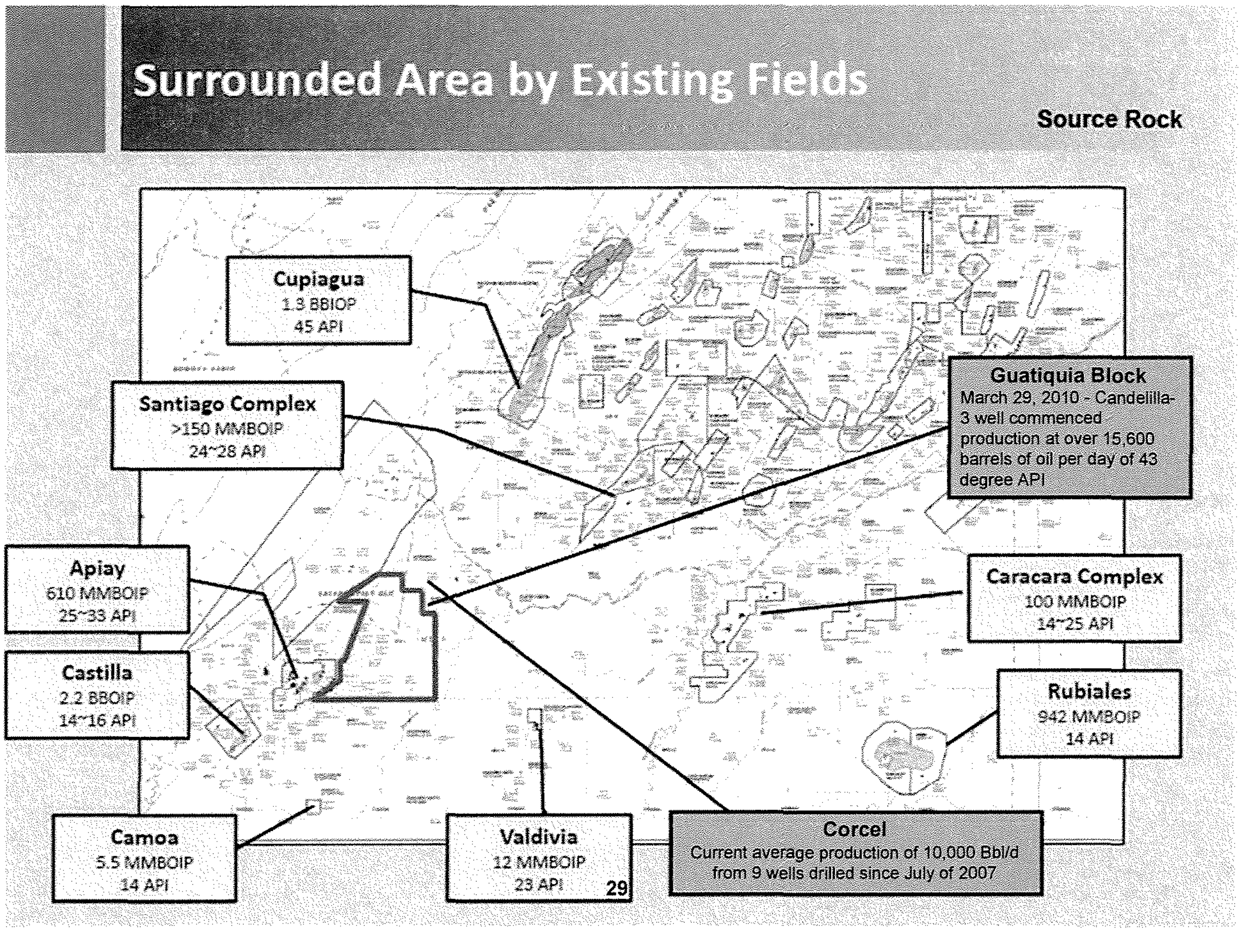
General information

- Location : Onshore, Central Colombia
- Basin : Western Llanos Basin
- Area : 139,859 ha (1,398.59 km^2)
- Effective Date : December 18, 2008
- Contract Type : License Agreement (Royalty & Tax)

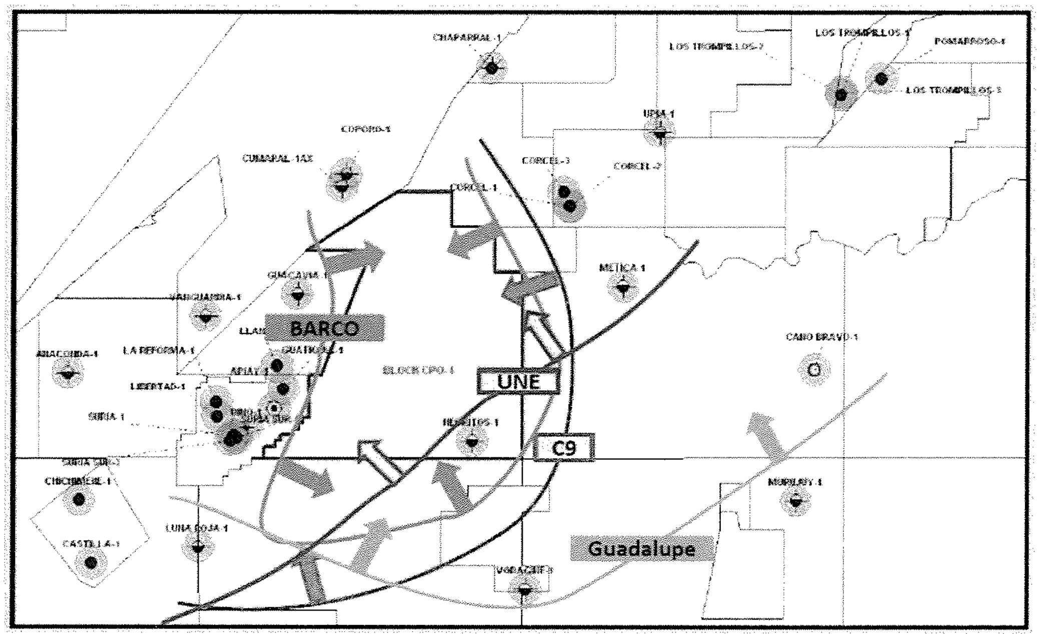


- **Exploration Period & Work Obligation**

PHASE	PERIOD	WORK OBLIGATION
Phase 0	18.12.'08 ~ 17.6.'09 (6 mos.)	Phase 0 Report
Phase 1	18.6.'09 ~ 17.6.'12 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 620 km 2D New Seismic Acquisition • 2 Exploration Wells
Phase 2	18.6.'12 ~ 17.6.'15 (3 yrs.)	• 400 km 2D Seismic Reprocessing • 3 Exploration Wells


Surrounded Area by Existing Fields
Source Rock
Cupiagua
1.3 BBIOP
45 API
Santiago Complex
>150 MMBOIP
24~28 API
Guatiquia Block
March 29, 2010 - Candelilla-3 well commenced production at over 15,600 barrels of oil per day of 43 degree API
Apiay
610 MMBOIP
25~33 API
Caracara Complex
100 MMBOIP
14~25 API
Castilla
2.2 BBOIP
14~16 API
Rubiales
942 MMBOIP
14 API
Camoa
5.5 MMBOIP
14 API
Valdivia
12 MMBOIP
23 API
29
Corcel
Current average production of 10,000 Bbl/d from 9 wells drilled since July of 2007

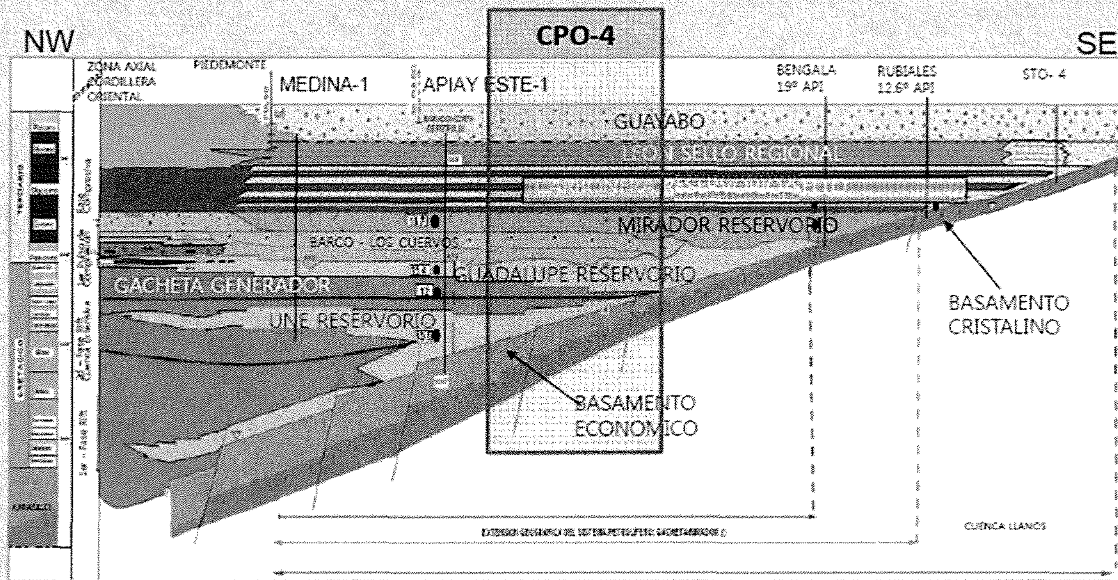
Reservoir Distribution



HOUSTON AMERICAN ENERGY CORP

Multi Reservoir

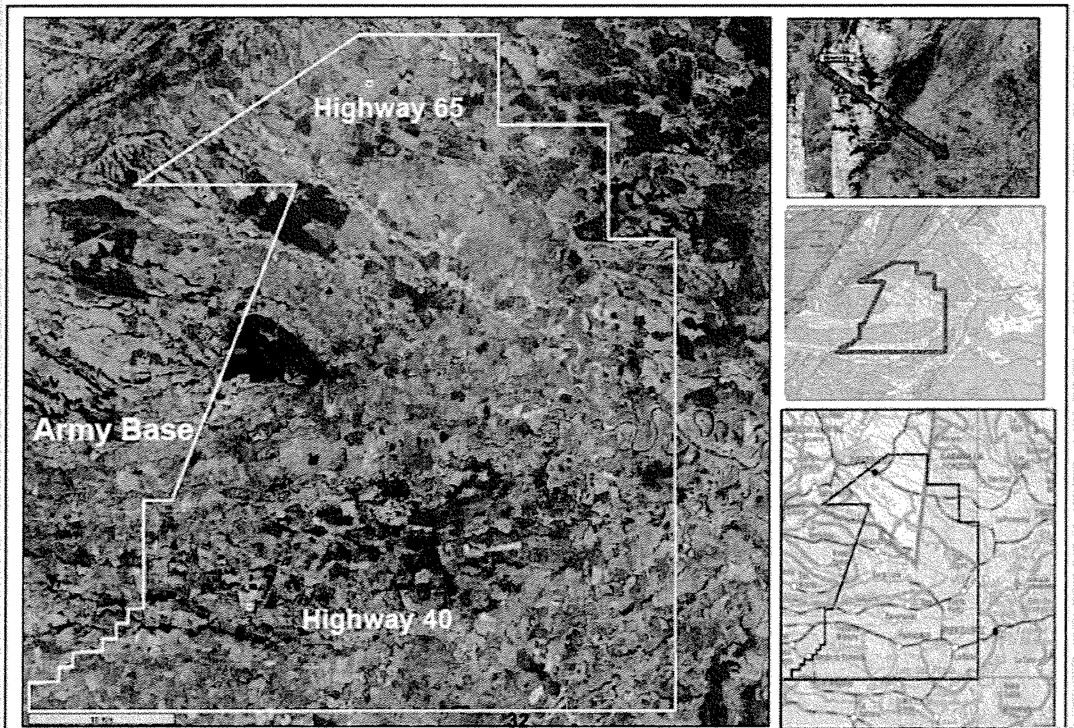
Reservoir Rock



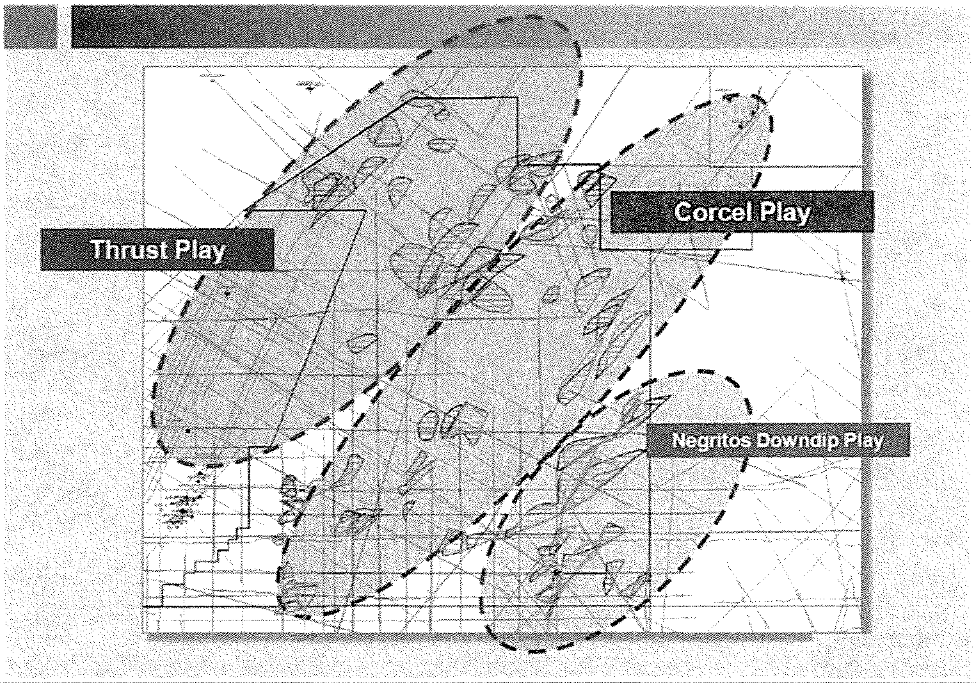
31

Excellent Working Environment

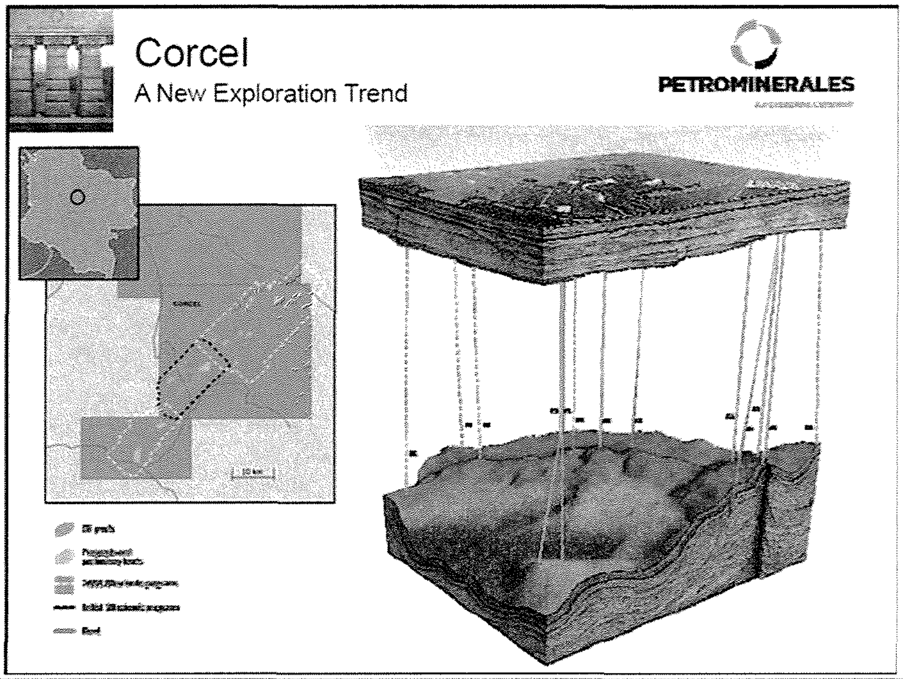
Working Environment



Multiple Reservoir Plays

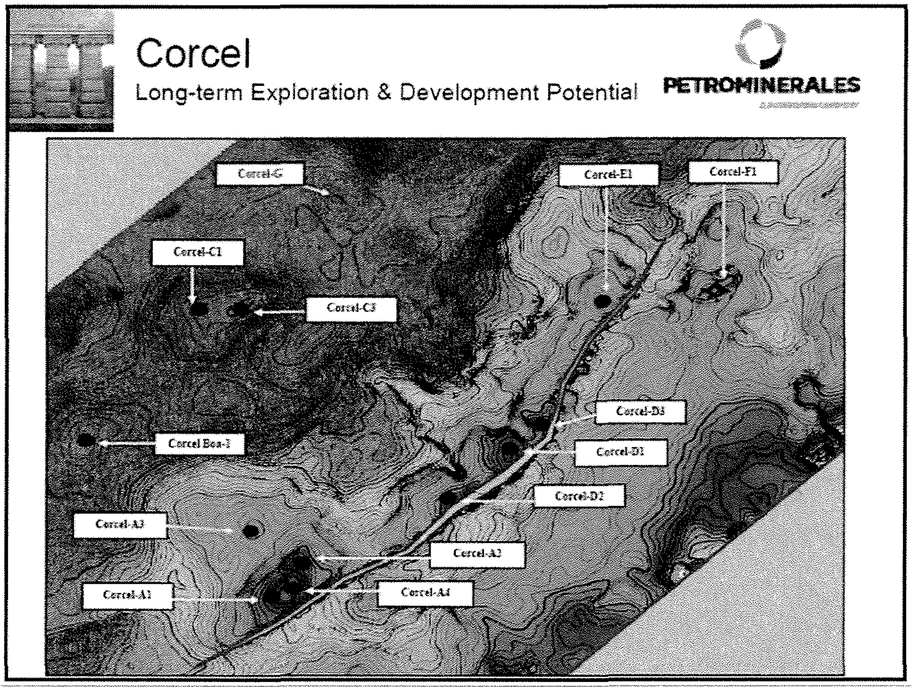


Corcel Overview



Source: Petrominerales.com

Corcel Overview *(continued)*

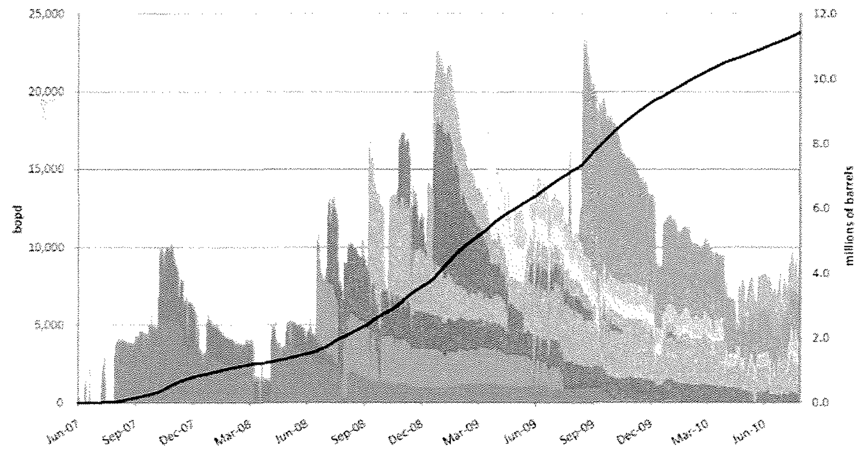


Source: Petrominerales.com

Corcel Overview *(continued)*

Historical Corcel Production

Building a Solid Production Base

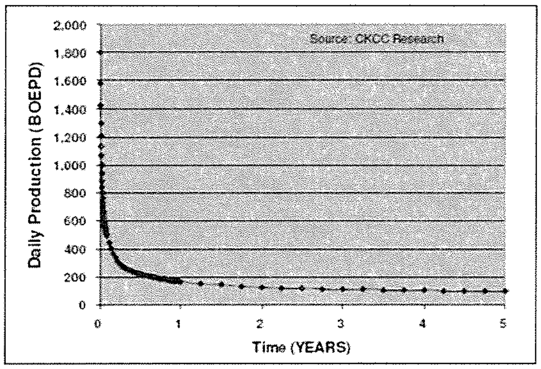


- Majority of wells now in the flattened portion of the production decline curve
- Significant inventory of exploration locations with majority of Block still to be explored

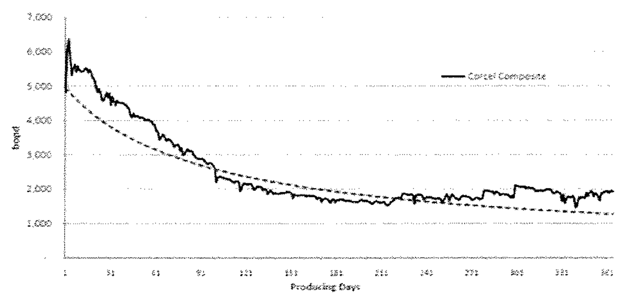
Source: Petrominerales.com

Corcel Overview *(continued)*

Bakken/3F Production Profile



Corcel Production Profile



- As can be seen from the two production curves; the Corcel production curve starts at an average of 6,000 Bbl/d and declines to approximately 2,000 Bbl/d at the end of the first year; whereas the typical Bakken/Three Forks well starts at 1,800 Bbl/d and declines to approximately 190 Bbl/d at the end of the first year.

Source: Petrominerales.com; CKCC Research

HOUSTON AMERICAN ENERGY CORP

Corcel Overview *(continued)*

- Production from Corcel's wells have averaged in excess of 5,500 barrels of oil per day for the first thirty days of production declining to approximately 2,000 barrels of oil per day after the first year of production.
- Production after the first year of production is expected to decline marginally at 10% per annum
- Multiple stacked pay sands
- Active water drive is expected to result in high ultimate recoveries

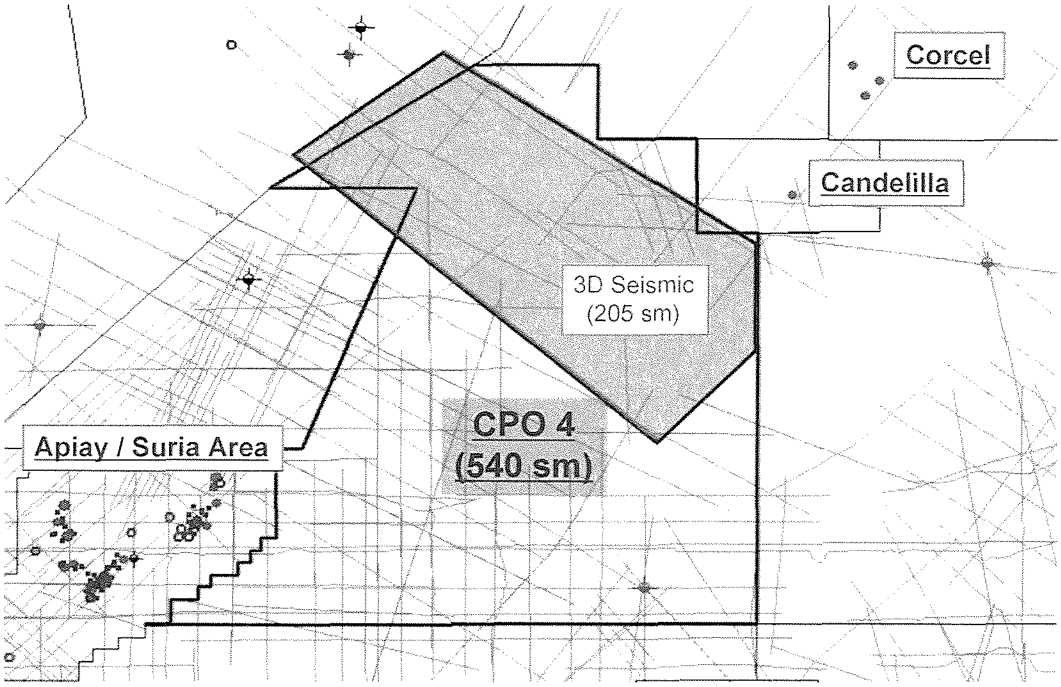
Source: Petrominerales.com

Guatiquia Block - Candelilla Wells

- Guatiquia Block is located directly adjacent to the CPO-4 Block, with the Candelilla wells located approximately 3 kilometers away from the CPO-4 block
- Candelilla-1 commenced drilling on November 9, 2009 and was drilled to a total vertical depth of 11,681 feet on December 16, 2009. Well logs indicated 97 feet of potential net oil pay in the Lower Sand 3 formation and 13 feet of potential net oil pay in the Upper Mirador. The well commenced production at over 11,500 barrels of oil per day of 44 degree API oil with less then 1% water cut.
- Candelilla-2 well commenced drilling on December 26, 2009 and was drilled to a total vertical depth of 11,740 feet on January 31, 2010. Well logs indicate 88 feet of potential net oil pay in the Lower Sand 3 formation and 51 feet of potential net oil pay from three separate sands in the Guadalupe formation. The well commenced production at over 15,800 barrels of oil per day of 43 degree API with less then a 1% water cut.
- Candelilla-3 well commenced drilling on February 18, 2010 and was drilled to a total measured depth of 12,162 feet in under 30 days. Well logs indicate 50 feet of potential net oil pay in the Lower Sand 3 and 46 feet of potential oil pay in two separate intervals in the Guadalupe formation. The well commenced production at over 15,600 barrels of oil per day of 43 degree API with less then a 1% water cut.

Source: Petrominerales.com

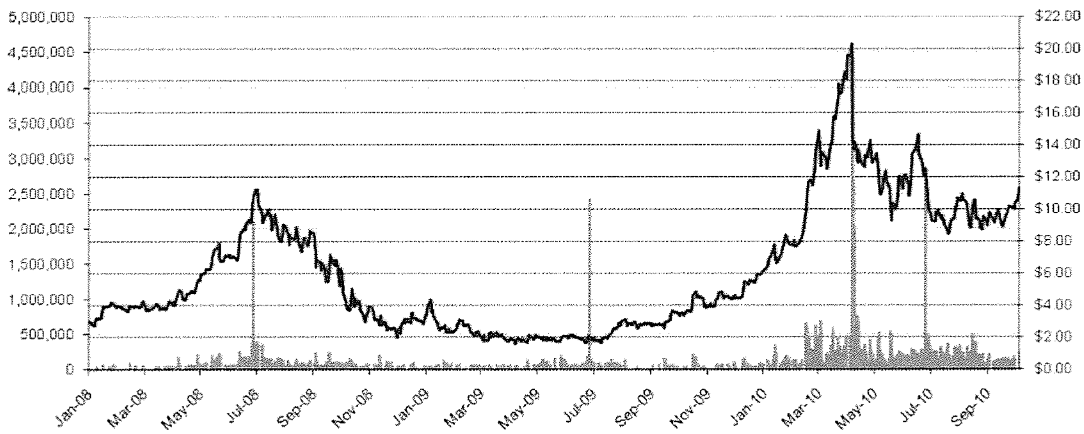
New 3D Areas



HOUSTON AMERICAN ENERGY CORP

Appendix

Stock Price Performance Chart



Period	Period Start Date	Average Close	Average Daily Volume	Total Volume Traded	Daily Closing Price High	Daily Closing Price Low
Last Month	9/5/2010	$9.83	136,343	2,863,200	$11.34	$8.95
Last 60 Days	8/5/2010	9.73	174,516	7,504,200	$11.34	$8.75
Last 90 Days	7/5/2010	9.70	195,476	12,706,100	$11.34	$8.50
Last 120 Days	6/5/2010	10.26	239,148	20,327,600	$14.69	$8.50
Last 365 days	10/5/2009	9.53	235,768	59,649,310	$20.35	$3.38

HOUSTON AMERICAN ENERGY CORP

Management Biography

John F. Terwilliger, President and CEO

John F. Terwilliger has served as the Company's President, Chairman and Chief Executive Officer since its inception in April 2001. From 1988 to 2001, Mr. Terwilliger served as Chairman of the Board and President of Moose Oil and Gas Company, a Houston based exploration and production company focused on operations in the Texas Gulf Coast region. Prior to 1988, Mr. Terwilliger was Chairman of the Board and President of Cambridge Oil Company, a Texas based exploration and production company. John is a member of the Houston Geological Society, Houston Producers Forum, Independent Petroleum Association of America and the Society of Petroleum Engineers.

James J. Jacobs -Chief Financial Officer

James "Jay" Jacobs has served as the Company's Chief Financial Officer since joining the Company in July 2006. From April 2003 until joining the Company in July 2006, Mr. Jacobs served as an Associate and as Vice President in the Energy Investment Banking division at Sanders Morris Harris, Inc., an investment banking firm headquartered in Houston Texas, where he specialized in energy sector financings and transactions for a wide variety of energy companies. Prior to joining Sanders Morris Harris, Mr. Jacobs worked as a financial analyst for Duke Capital Partners where he worked on the execution of senior secured, mezzanine, volumetric production payment, and equity transactions for exploration and production companies. Prior to joining Duke Capital Partners, Mr. Jacobs worked in the Corporate Tax Group of Deloitte and Touché LLP. Mr. Jacobs holds a B.B.A. and a Masters in Professional Accounting from the McCombs School of Business at the University of Texas in Austin and is a Certified Public Accountant.

Kenneth A. Jeffers - Senior Vice President of Exploration

Kenneth "Ken" Jeffers brings to Houston American Energy 28 years of oil and gas industry experience. Mr. Jeffers began his career as an exploration geophysicist with Mobil Oil, later serving as a staff geophysicist and senior geophysicist with such companies as Anadarko Petroleum, Pennzoil and Hunt Oil and Vice President Geophysics at Goodrich Petroleum Corp. Prior to his appointment as Senior Vice President of Exploration, Mr. Jeffers worked with Houston American for six months as a consultant focusing on identification of prospects on the Company's large Colombian acreage position.

Board of Directors

Lee Tawes
Mr. Tawes is Executive Vice President, Head of Investment Banking and a Director of Northeast Securities, Inc. Prior to joining Northeast Securities, Mr. Tawes held management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2001. Mr. Tawes has served as a Director of Baywood International, Inc. since 2001 and of GSE Systems, Inc. since 2006. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia

Stephen Hartzell
Since 2003, Mr. Hartzell has been an owner/operator of Southern Star Exploration, LLC, an independent oil and gas company. From 1986 to 2003, Mr. Hartzell served as an independent consulting geologist. From 1978 to 1986, Mr. Hartzell served as a petroleum geologist, division geologist and senior geologist with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration. Mr. Hartzell received his B.S. in Geology from Western Illinois University and an M.S. in Geology from Northern Illinois University.

John Boylan
Mr. Boylan has served as a financial consultant to the oil and gas industry since January 2008. Mr. Boylan served as a manager of Atasca Resources, an independent oil and gas exploration and production company, from 2003 through 2007. Previously, Mr. Boylan served in various executive capacities in the energy industry, including both the exploration and production and oil services sectors. Mr. Boylan's experience also includes work as a senior auditor for KPMG Peat Marwick and a senior associate project management consultant for Coopers & Lybrand Consulting. Mr. Boylan holds a B.B.A. with a major in Accounting from the University of Texas and an M.B.A. with majors in Finance, Economics and International Business from New York University.

Alex Loftus
Mr. Loftus has served as Executive Vice President of CAMAC International Corp., a Houston-based diversified global energy company with principal holdings in Africa. Since 2007, he has also served as Chief Operating Officer of CAMAC's trading division. Mr. Loftus manages CAMAC's international business development activity and oversees the CAMAC Trading business unit. Prior to joining CAMAC, Mr. Loftus held senior level positions at several consulting firms, specializing in the analysis of world crude oil and refined products markets. Mr. Loftus began his career as a senior financial analyst at Mobil Oil.

EXHIBIT 40

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

) File No. HO-11507-A

HOUSTON AMERICAN ENERGY CORP.)

WITNESS: William Doyle

PAGES: 1 through 141

PLACE: Securities and Exchange Commission

175 W. Jackson Boulevard

Suite 900

Chicago, Illinois 60604

DATE: Tuesday, November 8, 2011

The above-entitled matter came on for hearing, pursuant to notice, at 1:10 pm.

Diversified Reporting Services, Inc.

[redacted]

THE WITNESS: Yeah, actually, details of that outline would have been in the database that we produced.

MR. WEISS: May each side can check when we go home and see.

MR. LONG: Yes.

BY MR. CAVE:

Q And, do you recall, sitting here today, what number you used for the amount of oil originally in place?

A Oh, oil in place. I believe I used a billion barrels.

Q So, based on what we discussed previously, well, let me back up. During your November 20th, 2009 meeting with Mr. Tuleger, he represented to you that in HUSA's estimate, there was between one and five billion barrels of recoverable oil on the CPO 4 block?

A Yeah, yes.

Q Given that number, why did you use one billion barrels of oil originally in place for your model?

A I'm cynical. I'm cynical and the industry's prone to puffery. Puffery, inflation, big dreams, pick a phrase.

Q All right. So, then the number you used to model, for your model is substantially lower than the numbers that are reflected in the presentation materials that HUSA provided to you?

A Yeah, I believe so. I mean, without it sitting here, I don't want to swear to that, but that's my recollection.

Q If it is as you recall at one billion barrels of oil originally in place, that's substantially less than?

A That's correct.

Q Okay, the numbers in --

A That's correct.

Q Okay.

A Yes, that's absolutely correct.

Q So, your recollection, and again, recognizing that you are not referring to the document that you probably haven't looked at in some time, but your best recollection is that it's a billion barrels oil originally in place. So, one billion barrels of oil originally in place is input one.

The second input is a recovery factor. Do you recall what recovery factor you used?

A I probably would have used ten percent --

Q So, a ten percent recovery factor from one billion barrels of oil is a hundred million barrels of oil. So, a hundred, I'm sorry, let me back up. I'm getting ahead of myself.

If your original, if your oil originally in place estimate is one billion and you use a ten percent recovery factor then your top level recoverable estimate is a hundred million barrels of oil?

A That's correct.

Q Okay, and to the best of your recollection, is that the number, a hundred million barrels of recoverable oil, that you used in making your investment decision with respect to Houston American?

A I believe so.

Q Okay, and assuming a hundred, and based on that number, was it your view that there was value in an investment in Houston American?

A Yes.

Q And, can you describe to me, how that, how you worked through that process?

A Sure. You can model these things a number of ways. There's hundreds of different, well, I shouldn't say there's hundreds. There's a handful of ways to model prospectivity of one of these fields regardless of its location.

Analysts who follow this sector tend to come up with net asset values which is a, that's where there's a lot of different variations of how much capital goes in to delineate one of these potential discoveries, how big will it get, how much will the wells flow, how rapidly would they pay back their cash flow.

So, what I tried to estimate was to, say for a given amount of capital that went in, how much oil would be both found on a contingent basis, as well as, approved basis.

EXHIBIT 41

NOKOMIS CAPITAL

April 28, 2010

Dear Partner,

Nokomis Capital Partners, LP was up 13.58% net for the first quarter. The long side provided 24.3 points of positive gross attribution while the short side contributed 4.0 points of negative gross attribution. For the quarter, Energy/Natural Resources was the best performing sector, generating 13.1 points of positive gross attribution, while making money on both the long and short sides (though mostly on the long side). Energy/Natural Resources was followed by Consumer and Technology, which generated 4.3 and 4.0 points, respectively. Outside of our broad market index hedges, our Cyclical sector, which continues to be net short, was the worst performing sector, costing us about 57 b.p. As always, the tables at the back of this letter provide detail as to attribution and exposure by sector on the long and short side. In addition, starting with this letter, we are including two charts that we hope you will find helpful. One charts our attribution on the long and short sides and our net returns versus the S&P 500. The other depicts our *daily* gross long, gross short and net exposure since inception.

Performance Summary – 3/31/10			
	QTD	YTD	ITD
Nokomis Capital Partners, LP	13.58%	13.58%	57.04%
S&P 500*	5.39%	5.39%	-7.68%
Russell 2000*	8.85%	8.85%	2.15%

**Adjusted for reinvestment of dividends and the inception date of the fund, 3/1/08*

Highlights for the Quarter:

- Energy/Natural Resources generated 12.3 points of gross attribution on the long side and approximately 80 b.p. of attribution on the short side. The sector was led by Houston American Energy (HUSA, $13.36, currently 6.94% of NAV), which was the strongest performing position in the fund. HUSA appreciated 195% during the quarter, generating approximately 11.1 points of attribution. Thus, HUSA generated approximately 91% of the sector's long attribution and about 46% of the fund's long attribution. Believe it or not, despite this significant appreciation, we feel that the risk/reward ratio on HUSA is still very attractive over the next 36 months. For more information on HUSA please see page three.

- On the short side, Energy/Natural Resources was helped by a decline in a wind power company that we have been short for some time. After hurting us in 2009, this position generated just over a point of attribution during the quarter. This company loves to trumpet its position in the Chinese wind power market. In 2009 investor sentiment for this sector bubbled back up. Interestingly, some of the froth came out of the sector in Q1 after some Chinese officials and industry players essentially admitted that growth in the sector has been overhyped. We are still short the company, as our research indicates that the company's competitive position is not nearly as strong as management has indicated.
- The second-place Consumer sector was lead by our long position (briefly described in our Q2 '09 letter) in True Religion Apparel (TRLG, $31.49, currently 2.30% of NAV). TRLG was the second best performing position in the fund, generating approximately 2.6 points of gross attribution. TRLG shares appreciated significantly (from very low EV/EBITDA multiples) after the company reported that Q4 same-store sales in its company owned stores increased 22.3% and increased 25.3% including its online store. And unlike other companies that have reported strong same-store sales, TRLG's results were not against especially weak comparisons. Equally impressive, including the impact of newly opened stores, TRLG's direct-to-consumer segment—full price stores, outlet stores and the online store—increased 84.8% Y-o-Y (after growing 112.6% Y-o-Y in Q4 '08). Recall that a large part of our investment thesis has been that TRLG will continue to use its balance sheet and cash flow to opportunistically open great new store locations in this significantly depressed mall real estate environment. Our belief has been that this growth in the consumer direct segment, will allow it to diversify away from its wholesale customers (upscale department stores and fashion boutiques) and thereby take much more control of its own destiny. While TRLG ended the quarter as a 5.48% position, the stock has continued to appreciate significantly since the quarter ended and continues to approach our price target. Therefore, we have sold much of the position in the last week or so.
- Technology long attribution was helped by our third-strongest position, Ikanos Communications (IKAN, $3.09, currently 4.44% of NAV). The position contributed 1.7 points of attribution in the quarter. IKAN is a is a leading global provider of high-performance silicon and software for interactive broadband. Specifically, IKAN designs DSL chipsets and communications processors, which are the "brains" of the broadband home routers used in triple-play services. Kenny Miller has been researching the DSL chipset space for many years and I think he has done a good job identifying an inflection point in the industry. Our investment thesis revolves around the idea that, after many years of disappointments, this area of the semiconductor industry will finally be a meaningfully profitable one. Significant consolidation among competitors should allow the remaining players to improve margins and capitalize on the long-awaited market for equipment used to provide triple play services. We plan to feature our investment thesis on IKAN in a future letter.
- Our long attribution in Technology was also helped by our fourth-strongest overall position, Novell (NOVL, $5.75, currently 5.67% of NAV). The position contributed just over 1.0 point of attribution during the quarter. NOVL was a new position for us in Q1, as we purchased our initial shares at around $4.85 per share in February. The shares appreciated in early March after the company received a buyout offer from Elliot Associates of $5.75 per share in cash. We believe that downside is limited with considerably more value to extract and feel that the underperforming management team and board will be forced to accept a higher offer. Thus, with the shares trading back down to the initial offer price, we purchased additional shares recently. For more information on our initial and continuing thesis on NOVL, please see page eight.
- For the second quarter in a row, short attribution was also positive in Technology. In our last quarterly letter, we briefly explained our short position in Palm (PALM), referring to it not by name but as "a

fundamentally weak (in terms of financials and products) smartphone company." PALM's February launch of its two primary products in Verizon had sell through results that were even worse than what we were expecting. Consequently, the company reported weak results for its quarter ended February and forecasted a significant cash burn for its next quarter. While we felt this company probably *should be* a "0", we recently covered the last of our position at $3.90 due to the propensity for some companies in the tech industry to do questionable acquisitions. Specifically, in this case, we felt that there was a, say, more-than-remote chance that Palm would hoodwink a larger company into acquiring it. While this letter was in final editing, both our decision to short PALM at an initial price of about $16 and our recent decision to cover the last of it at $3.90 were validated when Hewlett-Packard announced its decision to acquire PALM for $5.70 per share.

New Team Member:

We were very pleased to have James Aston join our team in February as our trader. James has 23 years of experience as a trader on both the sell-side and the buy-side (mostly sell-side) including stints at Jefferies & Co., Jones Trading and Falcon Fund Management. We feel fortunate to have James, and his years of experience, on our team at our still small size. Indeed, though we are still small in terms of AUM, I am personally blessed with my four teammates and appreciate their hard work and support each day.

Looks Like a Short by the Cover: Houston American Energy (HUSA, $13.36, currently 6.94% of NAV):

HUSA definitely fits with our preference for special situations that "have a little hair on them" and, therefore, require a lot of research. HUSA was founded by CEO John Terwilliger and subsequently came public via a reverse merger after Terwilliger had bankrupted another oil & gas company. Officially, HUSA only has three employees and its most valuable assets are in Columbia. Management claims that these Columbian assets will be worth the company's cost basis many times over. So far, this company sounds like one of our prototypical short positions. Here's the rub: we agree that the company's Columbian assets are likely worth $100s of millions more than the company paid for them. Further, we feel that the risk/reward ratio in this stock is very attractive over the next 24 to 36 months as the company participates in what looks to be one of the most attractive new onshore oil projects in this hemisphere. My parents always told me that if something looks too good to be true it probably is. That is great advice, but we believe that this time is the exception.

Originally, HUSA was 100% focused on owning oil & gas interests in South Texas and Louisiana on a non-operated basis. Typically, the company would get brought in as a non-operating partner via one of Terwilliger's industry relationships. In 2005, Terwilliger was offered a very small stake in yet another project by a partner it had invested alongside in years past, typically in Texas. However, this one was in the Llanos Basin of Columbia. To make a long story short, HUSA invested, taking a 1.2% stake in the Cara Cara project, but only after the company was promised a right of first refusal for a 12.5% interest in any future Columbian projects that this particular partner would develop going forward. Cara Cara was a huge home run, selling for $920MM even after the operator and its partners sold thousands of barrels out of the ground. Fast forward to 2009 and the company had parlayed its profits from Cara Cara into positions in various other projects in the Gulf Coast and Columbia's Llanos Basin. Some of these projects have been successful in their own right and others, particularly the Serrania project, appear to be moving close to significant value creation. However, we expect that HUSA's interest in a Llanos Basin block called CPO-4 will be the company's largest needle mover.

Last year, HUSA was able to purchase a 25% interest in CPO-4 from SK Energy, the energy division of Korean conglomerate SK Group. SK Energy had been the winning bidder in the auction of the development rights by the state controlled oil company, Ecopetrol. (SK's bid promised a 31% incremental royalty, besting the second-place bidder's promise of 30%.) SK Energy's corporate parent signed off on the capital commitment to develop the block, but stipulated that SK Energy bring in a partner with in-country experience for a 25% interest. Despite its small size, HUSA was able to convince SK that it would be a helpful partner. HUSA paid $2.5MM in addition to agreeing to pay a disproportionate amount, 37.5%, of the seismic costs.

CPO-4 is a 345k acre or 539 square-mile block that lies to the East of the Apiay field, which was originally developed by Exxon in the 1970s before being sold to Ecopetrol. More importantly, CPO-4 lies to the West of a series of wells being drilled by Canadian E&P company Petrominerales (PMG.TO). Last year, PMG.TO found significant success within this acreage on a block called the Corcel Block. PMG.TO was guiding its investors in Canada to expect wells with an initial production rate of 5k barrels per day that ramp down to approximately 2k barrels per day after the first year of production, with relatively small decline rates after that. Fortunately for HUSA, PMG.TO's success in this area was just starting to become known when it was negotiating its deal with SK last year. Moreover, it was not until January of this year when PMG.TO started reporting even larger success in a block called the Guatiquia Block, which actually shares a border with the CPO-4 Block. All three of the block's "gushers" sit close to CPO-4 and one is only a few miles away from CPO-4. In terms of the Guatiquia Block, PMG's significant press releases of 2010 include the following:

- January 4: PMG.TO announces that its Candelilla-1 well commenced production at over 11,500 barrels per day.
- February 15: PMG.TO announced that its Candelilla-2 well is producing over 15,800 barrels per day. In the same press release, PMG.TO discloses that its Candelilla-1 well has averaged 12,400 barrels since it was placed on production 12/31/09. It is notable that Candelilla-1's production had inclined instead of declined since the first press release.
- March 29: PMG.TO announced that its Candelilla-3 well had initial production of over 15,600 barrels per day.

This is probably a good point to note that I am well aware of the folly of amateur seismic readers like me reading too much into exploration success one square over on a simple map. Indeed, geologist often poke fun at this kind of analysis, referring to it as "close-ology" while noting that characteristics of the earth's crust can change drastically over short horizontal distances with no visible signs of difference from the surface. To that end, last year we starting making phone calls to people in Dallas and Houston in search of a geologist or reservoir engineer for hire, who could visit HUSA's headquarters with us to go over well logs and seismic maps. The intent was to ascertain whether CPO-4 was really structurally similar to its prolific neighbors or if much of the analogies to these other blocks were too good to be true. In the process, we realized that one of Kenny's relatives was a retired production research engineer from Exxon with in-country experience in Columbia. In fact, he has a PhD in Mechanical Engineering and spent a career traveling the world solving difficult technical production problems for

Exxon. Fortunately for us, this person agreed to consult us on this project and was extremely helpful. He spent a couple of hours with us at HUSA's headquarters in Houston, not only looking at the relevant seismic maps and data for the CPO-4 block, but for the Serrania project as well. The conclusion: unless the maps and logs were completely fabricated (and we have verified some of them ourselves), much of the CPO-4 block is structurally similar to PMG.TO's blocks to the East-Northeast and that similarly prolific fields could likely be identified and drilled with the aid of 3-D seismic maps. (SK and HUSA's seismic vendor has recently shot 3-D seismic and is processing for delivery to SK and HUSA in early May with further processing to be finished by early June.)

More recently, our consultant was nice enough to visit HUSA with us again on April 15th. The purpose of this meeting was to go over new data—mainly involving the recently announced Candelilla wells—with HUSA's newly contracted geologist. This geologist had been working diligently for the prior two months tying in HUSA's 2-D maps of CPO-4 to maps that it had received from Ecopetrol of PMG.TO's blocks. In addition, he compared a well log from a well drilled on the CPO-4 Block back in the 1960s (the only hole ever drilled on the block) to that of wells drilled on PMG.TO's acreage. The conclusion: HUSA appears to have hired a geologist who knows what he is doing. In addition, it appears that many of the advantageous drilling locations present on the Guatiquia and Corcel blocks—where oil migrated updip for millions of geological years before being trapped by faults—are also present in at least the eastern portion of CPO-4. (SK and HUSA have not yet invested in a seismic shoot beyond the eastern portion of the block.) Further, while it is uncertain as to how much of CPO-4 is analogous to PMG.TO's fields, our meeting gave us increased confidence that the far west and northwest portions of CPO-4 have some of the same heavy oil structures contained in some of the prolific heavy oil fields of the Llanos basin. All told, we expect the CPO-4 block will have a variety of types of drilling locations. In all, there is likely well over 100 potential drilling locations, with a large portion of those locations being analogous to the Guatiquia and Corcel blocks. In addition, this meeting and the data presented made us more confident in the Serrania development, HUSA's other up-and-coming Llanos Basin project.

While it is still very early on and the metrics will move around quite a bit in the next 12 months, we included a table highlighting some of the assumptions we are using for per-well economics in the eastern portions of the CPO-4 block. In this table, we assume average first year production of just under 3,250 barrels per day, starting at 5,000 barrels per day, ramping down to 1,750 barrels per day by the 365th day. We believe that this leaves SK and HUSA with plenty of room drill some "bad wells", yet still surpass this set of assumptions for an average well. Note that the second year of production basically represents "mature production." So if the JV can establish a portfolio of 10 of these, hopefully prototypical wells, then the JV should be off and running with operating cash flow that could pay for the drilling of additional wells while simultaneously throwing off very significant free cash flow. Moreover, there is a chance that CPO-4 contains several times that many advantageous drilling locations. Also of note, we assume a NYMEX price of WTI Crude of $75 versus today's price of $83 and the NYMEX July 2011 crude contract price of $91. Going the other way, we note that this project should "work" at a variety of foreseeable oil prices as shown in the table on the next page.

Projected Per Well Economics in the Eastern Portion of CPO-4 at Various Oil Prices

NYMEX Price for WTI Crude	$35.00	$45.00	$55.00	$65.00	$75.00	$85.00	$95.00	$105.00
Differential	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.50
Realized price per barrel	31.00	41.00	51.00	61.00	71.00	81.00	90.75	100.50
Total effective royalty percentage	36.52%	36.52%	36.52%	36.52%	36.52%	36.52%	36.52%	36.52%
Total royalties per Barrel	11.32	14.97	18.63	22.28	25.93	29.58	33.14	36.70
Trucking costs per barrel	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25
Operating costs per barrel	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.50
Pretax cash flow per barrel	9.68	16.03	22.37	28.72	35.07	41.42	47.11	53.05
First year production (millions of barrels)	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185
First year cash flow (millions of $)	11.46	18.98	26.50	34.02	41.54	49.06	55.80	62.83
Total cap ex to drill and complete a well (millions of $)	10.0	10.0	10.0	10.0	10.0	10.0	10.5	11.0
ROI on first year cash flow alone	114.6%	189.8%	265.0%	340.2%	415.4%	490.6%	558.0%	628.3%
Second year production (millions of barrels)	0.639	0.639	0.639	0.639	0.639	0.639	0.639	0.639
Second year cash flow (millions of $)	6.18	10.24	14.29	18.35	22.40	26.46	30.09	33.88
ROI on second year cash flow alone	61.8%	102.4%	142.9%	183.5%	224.0%	264.6%	300.9%	338.8%
Combined cash flow for first two years (millions of $)	17.65	29.22	40.79	52.37	63.94	75.52	85.89	96.72
ROI on first two years of cash flow alone	176.5%	292.2%	407.9%	523.7%	639.4%	755.2%	858.9%	967.2%

The Serrania Project is one that we have factored into our analysis, but we have only factored in a base level of production and cash flow into our share price objectives. We have not done as much research on this project as CPO-4, but we have spent time going over geological comparisons with the company and our consultant. In addition, we spoke with the key individual (who asked for anonymity) at one of the private companies involved, and he largely confirmed our analysis of the prospects for this field. Suffice to say, we feel that there is likely several million recoverable barrels in that field and there could ultimately be 100s of millions of barrels of recoverable oil there. Thus, for our base level assumption for recoverable reserves plus a conservatively valued call option on the longer-term upside, we assign a current value of approximately $30MM for HUSA's 12.5% stake. We expect that that assigned value can increase significantly as the project is developed.

Not surprisingly, as HUSA shares ran significantly, short sellers have started to circle and have even written some articles that call into question the validity of HUSA's stated prospects. We agree that much of this sounds too good to be true. However, we have spoken directly and indirectly with some of the key players at other companies involved with HUSA within the Llanos Basin. These conversations have validated our thesis. Specifically, it appears that many of the shorts are focusing on the question of why SK Energy cut in HUSA at such a low price if CPO-4 was so promising? The answer: HUSA negotiated this deal before PMG.TO's early success in the Corcel block was widely known and before its most significant success in the Guatiquia block—which is even closer to CPO-4—had even occurred. Also, our conversations with various people who should be in a position to know have verified that SK Energy's philosophy involves diversifying away project-specific risk while bringing in partners that can help SK more effectively asses how to approach a given project. Thus, while it does not seem "logical" from a pure greed standpoint, we believe that SK had its specific reasons for doing this.

Some skeptical writers have referred to this as a "pump & dump" story where a stock gets promoted higher with wildly optimistic and largely untrue assumptions so people in the know can dump it higher. However, the complete lack of both insider selling by insiders and stock issuance by the company after the run up is NOT prototypical of our best historical shorts. In fact, I do not think I am going out on a limb to say that a stock cannot

2305 Cedar Springs Road, Suite 420, Dallas, TX 75201 Tel: (972) 590-4100 Fax: (972) 590-4109

be a pump & dump play if there is no dump of shares on the part of management or the company. Indeed, CEO Terwilliger has not sold a single share of stock in HUSA since he took it public. Finally, it is true that the company only has three employees officially on the payroll, as mentioned at the start of this section. This was a concern of ours initially. However, that does not take into account the contract-basis geologist who is a little more than two months into a full-time, six-month contract, and we would not be surprised to see him brought on officially after the term of his contract expires. (This is actually a shareholder-friendly way to approach it as the geologist will not get any stock options until he further proves himself.) In addition, two of HUSA's independent board members have been using their skills to be particularly active in helping HUSA evaluate and exploit projects such as CPO-4 and Serrania. And of course, since HUSA is not the operator in any of its projects, it is able to get by with a lean staff. Ultimately, higher short interest can be our friend in this position, especially if short interest continues to elevate into next January when we hope the company will start to have a series of positive announcements regarding wells drilled in CPO-4.

Valuation is fairly arbitrary at this stage in the game. However, in the next 36 months, we feels that it is fairly likely that SK and HUSA will be able to at least do the following:

1. Drill 25 wells near PMG.TO's acreage that, on average, fit the profile of 1,750 barrels/day of mature production. (Note that this is more conservative than it might appear, as the company should be able to drill more than 25 wells in the next 36 months, so only their 25 best wells have to average 1,750 barrels/day at maturity.)
2. Demonstrate that there are at least another 20 drilling locations there with similar prospects.
3. Prove up some of the expected heavy oil reserves in the west and northwest portions of CPO-4.

Assuming HUSA meets our timelines in these three areas, the respective values of these portions of the play would be as follows:

1. 25 wells near PMG.TO's acreage at mature production rates of 1,750 per day would equal total base production of 43,750 barrels per day or $560MM of base operating cash flow per year. (Note that "base production" does not count the front-loaded benefit that the JV will obtain from the wells starting at 5,000 barrels per day and averaging 3,250 barrels per day throughout the first year.) Putting a 5.5x multiple on that base of operating cash flow yields a value of $3.080 billion.
2. Assuming 20 similar drilling locations and risking them for probability adjusted values and taking the then present value might compute a value of $18MM per prospective location or $360MM in total.
3. For the heavy oil that is likely recoverable in the Western portion of the block, we conservatively assume a then present value of only $30MM even though probable reserves could easily be 50MM barrels of heavy oil (~100k acres X 500+ barrels/acre).

The sum of all three areas of value sum to a total value of $3.470 billion for the CPO-4 block, leaving a value of $868MM for HUSA's 25% share. In addition, in the next 36 months, we expect the CPO-4 partnership to generate over $110MM of cumulative pretax free cash flow even beyond the capital the JV will need to drill the aforementioned wells and build out infrastructure, leaving additional value (after some taxes) to HUSA of about $25MM.

All of the assumptions above assume a NYMEX WTI Crude price of $75.00. Further, they provide no value to the upside inherent in these assumptions if the structures that PMG.TO is producing from are also found in the central and maybe even some of the western parts of the block, as the drilling locations sited above are expected to be found in the roughly one-third of the block closest to PMG.TO's acreage to the East. In addition, they assume that SK and HUSA generate very modest production success as compared to PMG.TO's most recent success closest to the CPO-4 block. Specifically, our operating cash flow estimate above ($560MM) assumes wells that start at 5,000 barrels per day and mature at 1,750 barrels per day versus the most recent PMG.TO wells that have started out 2x-3x higher than that and also might mature at levels proportionally higher. **If a significant portion of CPO-4's successful wells perform in line with these PMG.TO wells, the cash flow and valuation would about 2x higher than the "base-level" valuation targets sited above. Moreover, significant additional optionality would come into play if the central and western portions of the block prove to be analogous to PMG.TO's acreage, making the value arguably 5x our base-level valuation for the CPO-4 block.**

Adding the base-level values for CPO-4 to our assumption for the value of the Serrania Project and its other assets/production ($30MM and $55MM respectively) we come up with a base-level price target of $978MM or $29.71 per share. In terms of downside protection, the significant appreciation in the shares of late has, no doubt, increased the potential downside. That, said we are confident that there is a significant amount of oil recoverable in both CPO-4 and the Serrania Project and that it is more a question of how much and how fast. Additionally, the company is somewhat protected by its debt-free balance sheet and roughly 1,400 and growing barrels of daily production outside of these two projects.

We believe the end game for HUSA is for the company to be acquired in the next few years as it delineates the value of its two major Columbian assets. Would-be buyers include large American companies as well as foreign, particularly Chinese, E&P companies. International E&P companies seem to have a willingness to pay up for smaller E&Ps with a base of oil-weighted production and long-tailed upside from future exploration and development. We feel that HUSA will fit this profile and that such buyers might be willing to use more aggressive valuation metrics than the ones sited in the preceding paragraph. At the same time, our thesis does not require a buyout and we feel that the Street will at least afford the company the valuation metrics sited above once HUSA proves the value of its assets with very steep production growth over the next few years. In addition, hopefully our assumptions for production per well, the portion of the CPO-4 acreage that is analogous to PMG.TO, and perhaps the price of crude oil are on the conservative side. Therefore, despite appreciation of 285% from our initial purchase price, we feel that the risk/reward ratio on the shares is still quite attractive over the intermediate to long terms.

Novell (NOVL, $5.75, currently 5.67% of NAV):

When we made our initial purchases in NOVL at around $4.85 per share earlier this year, it was a chronic underperformer with a cash-rich balance sheet ($2.79 per diluted share) and a steady annuity-like software maintenance revenue stream. We felt NOVL was ripe for a shakeup to increase shareholder value. On the surface NOVL looks like it deserves its low multiple, but the company has two sources of hidden value. The first is an open source software unit that would get a high revenue multiple as a standalone business. The second is the steady, recurring, high-margin software maintenance cash flow that is being frittered away by current management. On a sum-of-the-parts basis, we believed that NOVL was 50% to 150% undervalued. With the January filing of a 13D by prominent activist investor Elliot Associates, we believed that it was time to get off the fence as it appeared Elliot had a decent chance of stopping management from wasting too much more time and money. (Fortunately for us and other shareholders, NOVL does not have a staggered board.)

NOVL develops, sells and installs enterprise-quality software that is positioned in the operating systems and infrastructure software layers of the information technology industry. NOVL's business units include Open Platform Solutions, Identity and Security Management (ISM), Systems and Resource Management (SRM), and Workgroup/Collaboration. As you can probably tell from the business description, the NOVL product portfolio is diverse and wide ranging. NOVL was a software high-flier back in the early 1990's based on its leadership in the network access control and collaboration markets. However, NOVL lost this lead to other players and has generally been an underperformer for the better part of two decades. The company has gone through multiple executive changes, restructurings and strategy shifts over the years, and a good portion of its current product portfolio was acquired through M&A. While the company has sold a lot of software over the years and has a large installed base of customers that depend on its products, organic growth has been elusive and profitability has been sub-par.

We think of NOVL as having two primary lines of businesses—an open source business which primarily involves selling maintenance and services contracts for companies running Linux application servers, and a traditional enterprise software business encompassing the ISM, SRM and Workgroup units. The Linux business is in an interesting segment with some good organic growth, which is why closest public comp Red Hat (RHT) trades at a 6x revenue multiple. The traditional enterprise software business is no longer a leader in any of the markets it competes in, but does generate some new license sales. More importantly, it has a large installed base that pays for annual maintenance upgrades and support. This revenue stream is nearly $500M annually, and held steady last year despite a tough economic environment for software sales that caused NOVL's new license revenue to decline significantly. Companies renew their annual software maintenance contracts almost automatically, because NOVL's customers depend on the software and paying maintenance is much cheaper than buying new. Small and mid-cap enterprise software companies (we compared NOVL to BMC, CA, EPIC, LWSN, TIBX, OTEX) trade at an average of about 3.5x their annual maintenance revenue (i.e. EV/annual maintenance revenue), while at the time of our original purchase NOVL was trading at 1.1x (including Linux maintenance).

Unfortunately, NOVL has brought in a series of CEOs that think they can make the company grow again and recapture its former glory. While in the past few years NOVL has experienced some sporadic growth and margin improvement, the net effect on the stock had been minimal. The steady maintenance cash flow is mostly being wasted on unproductive operating expenses and overpriced M&A. To give you a sense for how poorly NOVL invests its software maintenance cash flow consider the ratio of operating expenses (mostly sales and R&D) to new license sales. For a well-run company like Oracle, the ratio is something like 1.1/1.0, so each dollar of opex generates almost $1 of virtually 100% GM license revenue with further profits from future maintenance renewals. For NOVL's traditional software business (i.e. backing out the operating expense for the Linux business) it has been closer to 3.5/1.0, meaning that in aggregate the money NOVL puts into creating and selling its new products is generating a negative ROI for shareholders. Of course, some level of operating expense is necessary to update products and secure maintenance renewals, but you get the idea. JP Morgan analyst John DiFucci spent a lot of time taking them to task for their completely out-of-line operating expenses on their February 25th earnings call, so we were hopeful that Elliot was not the only one besides us noticing this.

From our perspective the recent earnings were a non-event. The company claimed invoicing was strong, but both revenue and deferred revenue was down. Most importantly, NOVL's reorganization of its business segments afforded a glimpse of just how profitable a legacy software business with high maintenance renewals can be. In the past the company had broken out the operating performance of their four business units, but most corporate SG&A and R&D costs were left unallocated so it was hard to get a true view of operating unit performance. With its Q1 FY 2010 report, NOVL is now reporting in only two operating units (which I will discuss later), combining OPS, ISM and SRM while leaving Workgroup/Collaboration separate. However, NOVL is now allocating almost all corporate costs to one unit or another. NOVL's Workgroup/Collaboration unit is the most "legacy" of its businesses, as NOVL is primarily in maintenance harvest mode for OES and Netware. This unit generates a 47% EBIT margin while the rest of the business (despite a lot of legacy maintenance revenue) is being run at breakeven! If the entire non-Linux business was being run at a 47% EBIT margin the company would generate over $400M in EBIT per year.

As you might expect, neither management nor the board owns much stock outright, but management takes huge cash compensation out of the business. Amazingly, according to NOVL's 2009 proxy, the entire management team received FY 2008 bonuses of 1.2 to 2.0x the targeted amount based on achieving in excess of their supposed "performance goals". The CEO (who only owns only 777k shares, which we believe he acquired through grants of restricted stock and options) got nearly $3M in cash compensation alone, for running a business that generated a measly $18M of free cash flow on revenue of nearly $1B! In FY 2009, as NOVL experienced declining revenue, cash compensation was reduced to "only" $2.2M. Despite the decline in the business, the executives supposedly hit 123% of their "performance goals" again. One of the other amazing facts in the proxy is that, of the software peer group that NOVL compares itself to, NOVL has the lowest TTM EV/Revenue multiple and indeed was the only company below 1.0. No one gets less from a dollar of software revenue than NOVL under current management. Of course, that doesn't stop them from paying their executives total comp between the 50th and 75th percentiles.

We had looked at NOVL in the past, but given the lack of catalysts and the fact that management could expect to make more in present value of cash compensation than from increasing the value of the stock, we could not get comfortable. However, the 13D filing by Elliott Associates piqued Kenny's interest and he renewed his work on NOVL, thinking change might be coming whether management likes it or not. We felt that there were a number of things that NOVL could do to improve shareholder value. The business clearly has too much cash, so they at the very least can push for a large buyback and/or a dividend. A sexy open source business is hidden inside an underperforming enterprise software perpetual license business, so we thought it would make sense to either spin off or sell the Open Platforms Solutions division to someone who will pay a high multiple. **Most importantly, NOVL has a huge, recurring, high margin software maintenance revenue stream, and it is not being converted to cash flow like it should be due to what we think is mal-investment by a management vainly striving for growth.** This cash flow stream could be much better managed by a software consolidator or private equity firm.

We thought Elliot's end game was to force a sale the company—possibly in two pieces split between Linux and traditional software—as we believed (and continue to believe) that consolidators like Oracle, IBM and Computer Associates as well as private equity firms would be interested in the latter part.

In the past Elliott has been involved in sales of other chronically underperforming tech companies like Borland Software, Packeteer, MSC Software and 3Com. Indeed, Elliott is a well-respected activist investor, and although no specific proposals were laid out in the filing and we did not speak with them, we believed they see many of the same things we do. We did not see the unsolicited bid for the company coming, at least not that soon, but we increasingly like their style. By the way, Elliot specifically stated that the bid is NOT contingent on financing. We believe that it is Elliot's worthy intent to get a higher bid for the company. At the same time, we think Elliot would probably not mind owning the whole company at $5.75 per share or even somewhat higher (perhaps in a side pocket with a private equity partner), in which case it would get compensated for the dirty work of splitting up the pieces and selling them piecemeal for a total which almost certainly exceeds $5.75 per share. Recently, NOVL announced that it has engaged JP Morgan to pursue strategic alternatives. While it is always possible that a company in this spot is just going through the motions, we do not think that is the case here. Specifically, NOVL has a non-staggered board and would risk having management and the board thrown out if they do not do the right thing. Also, Elliot does not have a history of going away quietly.

On paper, NOVL's valuation does not look all that compelling on a forward P/E (19x) or EV multiple of F 2009 free cash flow (15x). However, NOVL's profitability and FCF metrics are depressed by management's wasteful spending and investment initiatives. We think it makes sense to look at NOVL on a sum-of-the-parts basis, separating out: (1) the balance sheet cash; (2) the Open Platforms Solutions Linux business; (3) Non-Linux maintenance; (4) other license sales; and (5) services. Even after the move up on the Elliot buyout offer, we believe that NOVL is currently significantly undervalued, below is a table detailing our sum-of-the-parts calculation:

Item	Amount	Type	Multiple Low	Multiple High	Value Low	Value High	Per Share Low	Per Share High
Cash & CE	$ 993.4	Bal Sht	1.0	1.0	$ 993.4	$ 993.4	$ 2.78	$ 2.78
Open Platforms (Linux)	$ 174.0	Revenue	3.0	5.0	$ 522.0	$ 870.0	$ 1.46	$ 2.44
Other Maintenance	$ 483.0	Revenue	2.0	4.0	$ 966.0	$ 1,932.0	$ 2.71	$ 5.41
Other License	$ 116.8	Revenue	1.0	2.0	$ 116.8	$ 233.6	$ 0.33	$ 0.65
Services	$ 87.0	Revenue	0.5	1.0	$ 43.5	$ 87.0	$ 0.12	$ 0.24
Total	$ 1,854.2				$ 2,641.7	$ 4,116.0	$ 7.40	$ 11.53
Upside							28.7%	100.4%

Explanation of Our Valuation Assumptions:

Cash and Cash Equivalents: No explanation needed.

Open Platforms: For people who know us as the value investors that we are, this is the one assigned valuation that might make us look overly aggressive, but Linux application servers are a hot area in IT and the industry leader RHT currently trades at over a 6x revenue multiple. RHT grew at 20% Y-o-Y in its last reported quarter. NOVL's Linux business results are a bit hard to decipher because of its one-time prepaid distribution deal with

Microsoft, but on their last call the company claimed non-Microsoft invoicing grew 10% Y-o-Y. Therefore, we used a range of revenue multiples starting at half of RHT's to just below its current trading multiple.

Other Maintenance: This is where most of the hidden value lies. Due its long history as a software supplier, NOVL has thousands of customers that depend on its platforms to run their businesses and secure their networks. For these customers paying the annual maintenance and support contract is much cheaper than buying new software, so it is done almost automatically. This business is very high margin, high visibility recurring revenue—practically an annuity. Generating this revenue takes relatively little opex investment. Maintenance revenue was flat in FY '09 despite a very tough environment for software sales. The general rule of thumb is that software consolidators and private equity firms are willing to pay 3x-4x annual maintenance revenue for high renewal rate streams. As a point of reference, Oracle paid 7x-8x EV/annual maintenance revenue for PeopleSoft, Siebel, Hyperion and BEA. $12.00 per share for NOVL, which is above the high end of our range, would equate to 7x EV/maintenance revenue and give no consideration to the Linux, other license and service revenues. We are not necessarily expecting this, but thought it was interesting to point out.

Other License: This is worth something, but is not growing. 1x to 2x revenue is on low side for license revenue in software M&A.

Services: Not a particularly high value business, but worth something, hence our 0.5x to 1.0x range.

Taking it all together, we believe that shareholders will ultimately receive somewhere between $7.00 and $10.00 per share in value. It might seem aggressive to expect all of this value creation from a previous price of $4.85 in such a short time. However, the steepness of this implied move is deceiving. Value has been present in this company for a long time and is overdue for harvest. Granted, it is possible that the company will reject all official and unofficial offers as "inadequate" and tell the Street that management and that board plan to continue as is. In that case the stock might trade down somewhat, but we believe that it would only be temporarily, especially given the strength of the balance sheet. Even in the event that the board says no to a sale of the company, we would expect them to at least cut excessive spending and move to return some capital to shareholders. Further, if the board does take this route, we would not be surprised to see Elliot raise its bid slightly to put more pressure on the board. Moreover, we are content to wait if needed, and feel that the value will ultimately be realized even if much of the accretion to share price happens in late 2010 or 2011. Ultimately, though, we believe that the NOVL board sees the chess board similar to the way we do, and they know that they must respond positively to reasonable overtures and we expect them to do so by sometime this summer, if not earlier. Therefore, we feel that the probability-adjusted risk/reward ratio is very compelling at the current price, as the stock seems to be pricing in only a low probability of a sale of the company for $7.50 or more. As PALM demonstrated, the market is not always good at anticipating the value a strategic acquirer would be willing to pay, even when it is known the company is likely "for sale."

Closing Thoughts:

We realize that the upside in HUSA seems too good to be true. However, we feel that this situation is "true" and is only available to us because of all the hair on it. And NOVL is similarly unique, though less extreme. Doing this sort of detailed work does not make for very interesting stories at parties. However, we feel that continuing to use our research to cut through the hair will continue to serve us well financially even if it does not win popularity contests. As I said last letter, we are not smarter than the rest of the funds out there, but we do work harder. We expect that this method will produce solid results as long as there are these special situations that do not receive the required effort by the rest of the Street. I say this every letter but it certainly bears repeating: we are ever grateful to you for your investment of capital and confidence in Nokomis. Please feel free to contact us with any questions or comments and stop by and see us when you are in Dallas.

Best Regards,

Brett Hendrickson

2305 CEDAR SPRINGS ROAD, SUITE 420, DALLAS, TX 75201 TEL: (972) 590-4100 FAX: (972) 590-4109

Sector Exposure (Dollar) – 3/31/10

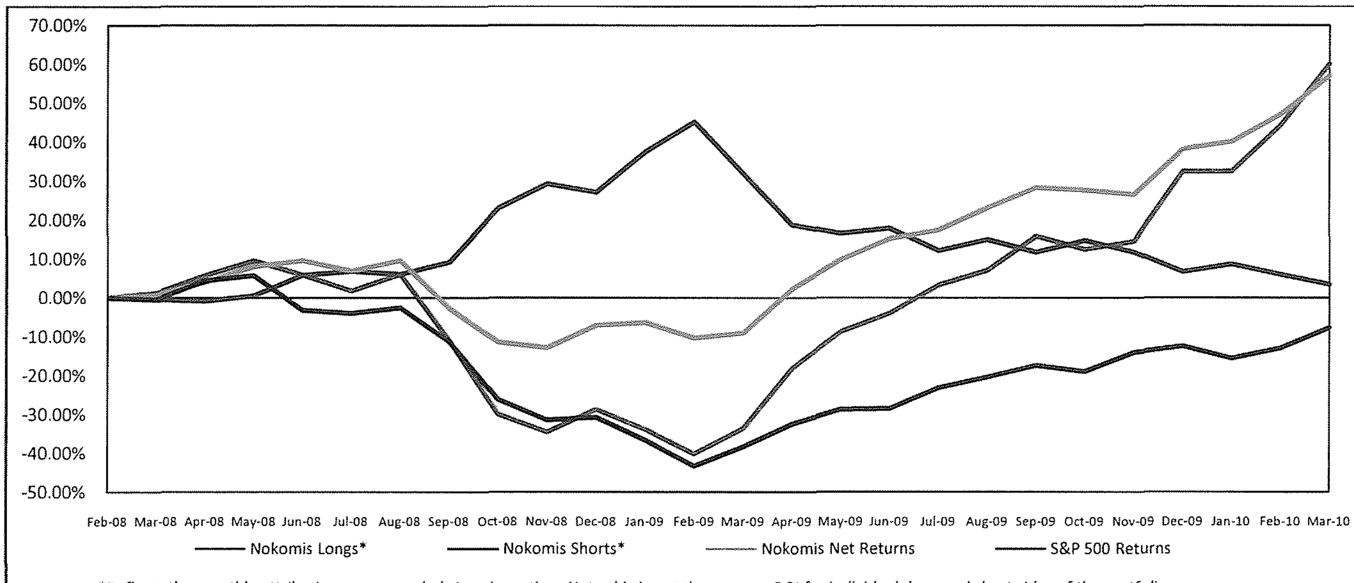
	Long	Short	Net
Broad Market Indices	0.0%	-8.2%	-8.2%
Business Services	0.0%	-2.5%	-2.5%
Consumer	13.3%	-12.1%	1.2%
Cyclical	3.6%	-13.4%	-9.8%
Energy/Natural Resources	30.5%	-10.5%	20.1%
Financial Services	5.2%	-3.0%	2.2%
Healthcare	6.4%	0.0%	6.4%
Technology	24.7%	-6.8%	17.9%
Telecom & Media	9.2%	-4.1%	5.1%
Total	**93.0%**	**-60.6%**	**32.3%**

Gross Attribution by Sector (Q1 2010)

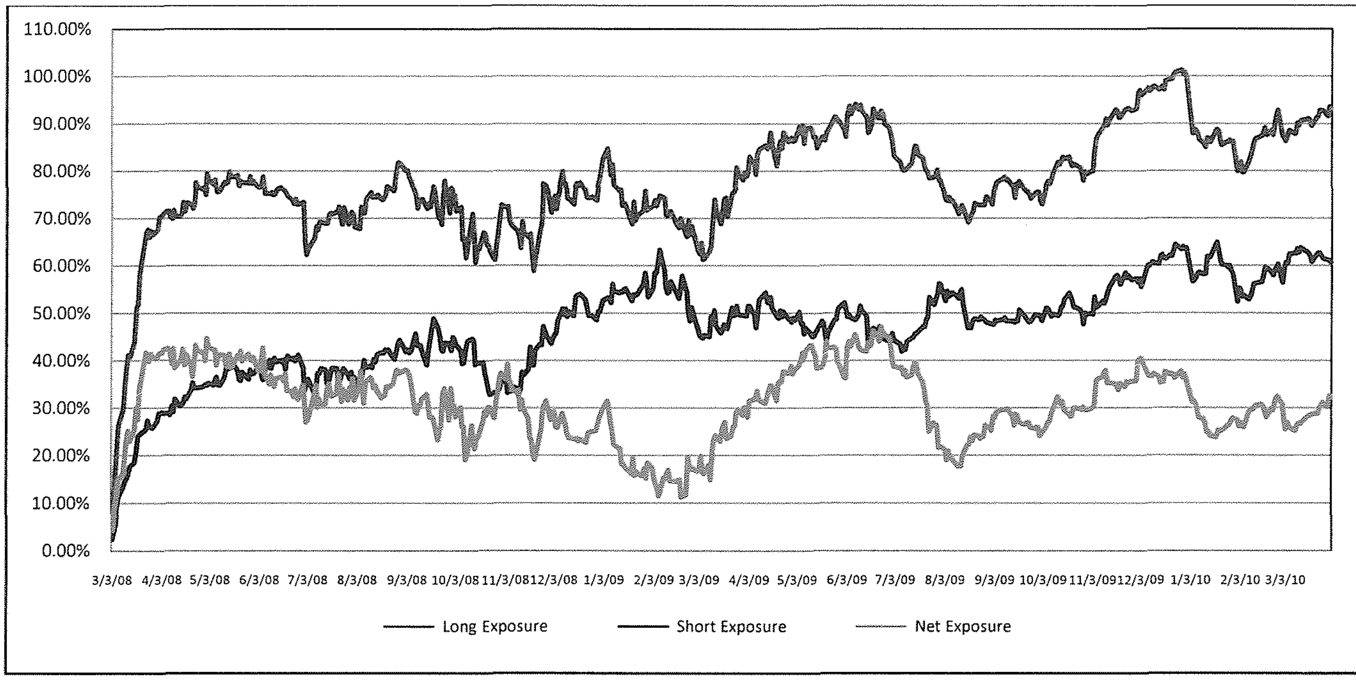
	Long	Short	Gross
Broad Market Indices	0.00%	-1.03%	-1.03%
Business Services	0.00%	-0.20%	-0.20%
Consumer	4.99%	-0.66%	4.33%
Cyclical	1.05%	-1.62%	-0.57%
Energy/Natural Resources	12.26%	0.80%	13.06%
Financial Services	0.51%	-0.30%	0.22%
Healthcare	0.88%	0.00%	0.88%
Technology	3.19%	0.83%	4.01%
Telecom & Media	1.41%	-1.85%	-0.45%
Interest/Dividends/Other			-0.51%
Total	**24.29%**	**-4.03%**	**19.75%**

2305 Cedar Springs Road, Suite 420, Dallas, TX 75201 Tel: (972) 590-4100 Fax: (972) 590-4109

Attribution and Daily Exposure Since Inception



*Reflects the monthly attribution, compounded since inception. Note this is not the same as ROI for individual long and short sides of the portfolio, as the denominator in these attribution calculations is the NAV of the entire Fund and not the gross capital exposed to either the long or short side of the portfolio.



2305 CEDAR SPRINGS ROAD, SUITE 420, DALLAS, TX 75201 TEL: (972) 590-4100 FAX: (972) 590-4109

EXHIBIT 42

DEF 14A 1 formdef14a.htm HOUSTON AMERICAN ENERGY CORP DEF 14A 6-11-2012

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under Rule 14a-12

☐ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

HOUSTON AMERICAN ENERGY CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Proposed maximum aggregate value of transaction:

(4) Total fee paid:

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Filing Party:

(5) Date Filed:

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

Dear Stockholder: April 23, 2012

We cordially invite you to attend our 2012 annual meeting of stockholders, which will be held at 10:00 a.m. on Monday, June 11, 2012 at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002.

At this year's annual meeting, the agenda will include the election of 1 Class B director, the ratification of the selection of our independent registered public accounting firm for fiscal 2012 and the transaction of such other business as may properly come before the meeting or any adjournment thereof. Please refer to the enclosed proxy statement for detailed information on the proposal and other important information about Houston American Energy.

Please note that we are not asking our shareholders to vote on an advisory basis on the compensation of our named executive officers in 2012 in light of the 2011 advisory vote of shareholders approving submission of such matter for an advisory vote once every three years. Accordingly, our shareholders will next be asked to vote on an advisory basis on executive compensation in 2014.

We hope you will be able to attend the annual meeting, but we know that not every stockholder will be able to do so. Whether or not you plan to attend, please complete, sign and return your proxy, or vote by telephone or via the Internet according to the instructions on the proxy card, so that your shares will be voted at the annual meeting.

Sincerely,

JOHN F. TERWILLIGER
Chairman of the Board

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS
June 11, 2012

Dear Stockholder:

The annual meeting of stockholders of Houston American Energy Corp. will be held at 10:00 a.m. on Monday, June 11, 2012, at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002. The purpose of the annual meeting is to:

1. Elect one Class B director to hold office for the next three years.

2. Ratify the selection of GBH CPAs, PC as our independent registered public accounting firm for the 2012 fiscal year.

3. Transact such other business as may properly come before the meeting or any adjournments thereof.

Only stockholders of record at the close of business on April 23, 2012 will be entitled to vote at the annual meeting and any and all adjourned sessions thereof. Our stock transfer books will remain open.

To ensure that your vote is recorded promptly, please vote as soon as possible. If you are a stockholder of record, please complete, sign and mail the proxy card in the enclosed postage-paid envelope. If your shares are held in "street name", that is held for your account by a broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted.

By Order of the Board of Directors,

Date

JOHN TERWILLIGER
Chairman

Houston, Texas
April 23, 2012

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

PROXY STATEMENT

Our board of directors is soliciting your proxy for the annual meeting of stockholders to be held at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002, on Monday, June 11, 2012 at 10:00 a.m. and at any and all adjourned sessions of the annual meeting.

We are mailing our annual report for the fiscal year ended December 31, 2011, to our stockholders with this notice and proxy statement (including the form of proxy) on or about April 23, 2012.

Record Date and Quorum Requirements

Only stockholders of record at the close of business on April 23, 2012 will be entitled to vote at the annual meeting. The majority of the shares of common stock issued and outstanding and entitled to vote on the record date must be present in person or by proxy to have a quorum for the transaction of business at the annual meeting. Shares of common stock present in person or represented by proxy (including shares which abstain, withhold the vote or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists for a matter presented at the annual meeting. At the close of business on April 23, 2012, we had 31,165,230 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote.

Voting Your Shares and Votes Required

Your vote is very important. If you do not vote your shares, you will not have an impact with respect to the issues to be voted on at this annual meeting. In addition, banks and brokers cannot vote on their clients' behalf on "non-routine" proposals.

In order to be elected as directors, each of the nominees for director must receive a plurality of the votes cast at the annual meeting. Approval of the ratification of the selection of GBH CPAs, PC as our independent registered public accounting firm for the 2012 fiscal year will require the affirmative vote of a majority of the shares of common stock present or represented by proxy at the annual meeting.

Shares that abstain from voting on a particular proposal, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares on a particular proposal, will not be counted as votes "in favor" of such proposal, and will also not be counted as votes cast or shares voting on that proposal. Accordingly, abstentions and "broker non-votes" will have no effect on the voting on a proposal that requires the affirmative vote of a certain percentage of the votes cast or shares voting on a proposal. However, abstentions are considered to be present or represented in determining whether a quorum exists on a given matter.

Submitting Your Proxy

If you complete and submit your proxy, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy card but do not fill out the voting instructions on the proxy card, the persons named as proxies will vote the shares represented by your proxy as follows:

- FOR the election of the director nominee; and
- FOR the ratification of the selection of GBH CPAs, PC as our registered public accounting firm;

To ensure that your vote is recorded promptly, please vote as soon as possible. To vote by proxy, please complete, sign and mail the proxy card in the enclosed postage-paid envelope.

Stockholders that attend the annual meeting and wish to vote in person will be given a ballot at the meeting. If your shares are held in "street name" and you want to attend the annual meeting, you must bring an account statement or letter from the brokerage firm or bank holding your shares showing that you were the beneficial owner of the shares on the record date. If you want to vote shares that are held in "street name" or are otherwise not registered in your name, you will need to obtain a "legal proxy" from the holder of record and present it at the annual meeting.

Revoking or Changing Your Proxy

You may revoke or change your proxy at any time before it is voted. For a stockholder "of record", meaning one whose shares are registered in his or her own name, to revoke or change a proxy, the stockholder may follow one of the procedures listed below.

- submit another properly signed proxy, which bears a later date;
- deliver a written revocation to our corporate secretary; or
- attend the annual meeting or any adjourned session thereof and vote in person.

If you are a beneficial owner of our common stock, and not the stockholder of record (for example your common stock is registered in "street name" with a brokerage firm), you must follow the procedures required by the holder of record, which is usually a brokerage firm or bank, to revoke or change a proxy. You should contact the stockholder of record directly for more information on these procedures.

Other Information

We will bear the expense of soliciting proxies. Our officers and certain other employees, without additional remuneration, may solicit proxies personally or by telephone, e-mail or other means.

Our Annual Report on Form 10-K for the year ended December 31, 2011, which is not part of the proxy soliciting materials, is included with this Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below shows the number of our shares of common stock beneficially owned as of April 23, 2012 by:

- each person or group known by us to beneficially own more than 5% of our outstanding common stock;
- each director and nominee for director;
- each executive officer named in the Summary Compensation Table under the heading "Executive Compensation" below; and
- all of our current directors and executive officers of the company as a group.

The number of shares beneficially owned by each 5% holder, director or executive officer is determined by the rules of the SEC, and the information does not necessarily indicate beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the person or entity has sole or shared voting power or investment power and also any shares that the person or entity can acquire within 60 days of April 23, 2012 through the exercise of any stock option or other right. For purposes of computing the percentage of outstanding shares of common stock held by each person or entity, any shares that the person or entity has the right to acquire within 60 days after April 23, 2012 are deemed to be outstanding with respect to such person or entity but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or entity. Unless otherwise indicated, each person or entity has sole investment and voting power (or shares such power with his or her spouse) over the shares set forth in the following table. The inclusion in the table below of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. As of April 23, 2012, there were 31,165,230 shares of common stock issued and outstanding.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding
John Terwilliger (1)*	8,724,650(2)	27.5%
O. Lee Tawes (3)*	3,046,622(4)	9.7%
Benchmark Capital Advisors (3)	1,547,437(5)	5.0%
James J. Jacobs	498,900(6)	1.6%
Stephen Hartzell*	142,666(7)	†
John Boylan*	162,300(8)	†
Richard J. Howe*	31,250(9)	†
Kenneth Jeffers	71,000(10)	†%
Columbia Wanger Asset Management, L.P. (11)	2,910,200(12)	9.3%
The TCW Group, Inc. (13)	1,676,755(14)	5.4%
All current directors and executive officers as a group (7 persons)	12,677,388(15)	38.9%

---

* Director of our company

† Less than 1% of the shares of total common stock outstanding as of April 23, 2012.

(1) Address is care of Houston American Energy Corp., 801 Travis St., Suite 1425, Houston, Texas 77002.

(2) Includes (a) 600,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment. 8,109,650 of the shares held by Mr. Terwilliger are pledged as security.

(3) Address is 100 Wall Street, 8th Floor, New York, New York 10005.

(4) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13D/A, Amendment No. 3, filed with the SEC on April 23, 2012. Shares indicated as beneficially owned by Mr. Tawes include (a) 8,091 shares owned by 100 Wall Energy Partners, L.P., of which Mr. Tawes is a 7.8% owner and portfolio manager as well as a member of the general partner, (b) 119,034 shares owned by Mr. Tawes' spouse, as to which Mr. Tawes disclaims beneficial ownership and (c) 86,666 stock options that may be exercised within 60 days of April 23, 2012.

(5) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G filed with the SEC on February 14, 2012.

(6) Includes (a) 470,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment.

(7) Includes 86,666 stock options that may be exercised within 60 days of April 23, 2012.

(8) Includes (a) 22,300 shares held by EJC Ventures, LP, of which Mr. Boylan serves as the manager of the general partner, and (b) 80,000 stock options that may be exercised within 60 days of April 23, 2012.

(9) Includes 31,250 stock options that may be exercised within 60 days of April 23, 2012.

(10) Includes (a) 50,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment.

(11) Address is 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.

(12) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G/A, Amendment No. 2, filed with the SEC on February 10, 2012. Colombia Wanger Asset Management, LLC. reports that it has sole power to dispose of or to direct the disposition of all 2,910,200, shares, and the sole power to vote 2,646,200 of the shares, reported as beneficially owned by it.

(13) Address is 865 South Figueroa Street, Los Angeles, California 90017

(14) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G/A, Amendment No. 1, filed with the SEC on February 9, 2012. The TCW Group, Inc. reports, on behalf of the TCW Business Unit, that it has shared power to dispose of or to direct disposition of all 1,676,755 shares, and the shared power to vote 1,282,023 of the shares, reported as beneficially owned by it.

(15) Includes 1,404,582 stock options that may be exercised within 60 days of April 23, 2012. 8,109,650 of the shares held by directors and executive officers are pledged as security.

PROPOSAL 1

ELECTION OF DIRECTORS

Our restated articles of organization and amended and restated by-laws, each as amended to date, provide for the classification of our board into three classes, as nearly equal in number as possible. The Class A, Class B and Class C directors are currently serving until the annual meeting of stockholders that will be held in 2013, 2012 and 2014, respectively, and until their respective successors are elected and qualified. At each annual meeting of stockholders, directors are elected for a full term of three years to succeed those whose terms are expiring. Our board has fixed the number of directors at five. There are currently two Class A directors, one Class B director and two Class C directors.

Unless otherwise instructed, the persons named as proxies will vote all proxies received **FOR** the election of the person named as nominee below as a Class B director for a term of three years, until the annual meeting of stockholders to be held in 2015 and until his successor is elected and qualified.

The nominee listed below is currently serving as a director and has indicated that he is willing to continue to serve, if elected. The independent directors of the board nominated the candidates for election. If the nominee should become unavailable, the persons named as proxies will vote all proxies received for a substitute nominee designated by the board, unless instructions are given to the contrary. The board has no reason to believe that the nominee will become unavailable.

In the section below, we provide the names and biographical information about the Class B nominee and each other member of the board.

There are no family relationships among any of our directors, nominee for director and executive officers.

Nominee for Election as Class B Director Continuing in Office until 2015

John Boylan
Age: 45
Director Since: 2006

Mr. Boylan has served as Chief Financial Officer of Probe Resources, Ltd., an independent and gas company, since April 2011, and as a financial consultant to the oil and gas industry since 2007. Previously, Mr. Boylan served in various executive capacities in the energy industry, including both the exploration and production and oil services sectors. Mr. Boylan's experience also includes work as an auditor for KPMG Peat Marwick and as a management consultant for Coopers & Lybrand Consulting. Mr. Boylan holds a BBA with a major in Accounting from the University of Texas and an MBA with majors in Finance, Economics and International Business from New York University. Mr. Boylan is a licensed CPA in the State of Texas.

In December 2007, Mr. Boylan filed a bankruptcy petition under Chapter 7 of the United States Bankruptcy Code in Cause No. 07-38742-H3-7 in the United States District Court for the Southern District of Texas, Houston Division. He received a discharge from Chapter 7 in June 2009. The bankruptcy petition was filed in response to efforts by a creditor to collect obligations of a company of which Mr. Boylan was a prior part owner, which obligations were personally guaranteed by Mr. Boylan.

Mr. Boylan brings to our board 20 years of broad experience in the oil and gas industry, covering operations, accounting and finance, and his resulting understanding of the Company's industry, operating environment, key drivers of operational and financial success and specific accounting and financial characteristics and challenges encountered finance and financial reporting.

Class C Directors Continuing in Office until 2014

John Terwilliger
Age: 64
Director Since: 2001

Mr. Terwilliger has served as our Chairman, Chief Executive Officer, President and a director since our inception in April 2001.

Mr. Terwilliger brings to our board over 30 years of energy industry experience as well as essential insight and guidance from an inside perspective as a result of his key and ongoing role in acquiring and managing our asset portfolio, his central role in managing all aspects of operations of our company and his position as our largest shareholder.

O. Lee Tawes III Age: 64 Director Since: 2005	Mr. Tawes is Executive Vice President and Head of Investment Banking, and a Director at Northeast Securities Inc. Prior to joining Northeast Securities, Mr. Tawes held management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2004. Mr. Tawes has served as a Director of New Leaf Brands, Inc. since 2001 and of GSE Systems, Inc. since 2006. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia. Mr. Tawes brings to our board over 30 years of broad experience in finance and investment banking, and specific experience in oil and gas finance and investment banking, and his resulting understanding of our industry, operating environment, key drivers of financial success and specific capital market characteristics and challenges encountered by our company.

Class A Directors Continuing in Office Until 2013

Stephen Hartzell Age: 58 Director Since: 2005	Since 2003, Mr. Hartzell has been an owner operator of Southern Star Exploration, LLC, an independent oil and gas company. From 1986 to 2003, Mr. Hartzell served as an independent consulting geologist. From 1978 to 1986, Mr. Hartzell served as a petroleum geologist, division geologist and senior geologist with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration. Mr. Hartzell received his B.S. in Geology from Western Illinois University and an M.S. in Geology from Northern Illinois University. Mr. Hartzell brings to our board over 30 years of broad experience in the oil and gas industry, covering geology, operations management and asset management, and his resulting understanding of our industry, operating environment, key drivers of operational success and specific geological characteristics and challenges encountered in operations.
Richard J. Howe, Ph.D. Age: 83 Director Since: 2011	Dr. Howe retired as President and Chief Operating Officer of Pennzoil Company in 1988. Previously, Dr. Howe served in diverse managerial and executive roles with such companies as Shell Oil, Exxon and Pennzoil. Dr. Howe holds a B.S., M.S. and Ph.D. in Mechanical Engineering from the University of Minnesota and a M.Ind.Mgmt. from MIT. Dr. Howe brings to our board over 30 years of broad executive and managerial level experience in the energy industry and a keen understanding of the industry and international markets.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEE TO THE BOARD OF DIRECTORS SET FORTH IN THIS PROPOSAL 1.

In considering your vote with respect to the election of directors pursuant to Proposal 1, you should consider the discussions of "Executive Compensation" and "Corporate Governance" and the other discussions contained in this Proxy Statement.

PROPOSAL 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our board, on the recommendation of the audit committee, has selected the firm of GBH CPAs, PC as our registered public accounting firm for fiscal 2012. GBH CPAs, PC has served as our registered public accounting firm since January 2009. Although stockholder approval of the board's selection of GBH CPAs, PC is not required by law, the board believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the annual meeting, the board will reconsider its selection of GBH CPAs, PC.

Representatives of GBH CPAs, PC are expected to be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF GBH CPAs, PC AS OUR REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.

In considering your vote with respect to the ratification of our selection of GBH CPAs, PC as our registered public accounting firm pursuant to Proposal 2, you should consider the discussion of "Relationship with Independent Registered Public Accounting Firm" and the other discussions contained in this Proxy Statement.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Operations and Executive Compensation During 2011

Our operations are focused on making strategic investments in oil and natural gas properties in which we invest alongside larger partners and operators or receive carried interests for sourcing opportunities or assembling prospects and partners. Our mission is to deliver outstanding net asset value per share growth to our investors via attractive oil and natural gas investments. Our strategic investments are focused on early identification of, and entrance into, existing and emerging resource plays, particularly in South America and the U.S. Gulf Coast region. By entering into these plays earlier and partnering with, or promoting to, larger operators, we believe we can capture larger resource potential at lower cost and minimize our exposure to drilling risks and costs and ongoing operating costs.

We, along with our partners, actively manage our resources through opportunistic acquisitions and divestitures where reserves can be identified, developed, monetized and financial resources redeployed with the objective of growing acreage positions, reserves, production and shareholder value.

We gauge the success of our efforts principally in terms of return on investment as measured by direct value delivered to shareholders, either through appreciation in stock price or through payment of dividends, and through reserve growth and net asset growth.

The relative success of our operations is largely a function of the direct efforts of our senior management team in identifying attractive opportunities and suitable partnerships to develop oil and natural gas properties and negotiating favorable terms of participation in those opportunities. Because we do not operate oil and natural gas properties, our focus is on identification of prospects and partners and control of costs. To that end, we operate with a minimal employee base, principally comprised of our senior management team, specifically, our chief executive officer, our chief financial officer and our senior vice president of exploration, who carry out substantially all of the key functions of our company.

As discussed below, our compensation committee generally reviews compensation levels at mid-year in conjunction with our annual meeting and fixes salary, bonus and equity grant levels at that time taking into account the previous year's operating results as well as year-to-date developments and industry compensation data. The compensation of our executive officers during 2011 reflected our objectives set forth above, the success or failure of which is directly tied to the performance of our executive officers, and the following events and/or developments:

- in mid-2011, the compensation committee determined to increase the base salary of our chief executive officer, chief financial officer and senior vice president of exploration by 5%, which remained at a level approximating the 50th percentile among a pool of comparable companies whose 2009 compensation levels were evaluated by the committee; and

- in mid-2011, the compensation committee determined to pay cash bonuses and to make grants of restricted stock based on 2010 performance, which reflected, among other things, (i) record revenues and field level profitability, with 2010 operating revenues growing 140.4% to a record $19.5 million and income from operations, excluding gains from sales of properties, improving to $3.2 million from a loss from operations of $1.5 million in 2009, (ii) realization of gains of approximately $27.2 million, on unamortized investments of approximately $4.2 million, from the sale of our interest in four prospects in Colombia and the sale of our interest in certain Eagle Ford Shale prospects in Karnes County, Texas, (iii) the redeployment of proceeds from our 2010 divestitures to increase in our position in the CPO 4 prospect to 37.5% and to increase our total net acreage position in Colombia to 179,978 acres at year-end 2010 up from 154,910 acres at year-end 2009, and (iv) distributions to shareholders of $6.8 million of dividends during 2010.

The foregoing actions by the compensation committee reflect the overall objective of maintaining base salary structures that are competitive with the 50th percentile of our competitor peer group while rewarding proven performance by discretionary cash bonuses and future realization of value through equity grants in the form of restricted stock and/or options and, where appropriate, event driven cash bonuses. The compensation committee believes that this approach allows the company to minimize fixed costs and retain flexibility to allow the company to adapt quickly to specific conditions and events.

Objectives and Philosophy of Compensation Program

Our compensation program is designed to attract and retain key employees, motivating them to achieve and rewarding them for superior performance by providing a competitive package through a combination of base salary, cash bonuses, equity incentives and other perquisites and benefits. Philosophically, our executive compensation program is designed to provide adequate, but not excessive, base compensation to allow our executives to focus on achieving our corporate goals without the allure of, or financial need to seek, more lucrative base pay opportunities elsewhere while making available bonus opportunities and equity participation that offer both direct rewards for recognized superior performance, at both the corporate and individual levels, and opportunities for wealth creation associated with increased shareholder value. Our philosophy reflects the unique nature of our business as a non-operator investor in oil and gas properties wherein our future growth is uniquely tied to the efforts of our management team in identifying attractive new opportunities and partners and controlling costs as opposed to applying their efforts to the development and management of operated properties. The ultimate objective of our program is to increase shareholder value by providing executives with appropriate incentives to achieve our business objectives.

We generally target paying total direct compensation commensurate with that of approximately the 50th percentile of our peer group. We believe that this competitive position is needed in order to successfully retain and motivate our current management team and attract superior talent if needed in the future.

To facilitate the formulation and monitoring of our compensation program, the compensation committee, in conjunction with the 2007 retention of Deloitte Consulting LLP, developed a list of peer companies and tracks the compensation programs of our peers as well as throughout the broader energy market.

Our list of peer companies ("Peer Companies") is periodically reviewed and updated by the compensation committee and consists of other public oil and natural gas exploration and production companies of similar market capitalization and revenue levels against whom we compete for executive talent.

In fixing 2011 compensation levels, we reviewed publicly disclosed compensation for 2010 of the following Peer Companies:

Dune Energy
ATP Oil & Gas
Abraxas Petroleum
Carrizo Oil & Gas
Endeavour International Corp
Concho Resources
Harken Energy
Toreador Resources Corp
Evolution Petroleum
Hyperdynamics
Panhandle Oil & Gas
BPZ Resources
Halcon Resources Corporation
ISRAMCO
Double Eagle Petroleum

While we do not think it is appropriate to establish compensation based solely on benchmarking compared to our Peer Companies, we believe that this practice is useful for two reasons. First, our compensation practices must be competitive in order to attract and retain executives with the ability and experience necessary to provide leadership and to deliver strong performance to our shareholders. Second, benchmarking allows us to assess the reasonableness of our compensation practices. This process allows us to achieve one of our primary objectives of maintaining competitive compensation to ensure retention when justified and rewarding the achievement of company objectives so as to align with shareholder interest.

Our history has previously affected the mix of incentives offered to John Terwilliger, our chief executive officer. Mr. Terwilliger possesses substantial equity ownership in our company due to his involvement in our initial establishment and initial activities. Thus, from inception through most of fiscal year 2007, our primary incentives for Mr. Terwilliger were offered through our salary and benefits programs, including the grants of overriding royalty interests in various prospects in lieu of salary in the early years of our existence. During fiscal year 2007, in conjunction with our engagement of Deloitte Consulting LLP, we ceased granting overriding royalty interests and determined to commence the payment of bonuses and grants of equity to reward Mr. Terwilliger for achievement of corporate goals and to align his interests with our shareholders, and expect to continue to do so in the future. Our equity incentives are currently provided under our existing Houston American Energy Corp. 2008 Long-Term Incentive Plan ("2008 Long-Term Incentive Plan").

Since 2008, we have based our compensation philosophy solely on a market-competitive allocation of incentive awards. That is, although our chief executive officer owns significant equity through his own investments, we will not consider the value of those holdings when determining future awards. We will, however, consider the value of equity based awards previously made when determining future awards.

As the company grows and seeks to hire and retain additional employees, whether executives or non-executives, we intend to expand the scope of our compensation program to more specifically tailor elements of our program to motivate and reward more specific performance criteria designed to benefit overall company performance. In that regard, as circumstances of our operations dictate, we may establish more narrow goal oriented programs geared to both short and long-term performance in order to create an environment of goals, rewards and expectations. We anticipate that goals that may be rewarded will include growth of revenues, growth of operating earnings and earnings per share, growth in oil and gas reserves and other key operating metrics. Because we believe that all employees contribute to our success, we intend to develop programs that will measure and reward both individual and team performance for substantially all future employees.

Elements of our Compensation Plan and Why We Chose the Character and Amount of Each

Elements of compensation for our executives presently include salary and periodic cash bonuses and restricted stock and stock option grants as well as participation in broad based benefit plans available to all employees, including health, disability and life insurance.

We do not set targets for the mix of compensation among the various elements when determining compensation awards. The mix of value attributable to each of the elements of compensation is generally driven by the company's desire to emphasize variable compensation, such as cash bonus and long-term incentives, over fixed compensation such as base salary and benefits. We believe that this approach to compensation allocation supports our culture of entrepreneurial performance.

Other than for certain perquisites and benefits that are provided to all of our executive officers, individual performance has a significant impact on determining each compensation component. Each individual executive officer's annual performance is measured based on a thorough review of his contributions to our business results for the year and the long-term impact of the individual's behavior and decisions.

Base Salary

We provide our senior executive officers with an annual base salary to compensate them for services rendered during the year. Our goal is to set base salaries for our senior executive officers at levels that are competitive with Peer Companies for the skills, experience and requirements of similar positions in order to attract and retain top talent. We feel that this range supports competitive compensation and ensures retention. In order to ensure that each officer is appropriately compensated, the compensation committee, when setting base salaries, considers individual performance, tenure and experience and our financial performance in addition to the compensation review of the Peer Companies. The individual base salary levels are generally reviewed in conjunction with our annual meeting each May or June and are adjusted as appropriate based on an analysis of current market salary levels at the Peer Companies, individual performance and experience and our financial performance.

For fiscal year 2011, the salary of Mr. Terwilliger was $346,500 through the date of the mid-year review. At the 2011 mid-year review, Mr. Terwilliger's salary was increased by 5% to $363,825, an amount below the average base salary of the 50th percentile of the Peer Companies in 2010.

Similarly, Mr. Jacobs' salary for 2011 was $181,500 through the date of the mid-year review. At the 2011 mid-year review, Mr. Jacobs' salary was increased by 5% to $190,575, an amount below the average base salary of the 25th percentile of the Peer Companies in 2010.

Mr. Jeffers' salary for 2011was $240,000 through the date of the mid-year review. At the 2011 mid-year review, Mr. Jeffers' salary was increased by 5% to $252,000, an amount approximating the average base salary of the 50th percentile of the Peer Companies in 2010.

Cash Bonuses

Cash bonuses are a core component of our compensation program. The compensation committee considers the cash bonuses to reward achievement of corporate objectives and to align the interests of our executive officers with our shareholders by placing a significant portion of their compensation at risk. Cash bonuses are considered annually based on overall corporate performance and individual contributions to that performance.

Because of the nature of our operations as a non-operating investor in oil and gas properties, the compensation committee believes that traditional formula or target based bonuses do not adequately reflect corporate or individual performance but tend to motivate executives to pursue opportunities that are focused on achievement of pre-determined targets which may or may not be reliable indicators of corporate and individual performance. Instead, the compensation committee has historically focused the payment of bonuses on evaluation of overall performance of the company and of individual executives with observable events reflecting the realization of extraordinary value resulting in event specific bonuses.

During fiscal year 2011, the compensation committee determined that cash bonuses should be paid to members of senior management based on the success enjoyed by management in securing favorable positions in increasingly large and attractive asset plays and the overall improvement in operations as measured by oil and gas revenues and profitability during 2010. In evaluating the amount of cash bonuses to be paid, the compensation committee conducted discussions with the chief executive officer and reviewed 2010 bonus, total cash compensation and total compensation levels of the Peer Companies. Taking into account the accomplishments of management during 2010, and the absence of additional equity based grants in 2010, the compensation committee determined that cash bonuses should be paid in the amount of 75% of base salary, or $259,875, to Mr. Terwilliger, 50% of base salary, or $136,125, to Mr. Jacobs, and 50% of base salary, or $120,000, to Mr. Jeffers. In each case, the bonuses brought total cash compensation to roughly the 60th percentile of the Peer Companies while maintaining total compensation in the 25th to 50th percentile of the Peer Companies.

Equity Incentive Programs

Our 2008 Equity Incentive Plan is the primary vehicle for offering long-term incentives and rewarding our executive officers and key employees. We also regard awards under our 2008 Equity Incentive Plan as a key retention tool. This is a very important factor in our determination of the terms of options granted and stock awarded, including the number of underlying shares that are granted in connection with that award. Because of the direct relationship between the value of an option or similar stock award and the market price of our common stock, we believe that granting stock options or shares of stock is the best method of motivating the executive officers to manage our company in a manner that is consistent with the interests of our company and our stockholders.

Stock Awards. During 2011, we awarded 15,000 shares of restricted stock to each of our chief executive officer, our chief financial officer and our senior vice president of exploration. The restricted stock grants vest ratably over a three year period. The compensation committee determined to award restricted stock in 2011 after making no equity grants in 2010, other than an option grant made at the time of hiring Mr. Jeffers, and in lieu of stock options due to the accounting treatment.

Option Awards Granted. We grant options to our executive officers and key employees at the time of hiring and, thereafter, at the time of the compensation committee's annual review of compensation based upon prior performance, the importance of retaining their services, the potential for their performance to help us attain our long-term goals and taking into account currently outstanding awards held by executive officers and key employees. However, there is no set formula for the granting of options to individual executives or employees. During 2011, we made no stock option grants to officers, instead opting for restricted stock grants.

Timing of Grants. Option and restricted stock awards to our executive officers and other key employees have, historically, been limited to the commencement of employment and in conjunction with the compensation committee's annual review of compensation, typically occurring during the second quarter in conjunction with our annual meeting. Stock option awards are granted to our non-employee directors on their initial appointment or election and, thereafter, on the date of our annual meeting of stockholders. Grants to newly hired employees are effective on the employee's first day of employment, and to facilitate this practice, the compensation committee may authorize the chair of the compensation committee to grant individual stock awards to non-executive employees between scheduled meetings of the compensation committee. The compensation committee has adopted as a policy a specific prohibition of timing stock option grants, and has made no equity grants, to coordinate with the release of material non-public information in any manner designed to affect the value of executive compensation. The exercise price of all stock options is set at the prior day's closing price of our common stock on the NYSE Amex.

Perquisites and Post-Termination Pay

Our executives are entitled to few benefits and, in each case, those benefits are available to all of our employees. In this regard it should be noted that we do not provide pension arrangements, post-retirement health coverage, or similar benefits for our executives or employees nor do we maintain any agreements that provide for payments in connection with termination of employment. The principal benefit we maintain for our executives is our health insurance plan that is the same for all employees.

Compensation Practices and Procedures

Our current compensation practices and procedures are intentionally simplistic at this time in recognition of the small number of employees and the nature of the company's operations as a non-operator investor in assets sourced by our management team. As a result, the company has not, as yet, adopted any formal cash bonus plans or any retirement plans, instead relying on equity compensation and discretionary cash bonuses as a principal element of both compensation and motivation of its executive officers. In particular, wealth creation aspects of equity have served as both an avenue for rewarding overall company performance and as a means of creating wealth accumulation.

The compensation committee, at its annual compensation review, takes into consideration the history of all the elements of each executive officer's total compensation, including reviewing compensation make-up, totals and trends over recent fiscal years and comparisons of the compensation of the executive officers with that of the executive officers in an appropriate market comparison group.

While our current business plan of pursuing investments/alliances as a non-operating owner of oil and gas interests does not anticipate any substantial additions to our staffing, we anticipate that future hiring demands may require the company to expand the scope of its compensation practices to include the implementation of specific cash based bonus plans designed to reward short-term performance. Such bonus plan may entail the establishment by the compensation committee of target annual bonuses fixed as a percentage of base salary based on satisfaction of criteria determined by the committee. Target bonuses and performance criteria may be tailored to measure individual performance of key employees as well as overall company performance. It is anticipated that the compensation committee may retain the discretionary authority to award bonuses beyond those otherwise earned under established bonus plans.

We choose to pay each element of compensation, including compensation under any bonus plans we may adopt, in order to attract and retain the necessary executive talent, reward annual performance and provide incentive for their balanced focus on long-term strategic goals as well as short-term performance. The amount of each element of compensation will be determined by or under the direction of our compensation committee, which intends to use the following factors to determine the amount of salary and other benefits to pay each executive:

- performance against corporate and individual objectives for the previous year;
- difficulty of achieving desired results in the coming year;
- value of their unique skills and capabilities to support long-term performance of the company;
- performance of their general management responsibilities; and
- contribution as a member of the executive management team.

These elements fit into our overall compensation objectives by helping to secure the future potential of our operations, facilitating our development of oil and gas reserves, providing proper compliance and regulatory guidance, and helping to create a cohesive team.

Role of Executive Officers

The committee takes into consideration annual recommendations of the chief executive officer with respect to the compensation of each of the executive officers, including himself. Additionally, the chief executive officer takes part in the negotiations of potential executive officer hires and makes recommendations to the compensation committee in that regard. The compensation committee may accept or adjust such recommendations. Neither the chief executive officer nor any of the subject executive officers is present at the time of the committee's deliberations regarding executive compensation.

How Risk Factors into Compensation

Because the compensation committee evaluates performance and awards of cash bonuses and equity after the fact and in light of actual results, the committee believes that its policies do not encourage or promote excessive risk taking by management nor does the committee believe that its compensation policies will have a material adverse effect on our company. Further, because of the singular focus of our business and the absence of hedging, we do not believe that our operations are prone to undue risk taking relative to other operators in our industry.

How Tax Factors into Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to the corporation's chief executive officer and four other most highly paid executive officers. Qualifying performance-based compensation will not be subject to the deduction limitation if certain requirements are met. Our compensation committee will periodically review the potential consequences of Section 162(m) and may structure future performance-based executive compensation to comply with certain exemptions in Section 162(m). However, we reserve the right to use our judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) when we believe that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions or the officer's performance.

The Role of Compensation Consultants

As noted above, in conjunction with the hiring of our CFO, we agreed to retain, during 2007, a compensation consultant to review and make recommendations with respect to the compensation of our CFO. During 2007, we retained Deloitte Consulting LLP to provide a survey of compensation practices for similarly situated companies and to provide broad recommendations regarding the compensation of our CEO and CFO.

While we did not retain outside compensation consultants during 2011, we may, from time to time, consult with outside compensation experts to assess our compensation policies in comparison to our competitors and to seek recommendations regarding revisions to our compensation policies.

Response to 2011 Say-On-Pay Vote

Our compensation committee values the input of our stockholders relative to our executive compensation plan. In June 2011, we held our initial advisory vote on the compensation of our named executive officers and on the frequency of future votes in that regard. We received strong support for our compensation paid to our officers at our 2011 shareholders meeting, with more than 99% of the votes cast being in favor of ratification of our executive compensation program. At the same meeting, our stockholders voting to recommend future "say-on-pay" votes once every three years. We encourage open communication with our stockholders, including on matters relating to our executive compensation program. In the event our stockholders cast votes in the future reflecting a level of dissatisfaction with our compensation program, or should we receive significant adverse feedback outside of a vote in that regard, our committee will take into account the feedback of our stockholders and will endeavor to modify our executive compensation program to appropriately address the concerns of our stockholders.

Report of Compensation Committee

The compensation committee is responsible for discharging the responsibilities of the board with respect to the compensation of our executive officers. The compensation committee sets general performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation committee may retain the services of a compensation consultant and consider recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation committee assesses the information it receives in accordance with its business judgment. The compensation committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation committee and recommended to the full board for ratification.

The compensation committee is responsible for administering all of our equity-based plans. The committee may, however, authorize the chair of the compensation committee to grant individual stock awards upon the hiring of new employees between scheduled meetings of the compensation committee. The compensation committee also periodically reviews compensation and equity-based plans and makes its recommendations to the board with respect to these areas.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 31, 2011 with management. In reliance on the reviews and discussions referred to above, the compensation committee recommended to the board, and the board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2011 for filing with the SEC.

By the Compensation Committee of the Board of Directors:

John Boylan, Compensation Committee Chair
Stephen Hartzell, Compensation Committee Member
Richard J. Howe, Compensation Committee Member

Summary Executive Compensation Table

The following table includes information concerning compensation for the three years ended December 31, 2011 for our CEO, CFO and our only other executive officer (collectively, the "Named Executive Officers"), being our only executive officers during the latest year:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
John F. Terwilliger, CEO	2011	355,162	259,875	247,800	—	—	—	862,837
	2010	333,375	472,500	—	—	—	—	805,375
	2009	315,000	—	—	—	—	—	315,000
James J. Jacobs, CFO	2011	186,038	136,125	247,800	—	—	—	569,963
	2010	173,938	165,000	—	—	—	—	338,938
	2009	165,000	—	—	182,831	—	—	347,831
Kenneth Jeffers, Sr VP Exploration [(2)]	2011	246,000	120,000	247,800	—	—	—	613,800
	2010	92,769	—	—	958,477	—	—	1,051,246
	2009	—	—	—	—	—	—	—

(1) The amounts included in the "Stock Awards" and "Option Awards" columns reflect the grant date fair value calculated in accordance with FASB ASC Topic 718. The Company's FASB ASC Topic 718 assumptions used in these calculations are set forth in Note 6 to the Financial Statements included in the Company's annual report on Form 10-K filed with the SEC on March 7, 2012. See "Grants of Plan-Based Awards – 2011" for details with respect to the terms of the Stock Awards during 2011.

(2) Mr. Jeffers was appointed Senior Vice President of Exploration in August 2010.

Grants of Plan-Based Awards - 2011

The following table sets forth information regarding plan-based awards to the Company's Named Executive Officers in 2011.

Name	Grant Date	All Other Stock Awards; Number of Shares of Stock or Units (#) [(1)]	All Other Option Awards; Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) [(2)]
John F. Terwilliger	06/14/2011	15,000	—	—	247,800
James J. Jacobs	06/14/2011	15,000	—	—	247,800
Kenneth Jeffers	06/14/2011	15,000	—	—	247,800

---

(1) Restricted stock awards vest one-third on each of the first three anniversaries of the grant date.

(2) Reflects the grant date fair value calculated in accordance with FASB ASC Topic 718. The Company's FASB ASC Topic 718 assumptions used in these calculations are set forth in Note 6 to the Financial Statements included in the Company's annual report on Form 10-K filed with the SEC on March 7, 2012.

Outstanding Equity Awards at Fiscal Year-End

The following table includes certain information with respect to unexercised options and unearned restricted stock previously awarded to the Named Executive Officers at December 31, 2011.

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
John F. Terwilliger	06/02/08	450,000	450,000(2)	$ 7.20	06/01/18	—	$ —
	06/14/11	—	—	—	—	15,000	247,800
James J. Jacobs	06/09/09	80,000	40,000	2.05	06/09/19	—	—
	06/02/08	150,000	—	7.20	06/01/18	—	—
	07/05/06	200,000	—	2.98	07/05/16	—	—
	06/14/11	—	—	—	—	15,000	247,800
Kenneth Jeffers	08/13/10	50,000	100,000	8.87	08/13/20	—	—
	06/14/11	—	—	—	—	15,000	247,800

(1) Except as otherwise noted, options become exercisable in three equal installments beginning one year after the date of grant and on each of the next two anniversaries of the date of grant.

(2) Options become exercisable in six equal installments beginning one year after the date of grant and on each of the next five anniversaries of the date of grant

(3) Stock awards vest one-third on each anniversary of the grant date.

Employment Arrangements and Plans

Employment Agreements

Kenneth Jeffers. In August 2010, we entered into an employment agreement with Kenneth Jeffers pursuant to which Mr. Jeffers serves as our Senior Vice President of Exploration for the duration of the term of said employment agreement. The employment agreement provides for an annual salary, an initial stock option grant, participation in all of our executive benefit programs and discretionary raises and bonuses as determined by our board of directors. The employment agreement provided for an initial term of three years with automatic one year renewals thereafter unless we notify Mr. Jeffers of our intent not to renew the employment agreement. The current term of the employment agreement expires in August 2013.

Equity Incentive Plans

Our board of directors and shareholders have adopted our the Houston American Energy Corp. 2005 Stock Option Plan (the "2005 Plan") and the Houston American Energy Corp. 2008 Equity Incentive Plan (the "2008 Plan" and, together with the 2005 Plan, the "Plans").

Under the 2005 Plan, 500,000 shares of common stock are reserved for issuance pursuant to stock options. Under the 2008 Plan, 2,200,000 shares of common stock are reserved for issuance pursuant to grants of stock options and restricted stock. The Plans are administered by our Compensation Committee and provide that key employees, consultants and directors are eligible to participate therein.

Pension Benefits

We do not maintain any retirement plans or otherwise provide any retirement benefits of any nature for our executives or employees.

Termination or Change in Control Payments

Except for Mr. Jeffers, all of our employees, including our executive officers, are employees-at-will and as such do not have employment contracts with us. We have no agreements, written or oral, to provide any payments to our executives or employees upon termination or a change-in-control.

Director Compensation Table

The following table provides compensation information for the year ended December 31, 2011 for each member of our Board of Directors:

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (2)(3)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
John Boylan	14,000	—	278,500	—	—	292,500
Stephen Hartzell	10,000	—	278,500	—	—	288,500
O. Lee Tawes III	6,000	—	278,500	—	—	284,500
Richard J. Howe (6)	10,000	—	320,541	—	—	330,541

(1) Mr. John Terwilliger, a director and officer of our company, has been omitted from this table since he receives no compensation for serving on our board.

(2) Reflects the grant date fair value calculated in accordance with FASB ASC Topic 718. The Company's FASB ASC Topic 718 assumptions used in these calculations are set forth in Note 6 to the Financial Statements included in the Company's annual report on Form 10-K filed with the SEC on March 7, 2012.

(3) The following are the aggregate number of option awards outstanding that have been granted to each of our non-employee directors as of December 31, 2011, the last day of the 2011 fiscal year: Mr. Boylan: 80,000; Mr. Hartzell: 86,666; Mr. Tawes: 86,666; and Dr. Howe: 31,250.

Standard Director Compensation Arrangements

We compensate non-employee members of the board through a mixture of cash and equity-based compensation. Each non-employee director receives an annual retainer of $6,000, payable in quarterly installments of $1,500, for his services as a director. Each committee member receives an annual retainer of $2,000 per committee served on, payable in quarterly installments of $500 per committee. In addition, the chairman of the audit committee receives an annual retainer of $2,500 payable in quarterly installments of $625 and the chairmen of all other committees receive annual retainers of $1,500 payable in quarterly installments of $375. We also reimburse expenses incurred by non-employee directors to attend board and committee meetings.

On the date of the initial appointment or election of each non-employee director, the non-employee director receives a stock option grant to purchase 25,000 shares of our common stock at a price equal to the fair market value of our common stock on the date of grant. On the date of each annual meeting of stockholders following initial appointment or election, each non-employee director receives an annual stock option grant to purchase 25,000 shares of our common stock at a price equal to the fair market value of our common stock on the date of grant. Commencing in 2011, option grants to directors vest 20% on the date of grant and 80% nine months from the date of grant.

Directors who are also our employees do not receive cash or equity compensation for service on the board in addition to compensation payable for their service as employees of Houston American Energy.

CORPORATE GOVERNANCE

The Board and Board Meetings

The board consists of five directors. During the fiscal year ended December 31, 2011, the board held a total of 7 meetings (including telephonic meetings and committee meetings). Each of the incumbent directors attended at least 75% of the total number of meetings of the board, including meetings of all committees on which he served. Our corporate governance guidelines, which were adopted in March 2007, provide that directors are expected to attend the annual meeting of stockholders. All of our directors attended our 2011 annual meeting of stockholders.

Board Independence

The board has determined that each of the directors, with the exception of Messrs. Terwilliger and Tawes, qualify as "independent" as defined by applicable NYSE Amex and SEC rules. In making this determination, the board has concluded that none of these members has a relationship that, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Stephen Hartzell has served as lead director since March 2007 and presides over meetings of the independent directors.

Board Committees

The board currently has, and appoints members to, two standing committees: the audit committee and the compensation committee. Each member of these committees is independent as defined by applicable the NYSE Amex and SEC rules. Each of the committees has a written charter approved by the board. The current members of the committees are identified below:

Director	Audit	Compensation
John Boylan	✓ (Chair)	✓ (Chair)
Stephen Hartzell	✓	✓
Richard J. Howe	✓	✓

Audit Committee

The audit committee is composed of three independent directors, Messrs. Boylan, Hartzell and Howe, each of whom meets the independence and financial literacy requirements as defined by applicable NYSE Amex and SEC rules. The audit committee assists the board in its general oversight of our financial reporting, internal controls, legal compliance, ethics programs and audit functions, and is directly responsible for the appointment, evaluation, retention and compensation of the registered public accounting firm. The board has determined that Mr. Boylan qualifies as an "audit committee financial expert" in accordance with the applicable rules and regulations of the SEC.

The audit committee acts under the terms of a written charter initially adopted in May 2006, a copy of which can be found on our website at www.houstonamericanenergy.com/corporategovernance.html. The audit committee met four times during the fiscal year ended December 31, 2011. For more information regarding the audit committee, please refer to the "Report of Audit Committee" beginning on page 18.

Compensation Committee

The compensation committee, which is appointed by the board, is composed of three non-employee independent directors as defined by applicable NYSE Amex rules. The committee is responsible for establishing and administering the policies that govern both annual compensation and equity ownership. It reviews and approves salaries, bonus and incentive compensation, perquisites, equity compensation, and all other forms of compensation for our executive officers, including the chief executive officer. The compensation committee is also responsible for reviewing and administering our incentive compensation plans, equity incentive programs and other benefit plans. It periodically reviews and makes recommendations to the board with respect to director compensation.

The compensation committee acts under the terms of a written charter adopted in May 2006, a copy of which can be found on our website at www.houstonamericanenergy.com/corporategovernance.html. The compensation committee held one meeting during the fiscal year ended December 31, 2011.

Nomination of Directors

The board of directors does not maintain a standing nominating committee. Instead, the board has adopted, by resolution, a process of nominating directors wherein nominees must be selected, or recommended for the board's selection, by a majority of the independent directors with independence determined in accordance with NYSE Amex standards. Because of the relatively small size of the board and the current demands on the independent directors, the board determined that the nomination process would best be carried out, while maintaining the independence of the nominating process, by drawing upon the resources of all board members with the requirement that nominates be selected by a majority of the independent directors.

In the event of a vacancy on the board, the process followed by the independent directors in nominating and evaluating director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the board.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the independent directors apply criteria adopted by the board. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, absence of conflicts of interest and the ability to act in the interests of all stockholders. No specific weights are assigned to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Board does not have a formal policy with respect to diversity of nominees. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will best allow the board to fulfill its responsibilities.

The board may utilize the services of a search firm to help identify candidates for director who meet the qualifications outlined above.

Stockholders may recommend individuals to the independent directors for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to Independent Directors, c/o Corporate Secretary, Houston American Energy Corp, 801 Travis St., Suite 1425, Houston, Texas 77002. Assuming that appropriate biographical and background material has been provided on a timely basis, the stockholder-recommended candidates will be evaluated by following substantially the same process, and applying substantially the same criteria, as it follows for candidates recommended by our board or others. If the board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in the proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the board, by following the procedures set forth under "Deadline for Submission of Stockholder Proposals for the 2013 Annual Meeting" on page 20. Candidates nominated by stockholders in accordance with the procedures set forth in the bylaws will not be included in our proxy card for the next annual meeting.

Communicating with the Independent Directors

Our board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Our lead director, Mr. Hartzell, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the lead director, with the assistance of our counsel, considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board should address such communications to Houston American Energy Corp, Board of Directors, c/o Corporate Secretary, 801 Travis St., Suite 1425, Houston, Texas 77002.

Board Leadership Structure and Risk Oversight Role

Our Chief Executive Officer also serves as Chairman of our Board of Directors. As noted, Stephen Hartzell presently serves as our "Lead Independent Director". We believe that such a leadership structure is appropriate for our company given the small size of our company and our need to control costs and facilitate rapid response to market opportunities.

Our Board provides high level oversight with respect to our risk management activities, consisting principally of interfacing with management with regard to proper risk management policies and implementation of those policies. In general, the Board familiarizes itself with the risk management policies being pursued and the actual transactions carried out in that regard so as to assure that the policy is sound and the transactions undertaken are consistent with the policy. Given our position as a non-operator of our various properties, decisions regarding entry into derivative instruments to manage commodity price risk is typically vested in the property operators and, therefore, the Board believes that our company and management has little discretion with regard to risk management transactions.

Code of Conduct and Ethics

We have adopted a written code of conduct and ethics that applies to all our directors, officers and employees, including our chief executive officer and our chief financial and accounting officer. A current copy of the code can be found on our website at www.houstonamericanenergy.com/corporategovernance.html. In addition, we intend to post on our website or file under cover of Form 8-K all disclosures that are required by law or NYSE Amex listing standards concerning any amendments to, or waivers from, any provision of the code.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, or "Section 16(a)", requires that directors, executive officers and persons who own more than ten percent of any registered class of a company's equity securities, or "reporting persons," file with the SEC initial reports of beneficial ownership and report changes in beneficial ownership of common stock and other equity securities. Reporting persons holding our stock are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of copies of these reports, and written representations from such reporting persons, we believe that all filings required to be made by reporting persons of our stock were timely filed for the year ended December 31, 2011 in accordance with Section 16(a).

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Audit Committee

The audit committee is responsible for assessing the information provided by management and our registered public accounting firm in accordance with its business judgment. Management is responsible for the preparation, presentation and integrity of our financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for testing the system of internal controls, and reports to the audit committee on any deficiencies found. Our registered public accounting firm was responsible for auditing the financial statements and for reviewing the unaudited interim financial statements.

The audit committee reviewed with our registered public accounting firm the overall scope and plan of the audit. In addition, it met with our registered public accounting firm, with and without management present, to discuss the results of GBH CPAs, PC's examination, the evaluation of our system of internal controls, the overall quality of our financial reporting and such other matters as are required to be discussed under generally accepted auditing standards. The audit committee has also received from, and discussed with, our registered public accounting firm the matters required to be discussed by Statement on Auditing Standards 61 (Communication with Audit Committees).

The audit committee discussed with GBH CPAs, PC that firm's independence from management and our company, including the matters in the written disclosures and the letter required by the Independence Standards Board Standard No. 1. The audit committee has also considered the compatibility of audit related and tax services with the auditors' independence.

In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2011 with both management and our registered public accounting firm. The audit committee's review included a discussion of the quality and integrity of the accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the financial statements.

In reliance on the reviews and discussions referred to above, the audit committee recommended to the board, and the board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the SEC.

By the Audit Committee of the Board of Directors:

John Boylan, Audit Committee Chair
Stephen Hartzell, Audit Committee Member
Richard J. Howe, Audit Committee Member

Independent Registered Public Accounting Firm Fees

The following table summarizes the fees of GBH CPAs, PC, our registered public accounting firm in 2011 and 2010, billed to us for each of the last two fiscal years:

Fee Category	FY 2011	FY 2010
Audit Fees (1)	$ 113,695	$ 64,138
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	$ 113,695	$ 64,138

(1) Audit fees consist of fees for the audit of our financial statements, the review of the interim financial statements included in our Quarterly Reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements.

All fees set forth in the table above were approved by our audit committee.

Pre-Approval Policies and Procedures

The audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the audit committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the audit committee may pre-approve specific types of services that are expected to be provided by our registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular services to be provided and is also generally subject to a maximum dollar amount.

The committee's practice is to consider for approval, at its regularly scheduled quarterly meetings, all audit and non-audit services proposed to be provided by our registered public accounting firm. In situations where a matter cannot wait until the next regularly scheduled committee meeting, the chairman of the committee has been delegated authority to consider and, if appropriate, approve audit and non-audit services or, if in the chairman's judgment it is considered appropriate, to call a special meeting of the committee for that purpose.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers and other nominee record holders may be participating in the practice of "householding". This means that only one copy of our annual report and proxy statement will be sent to stockholders who share the same last name and address. Householding is designed to reduce duplicate mailings and save significant printing and postage costs.

If you receive a household mailing this year and would like to receive additional copies of our annual report and/or proxy statement, please submit your request in writing to: Houston American Energy Corp., 801 Travis St., Suite 1425, Houston, Texas 77002, Attention: Secretary or by calling Houston American Energy at (712) 222-6966. Any stockholder who wants to receive separate copies of the proxy statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her bank, broker, or other nominee record holder.

DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING

Any stockholders who wish to submit a proposal, pursuant to Rule 14a-8 under the Exchange Act, for inclusion in the proxy materials for our 2013 annual meeting of stockholders must ensure that it is received by our corporate secretary at our corporate headquarters, which are located at 801 Travis St., Suite 1425, Houston, Texas 77002, no later than December 24, 2012.

Our by-laws also establish an advance notice procedure for stockholders who wish to nominate candidates for election as directors or otherwise propose business for consideration at a stockholders meeting. We must receive a notice regarding stockholder nominations for director or other business at our corporate headquarters not less than 70 days nor more than 90 days prior to the first anniversary of the prior year's stockholder meeting, provided, however, that in the event we do not publicly announce the date of the applicable annual meeting by mail, press release or otherwise more than 70 days prior to the meeting, we must receive the notice no later than the tenth day following the day on which such announcement of the date of the meeting is made. Any such notice must contain certain specified information concerning the persons to be nominated or proposed business and the stockholder submitting the nomination or business, all as set forth in our by-laws. The presiding officer of the meeting may refuse to acknowledge any director nomination or business not made in compliance with such advance notice requirements. We have not publicly announced the date of the 2012 annual meeting prior to the mailing of this notice and proxy statement. Accordingly, an appropriate notice from a stockholder regarding nominations for director or other business to be acted on at the 2012 annual meeting must be received within ten days of this mailing.

Any stockholders wishing to submit proposals intended to be presented at our 2013 annual meeting of stockholders that are not submitted pursuant to Exchange Act Rule 14a-8 must ensure that they are received by us not later than April 2, 2013 and not earlier than March 13, 2013. The persons designated in the proxy card will be granted discretionary authority with respect to any stockholder proposal not timely submitted to us.

By Order of the Board of Directors,

JOHN F. TERWILLIGER
Chairman

April 23, 2012

THE BOARD ENCOURAGES STOCKHOLDERS TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. A PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE ANNUAL MEETING AND YOUR COOPERATION WILL BE APPRECIATED. STOCKHOLDERS WHO ATTEND THE ANNUAL MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

Proxy for Annual Meeting of Shareholders
to be held on Monday, June 11, 2012

This Proxy is solicited on behalf of the Board of Directors

The undersigned hereby appoints John F. Terwilliger and James J. Jacobs, and each of them, as Proxies, with full power of substitution in each of them, in the name, place and stead of the undersigned, to vote at an Annual Meeting of Shareholders (the "Meeting") of Houston American Energy Corp., a Delaware corporation (the "Company"), on Monday, June 11, 2012, at 10:00 a.m., or at any adjournment or adjournments thereof, in the manner designated below, all of the shares of the Company's common stock that the undersigned would be entitled to vote if personally present.

1) Election of directors:

☐ FOR ALL NOMINEES LISTED BELOW (except as marked to the contrary below)

☐ WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW

INSTRUCTION: To withhold authority to vote for any individual nominees, strike a line through the nominee's name in the list below.

John Boylan (Class B Director Nominee)

(2) Proposal to ratify the appointment of GBH CPAs, PC as the Company's independent registered public accounting firm

☐ FOR ☐ AGAINST ☐ ABSTAIN

(3) In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting.

☐ GRANT AUTHORITY ☐ WITHHOLD AUTHORITY

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR MANAGEMENT'S NOMINEES FOR DIRECTOR LISTED IN THIS PROXY, FOR PROPOSALS 2 , AND IN THE DISCRETION OF THE PROXIES WITH RESPECT TO ANY OTHER MATTERS PROPERLY BROUGHT BEFORE THE SHAREHOLDERS AT THE MEETING.

Please sign exactly as your name appears hereon. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee, guardian, or corporate officer, please indicate the capacity in which signing.

DATED:________________________, 2012

Signature:______________________________

Signature if held jointly:________________________

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE

EXHIBIT 43

8-K 1 form8k.htm HOUSTON AMERICAN ENERGY CORP 8-K 6-13-2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 13, 2011

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in Charter)

Delaware	1-32955	76-0675953
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

801 Travis Street, Suite 1425
Houston, Texas 77002
(Address of Principal Executive Offices)(Zip Code)

713-222-6966
(Issuer Telephone number)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.07 Submission of Matters to a Vote of Security Holders.

Houston American Energy Corp., a Delaware corporation (the "Company"), held its Annual Meeting of Stockholders on June 13, 2011 (the "Annual Meeting"). A total of 28,753,229 shares of common stock, representing 92.4% of the shares outstanding and eligible to vote and constituting a quorum, were represented in person or by valid proxies at the Annual Meeting. The final results for each of the matters submitted to a vote of stockholders at the Annual Meeting as set forth in the Proxy Statement are as follows:

Proposal 1. Both of the two nominees for election as Class C Director were elected to serve until the 2014 Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified, or until such director's earlier resignation, removal or death. The result of the votes to elect the two directors was as follows:

DIRECTORS:	FOR	WITHHELD	ABSTAIN	BROKER NON-VOTE
John F. Terwilliger	17,510,913	134	492,627	10,749,555
O. Lee Tawes	17,471,443	134	532,097	10,749,555

Proposal 2. The appointment of GBH CPAs, P.C. as the Company's independent registered public accounting firm for fiscal 2011 was ratified by the stockholders by the votes set forth in the table below:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
28,676,935	54,791	21,503	0

Proposal 3. The compensation of the named executive officers as disclosed in the Company's Proxy Statement was approved on an advisory basis by the votes set forth in the table below:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
17,943,251	40,318	20,105	10,749,555

Proposal 4. The stockholders recommended, on an advisory basis, that the frequency of the stockholder vote to approve the compensation of the named executive officers every three years by the votes set forth in the table below:

1 YEAR	TWO YEARS	THREE YEARS	ABSTAIN
4,813,665	220,508	12,958,400	14,100

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: June 15, 2011

By: /s/ James J. Jacobs
James J. Jacobs,
Chief Financial Officer

EXHIBIT 44

Minutes from the Block CPO-4 Technical Committee Meeting
September 11, 2009

Bogota, Colombia

---

1. Introduction

M.H. Lee opened the meeting, welcomed Houston American and thanked them for their attendance.

The attendees of the meeting were confirmed to be:

Houston American	SK Energy Co Ltd
John F. Terwilliger CEO	**Dong Soo Choi** Vice President Houston Office
	Myung Hwan Lee General Manager
	JiYeol Choi General Manager Exploration Technical Group
	James C. Fluker Sr. Manager New Business Development
	Bo-Seong Seo Financial Manager
	Barry Rava Consultant
	Carolina Azcuenaga Operation Coordinator
	Sandra Marin HSE Coordinator
	Patricia Pinzon Legal Advisor

2. **Joint Venture Issues – Presented by: Patricia Pinzon, Legal Advisor**

Operator explained that the ANH has given a preliminary approval of the assignment to Houston American ("HA"). However it has required that HA establish a branch in Colombia. Once we provide proof of the incorporation of the branch the ANH will give its final approval.

Regarding the JOA, the Operator commented that both parties are reviewing the Draft of the Agreement and that the Agreement will be signed as soon as the conditions for the closing date set out within the farm out Agreement are met. Also, the Operator informed that the 2010 WP&B will be presented for review and approval at the end of October, 2009.

The parties designated their representatives for the OCM and TCM as follows:

Company	Representative	Alternate
OCM		
SK Energy	C. Kim	M.H. Lee
HAE	John F. Terwilliger	Jay Jacobs
TCM		
SK Energy	M.H. Lee	—
HAE	John F. Terwilliger	Jay Jacobs

Block Overview – Presented by: Jim Fluker

Operator presented the general information of the block, the conditions of the E&P contract and the main exploration obligations and work program. Then Operator presented the exploration plan for Phase 1 and the respective activities for HSE, seismic acquisition and drilling. Operator also presented the timetable of the JOA activities.

3. **Summary of G&G Studies**

- **Seismic Reprocessing Results – Presented by: Jim Fluker,**

  Operator mentioned that the main objective of the reprocessing works was to eliminate the mis-ties at intersecting points caused by the different datums in each vintage survey, and at the same time improve the quality of the images.

  Operator presented the highlights of the processing, a map illustrating the reprocessed seismic lines and afterwards Operator showed several examples of the different problems found in the data and how the reprocessing carried out helped to improve the quality of the images. Operator presented several 'before' and 'after' images for comparison.

In conclusion, the mis-ties were removed by using a common fixed datum and replacement velocity. The Zero-phase conversion of dynamite lines further improved the tie between the dynamite and vibroseis lines. And the statics and Kirchhoff PSTM improved the quality of the images. There is a significant improvement in the image quality.

- **Geological interpretation – Presented by: D.S. Choi**

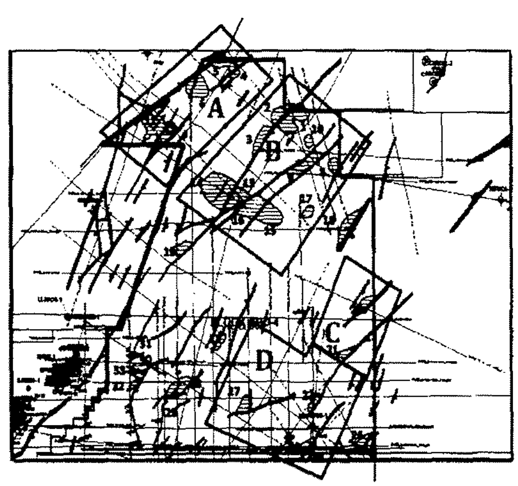
Operator mentioned that they updated the general geology based on new data. Operator presented information about the Corcel Block and the Corcel-1 well drilled by Petrominerales, northeast of the CPO-4 Block, showing the high potential of the area. Operator also presented the API updated information based on the Corcel oil discovery. Operator presented the correlation of wells and the reservoir distribution.

- **Seismic Interpretation – Presented by: Barry Rava,**

Operator presented the synthetic well ties for Negritos-1 and Metica-1 wells and then the interpretation plan. Due to the new processing, Operator identified 33 structures, most of them match the original mapped structures, but there were also differences caused by the mis-ties.

Operator presented the amount of reprocessed lines vs. the amount of available seismic lines, showing that most of the information was reprocessed. The majority of the lines that were not reprocessed were due to a lack of data.

Operator presented a map with 33 structures and their respective sizes, and afterwards detailed each one of them briefly. On conclusion, Operator presented a map with the possible 3D areas and commented that the acquisition plan includes approximately 500 Km2.



Partner asked; which of the areas marked up in the map were the recommended ones to carry out the seismic acquisition survey. Barry Rava considers that areas A and an enlarged B, including structure 18, will be an appropriate plan. Partner agreed with that recommendation and emphasized that areas A and B are a good selection. D.S. Choi recommended areas A and D because these are totally different plays. Partner thinks that D is far from the Corcel discovery.

4. Socio-environmental status – Presented by: Sandra Marin, HSE Coordinator

Operator presented the main conclusions of the due diligence and scouting carried out during the first semester of the year, aimed mainly to define if there were ethnic communities in the block. The study concluded that there were no communities in the area, therefore it is not necessary to do the prior consultation process. Operator also presented other social and environmental conclusions from the study.

Partner asked if the weather is consistent throughout the block. Operator confirmed that it is. Partner raised the issue that sometimes, even if no indigenous communities were found, they can move as soon as they know about an oil exploration project. Partner emphasized the importance of the social investment and the difficulties of dealing with communities.

Partner suggested, based on his experience, to take the necessary time to work with communities and negotiate with them to facilitate the operation and save significant resources afterwards.

Operator showed information about the Environmental Management Plan (PMA), currently in execution, necessary to obtain the environmental permits for the seismic acquisition survey. The company SIPAC was selected after a bid process and the respective evaluation. Operator expects to have the PMA by September 30th, 2009.

Based on the possible 3D areas mentioned before, Operator agreed to discuss with SIPAC the possibility of enlarging the PMA area.

5. 2009 Work Program & Budget – Presented by: B.S. Seo, Financial Manager

Operator presented the total 2009 WP&B, the costs through May and the projected costs until December. Operator also presented the reason for the increase and decrease of some items.

	Budget (A)	'09.1~5	'09.6~8	'09.9~12 (E)	'09 YE Estimate (B)	B-A	
Drilling	-		-	-	-	-	
G&G	1,229	201	233	695	1,129	- 100	Decrease of technical data acquisition and G&G study costs
G&A	1,629	322	319	704	1,345	- 284	SBLC Commission Fee Decrease (Rate: 5% → 2.1%, Full payment → Installment) Legal Fee Decrease
HSEC	536		14	188	202	-334	E A Cost postponed to next year No Prior Consultation
Contract Commitment	570		599	-	599	+ 29	Education fee to ANH & Labor insurance
TOTAL Expenditure	3,964	523	1,165	1,587	3,275	- 689	

* After execution of JOA, HQ Overhead will be charged

** When the cash call is calculated, the amount of USD 130,638 will be credited to HAE (USD 522,550 * 25% = USD 130,638)

7. **Partner's feedback**
   - Partner agreed with the WP&B and affirmed that the work being done well
   - Partner suggested to take advantage of the Corcel discovery and follow the structure. Therefore he proposed to shoot the seismic in the top half of the block and leave the south part for later.

8. **Various**
   - Operator commented that another company approached SK for a farm out possibility. The company will give answer to Operator by the end of September.

APPROVED

For SK Energy – Bogota Office

Name: Myung Hwan LEE

Myung Hwan Lee

Title: General Manager

Date: 9/16/09

For Houston American

Name: John F. Terwilliger

J F Terwilliger

Title: Chairman

Date: 9/16/09

EXHIBIT 45

8-K 1 form8k.htm HOUSTON AMERICAN ENERGY CORP 8-K 6-10-2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 10, 2014

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in Charter)

Delaware	1-32955	[redacted]
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

[redacted]

(Address of Principal Executive Offices)(Zip Code)

[redacted]

(Issuer Telephone number)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.07—Submission of Matters to a Vote of Security Holders

On June 10, 2014, Houston American Energy Corp. (the "Company") held its Annual Meeting of shareholders. Three proposals were voted on at the meeting: (1) the election of two Class C directors to serve until the Company 2017 Annual Meeting of shareholders, (2) approval, on an advisory basis, of the Company's executive compensation; and (3) ratification of the selection of GBH CPAs, PC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014. Each of the proposals submitted to the shareholders was approved by the requisite vote and the vote with respect to each of the proposals was as follows:

Proposal 1: To elect two Class C directors to serve for the term of three years and until his successor is duly elected and has qualified.

Nominee	Votes For	Votes Withheld	Abstentions and Broker Non-Votes
John F. Terwilliger	17,589,981	149,732	20,771,479
O. Lee Tawes III	17,590,041	149,732	20,771,419

Proposal 2: To approve, on an advisory basis, the Company's executive compensation.

Votes For	Votes Against	Abstentions and Broker Non-Votes
17,421,330	1,080,528	20,009,334

Proposal 3: To ratify the selection of GBH CPAs, PC as the independent registered public accounting firm for the fiscal year ending December 31, 2014.

Votes For	Votes Against	Abstentions and Broker Non-Votes
37,749,876	202,852	558,464

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: June 12, 2014

By: /s/ John F. Terwilliger
John F. Terwilliger
Chief Executive Officer

EXHIBIT 46

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 30, 2009

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant as specified in its charter)

Delaware	1-32955	[redacted]
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

[redacted]

(Address of principal executive offices, including zip code)

[redacted]

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01—Entry Into a Material Definitive Agreement

On November 30, 2009, Houston American Energy Corp, a Delaware corporation (the "Company"), entered into a placement agency agreement (the "Placement Agency Agreement") with Global Hunter Securities, LLC, Knight Capital Markets LLC, Pali Capital, Inc. and Source Capital Group Inc. (collectively, the "Placement Agents") pursuant to which the Placement Agents agreed to use their reasonable best efforts to arrange for the sale of up to an aggregate of 3,000,000 shares (the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), in a registered direct public offering (the "Offering").

The Company has agreed to pay the Placement Agents a fee equal to 5% of the proceeds received by the Company from the placement of the Shares. The Company has also agreed to reimburse the Global Hunter Securities, LLC, as representative of the Placement Agents, for up to up to a maximum of 1% of the aggregate gross proceeds raised in the placement of the Shares, but in no event more than $75,000.

The description of the Placement Agency Agreement in this Current Report on Form 8-K does not purport to be complete and is qualified in its entirety by reference to the Placement Agency Agreement, a copy of which is attached hereto as Exhibit 1.1 and is incorporated herein by reference.

The net proceeds to the Company from the Offering, after deducting placement agent fees and the Company's estimated offering expenses, are expected to be approximately $13.3 million. The Offering is expected to close on or about December 4, 2009, subject to the satisfaction of customary closing conditions. The Company expects to use these net proceeds for general working capital purposes.

In accordance with the Placement Agency Agreement, on December 1, 2009, the Company entered into definitive subscription agreements (the "Subscription Agreements") with certain purchasers of the Shares for a purchase price of $4.68 per share. The description of the Subscription Agreements in this Current Report on Form 8-K does not purport to be complete and is qualified in its entirety by reference to the form of subscription agreement, a copy of which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

A legal opinion relating to the Shares is attached hereto as Exhibit 5.1 and is incorporated herein by reference.

The Shares being placed were registered under an existing shelf registration statement on Form S-3 (Registration No. 333-161319), which the Securities and Exchange Commission declared effective on August 26, 2009.

Item 7.01—Regulation FD Disclosure

On November 30, 2009, the Company issued a press release announcing the Offering. A copy of this press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information set forth in this Item 7.01 and Exhibit 99.1 attached hereto is intended to be furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act of 1934, except as expressly set forth by specific reference in such filing.

Item 9.01—Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
1.1	Placement Agency Agreement, dated November 30, 2009
5.1	Opinion of Michael W. Sanders, Attorney at Law
10.1	Form of Subscription Agreement
23.1	Consent of Michael W. Sanders, Attorney at Law (included in Exhibit 5.1)
99.1	Press Release, dated November 30, 2009

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 hereunto duly authorized.

HOUSTON AMERICAN ENERGY CORP.

Dated: December 2, 2009

By: /s/ James J. Jacobs
James J. Jacobs
Chief Financial Officer

EX-1.1 2 ex1_1.htm EXHIBIT 1.1

HOUSTON AMERICAN ENERGY CORP.

3,000,000 Shares of Common Stock,
$0.001 par value per share

PLACEMENT AGENCY AGREEMENT

November 30, 2009

Global Hunter Securities, LLC
as Representative of the
several Placement Agents
listed on Schedule 1 hereto
c/o Global Hunter Securities, LLC
400 Poydras Street, Suite 1510
New Orleans, LA 70130

Dear Sir or Madam:

Houston American Energy Corp., a Delaware corporation (the "Company"), proposes to issue and sell 3,000,000 shares (the "Shares") of common stock, par value $0.001 per share (the "Common Stock"), to certain investors that are "accredited investors" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act") or "qualified institutional buyers" within the meaning of Rule 144A (collectively, the "Investors"). The Company desires to engage you as representative (the "Representative") of the several placement agents listed on Schedule 1 (the "Placement Agents") in connection with such issuance and sale. The Shares are more fully described in the Registration Statement (as hereinafter defined).

The Company hereby confirms as follows its agreements with the Placement Agents.

1. Agreement to Act as Placement Agents. On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, the Placement Agents agree to act as the Company's exclusive placement agents in connection with the issuance and sale, on a best efforts basis, by the Company of the Shares to the Investors. The Company shall pay to the Placement Agents 5.0% of the proceeds received by the Company from the sale of the Shares, in the allotments set forth opposite such Placement Agent's name on Schedule 1, as set forth on the cover page of the Prospectus (as hereinafter defined).

2. Delivery and Payment. Prior to or at the Closing Date (defined below), each of the Investors will deposit an amount equal to the price per Share as shown on the cover page of the Prospectus (as hereinafter defined) multiplied by the number of Shares purchased by it in an escrow account established, at the Company's expense, for the benefit of the Investors (the "Escrow Account"). At 10:00 a.m., New York City time, on December 4, 2009, or at such other time on such other date as may be agreed upon by the Company and the Representative (such date is hereinafter referred to as the "Closing Date"), the Company shall deliver the Shares to the Investors, which delivery may be made through the facilities of the Depository Trust Company. The closing (the "Closing") shall take place at the office of Vinson & Elkins L.L.P. at 1001 Fannin Street, Suite 2500, Houston, Texas 77002-6760. All actions taken at the Closing shall be deemed to have occurred simultaneously.

Certificates evidencing the Shares shall be in definitive form and shall be registered in such names and in such denominations as the Representative shall request by written notice to the Company. For the purpose of expediting the checking and packaging of certificates for the Shares, the Company agrees to make such certificates available for inspection at least 24 hours prior to delivery to the Investors.

3. Representations and Warranties of the Company. The Company represents and warrants and covenants to the Placement Agents that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a "shelf" registration statement on Form S-3 (Registration No. 333-161319), which has become effective, relating to the Common Stock and certain other securities of the Company, under the Act, and the rules and regulations (collectively referred to as the "Rules and Regulations") of the Commission promulgated thereunder. As used in this Agreement:

(i) "Applicable Time" means 6:00 a.m./p.m. New York City time on the date of this Agreement;

(ii) "Effective Date" means any date as of which any part of the Registration Statement became, or is deemed to have become, effective under the Act in accordance with the Rules and Regulations;

(iii) "Issuer Free Writing Prospectus" means each "free writing prospectus" (as defined in Rule 405 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Shares;

(iv) "Preliminary Prospectus" means any preliminary prospectus relating to the Shares included in the Registration Statement or filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations, including any preliminary prospectus supplement thereto relating to the Shares;

(v) "Pricing Disclosure Materials" means, as of the Applicable Time, the most recent Preliminary Prospectus, together with each Issuer Free Writing Prospectus filed or used by the Company on or before the Applicable Time;

(vi) "Prospectus" means the final prospectus relating to the Shares including any prospectus supplement thereto relating to the Shares, as filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations; and

(vii) "Registration Statement" means, collectively, the various parts of such registration statement, each as amended as of the Effective Date for such part, including any Preliminary Prospectus or the Prospectus and all exhibits to such registration statement.

Any reference to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents incorporated or deemed to be incorporated by reference therein pursuant to Form S-3 under the Act as of the date of such Preliminary Prospectus or the Prospectus, as the case may be. Any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the effective date of the Registration Statement, the date of such Preliminary Prospectus or the date of the Prospectus, as the case may be, which is incorporated therein by reference.

(b) The Registration Statement has heretofore become effective under the Act or, with respect to any registration statement to be filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act, will be filed with the Commission and become effective under the Act no later than 10:00 p.m., New York City time, on the date of determination of the public offering price for the Shares; no stop order of the Commission preventing or suspending the use of any Prospectus, or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission.

(c) The Company was not at the time of the initial filing of the Registration Statement, has not been since the date of such filing, and will not be on the applicable Closing Date, an "ineligible issuer" (as defined in Rule 405 under the Act). The Company has been since the time of initial filing of the Registration Statement and continues to be eligible to use Form S-3 for the offering of the Shares.

(d) The Registration Statement, at the time it became effective, as of the date hereof, and at the Closing Date conformed and will conform in all material respects to the requirements of the Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, when filed with the Commission pursuant to Rule 424(b) and on the Closing Date to the requirements of the Act and the Rules and Regulations. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus conformed, and any further documents so incorporated will conform, when filed with the Commission, to the requirements of the Exchange Act or the Act, as applicable, and the rules and regulations of the Commission thereunder.

(e) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(f) The Prospectus will not, as of its date and on the Closing Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the Prospectus in reliance upon and in conformity with information concerning the Placement Agents and furnished in writing by the Representative to the Company expressly for use in the Prospectus, as set forth in Section 8(b).

(g) The documents incorporated by reference in any Preliminary Prospectus or the Prospectus did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) The Pricing Disclosure Materials did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that the price of the Shares, number of Shares to be sold, and disclosures directly relating thereto will be included on the cover page of the Prospectus; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the Pricing Disclosure Materials in reliance upon and in conformity with information concerning the Placement Agents and furnished in writing by the Representative to the Company expressly for use in the Pricing Disclosure Materials, as set forth in Section 8(b).

(i) Each Issuer Free Writing Prospectus (including, without limitation, any road show that is a free writing prospectus under Rule 433), when considered together with the Pricing Disclosure Materials as of the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that the price of the Shares, number of Shares to be sold, and disclosures directly relating thereto will be included on the cover page of the Prospectus.

(j) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations on the date of first use, and the Company has complied with any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Rules and Regulations. The Company has not made any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representative, except as set forth on Schedule 2 hereto. The Company has retained in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations.

(k) The Company is, and at the Closing Date will be, duly organized, validly existing and in good standing under the laws of Delaware. The Company has, and at the Closing Date will have, full power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, in the most recent Preliminary Prospectus). The Company is, and at the Closing Date will be, duly licensed or qualified to do business and in good standing as a foreign organization in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect or would reasonably be expected to have a material adverse effect on or affecting the business, prospects, properties, management, consolidated financial position, stockholders' equity or results of operations of the Company and its Subsidiaries (as defined below) taken as a whole (a "Material Adverse Effect"). Except as disclosed in the Registration Statement, the Company does not own, and at the Closing Date will not own, directly or indirectly, any shares of stock or any other equity or long-term debt securities of any corporation or have any equity interest in any firm, partnership, joint venture, association or other entity. Complete and correct copies of the articles or certificate of incorporation and of the bylaws of the Company and all amendments thereto have been delivered to the Representative, and no changes therein will be made subsequent to the date hereof and prior to the Closing Date.

(l) The Company's only subsidiaries (each a "Subsidiary" and collectively, the "Subsidiaries") are listed on Schedule 3(l) to this Agreement. Each Subsidiary has been duly organized or formed and is validly existing as a corporation, limited liability company or limited partnership, as the case may be, in good standing under the laws of its jurisdiction of formation or incorporation. Each Subsidiary is duly qualified and in good standing as a foreign corporation, limited liability company or limited partnership, as the case may be, in each jurisdiction in which the character or location of its properties (owned, leased or licensed) or the nature or conduct of its business makes such qualification necessary, except for those failures to be so qualified or in good standing which will not have a Material Adverse Effect. All of the equity interests of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned, directly or indirectly, by the Company are owned free and clear of any lien, encumbrance, claim, security interest, restriction on transfer, shareholders' agreement, voting trust other defect of title whatsoever.

(m) The issued and outstanding shares of capital stock of the Company have been validly issued, are fully paid and nonassessable and, other than as set forth in the Registration Statement, are not subject to any preemptive or similar rights. The Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus as of the dates referred to therein. The description of the securities of the Company in the Registration Statement and the Prospectus is, and at the Closing Date will be, complete and accurate in all respects. Except as set forth in the Registration Statement and the Prospectus, the Company does not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or exchangeable for, or any contracts or commitments to issue or sell, any shares of capital stock or other securities.

(n) The Company has full legal right, power and authority to enter into this Agreement and the proposed purchase agreements that may be executed by certain Investors and the Company, substantially in the form attached hereto as Exhibit A (the "Investor Purchase Agreements" and, together with this Agreement, the "Transaction Documents") and perform the transactions contemplated hereby and thereby. The Transaction Documents have been duly authorized and validly executed and delivered by the Company and are legal, valid and binding agreements of the Company enforceable against the Company in accordance with their respective terms, subject to the effect of applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and equitable principles of general applicability.

(o) The issuance and sale of the Shares have been duly authorized by the Company, and the Shares, when issued and paid for in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable and will not be subject to preemptive or similar rights. The holders of the Shares will not be subject to personal liability by reason of being such holders. The Shares, when issued, will conform in all material respects to the description thereof set forth in or incorporated into the Prospectus.

(p) The consolidated financial statements and the related notes included in the Registration Statement and the Prospectus present fairly, in all material respects, the financial condition of the Company and its consolidated Subsidiaries as of the dates thereof and the results of its operations and cash flows at the dates and for the periods covered thereby in conformity with generally accepted accounting principles ("GAAP"). No other financial statements or schedules of the Company any Subsidiary or any other entity are required by the Act or the Rules and Regulations to be included in the Registration Statement or the Prospectus.

(q) GBH CPAs PC, Malone & Bailey PC and Ham, Langston & Brezina, L.L.P. (collectively, the "Accountants"), who have reported on such financial statements and schedules, are independent accountants with respect to the Company within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Act. The financial statements of the Company and the related notes and schedules included in the Registration Statement and the Prospectus have been prepared in conformity with the requirements of the Act and the Rules and Regulations and present fairly the information shown therein.

(r) Aluko & Associates, Inc. and Lonquist & Co. LLC (together, the "Reserve Engineers") who have audited certain reserve reports of the Company and its Subsidiaries have represented to the Company that they are, and the Company believes them to be independent reserve engineers with respect to the Company and its Subsidiaries within the applicable rules and regulations adopted by the Commission and as required by the Act for the periods set forth in the Registration Statement and the Prospectus.

(s) The oil and gas reserve estimates of the Company and its Subsidiaries for the fiscal years ended December 31, 2006, 2007 and 2008 contained in the Registration Statement and the Prospectus fairly reflect, on the basis presented, the oil and gas reserves of the Company and its Subsidiaries at the dates indicated therein and are in accordance, in all material respects, with the Commission guidelines applied on a consistent basis throughout the periods involved.

(t) The Company is, and at the Closing Date will be, in compliance with all provisions of the Sarbanes-Oxley Act of 2002 which are applicable to it. The Company and each Subsidiary maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(u) Except as set forth in or otherwise contemplated by the Registration Statement (exclusive of any amendment thereof) or the Prospectus (exclusive of any supplement thereto), since the date of the most recent financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus and prior to Closing, (i) there has not been and will not have been any change in the capital stock of the Company or long-term debt of the Company or any Subsidiary or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock, or any material adverse change, or any development that would reasonably be expected to result in a material adverse change, in or affecting the business, prospects, properties, management, consolidated financial position, stockholders' equity, or results of operations of the Company and its Subsidiaries taken as a whole (a "Material Adverse Change"); (ii) neither the Company nor any Subsidiary has entered or will enter into any transaction or agreement, not in the ordinary course of business, that is material to the Company and its Subsidiaries taken as a whole, or incurred or will incur any liability or obligation, direct or contingent, not in the ordinary course of business, that is material to the Company and its Subsidiaries taken as a whole, or incurred or will incur any liability or obligation, direct or contingent, not in the ordinary course of business, that is material to the Company and its Subsidiaries taken as a whole; and (iii) neither the Company nor any Subsidiary has sustained or will sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in each case as otherwise disclosed in the Registration Statement and the Prospectus.

(v) The Company and its Subsidiaries have legal, valid and defensible title to all of their interests in oil and gas properties and to all other real and personal property owned by them, in each case free and clear of all mortgages, pledges, security interests, claims, liens, encumbrances, restrictions and defects of any kind, except (1) such as are described in the Registration Statement and the Prospectus, (2) liens and encumbrances under operating agreements, unitization and pooling agreements, production sales contracts, farm-out agreements and other oil and gas exploration and production agreements, in each case that secure payment of amounts not yet due and payable for the performance of other inchoate obligations and are of a scope and nature customary in connection with similar drilling and producing operations, or (3) those that do not materially affect or interfere with the use made and proposed to be made of such properties taken as a whole; and any property held under lease or sublease by the Company or any of its subsidiaries is held under valid, subsisting and enforceable leases or subleases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such properties taken as a whole by the Company and its Subsidiaries or except such as are described in the Registration Statement and the Prospectus; and neither the Company nor any of its Subsidiaries has any notice or knowledge of any material claim of any sort that has been, or may be, asserted by anyone adverse to the Company's or any of its Subsidiaries rights as lessee or sublessee under any lease or sublease described above, or affecting or questioning the Company's or any of its Subsidiaries' rights to the continued possession of the leased or subleased premises under any such lease or sublease in conflict with the terms thereof.

(w) The Company is not, nor upon completion of the transactions contemplated herein will it be, an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(x) There are no legal, governmental or regulatory actions, suits or proceedings pending, nor, to the Company's knowledge, any legal, governmental or regulatory investigations, to which the Company or any Subsidiary is a party or to which any property of the Company or any Subsidiary is the subject that, individually or in the aggregate, if determined adversely to the Company or such Subsidiary, would reasonably be expected to have a Material Adverse Effect or materially and adversely affect the ability of the Company to perform its obligations under the Transaction Documents; to the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated by any governmental or regulatory authority or threatened by others; and to the Company's knowledge, there are no current or pending legal, governmental or regulatory investigations, actions, suits or proceedings that are required under the Act to be described in the Prospectus that are not so described.

(y) The Company and each Subsidiary has, and at the Closing Date will have, (i) all governmental licenses, permits, consents, orders, approvals and other authorizations necessary to carry on its business as presently conducted except where the failure to have such governmental licenses, permits, consents, orders, approvals and other authorizations would not have a Material Adverse Effect, (ii) complied with all laws, regulations and orders applicable to either it or its business, except where the failure to so comply would not have a Material Adverse Effect, and (iii) performed all its obligations required to be performed, and is not, and at the Closing Date will not be, to the Company's best knowledge, in default, under any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement, lease, contract or other agreement or instrument (collectively, a "contract or other agreement") to which it is a party or by which its property is bound or affected, except as otherwise set forth in the Registration Statement and the Prospectus and except where such default would not have a Material Adverse Effect, and, to the Company's best knowledge, no other party under any material contract or other agreement to which it is a party is in default in any respect thereunder. The Company is not and its Subsidiaries are not in violation of any provision of their respective organizational or governing documents.

(z) The Company has all corporate power and authority to enter into the Transaction Documents, and to carry out the provisions and conditions hereof and thereof, and all consents, authorizations, approvals and orders required in connection herewith and therewith have been obtained, except such as have been obtained, such as may be required under state securities or Blue Sky Laws or the by-laws and rules of the Financial Industry Regulatory Authority, Inc. ("FINRA") or the Nasdaq Global Market (the "NASDAQ") in connection with the purchase and distribution of the Shares by the Placement Agents.

(aa) Neither (i) the issuance, offering and sale of the Shares pursuant hereto, nor (ii) the compliance by the Company with the other provisions hereof require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained, such as may be required under state securities or Blue Sky laws or the bylaws and rules of FINRA and, if the Registration Statement is not effective under the Act as of the time of execution hereof, such as may be required (and shall be obtained as provided in this Agreement) under the Act.

(bb) Neither the execution of the Transaction Documents, nor the issuance, offering or sale of the Shares, nor the consummation of any of the transactions contemplated herein, nor the compliance by the Company with the terms and provisions hereof or thereof will conflict with, or will result in a breach of, any of the terms and provisions of, or has constituted or will constitute a default under, or has resulted in or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to the terms of any contract or other agreement to which the Company or its Subsidiaries may be bound or to which any of the property or assets of the Company or its Subsidiaries is subject, except such conflicts, breaches or defaults as may have been waived; nor will such action result in any violation of the provisions of the organizational or governing documents of the Company or any Subsidiary, or any statute or any order, rule or regulation applicable to the Company or any Subsidiary or of any court or of any federal, state or other regulatory authority or other government body having jurisdiction over the Company or any Subsidiary.

(cc) There is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required. All such contracts to which the Company is a party have been duly authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company, and are enforceable against the Company in accordance with the terms thereof, subject to the effect of applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and equitable principles of general applicability.

(dd) No statement, representation or warranty made by the Company in this Agreement or made in any certificate or document required by the Transaction Documents to be delivered to the Placement Agents or the Investors was or will be, when made, inaccurate, untrue or incorrect in any material respect.

(ee) The Company and its directors, officers or controlling persons have not taken, directly or indirectly, any action intended, or which might reasonably be expected, to cause or result, under the Act or otherwise, in, or which has constituted, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Common Stock.

(ff) The Common Stock is currently listed on the NASDAQ. The Company has not, in the 12 months preceding the date hereof, received notice from the New York Stock Exchange, the Nasdaq Global Market or the NYSE Amex (each a "Trading Market") on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(gg) The Company is not involved in any material labor dispute nor is any such dispute known by the Company to be threatened.

(hh) The business and operations of the Company have been and are being conducted in compliance with all applicable laws, ordinances, rules, regulations, licenses, permits, approvals, plans, authorizations or requirements relating to occupational safety and health, or pollution, or protection of health or the environment (including, without limitation, those relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous or toxic substances, materials or wastes into ambient air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, gaseous or liquid in nature) of any governmental department, commission, board, bureau, agency or instrumentality of the United States, any state or political subdivision thereof, or any foreign jurisdiction, and all applicable judicial or administrative agency or regulatory decrees, awards, judgments and orders relating thereto, except where the failure to be in such compliance will not, individually or in the aggregate, have a Material Adverse Effect; and the Company has not received any notice from any governmental instrumentality or any third party alleging any material violation thereof or liability thereunder (including, without limitation, liability for costs of investigating or remediating sites containing hazardous substances and/or damages to natural resources).

(ii) The Company and each Subsidiary owns, is licensed or otherwise possesses all rights to use, all patents, patent rights, inventions, know-how (including trade secrets and other unpatented or unpatentable or confidential information, systems, or procedures), trademarks, service marks, trade names, copyrights and other intellectual property rights (collectively, the "Intellectual Property") necessary for the conduct of its business as described in the Registration Statement. No claims have been asserted against the Company or any of its Subsidiaries by any person with respect to the use of any such Intellectual Property or challenging or questioning the validity or effectiveness of any such Intellectual Property.

(jj) The Company and each Subsidiary has filed all necessary federal, state and foreign income and franchise tax returns and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against it or any Subsidiary which could have a Material Adverse Effect.

(kk) On the Closing Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Shares to be sold hereunder will be, or will have been, fully paid or provided for by the Company and all laws imposing such taxes will be or will have been fully complied with.

(ll) The Company and each Subsidiary maintains insurance of the types and in the amounts that the Company reasonably believes is adequate for their respective businesses, including, but not limited to, insurance covering all real and personal property owned or leased by the Company or any Subsidiary against theft, damage, destruction, acts of vandalism and all other risks customarily insured against by similarly situated companies, all of which insurance is in full force and effect.

(mm) Neither the Company nor any Subsidiary, nor, to the knowledge of the Company, any director, officer, agent or employee has directly or indirectly, (i) made any unlawful contribution to any candidate for public office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof, (iii) violated or is in violation of any provisions of the U.S. Foreign Corrupt Practices Act of 1977, or (iv) made any bribe, rebate, influence payment, kickback or other unlawful payment.

(nn) The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(oo) None of the Company, any of its Subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"); and the Company will not, directly or indirectly, use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(pp) The Company has not distributed and, prior to the later to occur of the Closing Date and completion of the distribution of the Shares, will not distribute any offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus to which the Representative has consented and any Issuer Free Writing Prospectus set forth on Schedule 2.

(qq) Each material employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or former employees of the Company and its Subsidiaries has been maintained in material compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Internal Revenue Code of 1986, as amended (the "Code"); no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred which would result in a material liability to the Company with respect to any such plan excluding transactions effected pursuant to a statutory or administrative exemption; and for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency" as defined in Section 412 of the Code has been incurred, whether or not waived, and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

(rr) No relationship, direct or indirect, exists between or among the Company or any Subsidiary, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any Subsidiary, on the other, which is required by the Act to be disclosed in the Registration Statement and the Prospectus and is not so disclosed.

(ss) No person has the right to require the Company to register any securities for sale under the Act by reason of the filing of the Registration Statement with the Commission or by reason of the issuance and sale of the Shares, except for rights which have been waived.

(tt) The Company has not sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement pursuant to the Act, the Rules and Regulations or the interpretations thereof by the Commission.

(uu) No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) (a "Forward Looking Statement") contained in the Registration Statement and the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith. The Forward Looking Statements incorporated by reference in the Registration Statement and the Prospectus from the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and Quarterly Report on Form 10-Q for the periods ending March 31, 2009, June 30, 2009 and September 30, 2009 (in each case under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations") (i) are within the coverage of the safe harbor for forward looking statements set forth in Section 27A of the Act, Rule 175(b) under the Act or Rule 3b-6 under the Exchange Act, as applicable, (ii) were made by the Company with a reasonable basis and in good faith and reflect the Company's good faith reasonable best estimate of the matters described therein, and (iii) have been prepared in accordance with Item 10 of Regulation S-K under the Act.

4. Agreements of the Company. The Company covenants and agrees with the Placement Agents as follows:

(a) The Registration Statement has become effective, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus (properly completed if Rule 430A has been used) pursuant to Rule 424(b) within the prescribed time period and will provide a copy of such filing to the Placement Agent promptly following such filing.

(b) The Company will not, during such period as the Prospectus would be required by law to be delivered in connection with sales of the Shares by an underwriter or dealer in connection with the offering contemplated by this Agreement, file any amendment or supplement to the Registration Statement or the Prospectus, except as required by law, unless a copy thereof shall first have been submitted to the Representative within a reasonable period of time prior to the filing thereof and the Representative shall not have reasonably objected thereto in good faith.

(c) The Company will notify the Representative promptly, and will, if requested, confirm such notification in writing, (1) when any post-effective amendment to the Registration Statement becomes effective, but only during the period mentioned in Section 4(b); (2) of any request by the Commission for any amendments to the Registration Statement or any amendment or supplements to the Prospectus or any Issuer Free Writing Prospectuses or for additional information, but only during the period mentioned in Section 4(b); (3) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus, or the initiation of any proceedings for that purpose or the threat thereof, but only during the period mentioned in Section 4(b); (4) of becoming aware of the occurrence of any event during the period mentioned in Section 4(b) that in the judgment of the Company makes any statement made in the Registration Statement or the Prospectus untrue in any material respect or that requires the making of any changes in the Registration Statement or the Prospectus in order to make the statements therein, in light of the circumstances in which they are made, not misleading; and (5) of receipt by the Company of any notification with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement in connection with the offering contemplated hereby, the Company will make every reasonable effort to obtain the withdrawal of any such order at the earliest possible moment. If the Company has omitted any information from the Registration Statement, pursuant to Rule 430A, it will use its best efforts to comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and to notify the Representative promptly of all such filings.

(d) If, at any time when a Prospectus relating to the Shares is required to be delivered under the Act, the Company becomes aware of the occurrence of any event as a result of which the Prospectus, as then amended or supplemented, would, in the reasonable judgment of counsel to the Company or counsel to the Representative, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or the Registration Statement, as then amended or supplemented, would, in the reasonable judgment of counsel to the Company or counsel to the Representative, include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, or if for any other reason it is necessary, in the reasonable judgment of counsel to the Company or counsel to the Representative, at any time to amend or supplement the Prospectus or the Registration Statement to comply with the Act or the Rules and Regulations, the Company will promptly notify the Representative and, subject to Section 4(b) hereof, will promptly prepare and file with the Commission, at the Company's expense, an amendment to the Registration Statement or an amendment or supplement to the Prospectus that corrects such statement or omission or effects such compliance and will deliver to the Representative, without charge, such number of copies thereof as the Representative may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by the Placement Agents, and the Placement Agents agree to provide to each Investor, prior to the Closing, a copy of the Prospectus and any amendments or supplements thereto.

(e) The Company will furnish to the Representative and its counsel, without charge (i) one copy of the Registration Statement, including financial statements and schedules, and all exhibits thereto and (ii) so long as a prospectus relating to the Shares is required to be delivered under the Act, as many copies of each Issuer Free Writing Prospectus, Preliminary Prospectus or the Prospectus or any amendment or supplement thereto as the Representative may reasonably request.

(f) The Company will comply with all the undertakings contained in the Registration Statement.

(g) The Company will not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representative.

(h) The Company will retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations.

(i) Prior to the sale of the Shares to the Investors, the Company will cooperate with the Representative and its counsel in connection with the registration or qualification of the Shares for offer and sale under the state securities or Blue Sky laws of such jurisdictions as the Representative may reasonably request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject.

(j) The Company will apply the net proceeds from the offering and sale of the Shares in the manner set forth in the Prospectus under the caption "Use of Proceeds."

(k) The Company will use its best efforts to ensure that the Shares are listed on the NASDAQ at the time of the Closing.

(l) The Company will not at any time, directly or indirectly, take any action intended, or which might reasonably be expected, to cause or result in, or which will constitute, stabilization of the price of the Shares to facilitate the sale or resale of any of the Shares.

5. Agreements of the Placement Agents. The Representative does, and each other Placement Agent will upon its execution and delivery of the Agreement Among Placement Agents, represent and warrant to and agree with the Company, severally (and not jointly or jointly and severally), that they shall not include any "issuer information" (as defined in Rule 433 under the Act) in any "free writing prospectus" (as defined in Rule 405 under the Act) used or referred to by the Placement Agents without the prior consent of the Company (any such issuer information with respect to whose use the Company has given its consent, "Permitted Issuer Information"); provided that (i) no such consent shall be required with respect to any such issuer information contained in any document filed by the Company with the Commission prior to the use of such free writing prospectus and (ii) "issuer information," as used in this Section 5 shall not be deemed to include information prepared by the Representative on the basis of or derived from issuer information.

6. Expenses. Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including but not limited to costs and expenses of or relating to (1) the preparation, printing and filing of the Registration Statement (including each pre- and post-effective amendment thereto) and exhibits thereto, any Issuer Free Writing Prospectus, each Preliminary Prospectus, the Prospectus and any amendment or supplement to the Prospectus, including all fees, disbursements and other charges of counsel to the Company, (2) the preparation and delivery of certificates representing the Shares, (3) furnishing (including costs of shipping and mailing) such copies of the Registration Statement (including all pre- and post-effective amendments thereto), the Prospectus, any Preliminary Prospectus and any Issuer Free Writing Prospectus, and all amendments and supplements to the Prospectus, as may be requested for use in connection with the direct placement of the Shares, (4) the listing of the Common Stock on the NASDAQ, (5) any filings required to be made by the Representative with FINRA, and the fees, disbursements and other charges of counsel for the Representative in connection therewith, (6) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 4(g), including the reasonable fees, disbursements and other charges of counsel to the Representative in connection therewith and the preparation and printing of preliminary, supplemental and final Blue Sky memoranda, (7) fees, disbursements and other charges of counsel to the Company, (8) fees and disbursements of the Accountants or Reserve Engineers incurred in delivering the letter(s) described in 7(f) and 7(g) of this Agreement. Subject to compliance with FINRA Rule 5110(f)(2)(D), the Company also agrees to reimburse the Representative's out-of-pocket accountable expenses actually incurred by the Representative or persons associated with the Representative (with supporting invoices/receipts) up to a maximum of 1% of the aggregate gross proceeds raised in the placement of the Shares, but in no event more than $75,000. Such reimbursement shall be payable immediately upon (but only in the event of) the Closing.

7. Conditions of the Obligations of the Placement Agents. The obligations of the Placement Agents hereunder are subject to the following conditions:

(a) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued, and no proceedings for that purpose shall be pending or threatened by any securities or other governmental authority (including, without limitation, the Commission), (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Shares under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending before or threatened or contemplated by any securities or other governmental authority (including, without limitation, the Commission), (iii) any request for additional information on the part of the staff of any securities or other governmental authority (including, without limitation, the Commission) shall have been complied with to the satisfaction of the staff of the Commission or such authorities and (iv) after the date hereof no amendment or supplement to the Registration Statement, any Issuer Free Writing Prospectus or the Prospectus shall have been filed unless a copy thereof was first submitted to the Representative and the Representative did not object thereto in good faith, and the Representative shall have received certificates of the Company, dated the Closing Date and signed by the President and Chief Executive Officer or the Chairman of the Board of Directors of the Company, and the Chief Financial Officer of the Company, to the effect of clauses (i), (ii) and (iii).

(b) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) there shall not have been a Material Adverse Change, whether or not arising from transactions in the ordinary course of business, in each case other than as set forth in or contemplated by the Registration Statement and the Prospectus and (ii) the Company shall not have sustained any material loss or interference with its business or properties from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, which is not set forth in the Registration Statement and the Prospectus, if in the judgment of the Representative any such development makes it impracticable or inadvisable to consummate the sale and delivery of the Shares to Investors at the public offering price.

(c) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted against the Company or any of its officers or directors in their capacities as such, before or by any Federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, which litigation or proceeding is reasonably expected by management to have a Material Adverse Effect.

(d) Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects at the Closing Date, as if made on such date, and all covenants and agreements herein contained to be performed on the part of the Company and all conditions herein contained to be fulfilled or complied with by the Company at or prior to the Closing Date shall have been duly performed, fulfilled or complied with in all material respects.

(e) The Representative shall have received an opinion, dated the Closing Date (or such other date as may be set forth in a representation or warranty), of Michael W. Sanders, as counsel to the Company, in form and substance reasonably satisfactory to the Representative.

(f) At the Closing Date, GBH CPAs PC shall have furnished to the Representative a letter, dated the date of its delivery (the "Comfort Letter"), addressed to the Representative and in form and substance satisfactory to the Representative, confirming that (i) they are independent public accountants with respect to the Company within the meaning of the Act and the Rules and Regulations; (ii) in their opinion, the financial statements and any supplementary financial information included in the Registration Statement and examined by them comply as to form in all material respects with the applicable accounting requirements of the Act and the Rules and Regulations; (iii) on the basis of procedures, not constituting an examination in accordance with generally accepted auditing standards, set forth in detail in the Comfort Letter, a reading of the latest available interim financial statements of the Company, inspections of the minute books of the Company since the latest audited financial statements included in the Prospectus, inquiries of officials of the Company responsible for financial and accounting matters and such other inquiries and procedures as may be specified in the Comfort Letter to a date not more than five days prior to the date of the Comfort Letter, nothing came to their attention that caused them to believe that: (A) as of a specified date not more than three days prior to the date of the Comfort Letter, there have been any changes in the capital stock of the Company or any increase in the long-term debt of the Company, or any decreases in net current assets or net assets or other items specified by the Representative, or any increases in any items specified by the Representative, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in the Comfort Letter; and (B) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (A), there were any decreases in revenues or the total or per share amounts of net income or other items specified by the Representative, or any increases in any items specified by the Representative, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representative, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in the Comfort Letter; and (iv) in addition to the examination referred to in their reports included in the Prospectus and the procedures referred to in clause (iii) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representative, which are derived from the general accounting, financial or other records of the Company, as the case may be, which appear in the Prospectus or in Part II of, or in exhibits or schedules to, the Registration Statement, and have compared such amounts, percentages and financial information with such accounting, financial and other records and have found them to be in agreement.

(g) Lonquist & Co. LLC shall have furnished to the Representative a letter, dated the Closing Date, addressed to the Representative and in form and substance satisfactory to the Representative.

(h) At the Closing Date, there shall be furnished to the Representative a certificate, dated the date of its delivery, signed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, in form and substance satisfactory to the Representative to the effect that each signer has carefully examined the Registration Statement and that to each of such person's knowledge:

> (viii) (A) As of the date of such certificate, (x) the Registration Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading and (y) neither the Prospectus nor the Pricing Disclosure Materials contains any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (B) no event has occurred as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein not untrue or misleading in any material respect.
>
> (i) Each of the representations and warranties of the Company contained in this Agreement were, when originally made, and are, at the time such certificate is delivered, true and correct in all material respects.

(ii) Each of the covenants required herein to be performed by the Company on or prior to the date of such certificate has been duly, timely and fully performed and each condition herein required to be complied with by the Company on or prior to the delivery of such certificate has been duly, timely and fully complied with.

(iii) No stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission.

(iv) Subsequent to the date of the most recent financial statements in the Prospectus, there has been no Material Adverse Change.

(i) The Shares shall be qualified for sale in such states as the Representative may reasonably request, and each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to taxation or general service of process in any jurisdiction where it is not now so subject.

(j) The Company shall have furnished or caused to be furnished to the Representative such certificates, in addition to those specifically mentioned herein, as the Representative may have reasonably requested as to the accuracy and completeness at the Closing Date of any statement in the Registration Statement or the Prospectus, as to the accuracy at the Closing Date of the representations and warranties of the Company as to the performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Representative .

8. Indemnification.

(a) The Company shall indemnify and hold harmless the Placement Agents, the directors, officers, employees and agents of each Placement Agent and each person, if any, who controls a Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, liabilities, expenses and damages, joint or several, (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which it, or any of them, may become subject under the Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on (i) any untrue statement or alleged untrue statement made by the Company in Section 3 of this Agreement, (ii) any untrue statement or alleged untrue statement of any material fact contained in (A) any Preliminary Prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus, (B) any Issuer Free Writing Prospectus or any amendment of supplement thereto, or (C) any Permitted Issuer Information used or referred to in any "free writing prospectus" (as defined under Rule 405 under the Act) used or referred to by the Placement Agent and (D) any application or other document, or any amendment or supplement thereto, executed by the Company based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Shares under the securities or Blue Sky laws thereof or filed with the Commission or any securities association or securities exchange (each, an "Application"), or (iii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus, or any amendment or supplement thereto, or in any Permitted Issuer Information or any Application a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Shares in the public offering to any person and is based solely on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agents furnished in writing to the Company by the Representative expressly for inclusion in the Registration Statement, any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Application. This indemnity agreement will be in addition to any liability which the Company may otherwise have. The Company will not, without the prior written consent of the Representative (which will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Placement Agent or any person who controls such Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to each claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of such Placement Agent and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

(b) The Placement Agents will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, each director of the Company and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to the Placement Agents, but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agents furnished in writing to the Company by the Representative expressly for use in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus. This indemnity agreement will be in addition to any liability that the Placement Agents might otherwise have. The Company acknowledges that, for all purposes under this Agreement, the statements set forth under paragraph 3 under the heading "Plan of Distribution" in any Preliminary Prospectus and the Prospectus constitute the only information relating to the Placement Agents furnished in writing to the Company by the Representative expressly for inclusion in the Registration Statement, any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus.

(c) Any party that proposes to assert the right to be indemnified under this Section 8 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 8, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 8 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that a conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party that would prevent the counsel selected by the indemnifying party from representing the indemnified party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (3) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. The Company will not, without the prior written consent of the Representative (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification has been sought hereunder (whether or not such Placement Agent or any person who controls the Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of such Placement Agent and each such controlling person from all liability arising out of such claim, action, suit or proceeding. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 8 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Placement Agents, the Company and the Placement Agents will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Placement Agents such as persons who control the Company within the meaning of the Act or the Exchange Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) to which the Company and the Placement Agents may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Placement Agents on the other. The relative benefits received by the Company on the one hand and the Placement Agents on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting Company expenses) received by the Company as set forth in the table on the cover page of the Prospectus bear to the fee received by the Placement Agents hereunder. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Placement Agents on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Placement Agents, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Placement Agents agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purpose of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), the Placement Agents shall not be required to contribute any amount in excess of the fee received by it, and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8(d), any person who controls a party to this Agreement within the meaning of the Act or the Exchange Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 8(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 8(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

9. Termination.

(a) The obligations of the Placement Agents under this Agreement may be terminated at any time prior to the Closing Date, by notice to the Company from the Representative , without liability on the part of the Placement Agents to the Company if, prior to delivery and payment for the Shares, in the sole judgment of the Representative (i) trading in the Common Stock of the Company shall have been suspended by the Commission or by the NASDAQ, (ii) trading in securities generally on the NASDAQ shall have been suspended or limited or minimum or maximum prices shall have been generally established on any of such exchanges, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by any of such exchanges or by order of the Commission or any court or other governmental authority, (iii) a general banking moratorium shall have been declared by Federal or New York State authorities, or (iv) any material adverse change in the financial or securities markets in the United States or any outbreak or material escalation of hostilities or declaration by the United States of a national emergency or war or other calamity or crisis shall have occurred, the effect of any of which is such as to make it, in the sole judgment of the Representative , impracticable or inadvisable to market the Shares on the terms and in the manner contemplated by the Prospectus.

10. No Fiduciary Duty. The Company acknowledges and agrees that in connection with this offering, sale of the Shares or any other services the Placement Agents may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Placement Agents: (i) no fiduciary or agency relationship between the Company and any other person, on the one hand, and the Placement Agents, on the other, exists; (ii) the Placement Agents are not acting as an advisor, expert or otherwise, to the Company, including, without limitation, with respect to the determination of the offering price of the Shares, and such relationship between the Company, on the one hand, and the Placement Agents, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Placement Agents may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Placement Agents and their respective affiliates may have interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Placement Agents with respect to any breach of fiduciary duty in connection with this offering.

11. Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed or delivered (a) if to the Company, at the office of the Company, Houston American Energy Corp., 801 Travis Street, Suite 1425, Houston, TX 77002, Attention: John F. Terwilliger or (b) if to the Representative, at the office of Global Hunter Securities LLC, 400 Poydras Street, Suite 1501, New Orleans, LA 70130, Attention: Gary Meringer. Any such notice shall be effective only upon receipt. Any notice under Section 8 may be made by facsimile or telephone, but if so made shall be subsequently confirmed in writing.

12. Survival. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company and the Placement Agents set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company, any of its officers or directors, the Placement Agents or any controlling person referred to in Section 8 hereof and (ii) delivery of and payment for the Shares. The respective agreements, covenants, indemnities and other statements set forth in Sections 6 and 8 hereof shall remain in full force and effect, regardless of any termination or cancellation of this Agreement.

13. Authority of the Representative. Any action by the Placement Agents hereunder may be taken by Global Hunter Securities LLC on behalf of the Placement Agents, and any such action taken by Global Hunter Securities LLC shall be binding upon the Placement Agents.

14. Successors. This Agreement shall inure to the benefit of and shall be binding upon the Placement Agents, the Company and their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that (i) the indemnification and contribution contained in Sections 7(a) and (d) of this Agreement shall also be for the benefit of the directors, officers, employees and agents of the Placement Agents and any person or persons who control the Placement Agents within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and (ii) the indemnification and contribution contained in Sections 7(b) and (d) of this Agreement shall also be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person or persons who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act. No Investor shall be deemed a successor because of such purchase.

15. Applicable Law. The validity and interpretations of this Agreement, and the terms and conditions set forth herein, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflicts of laws.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. Entire Agreement. This Agreement constitutes the entire understanding between the parties hereto as to the matters covered hereby and supersedes all prior understandings, written or oral, relating to such subject matter.

Please confirm that the foregoing correctly sets forth the agreement between the Company and the Representative.

Very truly yours,

HOUSTON AMERICAN ENERGY CORP.

By: ______________________________

Name:James J. Jacobs
Title: Chief Financial Officer

Confirmed as of the date first
above mentioned:

GLOBAL HUNTER SECURITIES, LLC

By: ______________________________

Name:
Title:

SCHEDULE 1

Placement Agent	Number of Shares
Global Hunter Securities LLC	1,500,000
Knight Capital Markets LLC	1,050,000
Pali Capital, Inc.	300,000
Source Capital Group Inc.	150,000
Total	3,000,000

SCHEDULE 2

FREE WRITING PROSPECTUS

None.

Exhibit A

Form of Subscription Agreement

EX-10.1 4 ex10_1.htm EXHIBIT 10.1

SUBSCRIPTION AGREEMENT

Houston American Energy Corp.
[redacted]

Gentlemen:

The undersigned (the "**Investor**") hereby confirms its agreement with Houston American Energy Corp., a Delaware corporation (the "**Company**"), as follows:

1. This Subscription Agreement, including the Terms and Conditions for Purchase of Shares attached hereto as Annex I (collectively, this "**Agreement**"), is made as of the date set forth below between the Company and the Investor.

2. The Company represents and warrants that it has authorized the sale and issuance to certain investors of up to an aggregate of _______ (___,000) Shares (the "**Shares**") of its Common Stock, par value $0.001 per share (the "**Common Stock**"), for a purchase price of $_____ per share (the "**Purchase Price**").

3. The Company represents and warrants that the offering and sale of the Shares (the "**Offering**") are being made pursuant to (a) an effective Registration Statement on Form S-3 (Registration No. 333-161319) (the "**Registration Statement**") filed by the Company with the Securities and Exchange Commission (the "**Commission**"), including the Prospectus contained therein (the "**Base Prospectus**"), (b) if applicable, certain "free writing prospectuses" (as that term is defined in Rule 405 under the Securities Act of 1933, as amended (the "**Act**")), that have been or will be filed with the Commission and delivered to the Investor on or prior to the date hereof (the "**Issuer Free Writing Prospectus**"), containing certain supplemental information regarding the Shares, the terms of the Offering and the Company, and (c) a Prospectus Supplement (the "**Prospectus Supplement**" and, together with the Base Prospectus, the "**Prospectus**") containing certain supplemental information regarding the Shares and terms of the Offering that has been or will be (i) filed with the Commission, and (ii) delivered to the Investor (or made available to the Investor by the filing by the Company of an electronic version thereof with the Commission).

4. The Company and the Investor agree that the Investor will purchase from the Company and the Company will issue and sell to the Investor the Shares set forth below for the aggregate purchase price set forth below. The Shares shall be purchased pursuant to the Terms and Conditions for Purchase of Shares attached hereto as Annex I and incorporated herein by this reference as if fully set forth herein. The Investor acknowledges that the Offering is not being underwritten by the placement agents (the "**Placement Agents**") named in the Prospectus Supplement and that there is no minimum offering amount.

5. The manner of settlement of the Shares purchased by the Investor shall be determined by such Investor as follows (check one):

[____] A. Delivery by crediting the account of the Investor's prime broker (as specified by such Investor on Exhibit A annexed hereto) with the Depository Trust Company ("**DTC**") through its Deposit/Withdrawal At Custodian ("**DWAC**") system, whereby Investor's prime broker shall initiate a DWAC transaction on the Closing Date using its DTC participant identification number, and released by **Standard Registrar and Transfer Company, Inc.**, the Company's transfer agent (the "**Transfer Agent**"), at the Company's direction. **NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL:**

(I) DIRECT THE BROKER-DEALER AT WHICH THE ACCOUNT OR ACCOUNTS TO BE CREDITED WITH THE SHARES ARE MAINTAINED TO SET UP A DWAC INSTRUCTING THE TRANSFER AGENT TO CREDIT SUCH ACCOUNT OR ACCOUNTS WITH THE SHARES, AND

(II) **REMIT BY WIRE TRANSFER THE AMOUNT OF FUNDS EQUAL TO THE AGGREGATE PURCHASE PRICE FOR THE SHARES BEING PURCHASED BY THE INVESTOR TO THE FOLLOWING ACCOUNT:**

Bank Name: JPMorgan Chase Bank, N.A.
ABA #[redacted]
Account Name: Houston American Energy Corp.
Account Number: [redacted]

– OR –

[____] B. Delivery versus payment ("**DVP**") through DTC (i.e., on the Closing Date, the Company shall deliver Shares registered in the Investor's name and address as set forth below and released by the Transfer Agent to the Investor through DTC at the Closing directly to the account(s) at Knight Capital Markets LLC ("**Knight**") identified by the Investor; upon receipt of such Shares, KNIGHT shall promptly electronically deliver such Shares to the Investor, and simultaneously therewith payment shall be made by KNIGHT by wire transfer to the Company). **NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL:**

(I) **NOTIFY KNIGHT OF THE ACCOUNT OR ACCOUNTS AT KNIGHT TO BE CREDITED WITH THE SHARES BEING PURCHASED BY SUCH INVESTOR, AND**

(II) **CONFIRM THAT THE ACCOUNT OR ACCOUNTS AT KNIGHT TO BE CREDITED WITH THE SHARES BEING PURCHASED BY THE INVESTOR HAVE A MINIMUM BALANCE EQUAL TO THE AGGREGATE PURCHASE PRICE FOR THE SHARES BEING PURCHASED BY THE INVESTOR.**

IT IS THE INVESTOR'S RESPONSIBILITY TO (A) MAKE THE NECESSARY WIRE TRANSFER OR CONFIRM THE PROPER ACCOUNT BALANCE IN A TIMELY MANNER AND (B) ARRANGE FOR SETTLEMENT BY WAY OF DWAC OR DVP IN A TIMELY MANNER. IF THE INVESTOR DOES NOT DELIVER THE AGGREGATE PURCHASE PRICE FOR THE SHARES OR DOES NOT MAKE PROPER ARRANGEMENTS FOR SETTLEMENT IN A TIMELY MANNER, THE SHARES MAY NOT BE DELIVERED AT CLOSING TO THE INVESTOR OR THE INVESTOR MAY BE EXCLUDED FROM THE CLOSING ALTOGETHER.

6. The Investor represents that, except as set forth below, (a) it has had no material relationship (exclusive of any investments by the Investor in the Company's securities) within the past three years with the Company or persons known to it to be affiliates of the Company, (b) it is not a FINRA member or an Associated Person of a FINRA member (as such term is defined under the NASD Membership and Registration Rules Section 1011) as of the Closing, and (c) neither the Investor nor any group of Investors (as identified in a public filing made with the Commission) of which the Investor is a part in connection with the Offering of the Shares, acquired, or obtained the right to acquire, 20% or more of the Common Stock (or securities convertible into or exercisable for Common Stock) or the voting power of the Company on a post-transaction basis. Exceptions:

The representations above are made to the knowledge of the signatory below.
(If no exceptions, write "none." If left blank, response will be deemed to be "none.")

7. The Investor represents that it has received (or otherwise had made available to it by the filing by the Company of an electronic version thereof with the Commission) the Base Prospectus which is a part of the Company's Registration Statement, the documents incorporated by reference therein and any Issuer Free Writing Prospectus (collectively, the "**Disclosure Package**"), prior to or in connection with the receipt of this Agreement. The Investor acknowledges that, prior to the delivery of this Agreement by the Investor to the Company, the Investor will receive certain additional information regarding the Offering, including pricing information (the "**Offering Information**"). Such information may be provided to the Investor by any means permitted under the Act, including the Prospectus Supplement, a free writing prospectus and oral communications.

8. The Investor acknowledges that the Company has made available to the Investor such materials relating to the business, finances and operations of the Company's Columbian operators, Hupecol, LLC and S-K Energy Co. LTD, as requested by the Investor and available to the Company. The Investor acknowledges that the Company's Columbian assets consist exclusively of minority, non-operator project interests in the Columbian assets owned and operated by Hupecol, LLC, and a 25% non-operated working interest in the Columbian assets owned and operated by S-K Energy Co. LTD. Investor acknowledges that the Company's passive investments in such Columbian assets constitute the principal assets and operations of the Company, and as a result, the Company's financial results are directly affected by the independent strategies and decisions of Hupecol, LLC and S-K Energy Co. LTD.

9. No offer by the Investor to buy Shares will be accepted and no part of the Purchase Price will be delivered to the Company until the Investor has received the Offering Information and the Company has accepted such offer by countersigning a copy of this Agreement, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to the Company (or Placement Agents on behalf of the Company) sending (orally, in writing or by electronic mail) notice of its acceptance of such offer. An indication of interest will involve no obligation or commitment of any kind until the Investor has been delivered the Offering Information and this Agreement is accepted and countersigned by or on behalf of the Company.

[Remainder of Page Left Blank Intentionally. Signature Page Follows.]

Number of Shares: ____________________

Purchase Price Per Share: $ ____________

Aggregate Purchase Price: $ __________

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose.

Dated as of: ______________ __, 2009

INVESTOR

By:

Print Name:

Title:

Address:

E-mail:

Phone:

Agreed and Accepted
this ___ day of ______________, 2009:

HOUSTON AMERICAN ENERGY CORP.

By:

Name:

Title:

ANNEX I

TERMS AND CONDITIONS FOR PURCHASE OF SHARES

1. **Authorization and Sale of the Shares.** Subject to the terms and conditions of this Agreement, the Company has authorized the sale of the Shares.

2. **Agreement to Sell and Purchase the Shares; Placement Agents.**

2.1 At the Closing (as defined in Section 3.1), the Company will sell to the Investor, and the Investor will purchase from the Company, upon the terms and conditions set forth herein, the number of Shares set forth on the last page of the Agreement to which these Terms and Conditions for Purchase of Shares are attached as Annex I (the "**Signature Page**") for the aggregate purchase price therefor set forth on the Signature Page.

2.2 The Company proposes to enter into substantially this same form of Subscription Agreement with certain other investors (the "**Other Investors**") and expects to complete sales of Shares to them. The Investor and the Other Investors, if any, are hereinafter sometimes collectively referred to as the "**Investors,**" and this Agreement and the Subscription Agreements executed by the Other Investors are hereinafter sometimes collectively referred to as the "**Agreements**."

2.3 Investor acknowledges that the Company has agreed to pay Global Hunter Securities LLC, Knight Capital Markets LLC, Pali Capital, Inc. and Source Capital Group Inc. (the "**Placement Agents**") a fee (the "**Placement Fee**") in respect of the sale of Shares to the Investor.

2.4 The Company has entered into a Placement Agency Agreement, dated December 1, 2009 (the "**Placement Agreement**"), with the Placement Agents that contains certain representations, warranties, covenants and agreements of the Company that may be relied upon by the Investor, which shall be a third party beneficiary thereof. The Company represents and warrants that a true and correct copy of the Placement Agreement is attached hereto as Exhibit B. Except with respect to the material terms and conditions of the transactions contemplated by this Agreement, the Placement Agreement and any other documents or agreements contemplated hereby or thereby, the Company confirms that neither it nor any other person acting on its behalf has provided the Investor or any Other Investor or its respective agents or counsel with any information that constitutes or could reasonably be expected to constitute material, non-public information. The Company understands and confirms that the Investor will rely on the foregoing representations in effecting transactions in securities of the Company.

3. **Closings and Delivery of the Shares and Funds.**

3.1 **Closing.** The completion of the purchase and sale of the Shares (the "**Closing**") shall occur at a place and time (the "**Closing Date**") to be specified by the Company and the Placement Agents (such Closing Date to be the third business day following the date of this signed Agreement), and of which the Investors will be notified in advance by the Placement Agents, in accordance with Rule 15c6-1 promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). At the Closing, (a) the Company shall cause to be delivered to the Investor the number of Shares set forth on the Signature Page registered in the name of the Investor or, if so indicated on the Investor Questionnaire attached hereto as Exhibit A, in the name of a nominee designated by the Investor and (b) the aggregate purchase price for the Shares being purchased by the Investor will be delivered by or on behalf of the Investor to the Company.

3.2 **Conditions to the Obligations of the Parties.**

(a) **Conditions to the Company's Obligations.** The Company's obligation to issue and sell the Shares to the Investor shall be subject to: (i) the delivery by the Investor, in accordance with the provisions of this Agreement, of the purchase price for the Shares being purchased hereunder as set forth on the Signature Page and (ii) the accuracy of the representations and warranties made by the Investor in this Agreement and the fulfillment of those undertakings of the Investor in this Agreement to be fulfilled prior to the Closing Date.

(b) **Conditions to the Investor's Obligations.** The Investor's obligation to purchase the Shares will be subject to (i) the delivery by the Company of the Shares in accordance with the provisions of this Agreement, (ii) the accuracy of the representations and warranties made by the Company and the fulfillment of those undertakings of the Company to be fulfilled prior to the Closing Date, including without limitation, those contained in the Placement Agreement, (iii) the satisfaction of the conditions to the closing set forth in the Placement Agreement, and to the condition that the Placement Agents, shall not have: (x) terminated the Placement Agreement pursuant to the terms thereof or (y) determined that the conditions to the closing in the Placement Agreement have not been satisfied. The Investor's obligations are expressly not conditioned on the purchase by any or all of the Other Investors of the Shares that they have agreed to purchase from the Company. The Investor understands and agrees that, in the event that Global Hunter Securities LLC, as lead placement agent, in its sole discretion determines that the conditions to closing in the Placement Agreement have not been satisfied or if the Placement Agreement may be terminated for any other reason permitted by the Placement Agreement, then Global Hunter Securities LLC, as lead placement agent, may, but shall not be obligated to, terminate such Agreement, which shall have the effect of terminating this Subscription Agreement pursuant to Section 14 below.

3.3 Delivery of Funds.

(a) DWAC Delivery. If the Investor elects to settle the Shares purchased by such Investor through DTC's Deposit/Withdrawal at Custodian ("**DWAC**") delivery system, **no later than one (1) business day after the execution of this Agreement by the Investor and the Company**, the Investor shall remit by wire transfer the amount of funds equal to the aggregate purchase price for the Shares being purchased by the Investor to the following account designated by the Company:

Bank Name: JPMorgan Chase Bank, N.A.
ABA # [redacted]
Account Name: Houston American Energy Corp.
Account Number: [redacted]

Such funds shall be held in escrow by the Company until the Closing upon the satisfaction of the conditions set forth in Section 3.2(b) hereof.

(b) Delivery Versus Payment through The Depository Trust Company. If the Investor elects to settle the Shares purchased by such Investor by delivery versus payment through DTC, **no later than one (1) business day after the execution of this Agreement by the Investor and the Company**, the Investor shall confirm that the account or accounts at KNIGHT to be credited with the Shares being purchased by the Investor have a minimum balance equal to the aggregate purchase price for the Shares being purchased by the Investor.

3.4 Delivery of Shares.

(a) DWAC Delivery. If the Investor elects to settle the Shares purchased by such Investor through DTC's DWAC delivery system, **no later than one (1) business day after the execution of this Agreement by the Investor and the Company**, the Investor shall direct the broker-dealer at which the account or accounts to be credited with the Shares being purchased by such Investor are maintained, which broker/dealer shall be a DTC participant, to set up a DWAC instructing **Standard Registrar and Transfer Company, Inc.**, the Company's Transfer Agent, to credit such account or accounts with the Shares. Such DWAC instruction shall indicate the settlement date for the deposit of the Shares, which date shall be provided to the Investor by KNIGHT. At the Closing, the Company shall direct the Transfer Agent to credit the Investor's account or accounts with the Shares pursuant to the information contained in the DWAC.

(b) Delivery Versus Payment through The Depository Trust Company. If the Investor elects to settle the Shares purchased by such Investor by delivery versus payment through DTC, **no later than one (1) business day after the execution of this Agreement by the Investor and the Company**, the Investor shall notify KNIGHT of the account or accounts at KNIGHT to be credited with the Shares being purchased by such Investor. On the Closing Date, the Company shall deliver the Shares to the Investor through DTC directly to the account(s) at KNIGHT identified by Investor and simultaneously therewith payment shall be made by KNIGHT by wire transfer to the Company.

4. Representations, Warranties and Covenants of the Investor.

The Investor acknowledges, represents and warrants (as of the date hereof) to, and agrees with, the Company and the Placement Agents that:

4.1 The Investor (a) is knowledgeable, sophisticated and experienced in making, and is qualified to make decisions with respect to, investments in shares presenting an investment decision like that involved in the purchase of the Shares, including investments in securities issued by the Company and investments in comparable companies, (b) has answered all questions on the Signature Page and the Investor Questionnaire and the answers thereto are true and correct as of the date hereof and will be true and correct as of the Closing Date and (c) in connection with its decision to purchase the number of Shares set forth on the Signature Page, has received and is relying only upon the Disclosure Package and the documents incorporated by reference therein and the Offering Information and the representations, warranties, covenants and agreements of the Company contained in the Placement Agreement.

4.2 (a) No action has been or will be taken in any jurisdiction outside the United States by the Company or the Placement Agents that would permit an offering of the Shares, or possession or distribution of offering materials in connection with the issue of the Shares in any jurisdiction outside the United States where action for that purpose is required, (b) if the Investor is outside the United States, it will comply with all applicable laws and regulations in each foreign jurisdiction in which it purchases, offers, sells or delivers Shares or has in its possession or distributes any offering material, in all cases at its own expense and (c) none of the Placement Agents is authorized to make or has made any representation, disclosure or use of any information in connection with the issue, placement, purchase and sale of the Shares, except as set forth or incorporated by reference in the Base Prospectus, any Issuer Free Writing Prospectus or the Prospectus Supplement.

4.3 (a) The Investor is either an individual or an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and (b) this Agreement constitutes a valid and binding obligation of the Investor enforceable against the Investor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as to the enforceability of any rights to indemnification or contribution that may be violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation). The Investor's execution, delivery and performance of this Agreement and the consummation by it of the transactions contemplated hereby do not and will not (i) conflict with or violate any provision of the Investor's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Investor is subject (including federal and state securities laws and regulations), or by which any property or asset of the Investor is bound or affected.

4.4 The Investor understands that nothing in this Agreement, the Prospectus or any other materials presented to the Investor in connection with the purchase and sale of the Shares constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors and made such investigation as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of Shares.

4.5 Since the time at which a Placement Agent first contacted the Investor about the Offering, the Investor has not disclosed any information regarding the Offering to any third parties (other than its legal, accounting and other advisors) and has not engaged in any transactions involving the securities of the Company (including, without limitation, any Short Sales involving the Company's securities). The Investor covenants that it will (i) maintain the confidentiality of all information acquired as a result of the transactions contemplated herein and (ii) not engage in any purchases or sales of the securities of the Company (including Short Sales), in each case prior to the time that the transactions contemplated by this Agreement are publicly disclosed. The Investor agrees that it will not use any of the Shares acquired pursuant to this Agreement to cover any short position in the Common Stock if doing so would be in violation of applicable securities laws. For purposes hereof, "**Short Sales**" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and all types of direct and indirect stock pledges, forward sales contracts, options, puts, calls, short sales, swaps, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements (including on a total return basis), and sales and other transactions through non-US broker dealers or foreign regulated brokers.

5. **Survival of Representations, Warranties and Agreements; Third Party Beneficiary.** Notwithstanding any investigation made by any party to this Agreement or by the Placement Agents, all covenants, agreements, representations and warranties made by the Company and the Investor herein and, with respect to the Company, in the Placement Agreement, will survive the execution of this Agreement, the delivery to the Investor of the Shares being purchased and the payment therefor.

6. **Notices.** All notices, requests, consents and other communications hereunder will be in writing, will be mailed (a) if within the domestic United States by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, or by facsimile or (b) if delivered from outside the United States, by International Federal Express or facsimile, and (c) will be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by nationally recognized overnight carrier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed and (iv) if delivered by facsimile, upon electric confirmation of receipt and will be delivered and addressed as follows:

(a) <u>if to the Company, to</u>:

Houston American Energy Corp.
[redacted]
Attention: John F. Terwilliger
Facsimile No.: [redacted]

(b) if to the Investor, at its address on the Signature Page hereto, or at such other address or addresses as may have been furnished to the Company in writing.

7. **Changes.** This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Investor. Any modification or amendment to Section 2 (Representations and Warranties of the Company), Section 5 (Conditions of Placement Agents' Obligations), Section 6(f) (Representations and Agreements to Survive Delivery), or Section 10 (Persons Entitled to Benefit of Agreement) of the Placement Agreement, and any modification or amendment to the Placement Agreement that is material and adverse to the Investor, shall require the prior written consent of the Investor.

8. **Headings.** The headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be part of this Agreement.

9. **Severability.** In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

10. **Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflicts of law that would require the application of the laws of any other jurisdiction. Except as set forth below, no proceeding may be commenced, prosecuted or continued in any court other than the courts of State of New York located in the City and County of New York or the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the parties hereby consent to the jurisdiction of such courts and personal service with respect thereto. All parties hereby waive all right to trial by jury in any proceeding (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. All parties agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon each party and may be enforced in any other courts in the jurisdiction of which a party is or may be subject, by suit upon such judgment.

11. Counterparts. This Agreement may be executed in two or more counterparts, each of which will constitute an original, but all of which, when taken together, will constitute but one instrument, and will become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties. Delivery of an executed counterpart by facsimile or portable document format (.pdf) shall be effective as delivery of a manually executed counterpart thereof.

12. Confirmation of Sale. The Investor acknowledges and agrees that such Investor's receipt of the Company's signed counterpart to this Agreement, together with the Prospectus Supplement (or the filing by the Company of an electronic version thereof with the Commission), shall constitute written confirmation of the Company's sale of Shares to such Investor.

13. Press Release. The Company and the Investor agree that, prior to the opening of the Nasdaq Global Market in New York City on the business day immediately after the date hereof, the Company shall (i) issue a press release announcing the Offering and disclosing all material information regarding the Offering and (ii) file a Current Report on Form 8-K with the Commission disclosing all material information regarding the Offering and including the Placement Agreement and a form of this Agreement as exhibits thereto. From and after the issuance of such press release and the filing of such Current Report on Form 8-K, the Company shall have publicly disclosed all material, non-public information delivered to any of the Investors by the Company or any person acting on its behalf, including, without limitation, the Placement Agents, in connection with the transactions contemplated by this Agreement, the Placement Agreement and any other documents or agreements contemplated hereby or thereby. The Company shall not identify the name of any Investor or any affiliate of any investment adviser of such Investor in any press release or public filing, or otherwise publicly disclose the name of any Investor or any affiliate of investment adviser of such Investor, without such Investor's prior written consent, unless required by law or the rules and regulations of a national securities exchange, provided, however, that, if permitted by applicable law, regulation, legal or judicial process, promptly after becoming aware of any request or requirement to so disclose (a "**Disclosure Requirement**"), and in any event prior to any such disclosure, the Company will provide such Investor with notice of such request or requirement so that such Investor may at its election seek a protective order or other appropriate remedy and the Company will fully cooperate with such Investor's efforts to obtain the same; provided, further, however, if, absent the entry of such a protective order or other remedy, the Company is compelled by applicable law, rule or regulation or a court order, subpoena, similar judicial process, regulatory agency or stock exchange rule to disclose such Investor's name, the Company may disclose only that portion of such information that the Company is so compelled to disclose and will use its reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of such information that is being disclosed. As of the date hereof, the Company is not aware of any Disclosure Requirement.

14. Termination. In the event that the Placement Agreement is terminated by the Placement Agents pursuant to the terms thereof, this Agreement shall terminate without any further action on the part of the parties hereto.

15. Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

EXHIBIT A

HOUSTON AMERICAN ENERGY CORP.

INVESTOR QUESTIONNAIRE

Pursuant to Section 3 of Annex I to the Agreement, please provide us with the following information:

1.	The exact name that your Shares are to be registered in. You may use a nominee name if appropriate:	________________
2.	The relationship between the Investor and the registered holder listed in response to item 1 above:	________________
3.	The mailing address of the registered holder listed in response to item 1 above:	________________
4.	The Social Security Number or Tax Identification Number of the registered holder listed in the response to item 1 above:	________________
5.	Name of DTC Participant (broker-dealer at which the account or accounts to be credited with the Shares are maintained):	________________
6.	DTC Participant Number:	________________
7.	Name of Account at DTC Participant being credited with the Shares:	________________
8.	Account Number at DTC Participant being credited with the Shares:	________________
9.	EIN Number:	________________

EX-5.1 3 ex5_1.htm EXHIBIT 5.1

December 2, 2009

Board of Directors
Houston American Energy Corp.
[redacted]

Re: Registration Statement on Form S-3

Dear Ladies and Gentlemen:

We have acted as legal counsel to Houston American Energy Corp. (the "Company") in connection with the public offering of 3,000,000 shares of common stock, $0.001 par value ("Common Stock"), of the Company (the "Shares") to be offered and sold by the Company pursuant to a prospectus supplement, dated November 30, 2009 and the accompanying prospectus dated August 26, 2009 (such documents, collectively, the "Prospectus") that form part of the Company's effective registration statement on Form S-3, as amended (Registration No. 333-161319) (the "Registration Statement") filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended.

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act").

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement, (ii) the Prospectus, (iii) a specimen certificate representing the Common Stock, (iv) the Certificate of Incorporation, as amended, of the Company, as currently in effect, (v) the Bylaws, as amended, of the Company, as currently in effect, and (vi) certain resolutions adopted by the Board of Directors, or a committee thereof, of the Company with respect to the issuance of the Shares. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such other documents, certificates and records, as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

In our examination, we have assumed and have not verified (i) the legal capacity of all natural persons, (ii) the genuineness of all signatures (other than persons signing on behalf of the Company), (iii) the authenticity of all documents submitted to us as originals, (iv) the conformity with the originals of all documents supplied to us as copies, (v) the accuracy and completeness of all corporate records and documents made available to us by the Company, and (vi) that the foregoing documents, in the form submitted to us for our review, have not been altered or amended in any respect material to our opinion stated herein. We have relied as to factual matters upon certificates from officers of the Company and certificates and other documents from public officials and government agencies and departments, and we have assumed the accuracy and authenticity of such certificates and documents. We have further assumed that the Shares will be issued and delivered in accordance with the terms of the Placement Agency Agreement dated November 30, 2009 (the "Placement Agency Agreement"), by and between the Company and Global Hunter Securities, LLC, and the form of Subscription Agreement (the "Subscription Agreement") appearing as an exhibit to the Placement Agency Agreement.

The following opinion is limited in all respects to the Delaware General Corporation Law, and we express no opinion as to the laws of any other jurisdiction.

Based on the foregoing, and subject to the assumptions, qualifications and limitations set forth herein, as of the date hereof, we are of the opinion that the Shares have been duly authorized for issuance by all necessary corporate action of the Company, and when issued and delivered against payment therefor in accordance with the terms of the Placement Agency Agreement and any applicable Subscription Agreement, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the Prospectus. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ MICHAEL W. SANDERS, ATTORNEY AT LAW

EX-99.1 5 ex99_1.htm EXHIBIT 99.1

Houston American Energy Enters Into Financing

HOUSTON, Nov. 30 /PRNewswire-FirstCall/ -- **Houston American Energy Corp.** (Nasdaq: HUSA) (the "Company"), an independent energy company with interests in oil and natural gas wells and prospects, announced today that it has reached an agreement to place up to 3,000,000 shares of the Company's common stock to select institutional investors at $4.68 per share in a registered direct offering for gross proceeds of approximately $14 million, before deducting placement agents' fees and estimated offering expenses. The transaction is expected to close on or about December 4, 2009, subject to customary closing conditions. The Company intends to use the net proceeds from the offering for general working capital purposes, including funding the Company's share of costs of development of properties in which the Company hold interests.

Global Hunter Securities, LLC acted as lead placement agent and Knight Capital Markets, LLC acted as a co-placement agent for the offering.

A shelf registration statement relating to these securities previously was filed and declared effective by the Securities and Exchange Commission. A prospectus supplement related to the offering will be filed with the Securities and Exchange Commission. This press release does not constitute an offer to sell or the solicitation of offers to buy any security and shall not constitute an offer, solicitation, or sale of any security in any jurisdiction in which such offer, solicitation, or sale would be unlawful. A copy of the base prospectus and prospectus supplement (once filed) can be obtained at the Securities and Exchange Commission's website http://www.sec.gov or from Global Hunter Securities, LLC at 400 Poydras Street, Suite 1510 New Orleans, Louisiana 70130 Attn: Kelly Vest.

About Houston American Energy Corp.

Based in Houston, Texas, Houston American Energy Corp. is an independent energy company with interests in oil and natural gas wells and prospects. The company's business strategy includes a property mix of producing and non-producing assets with a focus on Colombia, Texas, and Louisiana.

Forward-Looking Statements

The statements contained in this press release that are not historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements, without limitation, regarding the Company's expectations, beliefs, intentions or strategies regarding the future. These statements are qualified by important factors that could cause the Company's actual results to differ materially from those reflected by the forward-looking statements. Such factors include but are not limited to: production variances from expectations, volatility of product prices, the capital expenditures required to fund the Company's operations, environmental risks, competition, government regulation, and the ability of the Company to implement its business strategy, including those risks and factors described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission, including but not limited to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on March 16, 2009, and our subsequently filed reports. The Company cautions readers not to place undue reliance on any forward-looking statements. The Company does not undertake, and specifically disclaims any obligation, to update or revise such statements to reflect new circumstances or unanticipated events as they occur.

EXHIBIT 47

424B5 1 form424b5.htm HOUSTON AMERICAN ENERGY CORP 424B5 11-30-2009

Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-161319

PROSPECTUS SUPPLEMENT
(To Prospectus Dated August 26, 2009)

3,000,000 Shares

HOUSTON AMERICAN ENERGY CORP.

Common Stock

We are offering and selling up to 3,000,000 shares of our common stock directly to selected investors pursuant to this prospectus supplement and the accompanying prospectus. The common stock is being offered at a per share purchase price of $4.68.

Our common stock is listed on the Nasdaq Global Market under the symbol "HUSA." The last sale price of our common stock as reported on the Nasdaq Global Market on November 30, 2009 was $4.60 per share.

You should read both this prospectus supplement and the accompanying prospectus, as well as any documents incorporated by reference in this prospectus supplement and/or the accompanying prospectus, before you make your investment decision.

Investing in our common stock involves risks. You should carefully consider the risk factors beginning on page S-4 of this prospectus supplement before making any decision to invest in our common stock.

We have retained Global Hunter Securities, LLC as our lead placement agent and Knight Capital Markets LLC as co-placement agent to use their reasonable best efforts to solicit offers to purchase our common stock in this offering. Pali Capital, Inc. and Source Capital Group, Inc. also served as placement agents. The placement agents have no obligation to buy any of the shares of our common stock from us or to arrange for the purchase or sale of any specific number or dollar amount of the shares of common stock. See "Plan of Distribution" beginning on page S-15 of this prospectus supplement for more information regarding these arrangements.

	Per Share	Maximum Offering
Public offering price	$ 4.68	$ 14,040,000
Placement agent fees	$ 0.23	$ 702,000
Proceeds, before expenses, to us	$ 4.45	$ 13,338,000

It is currently anticipated that the shares of common stock purchased will be delivered on or about December 4, 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Global Hunter Securities **Knight Capital Markets LLC**
Pali Capital, Inc. **Source Capital Group, Inc.**

This prospectus supplement is dated November 30, 2009

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, including the documents incorporated by reference, provides more general information. The accompanying prospectus was filed with our registration statement on Form S-3 (File No. 333-161319) with the Securities and Exchange Commission (the "SEC") as part of a "shelf" registration process. Under the shelf registration process, we may offer to sell debt securities, common stock, preferred stock and warrants, from time to time in one or more offerings, up to a total dollar amount of $75 million (subject to a maximum, during a period of 12 calendar months, of one-third of the market value of our common stock held by non-affiliates if the market value of our common stock is less than $75 million). Generally, when we refer to this prospectus, we are referring to both parts of this document combined. We urge you to carefully read this prospectus supplement, the information incorporated by reference, the accompanying prospectus and any free writing prospectus distributed by us before buying any of the securities being offered under this prospectus supplement. This prospectus supplement may add to, update or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein.

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement, contained, or incorporated by reference, in the accompanying prospectus or contained in any free writing prospectus we have distributed in connection with this offering. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying prospectus. You should not rely on any unauthorized information or representation. This prospectus supplement is an offer to sell only the securities offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus distributed by us is accurate only as of the date on the front of the applicable document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, any free writing prospectus or any sale of a security.

We are not making any representation to you regarding the legality of an investment in the shares of our common stock by you under applicable law. You should consult with your own legal advisors as to the legal, tax, business, financial and related aspects of a purchase of the common stock.

Information contained on or accessible through our website does not constitute part of this prospectus.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to "Houston American Energy," "Houston American," "Company," "we," "us," and "our" or similar references refer to Houston American Energy Corp. and its subsidiaries.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information about us, this offering and information appearing elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before investing in our securities. To fully understand this offering and its consequences to you, you should read this entire prospectus supplement, the accompanying prospectus and any free writing prospectus distributed by us carefully, including the information contained under the heading "Risk Factors" in this prospectus supplement beginning on page S-4, and the financial statements and other information incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision.

Houston American Energy Corp.

Our Business

Houston American Energy Corp. is an oil and gas exploration and production company. Our oil and gas exploration and production activities are focused on properties in the U.S. onshore Gulf Coast region, principally Texas and Louisiana, and development of concessions in the South American country of Colombia. We seek to utilize the contacts and experience of our executive officers, principally John F. Terwilliger and James Jacobs, to identify favorable drilling opportunities, to use advanced seismic techniques to define prospects and to form partnerships and joint ventures to spread the cost and risks to us of drilling.

Recent Developments

In June 2009, we entered into a farmout agreement with Shona Energy Limited ("Shona") pursuant to which we will pay 25% of designated Phase 1 geological and seismic costs relating to the Serrania Contract for Exploration and Production relating to the approximately 110,769 acre Serrania Block in Colombia and for which we will receive a 12.5% interest in the Serrania Contract.

In September 2009, we elected to participate for our percentage interest (12.5%) in the Los Picachos Technical Evaluation Agreement (the "TEA"). The TEA was entered into in August 2009 by and between the Columbian National Hydrocarbons Agency (the "ANH") and Hupecol Operating Co. LLC and encompasses an 86,235 acre region located to the west and northwest of the Serrania block, which is located in the municipalities of Uribe and La Macarena in the Department of Meta in the Republic of Colombia. As a result of the election to participate, we agreed to pay our proportionate share, or 12.5%, of the acquisition costs and costs for the minimum work program contained in the TEA.

On October 16, 2009, we announced the approval by the ANH of a Farmout Agreement and Joint Operating Agreement with SK Energy Co. LTD., a Korean multinational conglomerate ("SK"), relating to the CPO 4 Contract for Exploration and Production (the "CPO 4 Contract") covering the 345,452 net acre CPO 4 Block located in the Western Llanos Basin in the Republic of Colombia. Under the Joint Operating Agreement, retroactively effective as of May 31, 2009, SK will act as operator of the CPO 4 Block and we agreed to pay 25.0% of all past and future cost related to the CPO 4 block as well as an additional 12.5% of the Seismic Acquisition Costs incurred during the Phase 1 Work Program, for which we will receive a 25.0% interest in the CPO 4 Block. Our share of the past costs is $194,584. The Phase 1 Work Program consists of reprocessing approximately 400 kilometers of existing 2-D seismic data, the acquisition, processing and interpretation of a 2-D seismic program containing approximately 620 kilometers of data and the drilling of two exploration wells. The Phase 1 Work Program is estimated to be completed by June 17, 2012. Our costs for the entire Phase 1 Work Program are estimated to total approximately $15,000,000 over the next three years.

In September 2009, we were advised that Hupecol LLC had retained Scotia Waterous for purposes of evaluating a possible transaction (the "Transaction") involving the monetization of five exploration and production contracts covering approximately 413,000 acres comprising the Leona Block, La Cuerva Block, Dorotea Block, Las Garzas Block and Cabiona Block in the Republic of Colombia. The Transaction may involve the sale of some or all of the assets and operations of the subject properties, an exchange or trade of assets, or other similar transaction and may be effected in a single transaction or a series of transactions. Scotia Waterous has established a process whereby interested parties may evaluate the Transaction with the objective of completing one or more transactions before December 31, 2009.

Table of Contents

We are an investor in Hupecol and our interest in the assets and operations of Hupecol that would be included in the Transaction represent a substantial portion of our assets and operations in the Republic of Colombia and are our principal revenue producing assets and operations. We intend to closely monitor the nature and progress of the Transaction in order to protect the interests of our company and our shareholders. However, we have no effective ability to alter or prevent the Transaction and are unable to predict whether or not the Transaction will in fact occur or the nature or timing of any such transaction. Further, we are unable to estimate the actual value that we might derive from any such transaction and whether any such transaction will ultimately be beneficial to our company and our shareholders.

Each of the foregoing developments is described more fully in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009. You are urged to refer to such Quarterly Report on Form 10-Q for more information concerning the foregoing events.

Company Information

Our executive offices are located at 801 Travis, Suite 1425, Houston, Texas 77002, and our telephone number is (713) 222-6966. Our corporate website is located at www.houstonamericanenergy.com. We make available free of charge through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website does not constitute part of this prospectus or any prospectus supplement.

Table of Contents

THE OFFERING

Common Stock Offered by Us	3,000,000 shares
Issue Price	$4.68 per share
Common Stock Outstanding After the Offering[1]	31,000,772 shares
Use of Proceeds	We intend to use these net proceeds for general working capital purposes, including funding our share of costs of development of properties in which we hold interests.
Nasdaq Global Market Symbol	HUSA
Risk Factors	An investment in our common stock involves a high degree of risk. Before making an investment decision, investors should carefully consider the "Risk Factors" beginning on page S-4 of this prospectus supplement, as well as the other risks and uncertainties described in the documents that we file with the SEC that are incorporated herein by reference.

(1) Based on actual number of shares of common stock outstanding as of November 30, 2009 and assumes all shares offered are sold. Does not include shares reserved for issuance upon the exercise of options and warrants previously issued and outstanding on November 30, 2009.

Table of Contents

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risk factors discussed below, together with all the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. Additional risks related to us and our securities may be in our other filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." In evaluating our company, the factors described below should be considered carefully. The occurrence of one or more of these events could significantly and adversely affect our business, prospects, financial condition, results of operations and cash flows.

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis but also may reduce the amount of oil and natural gas that we can produce economically. Lower prices will also negatively impact the value of our proved reserves. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

We May Be Affected by General Economic Conditions

The disruption experienced in U.S. and global financial and credit markets, and the accompanying economic contraction, during second half of 2008 and continuing into 2009 has resulted in projected decreases in demand for oil and natural gas, resulting in a sharp drop in energy prices, and has affected the availability and cost of capital. Prolonged negative changes in domestic and global economic conditions or disruptions of either or both of the financial and credit markets may have a material adverse effect on our results of operations, financial condition and liquidity. At this time, it is unclear whether and to what extent the actions taken by the U.S. government and other measures currently being implemented or contemplated, will mitigate the effects of the crisis. With respect to Houston American Energy, while we have no immediate need to access the credit markets in the foreseeable future, the impact of the current crisis on our ability to obtain financing in the future, if needed, and the cost and terms of same, is unclear. From an operating standpoint, the current crisis has resulted in a steep decline in the price of oil and natural gas, a marked decline in the value of our reserves, a determination in March 2009 to temporarily shut-in production from our Colombian wells and reduced revenues and profitability and, if prices continue to decline, may result in deterioration of our financial position.

Table of Contents

A substantial percentage of our properties are undeveloped; therefore the risk associated with our success is greater than would be the case if the majority of our properties were categorized as proved developed producing.

Because a substantial percentage of our properties are unproven or proved undeveloped, we will require significant additional capital to prove and develop such properties before they may become productive. At December 31, 2008, approximately 58.1% of our proved reserves were producing. Further, because of the inherent uncertainties associated with drilling for oil and gas, some of these properties may never be developed to the extent that they result in positive cash flow. Even if we are successful in our development efforts, it could take several years for a significant portion of our undeveloped properties to be converted to positive cash flow.

While our current business plan is to fund the development costs with funds on hand, funds received from this offering and cash flow from our other producing properties, if such funds are not sufficient we may be forced to seek alternative sources for cash, through the issuance of additional equity or debt securities, increased borrowings or other means.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our future success will depend on the success of our exploitation, exploration, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Please read "—Reserve estimates depend on many assumptions that may turn out to be inaccurate" (below) for a discussion of the uncertainty involved in these processes. Our cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- title problems; and
- limitations in the market for oil and natural gas.

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties, potentially negatively impacting the trading value of our securities.

Accounting rules require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we have and may be required to further write down the carrying value of our oil and natural gas properties. A write-down could constitute a non-cash charge to earnings. It is likely the cumulative effect of a write-down could also negatively impact the trading price of our securities.

Table of Contents

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves reported.

In order to prepare our estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development activities, prevailing oil and natural gas prices and other factors, many of which are beyond our control. During the years ended December 31, 2007 and 2008, revisions to prior estimates resulted in significant negative revisions to our proved reserves. Negative revisions during fiscal year 2007 amounted to 57.7% of prior year-end proved natural gas reserves and 40.2% of prior year-end proved oil reserves. Product sales and negative revisions during fiscal year 2008 amounted to 86.2% of prior year-end proved gas reserves and 83.4% of prior year-end proved oil reserves.

You should not assume that the present value of future net revenues from our proved reserves, as reported from time to time, is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we generally base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. If future values decline or costs increase it could negatively impact our ability to finance operations, and individual properties could cease being commercially viable, affecting our decision to continue operations on producing properties or to attempt to develop properties. All of these factors would have a negative impact on earnings and net income, and most likely the trading price of our securities.

We are dependent upon third party operators of our oil and gas properties.

Under the terms of the Operating Agreements related to our oil and gas properties, third parties act as the operator of our oil and gas wells and control the drilling and operating activities to be conducted on our properties. Therefore, we have limited control over certain decisions related to activities on our properties, which could affect our results of operations. Decisions over which we have limited control include:

- the timing and amount of capital expenditures;
- the timing of initiating the drilling and recompleting of wells;
- the extent of operating costs; and
- the level of ongoing production.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

Our prospects are properties on which we have identified what we believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. This risk may be enhanced in our situation, due to the fact that a significant percentage of our reserves are currently unproved reserves. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects or producing fields will be applicable to our drilling prospects.

Table of Contents

We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations.

We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;
- fires and explosions;
- personal injuries and death; and
- natural disasters.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to our company. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, then it could adversely affect us.

We are subject to complex laws that can affect the cost, manner or feasibility of doing business.

Exploration, development, production and sale of oil and natural gas are subject to extensive federal, state, local and international regulation. We may be required to make large expenditures to comply with governmental regulations. Matters subject to regulation include:

- discharge permits for drilling operations;
- drilling bonds;
- reports concerning operations;
- the spacing of wells;
- unitization and pooling of properties; and
- taxation.

Under these laws, we could be liable for personal injuries, property damage and other damages. Failure to comply with these laws also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect our financial condition and results of operations.

Table of Contents

Our operations may incur substantial liabilities to comply with the environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on our results of operations, competitive position or financial condition as well as the industry in general. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or if our operations were standard in the industry at the time they were performed.

Certain U.S. federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of future legislation.

President Obama's Proposed Fiscal Year 2010 Budget includes proposed legislation that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any such changes will be enacted or how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could negatively affect our financial condition and results of operations.

The adoption of climate change legislation by Congress could result in increased operating costs and reduced demand for the oil and natural gas we produce.

On June 26, 2009, the U.S. House of Representatives approved adoption of the "American Clean Energy and Security Act of 2009," also known as the "Waxman-Markey cap-and-trade legislation" or ACESA. The purpose of ACESA is to control and reduce emissions of "greenhouse gases," or "GHGs," in the United States. GHGs are certain gases, including carbon dioxide and methane, that may be contributing to warming of the Earth's atmosphere and other climatic changes. ACESA would establish an economy-wide cap on emissions of GHGs in the United States and would require an overall reduction in GHG emissions of 17% (from 2005 levels) by 2020, and by over 80% by 2050. Under ACESA, most sources of GHG emissions would be required to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. The number of emission allowances issued each year would decline as necessary to meet ACESA's overall emission reduction goals. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, and natural gas.

The U.S. Senate has begun work on its own legislation for controlling and reducing emissions of GHGs in the United States. If the Senate adopts GHG legislation that is different from ACESA, the Senate legislation would need to be reconciled with ACESA and both chambers would be required to approve identical legislation before it could become law. President Obama has indicated that he is in support of the adoption of legislation to control and reduce emissions of GHGs through an emission allowance permitting system that results in fewer allowances being issued each year but that allows parties to buy, sell and trade allowances as needed to fulfill their GHG emission obligations. Although it is not possible at this time to predict whether or when the Senate may act on climate change legislation or how any bill approved by the Senate would be reconciled with ACESA, any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require us to incur increased operating costs, and could have an adverse effect on demand for the oil and natural gas we produce.

Table of Contents

Our operations in Colombia are subject to risks relating to political and economic instability.

We currently have interests in multiple oil and gas concessions in Colombia and anticipate that operations in Colombia will constitute a substantial element of our strategy going forward. The political climate in Colombia is unstable and could be subject to radical change over a very short period of time. In the event of a significant negative change in the political or economic climate in Colombia, we may be forced to abandon or suspend our operations in Colombia.

Our operations in Colombia are controlled by operators which may carry out transactions affecting our Colombian assets and operations without our consent.

Our operations in Colombia are substantial to a substantial degree of control by the operators of the properties in which we hold interests in Colombia. We are an investor in Hupecol and our interest in the assets and operations of Hupecol represent a substantial portion of our assets and operations in Colombia and are our principal assets and operations. During 2008, Hupecol sold its interest in the Caracara Association Contract, the largest single prospect in terms of reserves and revenues in which we then held an interest. Also, during 2008, Hupecol acquired an interest in the La Cuerva Contract. In early March 2009, Hupecol determined to temporarily shut-in production from our Colombian properties and, in the fourth quarter of 2009 Hupecol, commenced efforts to sell certain concessions in Colombia. It is possible that Hupecol will carry out similar sales or acquisitions of prospects or make similar decisions in the future. Our management intends to closely monitor the nature and progress of future transactions by Hupecol in order to protect our interests. However, we have no effective ability to alter or prevent a transaction and are unable to predict whether or not any such transactions will in fact occur or the nature or timing of any such transaction.

In addition to Hupecol's control of decisions regarding properties operated by Hupecol in Colombia, as minority owners, we are subject to substantial control of other properties in Colombia in which we hold interests that are operated by SK and Shona. Our Columbian assets consist exclusively of minority, non-operator project interests in certain Columbian assets owned and operated by Hupecol, LLC, a 25% non-operated working interest in certain Columbian assets owned and operated by S-K Energy Co. LTD and a 12.5% non-operated working interest in certain Colombian assets owned and operated by Shona Energy Ltd. Our passive investments in such Columbian assets constitute our principal assets, and as a result, our financial results are directly affected by the independent strategies and decisions of Hupecol, LLC, S-K Energy Co. LTD. and Shona Energy Ltd.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our cash flows and income.

Unless we conduct successful development, exploitation and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and production, and, therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. If we are unable to develop, exploit, find or acquire additional reserves to replace our current and future production, our cash flow and income will decline as production declines, until our existing properties would be incapable of sustaining commercial production.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our success will depend on our ability to retain John F. Terwilliger, our principal executive officer, and James Jacobs, our chief financial officer, and to attract other experienced management and non-management employees, including engineers, geoscientists and other technical and professional staff. We will depend, to a large extent, on the efforts, technical expertise and continued employment of such personnel and members of our management team. If members of our management team should resign or we are unable to attract the necessary personnel, our business operations could be adversely affected.

Table of Contents

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget.

Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our development and exploration operations. As the price of oil and natural gas increases, the demand for production equipment and personnel will likely also increase, potentially resulting, at least in the near-term, in shortages of equipment and personnel. In addition, larger producers may be more likely to secure access to such equipment by virtue of offering drilling companies more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, not only would this potentially delay our ability to convert our reserves into cash flow, but could also significantly increase the cost of producing those reserves, thereby negatively impacting anticipated net income.

If our access to markets is restricted, it could negatively impact our production, our income and ultimately our ability to retain our leases.

Market conditions or the unavailability of satisfactory transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business.

We may operate in areas with limited or no access to pipelines, thereby necessitating delivery by other means, such as trucking, or requiring compression facilities. Such restrictions on our ability to sell our oil or natural gas have several adverse affects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in a lower selling price) or, in the event we were unable to market and sustain production from a particular lease for an extended time, possibly causing us to lose a lease due to lack of production.

We may need additional financing to support operations and future capital commitments.

While we presently believe that our operating cash flows and funds on hand and funds provided by this offering will support our ongoing operations and anticipated future capital requirements, a number of factors could result in our needing additional financing, including reductions in oil and natural gas prices, declines in production, unexpected developments in operations that could decrease our revenues, increase our costs or require additional capital contributions and commitments to new acquisition or drilling programs. In particular, given our recent commitments to participate in additional properties operated by Hupecol and our agreements to participate in the development of additional prospects in Colombia operated by Shona and SK, we may be subject to substantially greater calls for commitments to provide capital to support development of our additional interests. We have no commitments to provide any additional financing, if needed, and may be limited in our ability to obtain the capital necessary to support operations, complete development, exploitation and exploration programs or carry out new acquisition or drilling programs. We have not thoroughly investigated whether this capital would be available, who would provide it, and on what terms. If we are unable, on acceptable terms, to raise the required capital, our business may be seriously harmed or even terminated.

Competition in the oil and natural gas industry is intense, which may adversely affect our ability to compete.

We operate in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in the areas in which we operate. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital.

Table of Contents

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell common stock when you want or at prices you find attractive.

The price of our common stock constantly changes. We expect that the market price of our common stock will continue to fluctuate.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements by us, our partners or our competitors of leasing and drilling activities;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in general conditions in our industry and in the economy, the financial markets and the domestic or international political situation;
- fluctuations in oil and gas prices;
- departures of key personnel; and
- regulatory considerations.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results.

The sale of a substantial number of shares of our common stock may affect our stock price.

Future sales of substantial amounts of our common stock or equity-related securities in the public market or privately, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

There is no minimum amount required for this offering.

This offering does not contain a minimum offering. Therefore, all of the offering proceeds shall be deposited directly into an account of the Company. Investors should not invest in this offering in the expectation that the full $14,040,000 will be raised. We have an immediate need for the proceeds of this offering to fund capital commitments over the next year. If we do not raise any funds or sufficient funds in this offering, we may be unable to fund its commitments and may need to reduce our interest in various prospects or seek other forms of financing, which sources may be unavailable to us.

We may allocate the net proceeds from this offering in ways that you and other stockholders do not approve.

We intend to use the net proceeds from this offering for general working capital purposes, including funding our financial obligations associated with development of our interests in prospects in Colombia operated by Shona and SK Energy. However, in general, our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock.

Table of Contents

Our charter and bylaws, as well as provisions of Delaware law, could make it difficult for a third party to acquire our company and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Delaware corporate law and our charter and bylaws contain provisions that could delay, deter or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions without the concurrence of our management or board of directors. These provisions:

- authorize our board of directors to issue "blank check" preferred stock, which is preferred stock that can be created and issued by our board of directors, without stockholder approval, with rights senior to those of our common stock;
- provide for a staggered board of directors and three-year terms for directors, so that no more than one-third of our directors could be replaced at any annual meeting;
- provide that directors may be removed only for cause; and
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

We are also subject to anti-takeover provisions under Delaware law, which could also delay or prevent a change of control. Taken together, these provisions of our charter, bylaws, and Delaware law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Our management owns a significant amount of our common stock, giving them influence or control in corporate transactions and other matters, and their interests could differ from those of other shareholders.

At November 1, 2009, our directors and executive officers owned approximately 46.6% of our outstanding common stock. As a result, our current directors and executive officers are in a position to significantly influence or control the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our certificate of incorporation or bylaws, and the approval of mergers and other significant corporate transactions. Such level of control of the company may delay or prevent a change of control on terms favorable to the other shareholders and may adversely affect the voting and other rights of other shareholders.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in or incorporated by reference into this prospectus supplement and the prospectus, our filings with the SEC and our public releases, including, but not limited to, information regarding the status and progress of our operating activities, the plans and objectives of our management, assumptions regarding our future performance and plans, and any financial guidance provided therein are forward-looking statements within the meaning of Section 27A(i) of the Securities Act of 1933 and Section 21E(i) of the Securities Exchange Act of 1934. The words "believe," "may," "will," "estimate," "continues," "anticipate," "intend," "foresee," "expect," "should," "could," "plan," "predict," "project," or their negatives and similar expressions identify these forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements contained in this prospectus supplement and the prospectus are based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in the "Risk Factors" section and elsewhere in this prospectus supplement and the prospectus. All forward-looking statements speak only as of the date of this prospectus supplement. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. The risks, contingencies and uncertainties relate to, among other matters, the following: our business strategy; our financial position; our cash flow and liquidity; integration of acquisitions; declines in the prices we receive for our oil and gas affecting our operating results and cash flows; economic slowdowns that can adversely affect consumption of oil and gas by businesses and consumers; uncertainties in estimating our oil and gas reserves; replacing our oil and gas reserves; uncertainties in exploring for and producing oil and gas; our inability to obtain financing necessary in order to fund our operations, capital expenditures, and to meet our other obligations; availability of drilling and production equipment and field service providers; disruptions, capacity constraints in, or other limitations on the pipeline systems which deliver our gas and other processing and transportation considerations; competition in the oil and gas industry; our inability to retain and attract key personnel; the effects of government regulation and permitting and other legal requirements; political instability in Colombia which could affect our right and ability to produce and exploit our holdings in that country; weather patterns and poor field infrastructure which could affect our ability to produce and exploit our holdings in Colombia; costs associated with perfecting title to mineral rights in some of our properties; and, other factors discussed under "Risk Factors."

Other factors besides those described in this prospectus, any prospectus supplement or the documents we incorporate by reference herein could also affect our actual results. These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control.

Table of Contents

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $13.3 million from the sale of the securities offered by this prospectus supplement and the accompanying prospectus, after deducting our estimated offering expenses and the estimated placement agent fees.

We intend to use these net proceeds for general working capital purposes, including funding our share of costs of development of properties in which we hold interests.

Table of Contents

PLAN OF DISTRIBUTION

Global Hunter Securities LLC, Knight Capital Markets LLC, Pali Capital, Inc. and Source Capital Group Inc., referred to as the placement agents, have entered into a placement agency agreement with us in which they have agreed to act as placement agents in connection with the offering. Subject to the terms and conditions contained in the placement agency agreement, the placement agents are using their best efforts to introduce us to selected institutional investors who will purchase the shares. The placement agents have no obligation to buy any of the shares from us nor are the placement agents required to arrange the purchase or sale of any specific number or dollar amount of the shares, but have agreed to use their best efforts to arrange for the sale of all of the shares.

The placement agency agreement provides that the obligations of the placement agents and the investors are subject to certain conditions precedent, including the absence of any material adverse changes in our business and the receipt of customary legal opinions, letters and certificates.

We have agreed to indemnify the placement agents and certain other persons against certain liabilities under the Securities Act of 1933, as amended. The placement agents have informed us that they will not engage in overallotment, stabilizing transactions or syndicate covering transactions in connection with this offering.

We have agreed to pay the placement agents a fee equal to 5.0% of the proceeds of this offering and to reimburse the placement agents for reasonable expenses that they incur in connection with the offering in the amount of 1% of the gross proceeds of this offering, but in no event greater than $75,000. The estimated offering expenses payable by us, in addition to the placement agents' fee, are approximately $45,000, which includes our legal and accounting costs and various other fees associated with registering and listing the shares offered hereby.

The following table shows the per share and total maximum fees we will pay to the placement agents, assuming a maximum reimbursement of $75,000 and the sale of all of the shares offered pursuant to this prospectus supplement:

Per share	$	0.26
Total	$	777,000

Because there is no minimum offering amount required as a condition to closing, the actual total may be less than the maximum amount set forth above.

This is a brief summary of the material provisions of the placement agency agreement and does not purport to be a complete statement of its terms and conditions. A copy of the placement agency agreement will be filed with the SEC and incorporated by reference into the registration statement of which this prospectus supplement forms a part. See "Where You Can Find More Information" on page S-16 of this prospectus supplement.

The transfer agent for our common stock to be issued in this offering is Standard Registrar and Transfer.

Our common stock is traded on the Nasdaq Global Market under the symbol "HUSA".

A prospectus supplement and prospectus in electronic format may be made available on the web sites maintained by the placement agents and the placement agents may distribute the prospectus supplement and the accompanying prospectus electronically.

Table of Contents

LEGAL MATTERS

Certain legal matters with respect to the securities offered hereby will be passed upon for us by Michael W. Sanders, Attorney at Law.

EXPERTS

The consolidated financial statements of Houston American Energy as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of GBH CPAs, PC, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The consolidated financial statements of Houston American Energy as of December 31, 2007, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of Malone & Bailey, PC, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The consolidated financial statements of Houston American Energy as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of Ham, Langston & Brezina, L.LP. (formerly Thomas Leger & Co., L.L.P.), independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

Certain estimates of our proved oil and gas reserves incorporated by reference herein were based upon engineering reports prepared by Lonquist & Co, LLC, independent petroleum consultants. These estimates are included herein in reliance on the authority of such firm as an expert in such matters.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information electronically with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. You can request copies of these documents by writing to the SEC and paying a fee for the copying costs. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The SEC's Internet site can be found at http://www.sec.gov. In addition, we make available free of charge on or through our Internet site copies of these reports as soon as reasonably practicable after we electronically file or furnish them to the SEC. Our Internet site can be found at http://www.houstonamericanenergy.com.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus is not complete. You should read the information incorporated by reference for more detail. We incorporate by reference in two ways. First, we list below certain documents that we have already filed with the SEC. The information in these documents is considered part of this prospectus. Second, the information in documents that we file in the future will update and supersede the current information in, and be incorporated by reference in, this prospectus.

We incorporate by reference into this prospectus the documents listed below, any filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the initial registration statement of which this prospectus is a part and prior to the effectiveness of the registration statement, and any filings we make with the SEC pursuant to Section 13(a), 13 (c), 14 or 15(d) of the Exchange Act from the date of this prospectus until the termination of this offering (in each case, except for the information furnished under Item 2.02 or Item 7.01 in any current report on Form 8-K and Form 8-K/A):

Table of Contents

- our annual report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 16, 2009 (File No. 001-32955);
- the information specifically incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2008 from our definitive proxy statement on Schedule 14A filed with the SEC on April 27, 2009 (File No. 001-32955);
- our quarterly reports on Form 10-Q for the quarterly period ended March 31, 2009, filed with the SEC on May 11, 2009, for the quarterly period ended June 30, 2009, filed with the SEC on August 10, 2009, and for the quarterly period ended September 30, 2009, filed with the SEC on November 5, 2009 (File No. 001-32955);
- our current reports on Form 8-K filed with the SEC on January 22, 2009, February 5, 2009, June 11, 2009, June 24, 2009, September 9, 2009, September 23, 2009, October 16, 2009 and November 10, 2009 (File No. 001-32955);
- the description of our common stock contained in our registration statement on Form SB-2 filed with the SEC on June 6, 2006 (File No. 333-134756).

We will provide each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference into this prospectus but not delivered with this prospectus upon written or oral request at no cost to the requester. Requests should be directed to: Houston American Energy Corp., 801 Travis, Suite 1425, Houston, Texas 77002, Attn: Investor Relations, telephone: (713) 222-6966.

This prospectus supplement is part of a registration statement on Form S-3 that we filed with the SEC. That registration statement contains more information than this prospectus supplement regarding us and our securities, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet website.

You should rely only on the information provided in and incorporated by reference into this prospectus supplement or the prospectus. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus supplement or the prospectus is accurate as of any date other than the date on the front cover of these documents.

Table of Contents

PROSPECTUS

$75,000,000

Common Stock
Preferred Stock
Debt Securities
Warrants
Units

HOUSTON AMERICAN ENERGY CORP.

We may, from time to time in one or more offerings, offer and sell up to $75,000,000 in the aggregate of common stock, preferred stock, debt securities, warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities.

This prospectus provides a general description of the securities we may offer. We will provide the specific terms of the securities offered in one or more supplements to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. You should read carefully this prospectus, the applicable prospectus supplement and any related free writing prospectus, as well as any documents incorporated by reference before you invest in any of our securities. **This prospectus may not be used to offer or sell any securities unless accompanied by the applicable prospectus supplement**

Our common stock is listed on the Nasdaq Capital Market under the symbol "HUSA."

As of August 10, 2009, the aggregate market value of our outstanding common stock held by non-affiliates was approximately $35,521,034, based on 28,000,772 shares of outstanding common stock, of which 15,580,830 shares are held by affiliates, and a price of $2.86 per share, which was the last reported sale price of our common stock on the Nasdaq Capital Market on August 10, 2009. As of the date of this prospectus, we have not sold any securities pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on, and includes, the date of this prospectus.

Investing in our securities involves risk. You should carefully review the risks and uncertainties described under the heading "Risk Factors" beginning on page 5 of this prospectus and contained in the applicable prospectus supplement and any related free writing prospectus.

We will sell these securities directly to investors, through agents designated from time to time or to or through underwriters or dealers. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" in this prospectus. If any underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 26, 2009

Table of Contents

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a "shelf" registration process. Under this shelf registration process, we may from time to time sell common stock, preferred stock, debt securities or warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities, in one or more offerings up to a total dollar amount of $75,000,000. We have provided to you in this prospectus a general description of the securities we may offer. Each time we sell securities under this shelf registration, we will, to the extent required by law, provide a prospectus supplement that will contain specific information about the terms of that offering. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. The prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also add, update or change information contained in this prospectus or in any documents that we have incorporated by reference into this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement or any related free writing prospectus, you should rely on the information in the prospectus supplement or the related free writing prospectus; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in this prospectus or any prospectus supplement or any related free writing prospectus — the statement in the document having the later date modifies or supersedes the earlier statement.

We have not authorized any dealer, agent or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or an accompanying prospectus supplement. This prospectus and the accompanying prospectus supplement, if any, do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference (as our business, financial condition, results of operations and prospects may have changed since that date), even though this prospectus, any applicable prospectus supplement or any related free writing prospectus is delivered or securities are sold on a later date.

As permitted by the rules and regulations of the SEC, the registration statement, of which this prospectus forms a part, includes additional information not contained in this prospectus. You may read the registration statement and the other reports we file with the SEC at the SEC's web site or at the SEC's offices described below under the heading "Where You Can Find Additional Information."

Table of Contents

SUMMARY

This summary highlights selected information from this prospectus and does not contain all of the information that you need to consider in making your investment decision. You should carefully read the entire prospectus, including the risks of investing discussed under "Risk Factors" beginning on page 5, the information incorporated by reference, including our financial statements, and the exhibits to the registration statement of which this prospectus is a part. When used in this prospectus, the terms "Houston American Energy", "we", "our", "us" or the "Company" refer to Houston American Energy Corp. and its consolidated subsidiaries, unless otherwise indicated or as the context otherwise requires.

About Houston American Energy Corp.

Houston American Energy Corp. is an oil and gas exploration and production company. Our oil and gas exploration and production activities are focused on properties in the U.S. onshore Gulf Coast region, principally Texas and Louisiana, and development of concessions in the South American country of Colombia. We seek to utilize the contacts and experience of our executive officers, principally John F. Terwilliger and James Jacobs, to identify favorable drilling opportunities, to use advanced seismic techniques to define prospects and to form partnerships and joint ventures to spread the cost and risks to us of drilling.

Our executive offices are located at 801 Travis, Suite 1425, Houston, Texas 77002, and our telephone number is (713) 222-6966. Our corporate website is located at www.houstonamericanenergy.com. We make available free of charge through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website does not constitute part of this prospectus or any prospectus supplement.

The Securities We May Offer

We may offer shares of our common stock and preferred stock, various series of debt securities and warrants to purchase any of such securities, either individually or in units, with a total value of up to $75,000,000 from time to time under this prospectus, together with any applicable prospectus supplement and related free writing prospectus, at prices and on terms to be determined by market conditions at the time of offering. If we issue any debt securities at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities. Each time we offer securities under this prospectus, we will provide offerees with a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities being offered, including, to the extent applicable:

- Designation or classification;
- aggregate principal amount or aggregate offering price;
- maturity, if applicable;
- original issue discount, if any;
- rates and times of payment of interest or dividends, if any;
- Redemption, conversion, exchange or sinking fund terms, if any;
- conversion or exchange prices or rates, if any, and, if applicable, any provisions for changes to or adjustments in the conversion or exchange prices or rates and in the securities or other property receivable upon conversion or exchange;
- ranking;

Table of Contents

- restrictive covenants, if any;
- voting or other rights, if any; and
- important United States federal income tax considerations.

A prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also add, update or change information contained in this prospectus or in documents we have incorporated by reference. However, no prospectus supplement or free writing prospectus will offer a security that is not registered and described in this prospectus at the time of the effectiveness of the registration statement of which this prospectus is a part.

We may sell the securities to or through underwriters, dealers or agents or directly to purchasers. We, as well as any agents acting on our behalf, reserve the sole right to accept and to reject in whole or in part any proposed purchase of securities. Each prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of securities described in that prospectus supplement and any applicable fee, commission or discount arrangements with them, details regarding any over-allotment option granted to them, and net proceeds to us. The following is a summary of the securities we may offer with this prospectus.

Common Stock

We currently have authorized 100,000,000 shares of common stock, par value $0.001 per share. We may offer shares of our common stock either alone or underlying other registered securities convertible into or exercisable for our common stock. Holders of our common stock are entitled to such dividends as our board of directors may declare from time to time out of legally available funds, subject to the preferential rights of the holders of any shares of our preferred stock that are outstanding or that we may issue in the future. We pay dividends from time to time as determined by our board of directors. Each holder of our common stock is entitled to one vote per share. In this prospectus, we provide a general description of, among other things, the rights and restrictions that apply to holders of our common stock.

Preferred Stock

We currently have authorized 10,000,000 shares of preferred stock, par value $0.001 per share, none of which are outstanding. Under our certificate of incorporation, our board of directors has the authority to issue shares of our preferred stock in one or more series and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of preferred stock. The particular terms of each class or series of preferred stock, including redemption privileges, liquidation preferences, voting rights, dividend rights and/or conversion rights, will be more fully described in the applicable prospectus supplement relating to the preferred stock offered thereby.

The rights, preferences, privileges and restrictions granted to or imposed upon any series of preferred stock that we offer and sell under this prospectus and applicable prospectus supplements will be set forth in a certificate of designation relating to the series. We will incorporate by reference into the registration statement of which this prospectus is a part the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of shares of that series of preferred stock. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of preferred stock being offered, as well as the complete certificate of designation that contains the terms of the applicable series of preferred stock.

Table of Contents

Debt Securities

We may offer general debt obligations, which may be secured or unsecured, senior or subordinated and convertible into shares of our common stock. In this prospectus, we refer to the senior debt securities and the subordinated debt securities together as the "debt securities." We may issue debt securities under a note purchase agreement or under an indenture to be entered between us and a trustee; a form of the indenture is included as an exhibit to the registration statement of which this prospectus is a part. The indenture does not limit the amount of securities that may be issued under it and provides that debt securities may be issued in one or more series. The senior debt securities will have the same rank as all of our other indebtedness that is not subordinated. The subordinated debt securities will be subordinated to our senior debt on terms set forth in the applicable prospectus supplement. In addition, the subordinated debt securities will be effectively subordinated to creditors and preferred stockholders of our subsidiaries. Our board of directors will determine the terms of each series of debt securities being offered. This prospectus contains only general terms and provisions of the debt securities. The applicable prospectus supplement will describe the particular terms of the debt securities offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of debt securities being offered, as well as the complete note agreements and/or indentures that contain the terms of the debt securities. Forms of indentures are incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and supplemental indentures and forms of debt securities containing the terms of debt securities being offered will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

Warrants

We may offer warrants for the purchase of shares of our common stock or preferred stock or of debt securities. We may issue the warrants by themselves or together with preferred stock, common stock or debt securities, and the warrants may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and the investors or a warrant agent. Our board of directors will determine the terms of the warrants. This prospectus contains only general terms and provisions of the warrants. The applicable prospectus supplement will describe the particular terms of the warrants being offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of warrants being offered, as well as the complete warrant agreements that contain the terms of the warrants. Specific warrant agreements will contain additional important terms and provisions and will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

Units

We may offer units consisting of our common stock or preferred stock, debt securities and/or warrants to purchase any of these securities in one or more series. We may evidence each series of units by unit certificates that we will issue under a separate agreement. We may enter into unit agreements with a unit agent. Each unit agent will be a bank or trust company that we select. We will indicate the name and address of the unit agent in the applicable prospectus supplement relating to a particular series of units. This prospectus contains only a summary of certain general features of the units. The applicable prospectus supplement will describe the particular features of the units being offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of units being offered, as well as the complete unit agreements that contain the terms of the units. Specific unit agreements will contain additional important terms and provisions and will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

Table of Contents

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risk factors discussed below, together with all the other information contained or incorporated by reference in this prospectus, as may be updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the risk factors and other information contained in any applicable prospectus supplement and in any related free writing prospectus in connection with a specific offering, and in the documents incorporated herein or therein before deciding whether to purchase any of the securities being registered pursuant to the registration statement of which this prospectus is a part. Each of the risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our securities, and the occurrence of any of these risks might cause you to lose all or part of your investment.

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis but also may reduce the amount of oil and natural gas that we can produce economically. Lower prices will also negatively impact the value of our proved reserves. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

We May Be Affected by General Economic Conditions

The disruption experienced in U.S. and global credit markets during second half of 2008 has resulted in projected decreases in demand for oil and natural gas, resulting in a sharp drop in energy prices, and has affected the availability and cost of capital. Prolonged negative changes in domestic and global economic conditions or disruptions of either or both of the financial and credit markets may have a material adverse effect on our results of operations, financial condition and liquidity. At this time, it is unclear whether and to what extent the actions taken by the U.S. government, including, without limitation, the passage of the Emergency Economic Stabilization Act of 2008 and other measures currently being implemented or contemplated, will mitigate the effects of the crisis. With respect to Houston American Energy, while we have no immediate need to access the credit markets in the foreseeable future, the impact of the current crisis on our ability to obtain financing in the future, if needed, and the cost and terms of same, is unclear. From an operating standpoint, the current crisis has resulted in a steep decline in the price of oil and natural gas, a marked decline in the value of our reserves, a determination in March 2009 to temporarily shut-in production from our Colombian wells and will result in reduced revenues and reduced profitability and, if prices continue to decline, may result in deterioration of our financial position.

Table of Contents

A substantial percentage of our properties are undeveloped; therefore the risk associated with our success is greater than would be the case if the majority of our properties were categorized as proved developed producing.

Because a substantial percentage of our properties are unproven or proved undeveloped, we will require significant additional capital to prove and develop such properties before they may become productive. At December 31, 2008, approximately 58.1% of our proved reserves were producing. Further, because of the inherent uncertainties associated with drilling for oil and gas, some of these properties may never be developed to the extent that they result in positive cash flow. Even if we are successful in our development efforts, it could take several years for a significant portion of our undeveloped properties to be converted to positive cash flow.

While our current business plan is to fund the development costs with funds on hand and cash flow from our other producing properties, if such funds are not sufficient we may be forced to seek alternative sources for cash, through the issuance of additional equity or debt securities, increased borrowings or other means.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our future success will depend on the success of our exploitation, exploration, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Please read "—Reserve estimates depend on many assumptions that may turn out to be inaccurate" (below) for a discussion of the uncertainty involved in these processes. Our cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- title problems; and
- limitations in the market for oil and natural gas.

Table of Contents

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties, potentially negatively impacting the trading value of our securities.

Accounting rules require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we have and may be required to further write down the carrying value of our oil and natural gas properties. A write-down could constitute a non-cash charge to earnings. It is likely the cumulative effect of a write-down could also negatively impact the trading price of our securities.

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves reported.

In order to prepare our estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development activities, prevailing oil and natural gas prices and other factors, many of which are beyond our control. During the years ended December 31, 2007 and 2008, revisions to prior estimates resulted in significant negative revisions to our proved reserves. Negative revisions during fiscal year 2007 amounted to 57.7% of prior year-end proved natural gas reserves and 40.2% of prior year-end proved oil reserves. Product sales and negative revisions during fiscal year 2008 amounted to 86.2% of prior year-end proved gas reserves and 83.4% of prior year-end proved oil reserves.

You should not assume that the present value of future net revenues from our proved reserves, as reported from time to time, is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we generally base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate. If future values decline or costs increase it could negatively impact our ability to finance operations, and individual properties could cease being commercially viable, affecting our decision to continue operations on producing properties or to attempt to develop properties. All of these factors would have a negative impact on earnings and net income, and most likely the trading price of our securities.

We are dependent upon third party operators of our oil and gas properties.

Under the terms of the Operating Agreements related to our oil and gas properties, third parties act as the operator of our oil and gas wells and control the drilling and operating activities to be conducted on our properties. Therefore, we have limited control over certain decisions related to activities on our properties, which could affect our results of operations. Decisions over which we have limited control include:

- the timing and amount of capital expenditures;
- the timing of initiating the drilling and recompleting of wells;
- the extent of operating costs; and
- the level of ongoing production.

Table of Contents

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

Our prospects are properties on which we have identified what we believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. This risk may be enhanced in our situation, due to the fact that a significant percentage of our reserves are currently unproved reserves. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects or producing fields will be applicable to our drilling prospects.

We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations.

We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;
- fires and explosions;
- personal injuries and death; and
- natural disasters.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to our company. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, then it could adversely affect us.

We are subject to complex laws that can affect the cost, manner or feasibility of doing business.

Exploration, development, production and sale of oil and natural gas are subject to extensive federal, state, local and international regulation. We may be required to make large expenditures to comply with governmental regulations. Matters subject to regulation include:

- discharge permits for drilling operations;
- drilling bonds;
- reports concerning operations;
- the spacing of wells;
- unitization and pooling of properties; and
- taxation.

Under these laws, we could be liable for personal injuries, property damage and other damages. Failure to comply with these laws also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect our financial condition and results of operations.

Our operations may incur substantial liabilities to comply with the environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on our results of operations, competitive position or financial condition as well as the industry in general. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or if our operations were standard in the industry at the time they were performed.

Certain U.S. federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of future legislation.

President Obama's Proposed Fiscal Year 2010 Budget includes proposed legislation that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any such changes will be enacted or how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could negatively affect our financial condition and results of operations.

The adoption of climate change legislation by Congress could result in increased operating costs and reduced demand for the oil and natural gas we produce.

On June 26, 2009, the U.S. House of Representatives approved adoption of the "American Clean Energy and Security Act of 2009," also known as the "Waxman-Markey cap-and-trade legislation" or ACESA. The purpose of ACESA is to control and reduce emissions of "greenhouse gases," or "GHGs," in the United States. GHGs are certain gases, including carbon dioxide and methane, that may be contributing to warming of the Earth's atmosphere and other climatic changes. ACESA would establish an economy-wide cap on emissions of GHGs in the United States and would require an overall reduction in GHG emissions of 17% (from 2005 levels) by 2020, and by over 80% by 2050. Under ACESA, most sources of GHG emissions would be required to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. The number of emission allowances issued each year would decline as necessary to meet ACESA's overall emission reduction goals. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, and natural gas.

Table of Contents

The U.S. Senate has begun work on its own legislation for controlling and reducing emissions of GHGs in the United States. If the Senate adopts GHG legislation that is different from ACESA, the Senate legislation would need to be reconciled with ACESA and both chambers would be required to approve identical legislation before it could become law. President Obama has indicated that he is in support of the adoption of legislation to control and reduce emissions of GHGs through an emission allowance permitting system that results in fewer allowances being issued each year but that allows parties to buy, sell and trade allowances as needed to fulfill their GHG emission obligations. Although it is not possible at this time to predict whether or when the Senate may act on climate change legislation or how any bill approved by the Senate would be reconciled with ACESA, any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require us to incur increased operating costs, and could have an adverse effect on demand for the oil and natural gas we produce.

Our operations in Colombia are subject to risks relating to political and economic instability.

We currently have interests in multiple oil and gas concessions in Colombia and anticipate that operations in Colombia will constitute a substantial element of our strategy going forward. The political climate in Colombia is unstable and could be subject to radical change over a very short period of time. In the event of a significant negative change in the political or economic climate in Colombia, we may be forced to abandon or suspend our operations in Colombia.

Our operations in Colombia are controlled by Hupecol which may carry out transactions affecting our Colombian assets and operations without our consent.

We are an investor in Hupecol and our interest in the assets and operations of Hupecol represent substantially all of our assets and operations in Colombia and are our principal assets and operations. During 2008, Hupecol sold its interest in the Caracara Association Contract, the largest single prospect in terms of reserves and revenues in which we then held an interest. Also, during 2008, Hupecol acquired an interest in the La Cuerva Contract. In early March 2009, Hupecol determined to temporarily shut-in production from our Colombian properties. It is possible that Hupecol will carry out similar sales or acquisitions of prospects or make similar decisions in the future. Our management intends to closely monitor the nature and progress of future transactions by Hupecol in order to protect our interests. However, we have no effective ability to alter or prevent a transaction and are unable to predict whether or not any such transactions will in fact occur or the nature or timing of any such transaction.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our cash flows and income.

Unless we conduct successful development, exploitation and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and production, and, therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. If we are unable to develop, exploit, find or acquire additional reserves to replace our current and future production, our cash flow and income will decline as production declines, until our existing properties would be incapable of sustaining commercial production.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our success will depend on our ability to retain John F. Terwilliger, our principal executive officer, and James Jacobs, our chief financial officer, and to attract other experienced management and non-management employees, including engineers, geoscientists and other technical and professional staff. We will depend, to a large extent, on the efforts, technical expertise and continued employment of such personnel and members of our management team. If members of our management team should resign or we are unable to attract the necessary personnel, our business operations could be adversely affected.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget.

Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our development and exploration operations. As the price of oil and natural gas increases, the demand for production equipment and personnel will likely also increase, potentially resulting, at least in the near-term, in shortages of equipment and personnel. In addition, larger producers may be more likely to secure access to such equipment by virtue of offering drilling companies more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, not only would this potentially delay our ability to convert our reserves into cash flow, but could also significantly increase the cost of producing those reserves, thereby negatively impacting anticipated net income.

If our access to markets is restricted, it could negatively impact our production, our income and ultimately our ability to retain our leases.

Market conditions or the unavailability of satisfactory transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business.

We may operate in areas with limited or no access to pipelines, thereby necessitating delivery by other means, such as trucking, or requiring compression facilities. Such restrictions on our ability to sell our oil or natural gas have several adverse affects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in a lower selling price) or, in the event we were unable to market and sustain production from a particular lease for an extended time, possibly causing us to lose a lease due to lack of production.

We may need additional financing to support operations and future capital commitments.

While we presently believe that our operating cash flows and funds on hand will support our ongoing operations and anticipated future capital requirements, a number of factors could result in our needing additional financing, including reductions in oil and natural gas prices, declines in production, unexpected developments in operations that could decrease our revenues, increase our costs or require additional capital contributions and commitments to new acquisition or drilling programs. We have no commitments to provide any additional financing, if needed, and may be limited in our ability to obtain the capital necessary to support operations, complete development, exploitation and exploration programs or carry out new acquisition or drilling programs. We have not thoroughly investigated whether this capital would be available, who would provide it, and on what terms. If we are unable, on acceptable terms, to raise the required capital, our business may be seriously harmed or even terminated.

Competition in the oil and natural gas industry is intense, which may adversely affect our ability to compete.

We operate in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in the areas in which we operate. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. We may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital.

Table of Contents

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell common stock when you want or at prices you find attractive.

The price of our common stock constantly changes. We expect that the market price of our common stock will continue to fluctuate.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements by us, our partners or our competitors of leasing and drilling activities;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in general conditions in our industry and in the economy, the financial markets and the domestic or international political situation;
- fluctuations in oil and gas prices;
- departures of key personnel; and
- regulatory considerations.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, regardless of our operating results.

The sale of a substantial number of shares of our common stock may affect our stock price.

Future sales of substantial amounts of our common stock or equity-related securities in the public market or privately, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

Our charter and bylaws, as well as provisions of Delaware law, could make it difficult for a third party to acquire our company and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Delaware corporate law and our charter and bylaws contain provisions that could delay, deter or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions without the concurrence of our management or board of directors. These provisions:

Table of Contents

- authorize our board of directors to issue "blank check" preferred stock, which is preferred stock that can be created and issued by our board of directors, without stockholder approval, with rights senior to those of our common stock;
- provide for a staggered board of directors and three-year terms for directors, so that no more than one-third of our directors could be replaced at any annual meeting;
- provide that directors may be removed only for cause; and
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

We are also subject to anti-takeover provisions under Delaware law, which could also delay or prevent a change of control. Taken together, these provisions of our charter, bylaws, and Delaware law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Our management owns a significant amount of our common stock, giving them influence or control in corporate transactions and other matters, and their interests could differ from those of other shareholders.

At August 10, 2009, our directors and executive officers owned approximately 46.6% of our outstanding common stock. As a result, our current directors and executive officers are in a position to significantly influence or control the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our certificate of incorporation or bylaws, and the approval of mergers and other significant corporate transactions. Such level of control of the company may delay or prevent a change of control on terms favorable to the other shareholders and may adversely affect the voting and other rights of other shareholders.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in or incorporated by reference into this prospectus, our filings with the SEC and our public releases, including, but not limited to, information regarding the status and progress of our operating activities, the plans and objectives of our management, assumptions regarding our future performance and plans, and any financial guidance provided therein are forward-looking statements within the meaning of Section 27A(i) of the Securities Act of 1933 and Section 21E(i) of the Securities Exchange Act of 1934. The words "believe," "may," "will," "estimate," "continues," "anticipate," "intend," "foresee," "expect," "should," "could," "plan," "predict," "project," or their negatives and similar expressions identify these forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements contained in this prospectus are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in the "Risk Factors" section and elsewhere in this prospectus. All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. The risks, contingencies and uncertainties relate to, among other matters, the following: our business strategy; our financial position; our cash flow and liquidity; integration of acquisitions; declines in the prices we receive for our oil and gas affecting our operating results and cash flows; economic slowdowns that can adversely affect consumption of oil and gas by businesses and consumers; uncertainties in estimating our oil and gas reserves; replacing our oil and gas reserves; uncertainties in exploring for and producing oil and gas; our inability to obtain financing necessary in order to fund our operations, capital expenditures, and to meet our other obligations; availability of drilling and production equipment and field service providers; disruptions, capacity constraints in, or other limitations on the pipeline systems which deliver our gas and other processing and transportation considerations; competition in the oil and gas industry; our inability to retain and attract key personnel; the effects of government regulation and permitting and other legal requirements; political instability in Colombia which could affect our right and ability to produce and exploit our holdings in that country; weather patterns and poor field infrastructure which could affect our ability to produce and exploit our holdings in Colombia; costs associated with perfecting title to mineral rights in some of our properties; and, other factors discussed under "Risk Factors."

Other factors besides those described in this prospectus, any prospectus supplement or the documents we incorporate by reference herein could also affect our actual results. These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control.

USE OF PROCEEDS

Except as described in any prospectus supplement and any free writing prospectus in connection with a specific offering, we currently intend to use the net proceeds from the sale of the securities offered under this prospectus for general corporate purposes, including working capital.

When we offer a particular series of securities, we will describe the intended use of the net proceeds from that offering in a prospectus supplement.

Table of Contents

DESCRIPTION OF COMMON STOCK AND PREFERRED STOCK

The following description of our common stock and preferred stock, together with any additional information we include in any applicable prospectus supplement or any related free writing prospectus, summarizes the material terms and provisions of our common stock and the preferred stock that we may offer under this prospectus. While the terms we have summarized below will apply generally to any future common stock or preferred stock that we may offer, we will describe the particular terms of any class or series of these securities in more detail in the applicable prospectus supplement. For the complete terms of our common stock and preferred stock, please refer to our certificate of incorporation and our amended and restated bylaws that are incorporated by reference into the registration statement of which this prospectus is a part or may be incorporated by reference in this prospectus or any applicable prospectus supplement. The terms of these securities may also be affected by Delaware General Corporation Law. The summary below and that contained in any applicable prospectus supplement or any related free writing prospectus are qualified in their entirety by reference to our certificate of incorporation and our amended and restated bylaws.

Common Stock

We are authorized to issue 100,000,000 shares of common stock, par value $0.001 per share, of which 28,000,772 shares were issued and outstanding as of August 10, 2009. Additional shares of authorized common stock may be issued, as authorized by our board of directors from time to time, without stockholder approval, except as may be required by applicable securities exchange requirements. The holders of common stock possess exclusive voting rights in us, except to the extent our board of directors specifies voting power with respect to any other class of securities issued in the future. Each holder of our common stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors. Stockholders do not have any right to cumulate votes in the election of directors.

Subject to preferences that may be granted to the holders of preferred stock, each holder of our common stock is entitled to share ratably in distributions to stockholders and to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, the holders of our common stock will be entitled to receive, after payment of all of our debts and liabilities and of all sums to which holders of any preferred stock may be entitled, the distribution of any of our remaining assets. Holders of our common stock have no conversion, exchange, sinking fund, redemption or appraisal rights (other than such as may be determined by our board of directors in its sole discretion) and have no preemptive rights to subscribe for any of our securities.

All of the outstanding shares of our common stock are, and the shares of common stock issued upon the conversion of any securities convertible into our common stock will be, fully paid and non-assessable. The shares of common stock offered by this prospectus or upon the conversion of any preferred stock or debt securities or exercise of any warrants offered pursuant to this prospectus, when issued and paid for, will also be, fully paid and non-assessable.

Securities Exchange Listing

Our common stock is listed on the Nasdaq Capital Market under the symbol "HUSA."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Standard Registrar and Transfer Company.

Preferred Stock

We are authorized to issue 10,000,000 shares of preferred stock, par value $0.001 per share, none of which are issued and outstanding as of the date of this prospectus. Our board of directors is authorized to classify or reclassify any unissued portion of our authorized shares of preferred stock to provide for the issuance of shares of other classes or series, including preferred stock in one or more series. We may issue preferred stock from time to time in one or more class or series, with the exact terms of each class or series established by our board of directors. Our board of directors may issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of our common stock without seeking stockholder approval. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of the common stock and may adversely affect the voting power of holders of common stock and reduce the likelihood that common stockholders will receive dividend payments and payments upon liquidation.

Table of Contents

The rights, preferences, privileges and restrictions of the preferred stock of each series will be fixed by the certificate of designation relating to each series. We will incorporate by reference into the registration statement of which this prospectus is a part the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. The applicable prospectus supplement will specify the terms of the series of preferred stock we are offering, including, but not limited to:

- the distinctive designation and the maximum number of shares in the series;
- the number of shares we are offering and purchase price per share;
- the liquidation preference, if any;
- the terms on which dividends, if any, will be paid;
- the voting rights, if any, on the shares of the series;
- the terms and conditions, if any, on which the shares of the series shall be convertible into, or exchangeable for, shares of any other class or classes of capital stock;
- the terms on which the shares may be redeemed, if at all;
- any listing of the preferred stock on any securities exchange or market;
- a discussion of any material or special United States federal income tax considerations applicable to the preferred stock; and
- any or all other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of the series.

The issuance of preferred stock may delay, deter or prevent a change in control.

The description of preferred stock above and the description of the terms of a particular series of preferred stock in any applicable prospectus supplement are not complete. You should refer to the applicable certificate of designation for complete information.

The General Corporation Law of the State of Delaware, the state of our incorporation, provides that the holders of preferred stock will have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

Anti-Takeover Effects of Provisions of our Charter Documents and Delaware Law

The following is a summary of certain provisions of Delaware law, our certificate of incorporation and our amended and restated bylaws. This summary does not purport to be complete and is qualified in its entirety by reference to the corporate law of Delaware and our certificate of incorporation and amended and restated bylaws.

Table of Contents

Certificate of Incorporation and Bylaws

Preferred Stock. Under our certificate of incorporation, our board of directors has the power to authorize the issuance of up to 10,000,000 shares of preferred stock, all of which are currently undesignated, and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by our stockholders. The issuance of preferred stock may:

- delay, defer or prevent a change in control;
- discourage bids for our common stock at a premium over the market price of our common stock;
- adversely affect the voting and other rights of the holders of our common stock; and
- discourage acquisition proposals or tender offers for our shares and, as a consequence, inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Advance Notice Requirement. Stockholder nominations of individuals for election to our board of directors and stockholder proposals of other matters to be brought before an annual meeting of our stockholders must comply with the advance notice procedures set forth in our amended and restated bylaws. Generally, to be timely, such notice must be received at our principal executive offices no later than the date specified in our proxy statement released to stockholders in connection with the preceding year's annual meeting of stockholders, which date shall be not earlier than the 90th day, nor later than the close of business on the 70th day, prior to the first anniversary of the date of the preceding year's annual meeting of stockholders.

Special Meeting Requirements. Our amended and restated bylaws provide that special meetings of our stockholders may only be called at the request of our board of directors or holders of at least ten percent (10%) of the shares entitled to vote at a meeting. Only such business shall be considered at a special meeting as shall have been stated in the notice for such meeting.

No Cumulative Voting. Our certificate of incorporation does not include a provision for cumulative voting for directors.

Classified Board; Removal of Director. Our certificate of incorporation provides that the members of our board of directors are divided into three classes as nearly equal as possible. Each class is elected for a three-year term. At each annual meeting of shareholders, approximately one-third of the members of the board of directors are elected for a three-year term and the other directors remain in office until their three-year terms expire. Furthermore, our certificate of incorporation provides that no director may be removed without the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding capital stock entitled to vote for the election of directors. Thus, control of the board of directors cannot be changed in one year without removing the directors by a vote of two-thirds of the stockholders; rather, at least two annual meetings must be held before a majority of the members of the board of directors could be changed.

Indemnification. Our certificate of incorporation and our bylaws, as amended, provide that we will indemnify our officers and directors against losses they incur in investigations and legal proceedings resulting from their services to us, which may include service in connection with takeover defense measures.

Delaware Anti-Takeover Statute.

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits, with some exceptions, a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a period of three years following the date that stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

Table of Contents

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding (but not the voting stock owned by the interested stockholder) those shares owned by persons who are directors and officers and by excluding employee stock plans in which employee participants do not have the right to determine whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include any of the following:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the determination of interested stockholder status did beneficially own, 15% or more of the outstanding voting stock of the corporation.

The above provisions may deter a hostile takeover or delay a change in control of management or us.

Table of Contents

DESCRIPTION OF DEBT SECURITIES

General

The debt securities that we may issue may constitute debentures, notes, bonds or other evidences of indebtedness of Houston American Energy Corp., to be issued in one or more series, which may include senior debt securities, subordinated debt securities and senior subordinated debt securities. The particular terms of any series of debt securities we may offer, including the extent to which the general terms set forth below may be applicable to a particular series, will be described in a prospectus supplement relating to such series.

Debt securities that we may issue may be issued under a senior indenture between us and a trustee, or a subordinated indenture between us and a trustee (collectively, the "indenture"). We have incorporated by reference forms of the indentures as exhibits to the registration statement of which this prospectus is a part. If we enter into any revised indenture or indenture supplement, we will file a copy of that supplement with the SEC.

THE FOLLOWING DESCRIPTION IS A SUMMARY OF THE MATERIAL PROVISIONS OF THE INDENTURE. IT DOES NOT RESTATE THE INDENTURE IN ITS ENTIRETY. THE INDENTURE IS GOVERNED BY THE TRUST INDENTURE ACT OF 1939. THE TERMS OF THE DEBT SECURITIES INCLUDE THOSE STATED IN THE INDENTURE AND THOSE MADE PART OF THE INDENTURE BY REFERENCE TO THE TRUST INDENTURE ACT. WE URGE YOU TO READ THE INDENTURE BECAUSE IT, AND NOT THIS DESCRIPTION, DEFINES YOUR RIGHTS AS A HOLDER OF THE DEBT SECURITIES.

The indenture contains no covenant or provision which affords debt holders protection in the event of a highly leveraged transaction.

Information You Will Find in the Prospectus Supplement

The indenture provides that we may issue debt securities from time to time in one or more series by resolution of our board of directors or by means of a supplemental indenture, and that we may denominate the debt securities and make them payable in foreign currencies. The indenture does not limit the aggregate principal amount of debt securities that can be issued thereunder. The prospectus supplement for a series of debt securities will provide information relating to the terms of the series of debt securities being offered, which may include:

- the title and denominations of the debt securities of the series;
- any limit on the aggregate principal amount of the debt securities of the series;
- the date or dates on which the principal and premium, if any, with respect to the debt securities of the series are payable or the method of determination thereof;
- the rate or rates, which may be fixed or variable, at which the debt securities of the series shall bear interest, if any, or the method of calculating and/or resetting such rate or rates of interest;
- the dates from which such interest shall accrue or the method by which such dates shall be determined and the basis upon which interest shall be calculated;
- the interest payment dates for the series of debt securities or the method by which such dates will be determined, the terms of any deferral of interest and any right of ours to extend the interest payments periods;
- the place or places where the principal and interest on the series of debt securities will be payable;
- the terms and conditions upon which debt securities of the series may be redeemed, in whole or in part, at our option or otherwise;
- our obligation, if any, to redeem, purchase, or repay debt securities of the series pursuant to any sinking fund or other specified event or at the option of the holders and the terms of any such redemption, purchase, or repayment;

Table of Contents

- the terms, if any, upon which the debt securities of the series may be convertible into or exchanged for other securities, including, among other things, the initial conversion or exchange price or rate and the conversion or exchange period;
- if the amount of principal, premium, if any, or interest with respect to the debt securities of the series may be determined with reference to an index or formula, the manner in which such amounts will be determined;
- if any payments on the debt securities of the series are to be made in a currency or currencies (or by reference to an index or formula) other than that in which such securities are denominated or designated to be payable, the currency or currencies (or index or formula) in which such payments are to be made and the terms and conditions of such payments;
- any changes or additions to the provisions of the indenture dealing with defeasance, including any additional covenants that may be subject to our covenant defeasance option;
- the currency or currencies in which payment of the principal and premium, if any, and interest with respect to debt securities of the series will be payable, or in which the debt securities of the series shall be denominated, and the particular provisions applicable thereto in accordance with the indenture;
- the portion of the principal amount of debt securities of the series which will be payable upon declaration of acceleration or provable in bankruptcy or the method by which such portion or amount shall be determined;
- whether the debt securities of the series will be secured or guaranteed and, if so, on what terms;
- any addition to or change in the events of default with respect to the debt securities of the series;
- the identity of any trustees, authenticating or paying agents, transfer agents or registrars;
- the applicability of, and any addition to or change in, the covenants currently set forth in the indenture;
- the subordination, if any, of the debt securities of the series and terms of the subordination;
- any other terms of the debt securities of the series; and
- whether securities of the series shall be issuable as registered securities or bearer securities (with or without interest coupons), and any restrictions applicable to the offering, sale or delivery of such bearer securities and the terms upon which such bearer securities of a series may be exchanged for registered securities, and vice versa.

Holders of debt securities may present debt securities for exchange in the manner, at the places, and subject to the restrictions set forth in the debt securities, the indenture, and the prospectus supplement. We will provide these services without charge, other than any tax or other governmental charge payable in connection therewith, but subject to the limitations provided in the indenture, any board resolution establishing such debt securities and any applicable indenture supplement. Debt securities in bearer form and the coupons, if any, appertaining thereto will be transferable by delivery.

Senior Debt

We may issue senior debt securities under the indenture and any coupons that will constitute part of our senior debt. Unless otherwise set forth in the applicable indenture supplement or in any board resolution establishing such debt securities and described in a prospectus supplement, the senior debt securities will be senior unsecured obligations, ranking equally with all of our existing and future senior unsecured debt. The senior debt securities will be senior to all of our subordinated debt and junior to any secured debt we may incur as to the assets securing such debt.

Table of Contents

Subordinated Debt

We may issue subordinated debt securities under the indenture and any coupons that will constitute part of such subordinated debt. These subordinated debt securities will be subordinate and junior in right of payment, to the extent and in the manner set forth in the indenture and any applicable indenture supplement, to all of our senior indebtedness.

If this prospectus is being delivered in connection with a series of subordinated debt securities, the accompanying prospectus supplement or the information incorporated by reference will set forth the approximate amount of senior indebtedness, if any, outstanding as of the end of our most recent fiscal quarter.

Senior Subordinated Debt

We may issue senior subordinated debt securities under the indenture and any coupons that will constitute part of our senior subordinated debt. These senior subordinated debt securities will be, to the extent and in the manner set forth in the indenture, subordinate and junior in right of payment to all of our "senior indebtedness" and senior to our other subordinated debt. See the discussions above under "—Senior Debt" and "—Subordinated Debt" for a more detailed explanation of our senior and subordinated indebtedness.

Interest Rate

Debt securities that bear interest will do so at a fixed rate or a floating rate. We may sell, at a discount below the stated principal amount, any debt securities which bear no interest or which bear interest at a rate that at the time of issuance is below the prevailing market rate. The relevant prospectus supplement will describe the special United States federal income tax considerations applicable to:

- any discounted debt securities; and
- any debt securities issued at par which are treated as having been issued at a discount for United States federal income tax purposes.

Registered Global Securities

We may issue registered debt securities of a series in the form of one or more fully registered global securities. We will deposit the registered global security with a depositary or with a nominee for a depositary identified in the prospectus supplement relating to such series. The global security or global securities will represent and will be in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding registered debt securities of the series to be represented by the registered global security or securities. Unless it is exchanged in whole or in part for debt securities in definitive registered form, a registered global security may not be transferred, except as a whole in three cases:

- by the depositary for the registered global security to a nominee of the depositary;
- by a nominee of the depositary to the depositary or another nominee of the depositary; and
- by the depositary or any nominee to a successor of the depositary or a nominee of the successor.

The prospectus supplement relating to a series of debt securities will describe the specific terms of the depositary arrangement concerning any portion of that series of debt securities to be represented by a registered global security. We anticipate that the following provisions will generally apply to all depositary arrangements.

Upon the issuance of a registered global security, the depositary will credit, on its book-entry registration and transfer system, the principal amounts of the debt securities represented by the registered global security to the accounts of persons that have accounts with the depositary. These persons are referred to as "participants." Any underwriters, agents or debtors participating in the distribution of debt securities represented by the registered global security will designate the accounts to be credited. Only participants or persons that hold interests through participants will be able to beneficially own interests in a registered global security. The depositary for a global security will maintain records of beneficial ownership interests in a registered global security for participants. Participants or persons that hold through participants will maintain records of beneficial ownership interests in a global security for persons other than participants. These records will be the only means to transfer beneficial ownership in a registered global security.

Table of Contents

The laws of some states may require that specified purchasers of securities take physical delivery of the securities in definitive form. These laws may limit the ability of those persons to own, transfer or pledge beneficial interests in global securities.

So long as the depositary, or its nominee, is the registered owner of a registered global security, the depositary or its nominee will be considered the sole owner or holder of the debt securities represented by the registered global security for all purposes under the indenture. Except as set forth below, owners of beneficial interests in a registered global security:

- may not have the debt securities represented by a registered global security registered in their names;
- will not receive or be entitled to receive physical delivery of debt securities represented by a registered global security in definitive form; and
- will not be considered the owners or holders of debt securities represented by a registered global security under the indenture.

Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depositary for the registered global security and, if the person is not a participant, on the procedures of the participant through which the person owns its interests, to exercise any rights of a holder under the indenture applicable to the registered global security.

We understand that, under existing industry practices, if we request any action of holders, or if an owner of a beneficial interest in a registered global security desires to give or take any action which a holder is entitled to give or take under the indenture, the depositary for the registered global security would authorize the participants holding the relevant beneficial interests to give or take the action, and the participants would authorize beneficial owners owning through the participants to give or take the action or would otherwise act upon the instructions of beneficial owners holding through them.

Payment of Interest on and Principal of Registered Global Securities

We will make principal, premium, if any, and interest payments on debt securities represented by a registered global security registered in the name of a depositary or its nominee to the depositary or its nominee as the registered owner of the registered global security. None of Houston American Energy, the trustee, or any paying agent for debt securities represented by a registered global security will have any responsibility or liability for:

- any aspect of the records relating to, or payments made on account of, beneficial ownership interests in such registered global security;
- maintaining, supervising, or reviewing any records relating to beneficial ownership interests;
- the payments to beneficial owners of the global security of amounts paid to the depositary or its nominee; or
- any other matter relating to the actions and practices of the depositary, its nominee or any of its participants.

We expect that the depositary, upon receipt of any payment of principal, premium or interest in respect of the global security, will immediately credit participants' accounts with payments in amounts proportionate to their beneficial interests in the principal amount of a registered global security as shown on the depositary's records. We also expect that payments by participants to owners of beneficial interests in a registered global security held through participants will be governed by standing instructions and customary practices. This is currently the case with the securities held for the accounts of customers registered in "street name." Such payments will be the responsibility of participants.

Table of Contents

Exchange of Registered Global Securities

We may issue debt securities in definitive form in exchange for the registered global security if both of the following occur:

- the depositary for any debt securities represented by a registered global security is at any time unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Exchange Act; and
- we do not appoint a successor depositary within 90 days.

In addition, we may, at any time, determine not to have any of the debt securities of a series represented by one or more registered global securities. In this event, we will issue debt securities of that series in definitive form in exchange for all of the registered global security or securities representing those debt securities.

Our Covenants

The indenture includes covenants by us, including among other things that we will make all payments of principal and interest at the times and places required. The board resolution or supplemental indenture establishing each series of debt securities may contain additional covenants, including covenants which could restrict our right to incur additional indebtedness or liens and to take certain actions with respect to our businesses and assets.

Events of Default

Unless otherwise indicated in the applicable prospectus supplement, the following will be events of default under the indenture with respect to each series of debt securities issued under the indenture:

- failure to pay when due any interest on any debt security of that series that continues for 30 days;
- failure to pay when due the principal of, or premium, if any, on, any debt security of that series;
- default in the payment of any sinking fund installment with respect to any debt security of that series when due and payable;
- failure to perform any other covenant or agreement of ours under the indenture or the supplemental indenture with respect to that series or the debt securities of that series, continued for 90 days after written notice to us by the trustee or holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series to which the covenant or agreement relates;
- certain events of bankruptcy, insolvency or similar proceedings affecting us and our subsidiaries; and
- any other event of default specified in any supplemental indenture under which such series of debt securities is issued.

Except as to certain events of bankruptcy, insolvency or similar proceedings affecting us and except as provided in the applicable prospectus supplement, if any event of default shall occur and be continuing with respect to any series of debt securities under the indenture, either the trustee or the holders of at least 25% in aggregate principal amount of outstanding debt securities of such series may accelerate the maturity of all debt securities of such series. Upon certain events of bankruptcy, insolvency or similar proceedings affecting us, the principal, premium, if any, and interest on all debt securities of each series shall be immediately due and payable.

After any such acceleration, but before a judgment or decree based on acceleration has been obtained by the trustee, the holders of a majority in aggregate principal amount of each affected series of debt securities may waive all defaults with respect to such series and rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, have been cured, waived or otherwise remedied.

Table of Contents

No holder of any debt securities will have any right to institute any proceeding with respect to the indenture or for any remedy under the indenture, unless such holder shall have previously given to the trustee written notice of a continuing event of default and the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the relevant series shall have made written request and offered indemnity satisfactory to the trustee to institute such proceeding as trustee, and the trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding debt securities of such series a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a holder of a debt security for enforcement of payment of the principal of and premium, if any, or interest on such debt security on or after the respective due dates expressed in such debt security.

Supplemental Indentures

We and the trustee may, at any time and from time to time, without prior notice to or consent of any holders of debt securities after issuance of such debt securities, enter into one or more supplemental indentures to, among other things:

- add guarantees to or secure any series of debt securities;
- add any additional Events of Default;
- provide for the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of our covenants, agreements, and obligations, or to otherwise comply with the provisions of the indenture relating to consolidations, mergers, and sales of assets;
- surrender any right or power conferred upon us under the indenture or to add to our covenants further covenants, restrictions, conditions or provisions for the protection of the holders of all or any series of debt securities;
- cure any ambiguity or to correct or supplement any provision contained in the indenture, in any supplemental indenture or in any debt securities that may be defective or inconsistent with any other provision contained therein, so long as any such action does not adversely affect the interests of the holders of debt securities of any series in any material respect;
- add or change or eliminate any of the provisions of the indenture to extent as shall be necessary to permit or facilitate the issuance of debt securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons;
- add to or change any of the provisions of the indenture to permit the defeasance and discharge of any series of debt securities pursuant to the indenture;
- change, or eliminate any of the provisions of the indenture provided that any such change or elimination shall become effective only when there are no debt securities outstanding of any series created prior to the execution of such supplemental indenture;
- evidence and provide for the acceptance of appointment by a successor or separate trustee; and
- establish the form or terms of debt securities of any series and to make any change that does not adversely affect the interests of the holders of debt securities.

With the consent of the holders of at least a majority in principal amount of debt securities of each series affected by such supplemental indenture (each series voting as one class), we and the trustee may enter into one or more supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the indenture or modifying in any manner the rights of the holders of debt securities of each such series.

Table of Contents

Notwithstanding our rights and the rights of the trustee to enter into one or more supplemental indentures with the consent of the holders of debt securities of the affected series as described above, no such supplemental indenture to be entered into after issuance of the debt securities shall, without the consent of the holder of each outstanding debt security of the affected series, among other things:

- change the final maturity of the principal of, or any installment of interest on, any debt securities;
- reduce the principal amount of any debt securities or the rate of interest on any debt securities;
- change the currency in which any debt securities are payable;
- release any security interest that may have been granted with respect to such debt securities;
- impair the right of the holders to conduct a proceeding for any remedy available to the trustee;
- reduce the percentage in principal amount of any series of debt securities whose holders must consent to an amendment or supplemental indenture;
- modify the ranking or priority of the securities;
- reduce any premium payable upon the redemption of any debt securities or change the time at which any debt security may be redeemed; or
- make any change that adversely affects the relative rights of holders of subordinated debt securities with respect to senior debt securities.

Satisfaction and Discharge of the Indenture; Defeasance

Except to the extent set forth in a supplemental indenture with respect to any series of debt securities, we, at our election, may discharge the indenture and the indenture shall generally cease to be of any further effect with respect to that series of debt securities if (a) we have delivered to the trustee for cancellation all debt securities of that series (with certain limited exceptions) or (b) all debt securities of that series not previously delivered to the trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee the entire amount sufficient to pay at maturity or upon redemption all such debt securities.

In addition, we have a "legal defeasance option" (pursuant to which we may terminate, with respect to the debt securities of a particular series, all of our obligations under such debt securities and the indenture with respect to such debt securities) and a "covenant defeasance option" (pursuant to which we may terminate, with respect to the debt securities of a particular series, our obligations with respect to such debt securities under certain specified covenants contained in the indenture). If we exercise our legal defeasance option with respect to a series of debt securities, payment of such debt securities may not be accelerated because of an event of default. If we exercise our covenant defeasance option with respect to a series of debt securities, payment of such debt securities may not be accelerated because of an event of default related to the specified covenants.

We may exercise our legal defeasance option or our covenant defeasance option with respect to the debt securities of a series only if we irrevocably deposit in trust with the trustee cash or U.S. government obligations (as defined in the indenture) for the payment of principal, premium, if any, and interest with respect to such debt securities to maturity or redemption, as the case may be. In addition, to exercise either of our defeasance options, we must comply with certain other conditions, including the delivery to the trustee of an opinion of counsel to the effect that the holders of debt securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred (and, in the case of legal defeasance only, such opinion of counsel must be based on a ruling from the Internal Revenue Service or other change in applicable Federal income tax law).

The trustee will hold in trust the cash or U.S. government obligations deposited with it as described above and will apply the deposited cash and the proceeds from deposited U.S. government obligations to the payment of principal, premium, if any, and interest with respect to the debt securities of the defeased series. In the case of subordinated debt securities, the money and U.S. government obligations held in trust will not be subject to the subordination provisions of the indenture.

Table of Contents

Mergers, Consolidations and Certain Sales of Assets

Under the proposed form of indenture, we may not (1) consolidate with or merge into any other person or entity or permit any other person or entity to consolidate with or merge into us in a transaction in which we are not the surviving entity, or (2) transfer, lease or dispose of all or substantially all of our assets to any other person or entity unless:

- the resulting, surviving or transferee entity shall be a corporation organized and existing under the laws of the United States or any state thereof and such resulting, surviving or transferee entity shall expressly assume, by supplemental indenture, all of our obligations under the debt securities and the indenture;
- immediately after giving effect to such transaction (and treating any indebtedness which becomes an obligation of the resulting, surviving or transferee entity as a result of such transaction as having been incurred by such entity at the time of such transaction), no default or event of default would occur or be continuing; and
- we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the indenture.

Governing Law

The indenture and the debt securities will be governed by the laws of the State of New York.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, incorporator or stockholder of Houston American Energy, as such, shall have any liability for any obligations of Houston American Energy under the debt securities or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation, solely by reason of his, her, or its status as director, officer, incorporator or stockholder of Houston American Energy. By accepting a debt security, each holder waives and releases all such liability, but only such liability. The waiver and release are part of the consideration for issuance of the debt securities. Nevertheless, such waiver may not be effective to waive liabilities under the federal securities laws and it has been the view of the SEC that such a waiver is against public policy.

Conversion or Exchange Rights

Any debt securities issued under the indenture may be convertible into or exchangeable for shares of our equity securities. The terms and conditions of such conversion or exchange will be set forth in the applicable prospectus supplement. Such terms may include, among others, the following:

- the conversion or exchange price;
- the conversion or exchange period;
- provisions regarding our ability or that of the holder to convert or exchange the debt securities;
- events requiring adjustment to the conversion or exchange price; and
- provisions affecting conversion or exchange in the event of our redemption of such debt securities.

Table of Contents

Concerning the Trustee

The indenture provides that there may be more than one trustee with respect to one or more series of debt securities. If there are different trustees for different series of debt securities, each trustee will be a trustee of a trust under a supplemental indenture separate and apart from the trust administered by any other trustee under such indenture. Except as otherwise indicated in this prospectus or any prospectus supplement, any action permitted to be taken by a trustee may be taken by the trustee only with respect to the one or more series of debt securities for which it is the trustee under an indenture. Any trustee under the indenture or a supplemental indenture may resign or be removed with respect to one or more series of debt securities. All payments of principal of, premium, if any, and interest on, and all registration, transfer, exchange, authentication and delivery of (including authentication and delivery on original issuance of the debt securities), the debt securities of a series will be effected by the trustee with respect to such series at an office designated by the trustee.

The indenture contains limitations on the right of the trustee, should it become a creditor of Houston American Energy, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. If the trustee acquires an interest that conflicts with any duties with respect to the debt securities, the trustee is required to either resign or eliminate such conflicting interest to the extent and in the manner provided by the indenture.

Limitations on Issuance of Bearer Debt Securities

Debt securities in bearer form are subject to special U.S. tax requirements and may not be offered, sold, or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Investors should consult the relevant prospectus supplement, in the event that bearer debt securities are issued for special procedures and restrictions that will apply to such an offering.

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of common stock, preferred stock or debt securities. Warrants may be offered independently or together with common stock, preferred stock or debt securities offered by any prospectus supplement and may be attached to or separate from those securities. While the terms we have summarized below will apply generally to any warrants that we may offer under this prospectus, we will describe in particular the terms of any series of warrants that we may offer in more detail in the applicable prospectus supplement and any applicable free writing prospectus. The terms of any warrants offered under a prospectus supplement may differ from the terms described below.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from another report that we file with the SEC, the form of warrant agreement, which may include a form of warrant certificate, that describes the terms of the particular series of warrants we are offering before the issuance of the related series of warrants. We may issue the warrants under a warrant agreement that we will enter into with a warrant agent to be selected by us. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any registered holders of warrants or beneficial owners of warrants. The following summary of material provisions of the warrants and warrant agreements are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and warrant certificate applicable to a particular series of warrants. We urge you to read the applicable prospectus supplement and any applicable free writing prospectus related to the particular series of warrants that we sell under this prospectus, as well as the complete warrant agreements and warrant certificates that contain the terms of the warrants.

The particular terms of any issue of warrants will be described in the prospectus supplement relating to the issue. Those terms may include:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;

Table of Contents

- the currency or currencies (including composite currencies) in which the price of such warrants may be payable;
- the terms of the securities purchasable upon exercise of such warrants and the procedures and conditions relating to the exercise of such warrants;
- the price at which the securities purchasable upon exercise of such warrants may be purchased;
- the date on which the right to exercise such warrants will commence and the date on which such right shall expire;
- any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;
- if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;
- if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;
- if applicable, the date on and after which such warrants and the related securities will be separately transferable;
- information with respect to book-entry procedures, if any;
- the terms of any rights to redeem or call the warrants;
- United States federal income tax consequences of holding or exercising the warrants, if material; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange or exercise of such warrants.

Each warrant will entitle its holder to purchase the principal amount of debt securities or the number of shares of preferred stock or common stock at the exercise price set forth in, or calculable as set forth in, the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to the specified time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

We will specify the place or places where, and the manner in which, warrants may be exercised in the warrant agreement or warrant certificate and applicable prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, issue and deliver the purchased securities. If less than all of the warrants represented by the warrant certificate are exercised, a new warrant certificate will be issued for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to the exercise of any warrants to purchase common stock, preferred stock or debt securities, holders of the warrants will not have any of the rights of holders of the common stock, preferred stock or debt securities purchasable upon exercise, including (i) in the case of warrants for the purchase of common stock or preferred stock, the right to vote or to receive any payments of dividends or payments upon our liquidation, dissolution or winding up on the common stock or preferred stock purchasable upon exercise, if any; or (ii) in the case of warrants for the purchase of debt securities, the right to receive payments of principal of, any premium or interest on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture.

Table of Contents

DESCRIPTION OF UNITS

The following description, together with the additional information we may include in any applicable prospectus supplement, summarizes the material terms and provisions of the units that we may offer under this prospectus. While the terms we have summarized below will apply generally to any units that we may offer under this prospectus, we will describe the particular terms of any series of units in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below. However, no prospectus supplement will fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness.

We will file with the SEC, the form of unit agreement that describes the terms of the series of units we are offering, and any supplemental agreements, before the issuance of the related series of units. The following summaries of material terms and provisions of the units are subject to, and qualified in their entirety by reference to, all the provisions of the unit agreement and any supplemental agreements applicable to a particular series of units. We urge you to read the applicable prospectus supplements related to the particular series of units that we sell under this prospectus, as well as the complete unit agreement and any supplemental agreements that contain the terms of the units.

General

We may issue units comprised of one or more debt securities, shares of common stock, shares of preferred stock and warrants in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units, including, but not limited to:

- the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;
- any provisions of the governing unit agreement that differ from those described below; and
- any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units.

The provisions described in this section, as well as those described under "Description of Common Stock and Preferred Stock," "Description of Debt Securities" and "Description of Warrants" will apply to each unit and to any common stock, preferred stock, debt security or warrant included in each unit, respectively.

Issuance in Series

We may issue units in such amounts and in numerous distinct series as we determine.

Enforceability of Rights by Holders of Units

Each unit agent will act solely as our agent under the applicable unit agreement and will not assume any obligation or relationship of agency or trust with any holder of any unit. A single bank or trust company may act as unit agent for more than one series of units. A unit agent will have no duty or responsibility in case of any default by us under the applicable unit agreement or unit, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a unit may, without the consent of the related unit agent or the holder of any other unit, enforce by appropriate legal action its rights as holder under any security included in the unit.

Table of Contents

We, the unit agents and any of their agents may treat the registered holder of any unit certificate as an absolute owner of the units evidenced by that certificate for any purpose and as the person entitled to exercise the rights attaching to the units so requested, despite any notice to the contrary.

PLAN OF DISTRIBUTION

We may sell the securities to or through underwriters or dealers, through agents, or directly to one or more purchasers. A prospectus supplement or supplements (and any related free writing prospectus that we may authorize to be provided to you) will describe the terms of the offering of the securities, including, to the extent applicable

- the name or names of any agents or underwriters;
- the purchase price of the securities being offered and the proceeds we will receive from the sale;
- any over-allotment options under which underwriters may purchase additional securities from us;
- any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchanges or markets on which such securities may be listed.

We may distribute the securities from time to time in one or more transactions at:

- fixed price or prices, which may be changed from time to time;
- market prices prevailing at the time of sale;
- prices related to such prevailing market prices; or
- negotiated prices.

Agents

We may designate agents who agree to use their reasonable efforts to solicit purchases of our securities for the period of their appointment or to sell our securities on a continuing basis. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the applicable prospectus supplement.

Underwriters

If we use underwriters for a sale of securities, the underwriters will acquire the securities for their own account. The underwriters may resell the securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. Subject to certain conditions, the underwriters will be obligated to purchase all the securities of the series offered if they purchase any of the securities of that series. We may change from time to time any public offering price and any discounts or concessions the underwriters allow or reallow or pay to dealers. We may use underwriters with whom we have a material relationship. We will describe the nature of any such relationship in any applicable prospectus supplement naming any such underwriter. Only underwriters we name in the prospectus supplement are underwriters of the securities offered by the prospectus supplement.

We may provide agents and underwriters with indemnification against civil liabilities related to offerings under this prospectus, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities.

Table of Contents

Direct Sales

We may also sell securities directly to one or more purchasers without using underwriters or agents. Underwriters, dealers and agents that participate in the distribution of the securities may be underwriters as defined in the Securities Act, and any discounts or commissions they receive from us and any profit on their resale of the securities may be treated as underwriting discounts and commissions under the Securities Act. We will identify in the applicable prospectus supplement any underwriters, dealers or agents and will describe their compensation. We may have agreements with the underwriters, dealers and agents to indemnify them against specified civil liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with or perform services for us in the ordinary course of their businesses.

Trading Markets and Listing of Securities

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no established trading market, other than our common stock, which is currently listed on the Nasdaq Capital Market. We may elect to list any other class or series of securities on any exchange or market, but we are not obligated to do so. It is possible that one or more underwriters may make a market in a class or series of securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance as to the liquidity of the trading market for any of the securities.

Stabilization Activities

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of these activities at any time.

Passive Market Making

Any underwriters who are qualified market makers on the Nasdaq Capital Market may engage in passive market making transactions in the securities on the Nasdaq Capital Market in accordance with Rule 103 of Regulation M, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the securities. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security. If all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded.

LEGAL MATTERS

The validity of the securities being offered by this prospectus will be passed upon for us by Michael Sanders, Attorney at Law. If the validity of any securities is also passed upon by counsel for any underwriters, dealers or agents, that counsel will be named in the prospectus supplement relating to that specific offering.

EXPERTS

The consolidated financial statements of Houston American Energy as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of GBH CPAs, PC, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The consolidated financial statements of Houston American Energy as of December 31, 2007, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of Malone & Bailey, PC, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The consolidated financial statements of Houston American Energy as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended have been incorporated by reference herein and in the registration statement in reliance upon the report of Ham, Langston & Brezina, L.L.P. (formerly Thomas Leger & Co., L.L.P.), independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information electronically with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. You can request copies of these documents by writing to the SEC and paying a fee for the copying costs. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The SEC's Internet site can be found at http://www.sec.gov. In addition, we make available on or through our Internet site copies of these reports as soon as reasonably practicable after we electronically file or furnish them to the SEC. Our Internet site can be found at http://www.houstonamericanenergy.com.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus is not complete. You should read the information incorporated by reference for more detail. We incorporate by reference in two ways. First, we list below certain documents that we have already filed with the SEC. The information in these documents is considered part of this prospectus. Second, the information in documents that we file in the future will update and supersede the current information in, and be incorporated by reference in, this prospectus.

We incorporate by reference into this prospectus the documents listed below, any filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the initial registration statement of which this prospectus is a part and prior to the effectiveness of the registration statement, and any filings we make with the SEC pursuant to Section 13(a), 13 (c), 14 or 15(d) of the Exchange Act from the date of this prospectus until the termination of this offering (in each case, except for the information furnished under Item 2.02 or Item 7.01 in any current report on Form 8-K and Form 8-K/A):

- our annual report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 16, 2009 (File No. 001-32955);
- the information specifically incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2008 from our definitive proxy statement on Schedule 14A filed with the SEC on April 27, 2009 (File No. 001-32955);
- our quarterly reports on Form 10-Q for the quarterly period ended March 31, 2009, filed with the SEC on May 11, 2009, and for the quarterly period ended June 30, 2009, filed with the SEC on August 10, 2009 (File No. 001-32955);
- our current reports on Form 8-K filed with the SEC on January 22, 2009, February 5, 2009, June 11, 2009 and June 24, 2009 (File No. 001-32955);
- the description of our common stock contained in our registration statement on Form SB-2 filed with the SEC on June 6, 2006 (File No. 333-134756).

We will provide each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference into this prospectus but not delivered with this prospectus upon written or oral request at no cost to the requester. Requests should be directed to: Houston American Energy Corp., 801 Travis, Suite 1425, Houston, Texas 77002, Attn: Investor Relations, telephone: [redacted]

Table of Contents

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC. That registration statement contains more information than this prospectus regarding us and our securities, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet website.

You should rely only on the information provided in and incorporated by reference into this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front cover of these documents.

EXHIBIT 48