HOUSTON AMERICAN ENERGY CORP
Form 10KSB/A
April 20, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
Amendment No. 1

(MARK ONE)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2003

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to _____________

Commission File No. 0-33027

HOUSTON AMERICAN ENERGY CORP.

(Name of Small Business Issuer in its charter)

Delaware	76-0675953
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

801 Travis Street, Suite 2020
Houston, Texas 77002

(Address of principal executive offices)(Zip code)

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

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

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

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

Common Stock, $0.001 par value

(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

The Issuer's revenues for the fiscal year ended December 31, 2003 were

$220,600.

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

DOCUMENTS INCORPORATED BY REFERENCE

None

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

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EXPLANATORY NOTE

Houston American Energy Corp. (the "Company") is amending its annual report on Form 10-KSB for the year ended December 31, 2003 ("Form 10-KSB") to include the information required by Part III of the Form 10-KSB. Except as so indicated, the Company has made no changes to its Annual Report on Form 10-KSB for the year ended December 31, 2003.

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-KSB contains forward-looking statements within the meaning of the federal securities laws. These forwarding-looking statements include without limitation statements regarding our expectations and beliefs about the market and industry, our goals, plans, and expectations regarding our properties and drilling activities and results, our intentions and strategies regarding future acquisitions and sales of properties, our intentions and strategies regarding the formation of strategic relationships, our beliefs regarding the future success of our properties, our expectations and beliefs regarding competition, competitors, the basis of competition and our ability to compete, our beliefs and expectations regarding our ability to hire and retain personnel, our beliefs regarding period to period results of operations, our expectations regarding revenues, our expectations regarding future growth and financial performance, our beliefs and expectations regarding the adequacy of our facilities, and our beliefs and expectations regarding our financial position, ability to finance operations and growth and the amount of financing necessary to support operations. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this annual report on Form 10-KSB.

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

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

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

EXPLORATION PROJECTS

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

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

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

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

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

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

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

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

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

ST. JOHN THE BAPTIST PARISH, LOUISIANA. In St. John the Baptist Parish, Louisiana, we hold a 2% working interest with a 1.44% net revenue interest in a 726 acre leasehold known as the Bougere Estate and the Bougere Estate #1 well. The Bougere Estate #1 well was completed in June 2003 with initial production of

200 barrels of oil and 170 MCF of gas per day. Commercial production of the well commenced in December 2003 following installation of a gas sales pipeline. We presently have no additional plans with respect to drilling additional wells on the Bougere Estate.

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

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

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

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

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

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

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

	Acres Leased or Under Option at December 31, 2003 (1)			
Project Area	Project Gross	Project Net	Company Net	Project Interest
TEXAS:				
Lavaca County, Texas				

Mavis Wharton.	300.00	150.00	7.50	5.00%
West Hardys Creek.	65.65	65.65	24.95	38.00%
Jackson County, Texas				
W. Harmon Prospect	80.00	80.00	80.00	100.00%
San Patricio County, Texas				
St. Paul Prospect.	380.00	380.00	19.00	5.00%
Matagorda County, Texas				
S.W. Pheasant Prospect . . .	779.00	779.00	27.27	3.50%
Turtle Creek Prospect . . .	672.00	672.00	23.52	3.50%
Texas Sub-Total	2,276.65	2,126.65	182.24	
LOUISIANA: St. John the Baptist Parish,				
Louisiana	726.00	726.00	14.52	2.00%
Louisiana Sub-Total	726.00	726.00	14.52	2.00%
OKLAHOMA				
Jenny #1-14	160.00	160.00	3.78	2.36%
Oklahoma Sub-Total.	160.00	160.00	3.78	
COLOMBIA				
Cara Cara Concession	357,000.00	357,000.00	5,676.30	1.59%
Tambaqui Assoc. Contract (2)	88,000.00	88,000.00	11,088.00	12.6%
Colombia Sub-Total.	445,000.00	445,000.00	16,764.30	
Total	448,162.65	448,012.65	16,964.84	

(1) 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 times our working interest therein.

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

DRILLING ACTIVITIES

From April 2001 (inception of the Company) through December 31, 2003, we drilled 9 exploratory and developmental wells, of which 7 were completed and 2 were dry holes. In 2001, 3 exploratory and 0 developmental wells were drilled of which 2 were completed and 1 was a dry hole. In 2002, 2 exploratory and 0 developmental wells were drilled of which 2 were completed and 0 were dry holes. In 2003, 3 exploratory and 1 developmental wells were drilled of which 3 were completed and 1 was a dry hole

The following table sets forth certain information regarding the actual drilling results for each of the years 2002 and 2003 as to wells drilled in each such individual year:

	Exploratory Wells (1)		Developmental Wells (1)	
	Gross	Net	Gross	Net
2002				
Productive	2	0.04	0	0
Dry. . . .	0	0.00	0	0
2003				
Productive	3	0.435	0	0
Dry. . . .	0	0	1	0.125

(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.

One well was in progress at December 31, 2003, on the Cara Cara concession in Colombia.

PRODUCTIVE WELL SUMMARY

The following table sets forth certain information regarding our ownership as of December 31, 2003 of productive gas and oil wells in the areas indicated:

	Gas		Oil	
	Gross	Net	Gross	Net
Texas. . .	2	0.415	0	0
Louisiana.	1	0.020	0	0
Oklahoma .	1	0.024	0	0
Colombia .	0	0.000	2	0.141
Total	4	0.459	2	0.141

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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, 2002	2003
Net Production:		
Gas (Mcf):		
United States . . .	8,957	15,993
Columbia.	na	0
Oil (Bbls):		
United States . . .	0	246
Columbia.	0	5,880
Average sales price:		
Gas ($per Mcf)	2.88	5.11
Oil (Bbls)	na	30.17
Average production expense and Taxes ($per Bble):		
United States	2.17	2.35
Columbia.	na	24.88

NATURAL GAS AND OIL RESERVES

The following table summarizes the estimates of our historical net proved reserves as of December 31, 2002 and 2003, and the present value attributable to these reserves at these dates. The reserve data and present values were prepared by Pressler Petroleum Consultants, Inc., independent petroleum engineering consultants:

	At December 31, 2002	2003
Net proved reserves (1):		
Natural gas (Mcf)	18,872	176,600
Oil (Bbls).	0	274,107
Standardized measure of discounted future net cash flows (2)	$41,289	$3,172,639

(1) At December 31, 2003, net proved reserves, by region, consisted of 269,707 barrels of oil in Columbia and 4,400 barrels of oil in the U.S.; all natural gas reserves were in the U.S.

(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 7 - 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 on a pre-tax basis.

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. 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 prospectus 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, 2003, 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. . .	225.65	30.55	480.00	16.80	1,571.00	134.90
Louisiana.	300.00	6.00	0.00	0.00	426.00	8.52
Oklahoma .	160.00	3.78	0.00	0.00	0.00	0.00
Colombia .	640.00	27.65	3,320.00	88.16	441,040.00	16,648.49
Total	1,325.65	67.98	3,800.00	104.96	443,037.00	16,791.91

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 are made before commencement of drilling operations.

MARKETING

At March 1, 2004, we had no contractual agreements to sell our gas and oil production and all production was sold on spot markets.

RISKS RELATED TO OUR OIL AND GAS OPERATIONS

Operational Hazards and Insurance. Our development, exploitation and exploration activities may be unsuccessful for many reasons, including weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas and oil well does not ensure a profit on investment. A variety of factors, both geological and market related can cause a well to become uneconomical or only marginally profitable. Our business involves a variety of operating risks which may adversely affect our profitability, including:

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- fires;
- explosions;
- blow-outs and surface cratering;
- uncontrollable flows of oil, natural gas, and formation water;
- natural disasters, such as hurricanes and other adverse weather conditions;
- pipe, cement, or pipeline failures;
- casing collapses;
- embedded oil field drilling and service tools;
- abnormally pressured formations; and
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

In accordance with industry practice, our insurance protects us against some, but not all, operational risks. Further, we do not carry business interruption insurance at levels that would provide enough cash for us to continue operating without access to additional funds. As pollution and environmental risks generally are not fully insurable, our insurance may be inadequate to cover any losses or exposure for such liability.

Volatility of Oil and Gas Prices. As an independent oil and gas producer, our revenue, profitability and future rate of growth are substantially dependent upon the prevailing prices of, and demand for, natural gas, oil, and condensate. Our realized profits affect the amount of cash flow available for capital expenditures. Our ability to maintain or increase our borrowing capacity and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of, and demand for, oil and gas, market uncertainty and a variety of additional factors that are beyond our control. Among the factors that can cause the volatility of oil and gas prices are:

- worldwide or regional demand for energy, which is affected by economic conditions;

- the domestic and foreign supply of natural gas and oil;

- weather conditions;

- domestic and foreign governmental regulations;

- political conditions in natural gas and oil producing regions;

- the ability of members of the Organization of Petroleum Exporting Countries to agree upon and maintain oil prices and production levels; and

- the price and availability of other fuels.

OPERATIONS IN COLOMBIA

As described above, we currently have interests in two concessions in the South American country of Colombia and expect 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 our Colombian operations, we may be forced to abandon or suspend our efforts. Either of such events could be harmful to our expected business prospects.

COMPETITION

Competition in the oil and gas industry is intense and we compete with major and other independent oil and gas companies with respect to the acquisition of producing properties and proved undeveloped acreage. Our competitors actively bid for desirable oil and gas properties, as well as for the equipment and labor required to operate and develop the properties. Many of those competitors, however, have financial resources and exploration and development budgets that are substantially greater than ours and may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can do so, which would adversely affect our competitive position. These competitors may be able to pay more for natural gas and oil properties and may be able to define, evaluate, bid for and purchase a greater number of properties than we can. Our ability to acquire additional properties and develop new and existing properties in the future will depend on our capability to conduct operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment.

GOVERNMENTAL REGULATION

Our business and the oil and gas industry in general are subject to extensive laws and regulations, including environmental laws and regulations. As such, we may be required to make large expenditures to comply with environmental and other governmental regulations. State and federal regulations, including those enforced by the Texas Railroad Commission as the primary regulator of the oil and gas industry in the State of Texas, are generally intended to prevent waste of oil and gas, protect rights to produce oil and gas between owners in a common reservoir and control contamination of the environment. Matters subject to regulation in the State of Texas include:

- location and density of wells;
- the handling of drilling fluids and obtaining discharge permits for drilling operations;
- accounting for and payment of royalties on production from state, federal and Indian lands;
- bonds for ownership, development and production of natural gas and oil properties;
- transportation of natural gas and oil by pipelines;
- operation of wells and reports concerning operations; and
- taxation.

Under these laws and regulations, we could be liable for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that substantially increase our operating costs.

Natural gas operations are subject to various types of regulation at the federal, state and local levels. Prior to commencing drilling activities for a well, we are required to procure permits and/or approvals for the various stages of the drilling process from the applicable state and local agencies. Permits and approvals include those for the drilling of wells, and regulations including maintaining bonding requirements in order to drill or operate wells and the location of wells, the method of drilling and casing wells, the surface use and restoration of properties on which wells are drilled, the plugging and abandoning of wells, and the disposal of fluids used in connection with operations.

Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units and the density of wells, which may be drilled and the unitization or pooling of natural gas properties. In this regard, some states allow the forced pooling or integration of tracts to facilitate exploration while other states rely primarily or exclusively on voluntary pooling of lands and leases. In areas where pooling is voluntary, it may be more difficult to form units, and therefore, more difficult to develop a project if the operator owns less than 100 percent of the leasehold.

Regulation of Sales and Transportation of Natural Gas. Historically, the transportation and resale of natural gas in interstate commerce have been regulated by the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978, and the regulations promulgated by the Federal Energy Regulatory Commission. Maximum selling prices of some categories of natural gas sold in "first sales," whether sold in interstate or intrastate commerce, were regulated under the NGPA. The Natural Gas Well Head Decontrol Act removed, as of January 1, 1993, all remaining federal price controls from natural gas sold in "first sales" on or after that date. FERC's jurisdiction over natural gas transportation was unaffected by the Decontrol Act. While sales by producers of natural gas and all sales of crude oil, condensate and natural gas liquids can currently be made at market prices, Congress could reenact price controls in the future.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation are subject to extensive regulation. In recent years, FERC has undertaken various initiatives to increase competition within the natural gas industry. As a result of initiatives like FERC Order No. 636, issued in April 1992, the interstate natural gas transportation and marketing system has been substantially restructured to remove various barriers and practices that historically limited non-pipeline natural gas sellers, including producers, from effectively competing with interstate pipelines for sales to local distribution companies and large industrial and commercial customers. The most significant provisions of Order No. 636 require that interstate pipelines provide transportation separate or "unbundled" from their sales service, and require that pipelines make available firm and interruptible transportation service on an open access basis that is equal for all natural gas suppliers.

In many instances, the result of Order No. 636 and related initiatives has been to substantially reduce or eliminate the interstate pipelines' traditional role as wholesalers of natural gas in favor of providing only storage and transportation services. Another effect of regulatory restructuring is the greater transportation access available on interstate pipelines. In some cases, producers and marketers have benefited from this availability. However, competition among suppliers has greatly increased and traditional long-term producer pipeline contracts are rare. Furthermore, gathering facilities of interstate pipelines are no longer regulated by FERC, thus allowing gatherers to charge higher gathering rates.

Environmental Regulations. Our operations are subject to additional laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Public interest in the protection of the environment has increased dramatically in recent years. It appears that the trend of more expansive and stricter environmental legislation and regulations will continue.

We generate wastes that may be subject to the Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes, which have limited the approved methods of disposal for some hazardous wastes. Additional wastes may be designated as "hazardous wastes" in the future, and therefore become subject to more rigorous and costly operating and disposal requirements. Although management believes that we utilize good operating and waste disposal practices, prior owners and operators of our properties may not have done so, and hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under locations where wastes have been taken for disposal. These properties and the wastes disposed on the properties may be subject to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), RCRA and analogous state laws, which require the removal and remediation of previously disposed wastes, including waste disposed of or released by prior owners or operators.

CERCLA and similar state laws impose liability, without regard to fault or the legality of the original conduct, on some classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for release of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

EMPLOYEES

As of March 1, 2004, we had one full-time employee and no part time employees. The employee is not covered by a collective bargaining agreement, and we do not anticipate that any of our future employees will be covered by such agreement. If our operations continue to grow as expected, we anticipate hiring as many as three additional employees over the next six to eight months.

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ITEM 2. DESCRIPTION OF PROPERTY

We currently lease approximately 2,000 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 monthly rental under the lease, which expires on November 30, 2006, is $3,302.59.

A description of our interests in oil and gas properties is included in "Item 1. Description of Business."

ITEM 3. LEGAL PROCEEDINGS

As of March 1, 2004, we were not party to any pending litigation and were not aware of any threatened litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since January 18, 2002, our Common Stock has been listed on the over-the-counter electronic bulletin board ("OTCBB") under the symbol "HUSA". The following table sets forth the range of high and low bid prices for each quarter during the past two fiscal years.

	High	Low
Calendar Year 2003		
Fourth Quarter	$0.75	$0.38
Third Quarter.	0.52	0.31
Second Quarter	0.42	0.23
First Quarter.	0.51	0.30
Calendar Year 2002		
Fourth Quarter	$0.40	$0.11
Third Quarter.	0.40	0.11
Second Quarter	0.72	0.23
First Quarter, ...	0.75	0.05

The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

At March 22, 2004, the closing bid price of the Common Stock was $0.85.

As of March 22, 2004, there were approximately 1,012 beneficial holders of our Common Stock.

In December 2003, John Terwilliger, the President and sole Director of the Company, acquired 1,103,791 shares of the Company's common stock in exchange for the conversion of outstanding loans in the amount of $441,516.29 and Orrie Lee Tawes acquired 465,042 shares of the Company's common stock in exchange for the conversion of outstanding loans in the amount of $186,016.83.

In December 2003, the Company issued an aggregate of 1,405,966 shares of common stock for a purchase price of $562,371 to fourteen accredited investors, being E.C. Broun III, Lior Bergman, Rochelle Zudkewich, Amit Solomon, Jack Lahav, LibertyView Funds, LP, Pudding Hill Partners, Lincoln Partners Group LLC, Andrew Arno, J. Mitchell Hull, William Hyler, LibertyView Special Opportunities Fund, LP, David B. Wheeler, and Stephen P. Hartzell.

The issuance of all shares of our common stock described above was pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended and related state private offering exemptions. All of the investors were Accredited Investors as defined in the Securities Act who took their shares for investment purposes without a view to distribution and had access to information concerning the Company and its business prospects, as required by the Securities Act.

In addition, there was no general solicitation or advertising for the purchase of our shares. Our securities were sold only to persons with whom we had a direct personal preexisting relationship, and after a thorough discussion. All certificates for our shares contain a restrictive legend. Finally, our stock transfer agent has been instructed not to transfer any of such shares, unless such shares are registered for resale or there is an exemption with respect to their transfer.

No commissions were paid in connection with the issuances described above.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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 sole director and 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 many 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 DEVELOPMENT FROM INCEPTION TO DECEMBER 2003

We were incorporated in April 2001 and consummated a merger with Texas Nevada Oil and Gas Co. ("TNOG") in January 2002.

Our initial efforts in 2001 and 2002 consisted of the evaluation and assembly of various interests in oil and gas properties in the onshore Gulf Coast of Texas and Louisiana regions. Pursuant to those efforts, we acquired varying interests in (1) two properties in Lavaca County, Texas, (2) two properties in Matagorda County, Texas, and (3) one property in Jackson County, Texas.

In January 2003, we acquired, from Rio Exploration Company for $312,500, a 12.5% interest in Hupecol, LLC and in the Tambaqui Association Contract. Through the acquisition of the interest in Hupecol and in the Tambaqui Association Contract, we acquired interests in two properties in the South American country of Colombia. Subsequently, in December 2003, we exercised our right, through Hupecol, to participate in the acquisition of over 3,000 kilometers of seismic data in Colombia covering in excess of 20 million acres.

In 2003, we acquired interests in properties in St. John the Baptist Parish, Louisiana, Oklahoma and San Patricio County, Texas.

From inception through December 31, 2002, we had drilled four domestic wells in Lavaca County, Texas. Two of the wells had been completed and were awaiting a pipeline hook-up, one of the wells was dry and one was being completed at December 31, 2002. The Mavis Wharton #3 well in Lavaca County, Texas experienced production problems and was unsuccessfully reworked and, ultimately, abandoned, in 2003. During fiscal year 2003, we drilled (1) one successful well in Matagorda County, Texas, (2) one successful well in Lavaca County, Texas, and (3) one successful well in Louisiana. A test well in San Patricio County, Texas was drilled in January 2004 with completion scheduled to follow and a test well in Jackson County, Texas (the Miller #1) is scheduled to begin drilling in the third quarter of 2004 if we are successful in resolving certain location and gas line issues with the surface owner.

The acquisition of our interest in the Colombian properties included a producing well, the Tambaqui #1. An offset well to that well was drilled as a dry hole in 2003. A second offset well is scheduled to commence drilling by April 2004.

The second Colombian property, the Cara Cara concession, was successfully tested with the completion of the Jaguar #1 well in April 2003. Our Colombian venture acquired 50 square miles of 3D seismic grid covering the Cara Cara concession and two other prospect areas. In December 2003, drilling began on the first of three wells planned to offset, and to delineate, the Jaguar #1 well.

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. The Securities and Exchange Commission ("SEC") prescribes in Regulation S-X the financial accounting and reporting standards for companies engaged in oil and gas producing activities. Two methods are prescribed: the successful efforts method and the full cost method. 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 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, 2003. 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 (with consideration of price changes only to the extent provided by contractual arrangements) 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. An allowance for impairment of $109,573 and $574,331 was provided at December 31, 2002 and 2001, respectively.

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, 2002 and 2003:

	At December 31, 2002	At December 31, 2003
Acquisition costs	$ 68,000	$ 103,404
Evaluation costs	120,418	23,470
Total	$ 188,418	$ 126,874

The carrying value of unevaluated oil and gas prospects include $57,747 and $5,617 expended for properties in the South American country of Colombia at December 31, 2002 and December 31, 2003, respectively. We are maintaining our interest in these properties and development has or is anticipated to commence within the next twelve months.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Oil and Gas Revenues. Total oil and gas revenues increased $194,795 to $220,600 in fiscal 2003 when compared to fiscal 2002. Consequently, total oil and gas revenues increased by 759% for the year ended December 31, 2003 when compared to the year ended December 31, 2002. This increase is attributable to the full implementation of the Company's drilling and development program, which was initiated in 2002. At the end of 2002 there was one revenue producing property, the Kalmus. At December 31, 2003, the Company had three commercial wells in the U.S. and two commercial wells in Columbia and the Kalmus gas well was plugged and abandon at mid-year. Following is a summary comparison of revenues for the years ended December 31, 2003 and 2002.

	Columbia	U.S.	Total
Year ended 2003			
Oil sales	$ 128,520	$11,957	$140,477
Gas sales	0	80,123	80,123
Year ended 2002			
Gas sales	0	25,805	25,805

Fiscal 2002 sales were from the gas production of the Kalmus well. That well was abandoned in May of 2003 with gas revenues to that date of $28,958.

Lease Operating Expenses. Lease operating expenses, excluding joint venture expenses relating to our Columbian operations discussed below, increased 657% to $146,914 in 2003 from $19,397 in 2002. The increase in lease operating expenses was attributable to the increase in the number of wells (5) operated during the 2003 period. Following is a summary comparison of revenues for the years ended December 31, 2003 and 2003.

	Columbia	U.S.	Total
Year ended 2003	$ 109,348	$37,566	$146,914
Year ended 2002	0	19,397	19,397

The relatively high operating cost of the wells coming on the revenue stream in Columbia is influenced by the fact that in their early developmental, daily operating costs are generally reasonably certain at the commencement of production. However, the per unit of production costs can vary greatly due to the fact that certain operating and field administration costs include a significant fixed component and that initial equivalent barrel production may be lower or higher than the sustained production achieved over the life of the well. It is management's opinion that the per unit production costs of all of its new discoveries can be reduced substantially through optimizing the level of production from existing wells or the drilling of additional wells. This may be especially true with our two new Columbian wells where the per well administrative costs are expected to be reduced as additional successful wells are completed on the prospect acreage.

Joint Venture Expenses. Joint venture expenses totaled $36,940 in 2003. We incurred no joint venture expenses in 2002. The joint venture expenses represent our allocable share of the indirect field operating and region administrative expenses billed by the operator of the Columbian CaraCara and Tambaqui concessions.

Depreciation and Depletion Expense. Depreciation and depletion expense increased by 57.2% to $56,434 in fiscal 2003 when compared to $24,166 in 2002. The increase in depreciation and depletion expense was primarily attributable to the increased production from new wells (5) coming on line during 2003. Depletion on the U.S. wells was $33,135, which was disproportionately higher because of the increase in the depletable "cost pool" with the abandonment of the Kalmus well and the Lavaca county prospects. The remainder of the increase is in the depletion ($23,299) associated with the Columbian ventures.

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Interest Expense. Interest expense increased 26.6% to $142,349 in 2003 compared to $112,405 in 2002. The interest expense increase was attributable to additional borrowings ($194,200) from two principal shareholders to finance our operations. In December 2003, those shareholders converted $627,530 of loans and accrued interest to 1,568,825 of the Company's common stock and reduced the interest rate on the remaining $1 million of loans from 10% to 7.2%. In December 2003, we raised approximately $562,400 from the sale of common stock to support our future operations. Accordingly, with the reduced shareholder loans and with the reduced interest rate on current loans, interest expense is expected to decline as much as 40% in fiscal 2004. The planned budget for 2004 also calls for interest to be paid current if monies are available from operating cash flow.

General and Administrative Expenses. General and administrative expense decreased by 7.7% to $182,293 in 2003 from the $197,518 experienced in 2002. The decrease in G&A expense was attributable to a 32.1% decrease in professional fees. In spite of the decrease in professional fees during 2003, we continue to incur the high cost of accounting and legal fees associated with meeting our reporting obligations as a public company. The decrease in the professional fee component of G&A was partially offset by increases in other G&A expenses, including a 37.6% increase in shareholders relations costs resulting from an undertaking during 2002 and 2003 to increase our profile in the investment community in light of our need to access capital to support our accelerated exploration activities.

Write-Down of Oil and Gas Properties. During the 2002 period, we incurred a charge of $109,573 relating to the write down of oil and gas properties. We incurred no write-downs during 2003. The write-down during the 2002 period was attributable to a determination, based on the findings in an independent reserve report, that, at September 30, 2002, the capitalized cost of our oil and gas properties exceeded the maximum carrying value under the full cost method of accounting.

Gain on Settlement of Accounts Payable. During 2002, we reported a gain on the settlement of accounts payable of $42,870. The gain arose from the settlement, for less than face value, of certain previously recorded expenses/payables associated with our becoming a public reporting company. We incurred no gain on settlement of accounts payable during 2003.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES. At December 31, 2003, we had a cash balance of $663,422 and working capital of $654,451 compared to a cash balance of $939 and a deficit in working capital of $1.27 million at December 31, 2002. This change in our working capital position, is attributable to the debt restructuring and conversion in December of 2003. As previously mentioned, $627,530 of loans and interest was converted to equity. In addition, the open shareholder loans were restructured to long-term notes with a due date in 2007.

As discussed in our prior financial statements included herewith, our revenue was insufficient to cover our costs and expenses. In addition to the income received from our wells, certain significant shareholders, including John F. Terwilliger, our sole director and executive officer, provided us the funds needed to continue our development and operations. Our current business plan projects positive cash flows from operation by the second quarter of fiscal 2004 and management anticipates raising any necessary funds for major capital expenditures from outside investors or commercial bank or mezzanine lenders.

During 2003, we completed private placements of shares, raising $1,386,922, net of costs, from the sale of 4,271,390 shares. These funds were raised to support our working capital requirements, including our ongoing Colombian development activities and our onshore domestic leasing, drilling and development programs.

Simultaneous with the closing of our December 2003 private placement, we issued 1,568,825 shares of common stock in full satisfaction of $627,530 of loans from shareholders. The balance of the loans from shareholders in the amount of $1 million, including accrued interest, was converted into unsecured promissory notes, with interest accruing at 7.2% per annum and with a maturity date of January 1, 2007.

Loans from shareholders totaled $1,004,400, including accrued interest, at December 31, 2003.

Capital and Exploration Expenditures and Commitments. Our principal capital and exploration expenditures relate to our ongoing efforts to acquire, drill and complete prospects. Historically, we have funded our capital and exploration expenditures from funds borrowed from John F. Terwilliger, our principal shareholder and officer. With the receipt of additional equity financing in 2003, we expect that future capital and exploration expenditures will be funded principally through additional stock offerings, mezzanine loans, funds on hand and funds generated from operations.

During 2003, we invested $770,769 for the acquisition and development of oil and gas properties, consisting of (1) acquisition of a 12.5% interest in the Tambaqui concession in Colombia, (2) acquisition of 3D seismic on the Cara Cara concession in Colombia, (3) acquisition of a 2.4% working interest in the Jenny #1-14 well in Oklahoma, and (4) drilling and/or completing expenses for the Jaguar #1 well in Colombia, the Tambaqui #1 and the Tambaqui #1Am wells in Colombia, the Harrison #1 well in Matagorda County, Texas, the Bougere Estate #1 well in Louisiana and the Goyen #1 well in Lavaca County, Texas.

At January 1, 2004, our acquisition and drilling budget for 2004 totaled $420,000, consisting of (1) $28,500 for drilling of three wells in Colombia on the Cara Cara concession and $173,350 to drill the Tambaqui #2, (2) $140,000 for South Texas leasehold prospects that are to be purchased for resale, and (3) $60,000 to $80,000 for the acquisition and drilling of the LaFurs well on the South Sibley Prospect in Louisiana. 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.

Our only material contractual obligations requiring determinable future payments on our part are a note payable to our principal shareholder and our lease relating to our executive offices.

The following table details our contractual obligations as of December 31, 2003:

	Payments due by period				
	Total	2004	2005 - 2006	2007 - 2008	Thereafter
Long-term debt	$1,000,000	$ 0	$ 0	$ 1,000,000	$ 0
Operating lease commitments	112,288	39,631	72,657	0	0
Total	$1,112,288	$39,631	$ 72,657	$ 1,000,000	$ 0

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 employees, including officers, consultants and third parties. As of December 31, 2003, we had granted ORRIs to affiliates ranging from 1.0% to 4.02166% of our interest in selected properties. ORRI payments during 2003 were estimated to total $3,600.

At December 31, 2003, we had two revenue producing wells in Columbia, two revenue producing wells in south Texas and one revenue producing wells in south Louisiana. Preliminary indications are that these wells will more than double current monthly revenue at the current equivalent per barrel price in the mid-twenty dollar range. At December 31, 2003, our total reserves had increased to an estimated 340,344 equivalent barrels with an estimated discounted future net revenue stream in excess of $3,172,639.

Management anticipates that our current financing strategy of private debt and equity offerings, combined with an expected increase in revenues, will meet our anticipated objectives and business operations for the next 12 months.

Management continues to evaluate producing property acquisitions as well as a number of drilling prospects. Subject to our ability to obtain adequate financing at the applicable time, we may enter into definitive agreements on one or more of those projects.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements or guarantees of third party obligations at December 31, 2003.

INFLATION

We believe that inflation has not had a significant impact on our operations since inception.

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ITEM 7. FINANCIAL STATEMENTS

Our financial statements, together with the independent accountants report thereon of Thomas Leger & Co., L.L.P., appears immediately after the signature page of this report. See "Index to Financial Statements" on page 27 of this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our chief executive officer ("CEO") who also serves as chief financial officer. Based on this evaluation, our management, including the CEO, concluded that our disclosure controls and procedures were effective. There have been no significant changes in our internal controls or in other factors that could significantly affect internal control subsequent to the evaluation.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names, ages and offices of the present executive officers and directors of the Company. The periods during which such persons have served in such capacities are indicated in the description of business experience of such persons below.

Name	Age	Position
John Terwilliger	56	President, Treasurer and Director

The following is a biographical summary of the business experience of the present directors and executive officers of the Company:

John F. Terwilliger has served as our president, secretary and treasurer since our inception in April 2001. From 1988 to April 2002, Mr. Terwilliger served as the chairman of the board and president of Moose Oil & Gas Company, and its wholly-owned subsidiary, Moose Operating Co., Inc., both Houston, Texas based companies. Prior to 1988, Mr. Terwilliger was the chairman of the board and president of Cambridge Oil Company, a Houston, Texas based oil exploration and production company. Mr. Terwilliger served in the United States Army, receiving his honorable discharge in 1969. On April 9, 2002, Moose Oil & Gas Company and its wholly-owned subsidiary, Moose Operating Co., Inc., filed a bankruptcy petition under Chapter 7 of the United States Bankruptcy Code in Cause No. 02-33891-H507: 02-22892, in the United States District Court for the Southern District of Texas, Houston Division. At the time of the filing of the bankruptcy petition, Mr. Terwilliger was the chairman of the board and president of both Moose Oil & Gas Company and Moose Operating Co., Inc. Mr. Terwilliger resigned those positions on April 9, 2002.

Although we currently have only one director, our board of directors is divided into three classes, each elected for staggered three-year terms. Mr. Terwilliger, our only director, is a Class C director. His term is scheduled to expire at the third annual meeting following the end of our 2001 fiscal year. Our executive officers are elected by our board of directors and serve terms of one year or until their death, resignation or removal by the board of directors.

COMMITTEES OF THE BOARD

We do not presently maintain an audit committee, a compensation committee, a nomination committee or any other committees of our board of directors. Similarly, we do not have an "audit committee financial expert".

At such time as our Board determines that the size and scope of our operations and our available financial resources warrant such, we expect to seek to add independent directors and to form committees to perform the functions of an audit committee, compensation committee and nominating committee.

CODES OF ETHICS

The Board of Directors has adopted a Code of Business Ethics covering all of our officers, directors and employees . We require all employees to adhere to the Code of Business Ethics in addressing legal and ethical issues encountered in conducting their work. The Code of Business Ethics requires that our employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the company's best interest.

The Board of Directors has also adopted a separate Code of Business Ethics for the CEO and Senior Financial Officers. This Code of Ethics supplements our general Code of Business Ethics and is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters.

The Code of Business Ethics for the CEO and Senior Financial Officers is filed as an exhibit to this Annual Report on Form 10-KSB for the year ended December 31, 2003 and is available for review at the SEC's web site at www.sec.gov.

COMPLIANCE WITH SECTION 16(a) OF EXCHANGE ACT

Under the securities laws of the United States, our directors, executive officers, and any person holding more than ten percent of our Common Stock are required to report their initial ownership of our Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and we are required to disclose any failure to file by these dates during fiscal year 2003. To our knowledge, all of the filing requirements were satisfied on a timely basis in fiscal year 2003. In making these disclosures, we have relied solely on written statements of our directors, executive officers and shareholders and copies of the reports that they filed with the Commission.

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

During the period from our inception on April 1, 2001 through December 31, 2003, no salary or any other compensation has been paid to any officer for the services provided to us.

We have no employment agreements with any of our officers or employees.

DIRECTOR COMPENSATION

We do not compensate our directors for serving in such capacity.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information as of April 2, 2004, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of our Common Stock held by (i) each person known by us to be the owner of more than 5% of the outstanding shares of our Common Stock, (ii) each director, (iii) each named executive officer, and (iv) all executive officers and directors as a group:

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned (2)	Percentage of Class
John F. Terwilliger 801 Travis, Suite 2020 Houston, Texas 77002	8,574,486	43.9%
Orrie Lee Tawes (3) c/o O. Lee Tawes C.E. Unterberg Towbin 350 Madison Avenue, 8th Floor New York, New York 10017	3,236,034	16.6%
All directors and officers as a group (one person)	8,574,486	43.9%