

HOUSTON AMERICAN ENERGY CORP
Form SB-2
September 06, 2005

SEC FILE NO. 333-126684

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

HOUSTON AMERICAN ENERGY CORP.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE -----	1311 ----	76-0675953 -----
(STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(IRS EMPLOYER IDENTIFICATION NO.)

801 TRAVIS STREET, SUITE 2020
HOUSTON, TEXAS 77002
(713) 222-6966

(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES)

MR. JOHN TERWILLIGER
801 TRAVIS STREET, SUITE 2020
HOUSTON, TEXAS 77002
(713) 222-6966

(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

with a copy to:

MICHAEL SANDERS, ESQUIRE
20333 S.H. 249, SUITE 600
HOUSTON, TEXAS 77070
(832) 446-2599

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: As soon as practicable
after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box: [X]

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, check the following box and
list the Securities Act registration statement number of the earlier effective
registration statement for the same offering: [] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement

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for the same offering: [] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: [] _____

This Registration Statement relates to a total \$2,125,000 of 8% Subordinated Convertible Promissory Notes and 2,316,250 shares of the Registrant's Common Stock previously included in a Registration Statement on Form S-3 (No. 333-126684) filed with the Securities and Exchange Commission on July 19, 2005. An aggregate filing fee of \$272.62 was paid on the filing of the initial Registration Statement. This Registration Statement constitutes Pre-Effective Amendment No. 1 to Registration Statement No. 333-126684.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION SEPTEMBER 6, 2005
HOUSTON AMERICAN ENERGY CORP.

\$2,125,000 of 8% Subordinated Convertible Promissory Notes
2,316,250 Shares of Common Stock

This prospectus covers resales by selling securityholders of our 8% Subordinated Convertible Promissory Notes due 2010 and shares of our common stock into which the Notes are convertible. This prospectus also covers resales by selling securityholders of shares of our common stock underlying warrants issued to a placement agent in connection with the placement of the Notes.

The Notes will mature on May 1, 2010. We will pay interest on the Notes each April 20 and October 20. We will make the first interest payment on October 20, 2005.

We do not have the right to redeem the Notes at our option prior to May 1, 2007.

The Notes are convertible into our common stock at any time before May 1, 2010 at a conversion price of \$1.00 per share, subject to adjustment for

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specified events.

Holders may require us to repurchase their Notes upon the occurrence of certain designated events in cash at 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest, if any.

The Notes are subordinated unsecured obligations and rank, in right of payment, junior to all of our existing and future unsecured indebtedness except for future indebtedness specifically designated as being equal or subordinate to the Notes. The Notes will be effectively subordinated to any secured indebtedness.

The selling securityholders may sell all or a portion of their securities through public or private transactions at prevailing market prices or at privately negotiated prices. We will not receive any part of the proceeds from the sale of these shares by the selling securityholders.

Our common stock is traded on the OTC Electronic Bulletin Board under the symbol "HUSA.OB". The last reported sale price of our common stock on the OTC Electronic Bulletin Board on August 29, 2005 was \$2.20 per share. There is no trading market in our Notes.

INVESTING IN OUR COMMON STOCK AND NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 4 OF THIS PROSPECTUS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTUS DATED , 2005

We will pay all expenses of this offering except for commissions, fees and discounts of any underwriters, brokers, dealers or agents retained by the selling securityholders. Estimated expenses payable in connection with this offering are approximately \$25,000. The aggregate proceeds to the selling securityholders will be the purchase price of common stock or Notes sold less the aggregate agents' commissions and underwriters' discounts, if any. We have agreed to indemnify the selling securityholders and certain other persons against certain liabilities, including liabilities under the Securities Act.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK OR THE NOTES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN OUR AFFAIRS SINCE THE DATE HEREOF.

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ABOUT THIS PROSPECTUS

You should only rely on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The Selling Shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in the prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering appearing elsewhere in this prospectus and in our Financial Statements and related notes and other documents incorporated herein by reference.

OUR COMPANY

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 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 multiple 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.

Our principal executive offices are located at 801 Travis Street, Suite 2020, Houston, Texas 77007 and our telephone number is (713) 222-6966.

THE OFFERING

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Securities offered:

8% Convertible Notes	\$2,125,000
Common stock	2,316,250 shares(1)

Common stock outstanding
before this offering 19,970,589 shares(2)

Common stock outstanding
after this offering 22,286,839 shares(3)

Use of proceeds We will not receive any proceeds from the sale of common stock by the selling shareholders

OTCBB symbol HUSA

Risk Factors Purchase of the common stock offered hereby involves certain risk, including risks associated with need for additional capital, operating losses, uncertain value or decline in value of reserves, dependence upon management and third parties, and operating risks in the oil and gas industry, among others. See "Risk Factors."

- (1) Consists of shares issuable upon (a) conversion of 8% Convertible Notes and (b) exercise of 191,250 warrants.
- (2) Shares outstanding as of August 29, 2005.
- (3) Assumes conversion of all 8% Convertible Notes and exercise of 191,250 warrants.

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RISK FACTORS

Investing in our securities involves risks. Before making an investment decision, you should carefully consider the following risk factors, as well as other information we include in this prospectus. Additional risks and uncertainties not presently known to us or that we deem currently immaterial may also impair our business operations. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected.

RISKS RELATED TO THE OIL AND NATURAL GAS INDUSTRY AND OUR BUSINESS

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.

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.

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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.

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 (approximately 99%), or proved undeveloped, we will require significant additional capital to prove and develop such properties before they may become productive. 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 cash flow from our other producing properties, if such cash flow is 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.

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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 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:

- 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

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inadequate to cover any losses or exposure for such liability.

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.

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.

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WE ARE SUBJECT TO COMPLEX LAWS THAT CAN AFFECT THE COST, MANNER OR FEASIBILITY OF DOING BUSINESS.

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

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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.

OUR OPERATIONS MAY INCUR SUBSTANTIAL LIABILITIES TO COMPLY WITH THE ENVIRONMENTAL LAWS AND 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.

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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.

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OUR OPERATIONS IN COLOMBIA ARE SUBJECT TO RISKS RELATING TO POLITICAL AND ECONOMIC INSTABILITY.

We currently have interests in four 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 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 sole executive 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.

COMPETITION IN THE OIL AND NATURAL GAS INDUSTRY IS INTENSE, WHICH MAY ADVERSELY AFFECT OUR ABILITY TO COMPETE.

Competition in the oil and gas industry is intense and we compete with major and independent oil and gas companies with respect to the acquisition of producing properties and 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 can we, 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.

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RISKS RELATED TO OUR COMMON STOCK AND NOTES

THE PRICE OF OUR COMMON STOCK, AND THEREFORE OF THE NOTES, MAY FLUCTUATE SIGNIFICANTLY, AND THIS MAY MAKE IT DIFFICULT FOR YOU TO RESELL THE NOTES OR COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES WHEN YOU WANT OR AT PRICES YOU FIND ATTRACTIVE.

The price of our common stock quoted on the OTCBB constantly changes. We expect that the market price of our common stock will continue to fluctuate. In addition, because the Notes are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the Notes.

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;

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- 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 the value of the Notes 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 or the value of the Notes.

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THE RIGHTS OF HOLDERS OF OUR NOTES TO RECEIVE PAYMENTS ON THE NOTES ARE EFFECTIVELY SUBORDINATED TO THE RIGHTS OF OUR EXISTING AND FUTURE SECURED AND/OR SENIOR CREDITORS.

Holders of our existing and future secured and/or senior indebtedness will have claims that are prior to claims as holders of the Notes to the extent of the value of the assets securing that other indebtedness. As a result, the Notes are subordinated to any such secured and/or senior indebtedness. As of December 31, 2004, \$1 million of our debt was senior. Upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or any similar proceeding relating to us or our property, holders of our secured and/or senior indebtedness will have a prior claim to those of our assets that constitute their collateral. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class or ranking as the notes based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of our secured and/or senior indebtedness.

THE NOTES CONTAIN NO FINANCIAL COVENANTS AND PROVIDE ONLY LIMITED PROTECTION IN THE EVENT CERTAIN SPECIFIED EVENTS OCCUR.

The Notes contain no financial covenants. In particular, the Notes contain no covenants that limit our ability to pay dividends or make distributions on or redeem our capital stock or incur additional debt and, therefore, protect

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holders in the event of a highly leveraged or other similar transaction. In addition, the requirement that we offer to repurchase the Notes is limited to certain specified events set out in the Notes. Accordingly, we could enter into certain transactions, such as acquisitions, refinancings or a recapitalization, that could affect our business, financial condition, capital structure and the value of our common stock but would not constitute such a specified event entitling holders of Notes to require us to offer to repurchase the Notes. Our obligations to offer to redeem the Notes upon a designated event would not necessarily afford holders protection in the event of a reorganization, merger or similar transaction involving us.

THE REDEMPTION RIGHTS IN THE NOTES TRIGGERED BY A SPECIFIED EVENT COULD DISCOURAGE A POTENTIAL ACQUIRER.

The redemption rights in the Notes triggered by specified events could discourage a potential acquirer. The redemption feature is not the result of management's knowledge of any specific effort to obtain control of us by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions.

WE MAY BE UNABLE TO REPURCHASE THE NOTES FOR CASH WHEN REQUIRED BY THE HOLDERS, INCLUDING FOLLOWING SPECIFIED EVENTS.

Holders of the Notes have the right to require us to repurchase the Notes upon the occurrence of specified events prior to maturity. Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the Notes in cash may be limited by law or the terms of other agreements relating to our debt outstanding at the time. If we fail to repurchase the Notes in cash as required by the Notes, it would constitute an event of default under the Notes which, in turn, would also likely constitute an event of default under our then existing debt instruments.

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THERE IS CURRENTLY NO PUBLIC MARKET FOR THE NOTES, AND AN ACTIVE TRADING MARKET MAY NOT DEVELOP FOR THE NOTES. THE FAILURE OF A MARKET TO DEVELOP FOR THE NOTES COULD ADVERSELY AFFECT THE LIQUIDITY AND VALUE OF THE NOTES.

The Notes are a new issue of securities, and there is no existing market for the notes. We do not intend to list the Notes, on any securities exchange or for quotation of the notes on any automated dealer quotation system. A market may not develop for the Notes, and we cannot assure you as to the liquidity of any market that may develop for the Notes. If an active, liquid market does not develop for the Notes, the market price and liquidity of the Notes may be adversely affected. If any of the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the Notes will depend on many factors, including, among other things, the market price of our common stock, our ability to register the resale of the Notes and the shares of our common stock issuable upon conversion of the Notes, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt securities has been subject to disruptions that have caused volatility in prices. It is possible that the market for the Notes will be subject to disruptions that may have a negative effect on the holders of the Notes, regardless of our operating results, financial performance or prospects.

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THE NOTES ARE NOT RATED.

The Notes are not, and we do not expect them to be, rated. However, if one or more rating agencies rates the Notes and assigns the Notes a rating lower than the rating expected by investors, or reduces its rating in the future, the market price of the Notes and our common stock would likely decline.

THE CONVERSION RATE OF THE NOTES MAY NOT BE ADJUSTED FOR ALL DILUTIVE EVENTS, INCLUDING THIRD-PARTY TENDER OR EXCHANGE OFFERS THAT MAY ADVERSELY AFFECT THE TRADING PRICE OF THE NOTES OR THE SHARES OF OUR COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES.

The conversion rate of the Notes is subject to adjustment upon certain events, including the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock. The conversion rate will not be adjusted for certain other events, such as third-party tender or exchange offers or the sale of our equity securities or equity-linked securities to third parties, that may adversely affect the trading price of the Notes or the shares of our common stock issuable upon conversion of the Notes.

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 AND THE NOTES.

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:

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- 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, possibly, the Notes, and also could limit the price that investors are willing to pay in the future for shares of our common stock and the Notes.

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

Our current executive officers and directors, owns approximately 65% of our

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outstanding common stock. As a result, directors and 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. Management's 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.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Business" and elsewhere in this prospectus are "forward-looking statements." These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this prospectus that are not historical facts. When used in this prospectus, the words "anticipates," "believes," "continue," "could," "estimates," "expects," "intends," "may," "plans," "seeks," "should" or "will" or the negative of these terms or similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale of the Notes and common shares sold under this prospectus. We will not receive any proceeds from the sale of these securities.

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MARKET FOR REGISTRANT'S 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 2005		
Second Quarter	1.25	0.76
First Quarter.	1.00	0.78
Calendar Year 2004		
Fourth Quarter	1.05	0.83
Third Quarter.	1.10	0.83
Second Quarter	1.35	0.60
First Quarter.	1.00	0.65
Calendar Year 2003		

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Fourth Quarter	0.75	0.38
Third Quarter.	0.52	0.31
Second Quarter	0.42	0.23
First Quarter.	0.51	0.30

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

At August 29, 2005, the closing bid price of the Common Stock was \$2.18.

As of August 29, 2005, there were approximately 1,200 beneficial holders of our Common Stock.

DIVIDEND POLICY

We have not paid dividends in the past and we intend to retain earnings, if any, and will not pay cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our financial condition, results of operations, capital requirements, general business conditions and such other factors as the board of directors may deem relevant.

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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 sole 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.

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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 2004 AND 2005

Drilling Activities

During 2004, we drilled four successful on-shore domestic wells as follows:

- A test well in San Patricio County, Texas, the Saint Paul Prospect Garza #1, was drilled in January 2004 and completed as a natural gas well. Natural gas sales from the well began March 1, 2004. We hold a 5% working interest in the well.
- A test well in Vermillion Parish, Louisiana, the LaFurs #F-16, was drilled in May 2004 and completed as a natural gas well. Natural gas sales from the well began in September 2004. We hold a 3% working interest in the well.

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- A test well in Acadia Parish, Louisiana, the Hoffpauer #1 (formerly, the Baronet #1), on the 620-acre Crowley Prospect, was drilled in September 2004. After reaching a depth of 12,042 feet, the well encountered a stuck drill pipe. The well was plugged back and a side track attempt was made. After encountering a second stuck drill pipe and following negotiations with the operator, the well was taken off of turnkey, intermediate casing was set and a completion rig is being contracted with the objective of completing a well in the Camerina sands that produced gas shows. The well was completed and production began in December 2004. We hold a 3% working interest in the well.
- A test well in Plaquemines Parish, Louisiana, the SL18077 #1, was drilled in December 2004. The well was completed in January 2005. We hold a 1.8% working interest in the well.

We also participated in two dry holes drilled during 2004, the Hutchins Peareson #1 and the Hutchins Peareson #2 drilled in Wharton County, Texas.

Through August 10, 2005, we had drilled two on-shore domestic wells as follows:

- Drilling of a 10,600-foot well, the first well, on the South Sibley Prospect in Webster Parish, Louisiana was completed in May 2005 with multiple pay sands apparently identified. Sales from the well commenced June 28, 2005. We hold a 7.5% working interest at an 8.3% net revenue interest carried to point of sales for the well.
- Drilling of a 12,100-foot well, the Baronet #2 well, on the Crowley Prospect in Acadia Parish, Louisiana was completed in April 2005. The well tested the Hayes Sand and flanks a natural gas well that produced 1.6 BCF of natural gas from the Hayes Sand. After logging 21-feet of apparent net pay, hole conditions deteriorated before logging could be completed. The well was completed and production began in June 2005. We hold a 3% working interest and 2.25% net revenue interest until payout for the well.

Assuming the Baronet #2 performs consistently, we plan to drill a developmental well on the Crowley Prospect during the fourth quarter of 2005.

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During 2004, we drilled seven international wells in South America as follows:

- Drilling of six offset wells on the Cara Cara concession in Colombia was completed with production commencing on the Jaguar #2 in March 2004, the Bengala #2 in April 2004, the Jaguar #6 in July 2004, the Jaguar #12 in September 2004 and the Jaguar #3A in October 2004. The sixth well, the Cara Cara #1 is shut in pending evaluation. We hold a 1.59% working interest in each of the wells.
- An oil well, the Tambaqui #2, was drilled and successfully completed under the Company's Tambaqui Association Contract in Columbia and began production in June 2004. The Company holds a 12.6% working interest and an 11.59% net revenue interest in the well.

Through August 10, 2005, we had drilled six international wells in Colombia as follows:

- Drilling of 5 offset wells on the Cara Cara concession in Colombia was completed with production commencing on the Bengala #4, #5, #6 and #7 and the Jaguar #5 in the first and second quarters of 2005. We hold a 1.59% working interest in each of the wells subject to a 30% reversionary interest to Ecopetrol at payout.
- The Tambaqui #5 well commenced drilling, and production, in March 2005. We hold a 12.6% working interest in the well.

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Seismic surveying began on our Cara Cara concession in Colombia as part of our planned delineation of additional drilling prospects on the concession. Seismic surveying was completed on our Dorotea and Cabiona concessions to establish drilling prospect locations.

We, and our partners, plan to drill up to 5 additional wells on the Cara Cara concession through the end of 2005.

We, and our partners, are permitting 30 drilling locations on the Dorotea and Cabiona concessions. We, and our partners, plan to add a second rig to begin drilling as soon as permits are obtained and locations are built.

Leasehold Activities

During 2004, we invested approximately \$612,000 for the acquisition of oil and gas properties, consisting of (1) acquisition of a 3% interest in the North Freshwater Bayou Field in Louisiana, (2) acquisition of a 100% interest in the South Sibley Prospect, (3) acquisition of a 50% interest in the Southern Star Wharton Prospect, and (4) acquisition, by Hupecol, of two additional concessions in Colombia covering approximately 180,000 acres.

In September 2004, we sold our 50% interest in a 280 acre leasehold in Wharton County, Texas to an independent exploration and production company. We received funds in excess of our acquisition cost on the Wharton County lease. The excess proceeds from the sale, totaling approximately \$21,650, were applied to reduce the cost of oil and gas properties. Pursuant to the terms of the sale, the buyer agreed to drill two wells on the prospect with the Company retaining a carried working interest of 9.5% to the casing point and a net revenue interest of 7.125%. The two wells, the Hutchins Peareson #1 and the Hutchins Peareson #2 were drilled as dry holes.

In December 2004, we sold our interest in a 1,428 acre leasehold in Northern

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Louisiana and joined the purchaser of that interest in forming a 7,680 acre area of mutual interest. Pursuant to that agreement, we received a 7.5% working interest in the first well drilled on the acreage, a 7.5% working interest back in after payout in the second and third wells and will have an option to participate for its 7.5% working interest in all subsequent wells. We also retained overriding royalty interests ranging from 1.35% to 2.5% on leases covering 3,200 acres.

Other Developments

In August 2004, we joined a Libya Study Group consisting of twelve oil companies for the purpose of developing drilling prospects and applying for concessions to exploit drilling opportunities in Libya. The study group plans to have completed the process of defining prospects followed by a formal request for drilling concessions.

In September 2004, we approved the payment of a salary of \$15,000 per month, commencing in October 2004, to John Terwilliger, our President and Chief Executive Officer. Mr. Terwilliger had previously served without compensation.

In August 2005, three new directors were appointed our board approved the adoption of a stock option plan and the payment of fees and grant of options to non-employee directors.

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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 had been capitalized as of December 31, 2004 or June 30, 2005. 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

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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, 2004 and June 30, 2005:

	At December 31, 2004	At June 30, 2005
	-----	-----
Acquisition costs	\$ 48,636	\$ 59,269
Evaluation costs	12,159	452,494
	-----	-----
Total	\$ 60,795	\$ 511,763
	=====	=====

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The carrying value of unevaluated oil and gas prospects include \$12,519 and \$439,333 expended for properties in South America at December 31, 2004 and June 30, 2005, 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

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004

Oil and Gas Revenues. Total oil and gas revenues increased 260% to \$1,091,940 in the six months ended June 30, 2005 when compared to the six months ended June 30, 2004. The increase in revenue is due to (1) increased production resulting from the development of the Columbian fields and the new domestic wells that have come on line during the second half of 2004 and the first half of 2005, and (2) increases in oil prices. The Company had interests in 13 producing wells in Colombia and 7 producing wells in the U.S. during the 2005 period as compared to 4 producing wells in Colombia and 5 producing wells in the U.S. during the 2004 period. Average prices from sales were \$38.22 per barrel of oil and \$5.93 per mcf of gas during the 2005 period as compared to \$28.43 per barrel of oil and \$5.10 per mcf of gas during the 2004 period. Following is a summary comparison, by region, of oil and gas sales for the periods.

Columbia	U.S.	Total
-----	-----	-----

2005 Period

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	Oil sales	\$ 844,210	\$ 42,640	\$886,850
	Gas sales	-	205,090	205,090
2004 Period				
	Oil sales	149,358	8,067	157,425
	Gas sales	-	146,123	146,123

Lease Operating Expenses. Lease operating and severance tax expenses, excluding joint venture expenses relating to our Colombian operations discussed below, increased 294% to \$470,975 in the 2005 period from \$119,497 in the 2004 period. The increase in lease operating expenses was attributable to the increase in the number of wells operated during the 2005 period (20 wells as compared to 10 wells). Following is a summary comparison of lease operating expenses for the periods.

	Columbia	U.S.	Total
	-----	-----	-----
2005 Period	\$ 450,737	\$20,238	\$470,975
2004 Period	98,084	21,413	119,497

Joint Venture Expenses. The Company's allocable share of joint venture expenses attributable to the Colombian Joint Venture totaled \$27,424 during the 2005 period and \$6,048 during the 2004 period. The increase in joint venture expenses was attributable to an increase in operational activities of the joint venture in acquiring new concessions.

Depreciation and Depletion Expense. Depreciation and depletion expense was \$170,358 and \$57,493 for the periods ended June 30, 2005 and 2004, respectively. The increase is due to increases in domestic and Colombian production.

Interest Expense. Interest expense was \$64,624 in the 2005 period and \$31,600 in the 2004 period. The increase in interest expense was attributable to the issuance, in May 2005, of \$2,125,000 of Subordinated Convertible Notes.

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General and Administrative Expenses. General and administrative expense increased by 174% to \$349,249 during the 2005 period from \$127,280 in the 2004 period. The increase in general and administrative expense was primarily attributable to the payment of salary (up \$97,184 from \$0) to the Company's principal officer beginning in the fourth quarter of 2004 and increases in professional fees (up \$136,594, or 243%) relating primarily to legal fees associated with the ongoing Moose Oil litigation.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Oil and Gas Revenues. Total oil and gas revenues increased \$961,463, or 435%, to \$1,182,063 in fiscal 2004 when compared to fiscal 2003. The increase in revenue is due to (1) increased production resulting from the development of the South American fields and the new domestic wells that have come on line during 2003 and 2004 and (2) increases in oil prices. We had interests in 8 producing wells in South America and 8 producing wells in North America during 2004 as compared to 2 producing wells in South America and 3 producing wells in North America during 2003. Average prices from sales were \$33.85 per barrel of oil and \$5.43 per mcf of gas during 2004 as compared to \$30.17 per barrel of oil and \$5.11 per mcf of gas during 2003. Following is a summary comparison, by region, of oil and gas sales for the periods.

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	South America	North America	Total
	-----	-----	-----
Year ended 2004			
Oil sales	\$ 808,472	\$ 39,376	\$847,848
Gas sales	0	334,215	334,215
Year ended 2003			
Oil sales	\$ 128,520	\$ 11,957	\$140,477
Gas sales	0	80,123	80,123

Lease Operating Expenses. Lease operating expenses, excluding joint venture expenses relating to our South American operations discussed below, increased 182% to \$413,723 in 2004 from \$146,914 in 2003. The increase in lease operating expenses was attributable to the increase in the number of wells operated during 2004. Following is a summary comparison of lease operating expenses for the years ended December 31, 2004 and 2003.

	South America	North America	Total
	-----	-----	-----
Year ended 2004	\$ 354,448	\$ 59,275	\$413,723
Year ended 2003	109,348	37,566	146,914

Joint Venture Expenses. Joint venture expenses totaled \$41,944 in 2004 compared to \$36,940 in 2003. The joint venture expenses represent our allocable share of the indirect field operating and region administrative expenses billed by the operator of the South American CaraCara and Tambaqui concessions. The increase in joint venture expenses was attributable to increased exploration and production in South America.

Depreciation and Depletion Expense. Depreciation and depletion expense increased by 275% to \$211,759 in 2004 when compared to \$56,434 in 2003. The increase in depreciation and depletion expense was primarily attributable to the increased production from new wells coming on line during 2004.

Interest Expense. Interest expense decreased 49% to \$72,000 in 2004 compared to \$142,349 in 2003. The interest expense decrease was attributable to reduced debt relating to the conversion of certain debt to equity in 2003 and a reduction in the interest rate.

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General and Administrative Expenses. General and administrative expense increased by 79% to \$327,354 in 2004 from the \$182,293 in 2003. The increase in G&A expense was principally attributable to (1) a 137% increase in professional fees arising in connection with the Moose Oil litigation commenced during 2004 and (2) the commencement of salary to our President and CEO during the fourth quarter of 2004, totaling \$15,000 per month.

FINANCIAL CONDITION

Liquidity and Capital Resources. At June 30, 2005 we had a cash balance of

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\$1,929,671 and working capital of \$2,115,659 compared to a cash balance of \$721,613 and working capital of \$771,392 at December 31, 2004. The increase in cash and working capital during the period was primarily attributable to the sale, during 2005, of \$2,125,000 of Subordinated Convertible Notes partially offset by investing activities relating to oil and gas properties.

Operating cash flows for the 2005 period totaled \$30,997 as compared to cash used in operations during the 2004 period of \$54,826. The improvement in operating cash flow was primarily attributable to improved profitability and increases in depreciation and depletion, partially offset by changes in operating assets and liabilities.

Investing activities used \$947,939 during the 2005 period as compared to \$441,778 used during the 2004 period. The increase in funds used in investing activities during the current period was primarily attributable to the payment of the Company's portion of seismic survey costs on Colombian prospects totaling \$447,605.

Financing activities provided \$2,125,000 during the 2005 period attributable to the sale of Subordinated Convertible Notes and \$91,193 during the 2004 period attributable to the issue of common stock.

Notes Payable. At June 30, 2005, our long-term debt was \$3,169,456 as compared to \$1,000,000 at December 31, 2004. The increase in long-term debt was attributable to the issuance during the period of \$2,125,000 of Subordinated Convertible Notes and recording a reserve for plugging costs of \$44,456.

Notes payable at June 30, 2005 included loans from our principal shareholder, in the amount of \$1,000,000, bearing interest at 7.2% and maturing January 1, 2007.

Notes payable also included \$2,125,000 in principal amount of Convertible Notes. The Convertible Notes bear interest at 8%, provide for semi-annual interest payments and mature May 1, 2010. The Convertible Notes are convertible, at the option of the holders, into common stock of the Company at a price of \$1.00 per share (the "Conversion Price"), subject to standard anti-dilution provisions relating to splits, reverse splits and other transactions, including issuances of common stock at prices below the Conversion Price. The Convertible Notes are subject to automatic conversion in the event the Company conducts an underwritten public offering of its common stock from which the Company receives at least \$5 million and the public offering price is at least 150% of the then applicable Conversion Price. The Company has the right to cause the Convertible Notes to be converted into common stock after May 1, 2006 if the price of the Company's common stock exceeds 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 has the right to repurchase the Convertible 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 Convertible Notes are unsecured general obligations of the Company and are subordinated to all other indebtedness of the Company unless the other indebtedness is expressly made subordinate to the Convertible Notes.

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 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, 2004 and the May 2005 sale of convertible notes, and the increase in our revenues, profitability and operating cash flows, we expect that future capital and exploration expenditures will be funded principally through funds on hand

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and funds generated from operations.

During the first half of 2005, we invested approximately \$947,939 for the acquisition and development of oil and gas properties, consisting of (1) seismic surveying in Colombia (\$447,605), (2) drilling the well on the Crowley Prospect, and (3) drilling 6 wells in Colombia.

At June 30, 2005, our only material contractual obligations requiring determinable future payments on our part were notes payable to our principal shareholder and holders of subordinated convertible notes and our lease relating to our executive offices.

The following table details our contractual obligations as of June 30, 2005:

	Payments due by period				
	Total	2005	2006 - 2007	2008 - 2009	Thereafter
Long-term debt.	\$3,125,000	\$ 0	\$ 1,000,000	\$ 0	\$ 2,125,000
Operating lease commitments	52,842	19,816	33,026	0	0
Total	\$3,177,842	\$19,816	\$ 1,033,026	\$ 0	\$ 2,125,000

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.

At June 30, 2005, our acquisition and drilling budget for the balance of 2005 totaled approximately \$427,500, consisting of (1) \$120,000 for drilling of 5 wells in South America on the Cara Cara concession, (2) \$187,500 to drill one additional concession acquired in South America in 2004 and (3) \$120,000 to drill an additional well on the Crowley Prospect. 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 combined with our increases in revenues over the past year 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.

We had no off-balance sheet arrangements or guarantees of third party obligations at June 30, 2005.

INFLATION

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

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since inception.

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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 development of four concessions in the South American country of Colombia. We seek to utilize the contacts and experience of our sole executive officer, John F. Terwilliger, 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.

Our principal exploration projects as of December 31, 2004 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.

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. 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

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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. We presently have no plans with respect to drilling additional wells in Matagorda County.

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SAN PATRICIO COUNTY, TEXAS. In San Patricio County, Texas, we hold a 5% working interest in a 380 acre leasehold known as the St. Paul Prospect. The Garza #1 well was drilled in the first quarter of 2004 and successfully completed as a gas well. We presently have no plans with respect to drilling additional wells on the St. Paul Prospect.

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.

VERMILLION PARISH, LOUISIANA. In Vermillion Parish, Louisiana, we hold a 3% working interest in the LaFurs F-16 well. The LaFurs F-16 well was drilled in the second quarter of 2004 and was completed as a gas well with commercial sales of gas beginning in the third quarter of 2004. We have no additional drilling rights or plans with respect to the Vermillion Parish prospect.

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. The Hoffpauer #1 (formerly the Baronet #1) was drilled in the third quarter of 2004. Commercial production of the well commenced in December 2004 with initial production rates of 1,525 MCF of gas and 15.5 barrels of condensate per day. The Baronet #2 well was drilled in the first quarter of 2005 and began production in June 2005.

TERREBONNE PARISH, LOUISIANA. In Terrebonne Parish, Louisiana, we hold a 1.25% carried working interest to the casing point in a 194 acre leasehold known as the Donner Field.

PLAQUEMINES PARISH, LOUISIANA. In Plaquemines Parish, Louisiana, we hold a 1.8% working interest after casing point, and a 1.35% net revenue interest in a 300 acre leasehold known as the Bakers Bay Prospect. The SL18077 #1 well was drilled in the fourth quarter of 2004. The well was completed as a gas and oil well in December 2005 and was awaiting a pipeline hookup at December 31, 2004 with sales commencing in July 2005. We presently have no plans with respect to drilling additional wells on the Bakers Bay Prospect.

NORTH LOUISIANA. In December 2004, we sold our interest in a 1,428 acre leasehold in Northern Louisiana and joined the purchaser of that interest in forming a 7,680 acre area of mutual interest. Pursuant to that agreement, we received a 7.5% working interest in the first well drilled on the acreage, a 7.5% working interest back in after payout in the second and third wells and will have an option to participate for its 7.5% working interest in all subsequent wells. We also retained overriding royalty interests ranging from 1.35% to 2.5% on leases covering 3,200 acres.

LLANOS BASIN, COLOMBIA. In the Llanos Basin, Colombia, we hold interests in (1)

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a 232,050 acre tract known as the Cara Cara concession, (2) the Tambaqui Association Contract covering 88,000 acres in the State of Casanare, Colombia, and (3) two concessions, the Dorotea Contract and the Cabiona Contract, totaling over 185,000 acres.

Our interest in the Cara Cara concession and the two additional concessions is held through an interest in Hupecol, LLC. The additional concessions were acquired by Hupecol in the fourth quarter of 2004. We hold a 12.5% working interest in each of the prospects of Hupecol. In conjunction with 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.

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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 conjunction with the efforts to develop the Cara Cara concession, Hupecol acquired 50 square miles of 3D seismic grid surrounding the Jaguar #1 well and two other prospect areas. That data is being 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 the Cara Cara concession and the Tambaqui Association Contract 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. Our working interest in the additional concessions is subject to an escalating royalty ranging from 5% 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 two concessions acquired in the fourth quarter of 2004. Hupecol acquired, during the first half of 2005, approximately 75 square miles of 3D seismic data covering the two additional concessions and 46 square miles of new 3D seismic on the Cara Cara concession.

During 2004, Hupecol drilled nine wells on the Cara Cara concession in Colombia to offset, and delineate, the Jaguar #1 well, with production commencing on the Jaguar #2 in March 2004, the Bengala #2 in April 2004, the Jaguar #6 in July 2004, the Jaguar #12 in September 2004, the Jaguar #3A in October 2004, and the Jaguar #15 in December 2004. The Cara Cara #1, the Cara Cara #7 and the Cara Cara #7 Side Track were dry holes. Through August 10, 2005, Hupecol drilled five additional wells on the Cara Cara concession, the Bengala #4, #5, #6 and #7 and the Jaguar #5. We hold a 1.59% working interest in each of the wells. Through Hupecol, we presently plan to drill an additional five wells on the Cara Cara concession through the end of 2005.

Included in our interest in the Tambaqui Association Contract was an interest in a producing well, the Tambaqui #1, and in two exploration wells. The Tambaqui #1 is no longer producing due to uneconomic production rates. The first exploration well drilled as an offset to the Tambaqui #1, the Tambaqui #1Am, was dry. The Tambaqui #2 well was successfully drilled and began production in June 2004. The Tambaqui was successfully drilled and began production in March 2005.

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Through Hupecol, seismic surveying has been completed and permitting of 30 drilling locations is ongoing on the Dorotea Contract and Cabiona Contract. We plan to commence drilling on the Dorotea Contract and the Cabiona Contract upon completion of permitting and securing a rig.

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

Project Area	Acres Leased or Under Option at December 31, 2004 (1)			
	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%
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	2,196.65	2,046.65	102.24	
LOUISIANA:				
Vermillion Parish, Louisiana	830.00	830.00	24.90	3.00%
Acadia Parish, Louisiana	620.00	620.00	18.60	3.00%
Terrebonne Parish, Louisiana	194.00	194.00	2.42	1.25%
Plaquemines Parish, Louisiana	300.00	300.00	5.40	1.80%
Northern Louisiana	1,668.71	1,668.71	125.15	7.50%
St. John the Baptist Parish, Louisiana	726.00	726.00	14.52	2.00%
Louisiana Sub-Total	4,338.71	4,338.71	190.99	
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	232,050.00	232,500.00	3,689.00	1.59%
Tambaqui Assoc. Contract (2)	88,000.00	88,000.00	11,088.00	12.6%
Dorotea Contract	82,065.00	82,065.00	10,258.00	12.5%
Cabiona Contract	103,740.00	103,740.00	12,967.00	12.5%
Colombia Sub-Total	505,855.00	505,855.00	38,002.00	
Total	512,550.36	512,400.36	38,299.01	

- (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, 2004, we drilled 18 exploratory and 7 developmental wells, of which 18 were completed and 7 were dry holes. In 2003, 3 exploratory and 1 developmental wells were drilled of which 3 were completed and 1 was a dry hole. In 2004, 9 exploratory and 7 developmental wells were drilled 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 2003 and 2004 as to wells drilled in each such individual year:

	Exploratory Wells (1)		Developmental Wells (1)	
	Gross	Net	Gross	Net
2003				

Productive	3	0.435	0	0
Dry	0	0.000	1	0.125
2004				

Productive	4	0.128	7	0.220
Dry	5	0.238	0	0

- (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, 2004, on the Cara Cara prospect.

PRODUCTIVE WELL SUMMARY

The following table sets forth certain information regarding our ownership as of December 31, 2004 of productive gas and oil wells in the areas indicated:

	Gas		Oil	
	Gross	Net	Gross	Net
Texas	3	0.465	0	0
Louisiana	4	0.078	0	0
Oklahoma	1	0.024	0	0

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Colombia. . . .	0	0	8	0.236
	-----	-----	-----	-----
Total	8	0.567	8	0.236
	=====	=====	=====	=====

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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,	
	2003	2004
	-----	-----
Net Production:		
Gas (Mcf):		
North America . . .	15,993	61,519
South America . . .	0	0
Oil (Bbls):		
North America . . .	246	886
South America . . .	5,880	24,040
Average sales price:		
Gas (\$per Mcf)	5.11	5.43
Oil (Bbls)	30.17	33.85
Average production expense and Taxes (\$per Bble):		
North America . . .	2.35	5.32
South America . . .	24.88	14.74

NATURAL GAS AND OIL RESERVES

The following table summarizes the estimates of our historical net proved reserves as of December 31, 2003 and 2004, 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,	
	2003	2004
	-----	-----
Net proved reserves (1):		
Natural gas (Mcf)	176,600	202,420
Oil (Bbls)	274,107	307,290

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Standardized measure of discounted future net

cash flows (2) \$3,172,639 \$4,005,624

- (1) At December 31, 2004, net proved reserves, by region, consisted of 295,700 barrels of oil in South America and 11,590 barrels of oil in North America; all natural gas reserves were in North America.

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- (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, 2004, 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	1,524.65	78.72	0	0	672.00	23.52
Louisiana	2,244.00	57.32	0	0	2,094.71	133.67
Oklahoma.	160.00	3.78	0	0	0	0

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Colombia. . . .	2,560.00	75.61	6,720.00	141.76	496,575.00	37,784.63
	-----	-----	-----	-----	-----	-----
Total	6,488.65	215.43	6,720.00	141.76	499,341.71	37,941.82
	=====	=====	=====	=====	=====	=====

During 2004, (1) we released 35% of the acreage in the Cara Cara concession, (2) our Jackson County, Texas lease of the W. Harmon Prospect expired, and (3) we leased 290 acres in Wharton County, Texas and subsequently sold our 50% interest in the lease retaining a 9.5% carried interest in two wells that were drilled as dry holes.

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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 August 29, 2005, 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:

- 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

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- 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.

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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 SOUTH AMERICA

As described above, we currently have interests in four 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

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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.

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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

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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.

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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

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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.

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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 August 29, 2005, 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 by the end of 2005.

PROPERTIES

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 above.

LEGAL PROCEEDINGS

During the quarter ended March 31, 2004, we were named as defendant in a suit styled Alan Gerger, Trustee for the Substantially Consolidated Bankruptcy Estate

of Moose Oil and Gas Company and Moose Operating Company v. John Terwilliger,

Marlin Data Research, Inc. and Houston American Energy Corp., filed in the

United States Bankruptcy Court for the Southern District of Texas. The plaintiff alleges that expenses relating to the formation and operation of Houston American were paid by Moose Oil and Gas or Moose Operating Company, that interests in certain oil and gas properties were transferred to Houston American from Moose Oil and Gas or Moose Operating Company and that the alleged payments and transfers constituted fraudulent transfers and voidable preferences. The plaintiff seeks to recover all properties alleged to have been wrongfully transferred as well as costs of suit and other relief. We believe that the action is without merit and intend to vigorously contest the same.

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MANAGEMENT

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	57	President, Treasurer and Director
O. Lee Tawes III	57	Director
Edwin C. Broun III	53	Director
Stephen Hartzell	51	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 and a director 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.

O. Lee Tawes III has served as a Director since August 2005. Mr. Tawes is Executive Vice President and Head of Investment Banking, and a Director at Northeast Securities Inc. From 2000-2001 he was Managing Director of Research for C.E. Unterberg, Towbin, an investment and merchant banking firm specializing in high growth technology companies. Mr. Tawes spent 20 years at Oppenheimer & Co. Inc. and CIBC World Markets, where he was Director of Equity Research from 1991 to 1999. He was also Chairman of the Stock Selection Committee at CIBC, a member of the firm's Executive Committee, and Commitment Committee. From 1972 to 1990, Mr. Tawes was an analyst covering the food and diversified industries at Goldman Sachs & Co. from 1972 to 1979, and Oppenheimer from 1979 to 1990. As food analyst, he was named to the Institutional Investor All America Research Team five times from 1979 through 1989. Mr. Tawes has served as a Director of Baywood International, Inc. since 2001. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia.

Stephen Hartzell has served as a Director since August 2005. Mr. Hartzell has over 27 years of experience as a petroleum geologist. 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

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Western Illinois University and an M.S. in Geology from Northern Illinois University.

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Edwin C. Broun III has served as a Director since August 2005. 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 where he was responsible for reserve and economic evaluation of acquisitions, drill site selection and workover design. From 1992 to 1994 he was a partner and consultant in Tierra Mineral Development, L.C., where he evaluated, negotiated and structured acquisitions, workovers and divestitures of oil and gas holdings. From 1975 to 1992, Mr. Broun served in various petroleum engineering capacities, beginning as a petroleum engineer with Atlantic Richfield Company from 1975 to 1979 and Tenneco Oil Company from 1979 to 1982 and rising to serving in various management capacities as Acquisitions Manager from 1982 to 1986 and Vice President, Engineering from 1986 to 1987 at ITR Petroleum, Inc.; Vice President, Acquisitions from 1987 to 1988 and Vice President, Houston District from 1988 to 1990 at General Atlantic Resources, Inc.; and Vice President, Engineering and Acquisitions from 1990 to 1992 at 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.

Our board of directors is divided into three classes, each elected for staggered three-year terms. Messrs. Tawes, Broun and Hartzell are Class A directors with terms expiring on the first annual meeting following their appointment. Mr. Terwilliger is a Class C director. His term is scheduled to expire at the third annual meeting following his appointment. 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.

EXECUTIVE COMPENSATION

The following table sets forth information concerning cash and non-cash compensation paid or accrued for services in all capacities to the Company during the year ended December 31, 2004 of each person who served as the Company's Chief Executive Officer during fiscal 2004 and the next four most highly paid executive officers (the "Named Officers").

Name and Principal Position	Year	Annual Compensation		
		Salary(\$)	Bonus(\$)	Other (\$)
John Terwilliger	2004	45,000	-0-	-0- (1) (2)
President and	2003	-0-	-0-	-0- (1) (2)
Chief Executive Officer	2002	-0-	-0-	-0- (1) (2)

(1) Mr. Terwilliger receives receives no other compensation or benefits other than vacation benefits, expense reimbursements and participation in medical, retirement and other benefit plans which are generally available to the Company's executives.

(2) Mr. Terwilliger received overriding royalty interests in three properties identified by Mr. Terwilliger. No value was assigned to those overriding

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royalty interests for purposes of this table. Payments received by Mr. Terwilliger pursuant to those overriding royalty interests totaled \$21,170, \$3,600 and \$0 in 2004, 2003 and 2002, respectively.

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

DIRECTOR COMPENSATION

Upon appointment and annually thereafter, non-employee directors are granted 20,000 10-year stock options exercisable at fair market value on the date of grant. Non-employee directors are also paid a per-meeting fee of \$1,000, or \$500 in the case of telephonic meetings, and are reimbursed expenses.

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BOARD COMMITTEES

We do not presently maintain an audit committee or any other committee of our board of directors. We are presently evaluating the appointment of additional independent directors and the establishment of committees. Because we do not presently maintain an audit committee, we have no audit committee financial expert.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In July 2001, we borrowed approximately \$664,000 from John F. Terwilliger, our sole executive officer. We utilized a portion of the funds borrowed from Mr. Terwilliger to pay the principal and accrued interest on the \$216,981 promissory note that was payable to Moose Oil & Gas Company upon the purchase of our oil and gas properties, and to repay Moose Operating for the operating expenses and drilling and completing costs it had advanced on our behalf pursuant to the Operating Agreement.

In December 2003, Mr. Terwilliger converted \$441,516.29 of loans into 1,103,791 shares of common stock of Houston American and modified the repayment terms with respect to the balance of the loans to Houston American, totaling \$1 million, to reduce the interest rate on the loans to 7.2% and provide for a fixed maturity date of January 1, 2007. Also, in December 2003, Orrie L. Tawes, a principal shareholder of the Company, converted the entire principal and accrued interest on his loans to Houston American, in the amount of \$186,016.83, into 465,042 shares of common stock. As of December 31, 2004, we owed \$1,004,400 to Mr. Terwilliger, including accrued interest.

In conjunction with the Company's efforts to secure oil and gas prospects, financing and services, it has, from time to time, granted overriding royalty interests in the Company's various mineral properties to Orrie L. Tawes, a significant shareholder. During 2004, approximately \$14,500 was paid to Mr. Tawes from these royalty interests.

In May 2005, Northeast Securities, Inc. acted as placement agent in connection with Houston American Energy's offer and sale of \$2,125,000 of Subordinated Convertible Notes for which Northeast Securities received commissions totaling \$127,500 and a warrant to purchase 191,250 shares of common stock at \$1.00 per share. Mr. Tawes is Executive Vice President, head of Investment Banking and a Director of Northeast Securities.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table sets forth information as of August 29, 2005, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of the Company's Common Stock held by (i) each person known by the Company to be the owner of more than 5% of the outstanding shares of the Company's 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 -----	Percentage of Class(2) -----
John F. Terwilliger 801 Travis, Suite 2020 Houston, Texas 77002	8,574,486	42.9%
Orrie Lee Tawes III (3) (4) c/o Northeast Securities, Inc. 100 Wall Street New York, New York 10005	3,287,044	16.5%
Edwin C. Broun III (5)	1,005,000	5.0%
Stephen Hartzell	56,000	*
All directors and officers as a group (four persons)	12,922,530	64.1%

* Less than 1%.

- (1) Unless otherwise indicated, each beneficial owner has both sole voting and sole investment power with respect to the shares beneficially owned by such person, entity or group. The number of shares shown as beneficially owned include all options, warrants and convertible securities held by such person, entity or group that are exercisable or convertible within 60 days of August 19, 2005.
- (2) The percentages of beneficial ownership as to each person, entity or group assume the exercise or conversion of all options, warrants and convertible securities held by such person, entity or group which are exercisable or convertible within 60 days, but not the exercise or conversion of options, warrants and convertible securities held by others shown in the table.
- (3) Shares shown as beneficially owned by Orrie Lee Tawes include 119,034 held by his wife, Marsha Russell.
- (4) Excludes shares underlying warrants held by Northeast Securities, Inc. as to which shares Mr. Tawes disclaims beneficial ownership.
- (5) Includes 200,000 issuable upon conversion of Notes held by Mr. Broun and 5,000 shares held by his wife.

SELLING SHAREHOLDERS

The selling securityholders are holders of \$2,125,000 in principal amount of Notes and the holders of warrants to purchase common stock. The Notes were

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issued in May 2005 pursuant to a private placement to accredited investors. The warrants were issued to the placement agent in the May 2005 private placement. Pursuant to the terms of the sale of the Notes, we entered into a Registration Rights Agreement with each of the selling securityholders wherein we agreed to register for resale the Notes and the shares of common stock issuable upon conversion of the Notes and exercise of the warrants.

The following table sets forth information with respect to the selling securityholders and the respective principal amounts of the Notes and common stock beneficially owned by each selling securityholder that may be offered under this prospectus. The information is based on information that has been provided to us by or on behalf of the selling securityholders. Unless otherwise indicated herein, none of the selling securityholders currently listed in the following table has, or with