

HOUSTON AMERICAN ENERGY CORP  
Form 10-Q  
August 16, 2010

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-32955

HOUSTON AMERICAN ENERGY CORP.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

76-0675953  
(IRS Employer Identification No.)

801 Travis Street, Suite 1425,  
Houston, Texas 77002  
(Address of principal executive offices)(Zip Code)

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

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 16, 2010, we had 31,080,772 shares of \$0.0001 par value Common Stock outstanding.

---

---

---

HOUSTON AMERICAN ENERGY CORP.

FORM 10-Q

INDEX

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009</u>	4
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
Item 4. <u>Controls and Procedures</u>	17
PART II. OTHER INFORMATION	
Item 6. <u>Exhibits</u>	18

---

Index

## PART I - FINANCIAL INFORMATION

## ITEM 1 Financial Statements

HOUSTON AMERICAN ENERGY CORP.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$12,737,340	\$14,010,637
Accounts receivable – oil and gas sales	1,885,309	1,831,674
Notes receivable	—	125,000
Escrow receivable	571,816	873,871
Prepaid expenses and other current assets	79,774	8,913
Total current assets	15,274,239	16,850,095
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Oil and gas properties – full cost method		
Costs subject to amortization	23,347,162	22,050,265
Costs not being amortized	10,810,042	5,558,324
Office equipment	90,004	11,878
Total property, plant and equipment	34,247,208	27,620,467
Accumulated depreciation, depletion, and impairment	(18,437,256)	(16,264,212)
Total property, plant and equipment, net	15,809,952	11,356,255
<b>OTHER ASSETS</b>		
Deferred tax asset	6,041,911	5,680,026
Other assets	176,453	176,453
Total assets	\$37,302,555	\$34,062,829
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$49,575	\$469,528
Accrued expenses	9,223	14,949
Foreign income taxes payable	47,500	128
Total current liabilities	106,298	484,605
<b>LONG-TERM LIABILITIES</b>		
Deferred rent obligation	14,480	16,652
Reserve for plugging and abandonment costs	352,865	316,260
Total long-term liabilities	367,345	332,912
Commitments and Contingencies	—	—
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, \$0.001 par value: 10,000,000 shares authorized; 0 shares outstanding	—	—
	31,080	30,891

Edgar Filing: HOUSTON AMERICAN ENERGY CORP - Form 10-Q

Common stock, \$0.001 par value; 100,000,000 shares authorized; 31,080,772 and 30,890,772 shares issued and outstanding, respectively

Additional paid-in capital	37,279,955	35,495,395
Accumulated deficit	(482,123 )	(2,280,974 )
Total shareholders' equity	36,828,912	33,245,312
Total liabilities and shareholders' equity	\$37,302,555	\$34,062,829

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Index

HOUSTON AMERICAN ENERGY CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenue:				
Oil and gas	\$ 11,870,669	\$ 1,579,260	\$ 7,629,274	\$ 1,134,118
Total revenue	11,870,669	1,579,260	7,629,274	1,134,118
Expenses of operations:				
Lease operating expense and severance tax	4,614,790	1,623,047	2,935,584	712,560
Joint venture expenses	78,086	78,706	39,064	37,982
General and administrative expense	3,148,857	1,393,314	2,430,942	672,447
Depreciation and depletion	2,173,044	541,732	1,346,796	287,317
Total operating expenses	10,014,777	3,636,799	6,752,386	1,710,306
Income (loss) from operations	1,855,892	(2,057,539 )	876,888	(576,188 )
Other income:				
Interest income	37,436	44,536	16,634	26,687
Total other income	37,436	44,536	16,634	26,687
Net income (loss) before taxes	1,893,328	(2,013,003 )	893,522	(549,501 )
Income tax expense (benefit)	94,477	(646,791 )	(96,612 )	(661,608 )
Net income (loss)	\$ 1,798,851	\$ (1,366,212 )	\$ 990,134	\$ 112,107
Basic income (loss) per share	\$0.06	\$(0.05 )	\$0.03	\$0.00
Diluted income (loss) per share	\$0.06	\$(0.05 )	\$0.03	\$0.00
Basic weighted average shares	31,059,253	28,000,772	31,080,772	28,000,772
Diluted weighted average shares	31,632,602	28,000,772	31,682,188	28,000,772

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Index

HOUSTON AMERICAN ENERGY CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$1,798,851	\$(1,366,212)
Adjustments to reconcile net income (loss) to net cash from operations:		
Depreciation and depletion	2,173,044	541,733
Stock based compensation	1,525,578	542,874
Accretion of asset retirement obligation	10,782	18,860
Amortization of deferred rent	(2,172 )	(987 )
Increase in deferred tax asset	(361,885 )	(704,649 )
Changes in operating assets and liabilities:		
Increase in accounts receivable	(53,635 )	(59,942 )
Increase in prepaid expense	(70,861 )	(60,925 )
Decrease in accounts payable and accrued liabilities	(378,307 )	(1,133,277)
Net cash provided by (used in) operating activities	4,641,395	(2,222,525)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for acquisition and development of oil and gas properties	(6,522,793 )	(3,260,526)
Decrease in escrow receivable	302,055	1,158,613
Payments for issuance of notes receivable	—	(115,724 )
Receipt of proceeds from notes receivable	125,000	115,724
Cash paid for property, plant and equipment	(78,126 )	—
Net cash used in investing activities	(6,173,864 )	(2,101,913)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(310,828 )	(700,029 )
Proceeds from exercise of warrants	570,000	—
Net cash provided by (used in) financing activities	259,172	(700,029 )
Decrease in cash	(1,273,297 )	(5,024,467)
Cash, beginning of period	14,010,637	9,910,694
Cash, end of period	\$12,737,340	\$4,886,227
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$—	\$—
Colombian taxes paid	\$408,990	