HOUSTON AMERICAN ENERGY CORP
Form DEFR14A
April 25, 2012

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

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HOUSTON AMERICAN ENERGY CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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(4) Filing Party:

(5) Date Filed:

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

Dear Stockholder: April 23, 2012

We cordially invite you to attend our 2012 annual meeting of stockholders, which will be held at 10:00 a.m. on Monday, June 11, 2012 at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002.

At this year's annual meeting, the agenda will include the election of 1 Class B director, the ratification of the selection of our independent registered public accounting firm for fiscal 2012 and the transaction of such other business as may properly come before the meeting or any adjournment thereof. Please refer to the enclosed proxy statement for detailed information on the proposal and other important information about Houston American Energy.

Please note that we are not asking our shareholders to vote on an advisory basis on the compensation of our named executive officers in 2012 in light of the 2011 advisory vote of shareholders approving submission of such matter for an advisory vote once every three years. Accordingly, our shareholders will next be asked to vote on an advisory basis on executive compensation in 2014.

We hope you will be able to attend the annual meeting, but we know that not every stockholder will be able to do so. Whether or not you plan to attend, please complete, sign and return your proxy, or vote by telephone or via the Internet according to the instructions on the proxy card, so that your shares will be voted at the annual meeting.

Sincerely,

JOHN F. TERWILLIGER
Chairman of the Board

HOUSTON AMERICAN ENERGY CORP.
801 Travis St., Suite 1425
Houston, Texas 77002

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS
June 11, 2012

Dear Stockholder:

The annual meeting of stockholders of Houston American Energy Corp. will be held at 10:00 a.m. on Monday, June 11, 2012, at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002. The purpose of the annual meeting is to:

1. Elect one Class B director to hold office for the next three years.

2. Ratify the selection of GBH CPAs, PC as our independent registered public accounting firm for the 2012 fiscal year.

3. Transact such other business as may properly come before the meeting or any adjournments thereof.

Only stockholders of record at the close of business on April 23, 2012 will be entitled to vote at the annual meeting and any and all adjourned sessions thereof. Our stock transfer books will remain open.

To ensure that your vote is recorded promptly, please vote as soon as possible. If you are a stockholder of record, please complete, sign and mail the proxy card in the enclosed postage-paid envelope. If your shares are held in “street name”, that is held for your account by a broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted.

By Order of the Board of Directors,

Date

JOHN TERWILLIGER
Chairman

Houston, Texas
April 23, 2012

HOUSTON AMERICAN ENERGY CORP.

801 Travis St., Suite 1425
Houston, Texas 77002

PROXY STATEMENT

Our board of directors is soliciting your proxy for the annual meeting of stockholders to be held at the Magnolia Hotel, which is located at 1100 Texas Avenue, Houston, Texas 77002, on Monday, June 11, 2012 at 10:00 a.m. and at any and all adjourned sessions of the annual meeting.

We are mailing our annual report for the fiscal year ended December 31, 2011, to our stockholders with this notice and proxy statement (including the form of proxy) on or about April 23, 2012.

Record Date and Quorum Requirements

Only stockholders of record at the close of business on April 23, 2012 will be entitled to vote at the annual meeting. The majority of the shares of common stock issued and outstanding and entitled to vote on the record date must be present in person or by proxy to have a quorum for the transaction of business at the annual meeting. Shares of common stock present in person or represented by proxy (including shares which abstain, withhold the vote or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists for a matter presented at the annual meeting. At the close of business on April 23, 2012, we had 31,165,230 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote.

Voting Your Shares and Votes Required

Your vote is very important. If you do not vote your shares, you will not have an impact with respect to the issues to be voted on at this annual meeting. In addition, banks and brokers cannot vote on their clients' behalf on "non-routine" proposals.

In order to be elected as directors, each of the nominees for director must receive a plurality of the votes cast at the annual meeting. Approval of the ratification of the selection of GBH CPAs, PC as our independent registered public accounting firm for the 2012 fiscal year will require the affirmative vote of a majority of the shares of common stock present or represented by proxy at the annual meeting.

Shares that abstain from voting on a particular proposal, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares on a particular proposal, will not be counted as votes "in favor" of such proposal, and will also not be counted as votes cast or shares voting on that proposal. Accordingly, abstentions and "broker non-votes" will have no effect on the voting on a proposal that requires the affirmative vote of a certain percentage of the votes cast or shares voting on a proposal. However, abstentions are considered to be present or represented in determining whether a quorum exists on a given matter.

Submitting Your Proxy

If you complete and submit your proxy, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy card but do not fill out the voting instructions on the proxy card, the persons named as proxies will vote the shares represented by your proxy as follows:

FOR the election of the director nominee; and

FOR the ratification of the selection of GBH CPAs, PC as our registered public accounting firm;

To ensure that your vote is recorded promptly, please vote as soon as possible. To vote by proxy, please complete, sign and mail the proxy card in the enclosed postage-paid envelope.

Stockholders that attend the annual meeting and wish to vote in person will be given a ballot at the meeting. If your shares are held in "street name" and you want to attend the annual meeting, you must bring an account statement or letter from the brokerage firm or bank holding your shares showing that you were the beneficial owner of the shares on the record date. If you want to vote shares that are held in "street name" or are otherwise not registered in your name, you will need to obtain a "legal proxy" from the holder of record and present it at the annual meeting.

Revoking or Changing Your Proxy

You may revoke or change your proxy at any time before it is voted. For a stockholder "of record", meaning one whose shares are registered in his or her own name, to revoke or change a proxy, the stockholder may follow one of the procedures listed below.

- submit another properly signed proxy, which bears a later date;
- deliver a written revocation to our corporate secretary; or
- attend the annual meeting or any adjourned session thereof and vote in person.

If you are a beneficial owner of our common stock, and not the stockholder of record (for example your common stock is registered in "street name" with a brokerage firm), you must follow the procedures required by the holder of record, which is usually a brokerage firm or bank, to revoke or change a proxy. You should contact the stockholder of record directly for more information on these procedures.

Other Information

We will bear the expense of soliciting proxies. Our officers and certain other employees, without additional remuneration, may solicit proxies personally or by telephone, e-mail or other means.

Our Annual Report on Form 10-K for the year ended December 31, 2011, which is not part of the proxy soliciting materials, is included with this Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below shows the number of our shares of common stock beneficially owned as of April 23, 2012 by:

- each person or group known by us to beneficially own more than 5% of our outstanding common stock;
- each director and nominee for director;
- each executive officer named in the Summary Compensation Table under the heading "Executive Compensation" below; and
- all of our current directors and executive officers of the company as a group.

The number of shares beneficially owned by each 5% holder, director or executive officer is determined by the rules of the SEC, and the information does not necessarily indicate beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the person or entity has sole or shared voting power or investment power and also any shares that the person or entity can acquire within 60 days of April 23, 2012 through the exercise of any stock option or other right. For purposes of computing the percentage of outstanding shares of common stock held by each person or entity, any shares that the person or entity has the right to acquire within 60 days after April 23, 2012 are deemed to be outstanding with respect to such person or entity but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or entity. Unless otherwise indicated, each person or entity has sole investment and voting power (or shares such power with his or her spouse) over the shares set forth in the following table. The inclusion in the table below of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. As of April 23, 2012, there were 31,165,230 shares of common stock issued and outstanding.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned		Percentage of Common Stock Outstanding	
John Terwilliger (1)*	8,724,650	(2)	27.5	%
O. Lee Tawes (3)*	3,046,622	(4)	9.7	%
Benchmark Capital Advisors (3)	1,547,437	(5)	5.0	%
James J. Jacobs	498,900	(6)	1.6	%
Stephen Hartzell*	142,666	(7)	†	
John Boylan*	162,300	(8)	†	
Richard J. Howe*	31,250	(9)	†	
Kenneth Jeffers	71,000	(10)	†	%
Columbia Wanger Asset Management, L.P. (11)	2,910,200	(12)	9.3	%
The TCW Group, Inc. (13)	1,676,755	(14)	5.4	%
All current directors and executive officers as a group (7 persons)	12,677,388	(15)	38.9	%

* Director of our company

† Less than 1% of the shares of total common stock outstanding as of April 23, 2012.

(1) Address is care of Houston American Energy Corp., 801 Travis St., Suite 1425, Houston, Texas 77002.

(2) Includes (a) 600,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment. 8,109,650 of the shares held by Mr. Terwilliger are pledged as security. 479,983 shares held by Mr. Terwilliger were sold on April 24, 2012 to cover margin calls.

(3) Address is 100 Wall Street, 8th Floor, New York, New York 10005.

(4) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13D/A, Amendment No. 3, filed with the SEC on April 23, 2012. Shares indicated as beneficially owned by Mr. Tawes include (a) 8,091 shares owned by 100 Wall Energy Partners, L.P., of which Mr. Tawes is a 7.8% owner and portfolio manager as well as a member of the general partner, (b) 119,034 shares owned by Mr. Tawes' spouse, as to which Mr. Tawes disclaims beneficial ownership and (c) 86,666 stock options that may be exercised within 60 days of April 23, 2012.

(5) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G filed with the SEC on February 14, 2012.

(6) Includes (a) 470,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment.

(7) Includes 86,666 stock options that may be exercised within 60 days of April 23, 2012.

(8) Includes (a) 22,300 shares held by EJC Ventures, LP, of which Mr. Boylan serves as the manager of the general partner, and (b) 80,000 stock options that may be exercised within 60 days of April 23, 2012.

(9) Includes 31,250 stock options that may be exercised within 60 days of April 23, 2012.

(10) Includes (a) 50,000 stock options that may be exercised within 60 days of April 23, 2012 and (b) 15,000 shares of restricted stock that vest ratably over three years subject to forfeiture of unvested shares upon termination of employment.

(11) Address is 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.

(12) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G/A, Amendment No. 2, filed with the SEC on February 10, 2012. Colombia Wanger Asset Management, LLC. reports that it has sole power to dispose of or to direct the disposition of all 2,910,200, shares, and the sole power to vote 2,646,200 of the shares, reported as beneficially owned by it.

(13) Address is 865 South Figueroa Street, Los Angeles, California 90017

(14) Based upon information regarding Houston American Energy Corp. holdings reported on a Schedule 13G/A, Amendment No. 1, filed with the SEC on February 9, 2012. The TCW Group, Inc. reports, on behalf of the TCW Business Unit, that it has shared power to dispose of or to direct disposition of all 1,676,755 shares, and the shared power to vote 1,282,023 of the shares, reported as beneficially owned by it.

(15) Includes 1,404,582 stock options that may be exercised within 60 days of April 23, 2012. 8,109,650 of the shares held by directors and executive officers are pledged as security.

PROPOSAL 1

ELECTION OF DIRECTORS

Our restated articles of organization and amended and restated by-laws, each as amended to date, provide for the classification of our board into three classes, as nearly equal in number as possible. The Class A, Class B and Class C directors are currently serving until the annual meeting of stockholders that will be held in 2013, 2012 and 2014, respectively, and until their respective successors are elected and qualified. At each annual meeting of stockholders, directors are elected for a full term of three years to succeed those whose terms are expiring. Our board has fixed the number of directors at five. There are currently two Class A directors, one Class B director and two Class C directors.

Unless otherwise instructed, the persons named as proxies will vote all proxies received FOR the election of the person named as nominee below as a Class B director for a term of three years, until the annual meeting of stockholders to be held in 2015 and until his successor is elected and qualified.

The nominee listed below is currently serving as a director and has indicated that he is willing to continue to serve, if elected. The independent directors of the board nominated the candidates for election. If the nominee should become unavailable, the persons named as proxies will vote all proxies received for a substitute nominee designated by the board, unless instructions are given to the contrary. The board has no reason to believe that the nominee will become unavailable.

In the section below, we provide the names and biographical information about the Class B nominee and each other member of the board.

There are no family relationships among any of our directors, nominee for director and executive officers.

Nominee for Election as Class B Director Continuing in Office until 2015

John Boylan Age: 45 Director Since: 2006	Mr. Boylan has served as Chief Financial Officer of Probe Resources, Ltd., an independent and gas company, since April 2011, and as a financial consultant to the oil and gas industry since 2007. Previously, Mr. Boylan served in various executive capacities in the energy industry, including both the exploration and production and oil services sectors. Mr. Boylan's experience also includes work as an auditor for KPMG Peat Marwick and as a management consultant for Coopers & Lybrand Consulting. Mr. Boylan holds a BBA with a major in Accounting from the University of Texas and an MBA with majors in Finance, Economics and International Business from New York University. Mr. Boylan is a licensed CPA in the State of Texas. In December 2007, Mr. Boylan filed a bankruptcy petition under Chapter 7 of the United States Bankruptcy Code in Cause No. 07-38742-H3-7 in the United States District Court for the Southern District of Texas, Houston Division. He received a discharge from Chapter 7 in June 2009. The bankruptcy petition was filed in response to efforts by a creditor to collect obligations of a company of which Mr. Boylan was a prior part owner, which obligations were personally guaranteed by Mr. Boylan.

Mr. Boylan brings to our board 20 years of broad experience in the oil and gas industry, covering operations, accounting and finance, and his resulting understanding of the Company's industry, operating environment, key drivers of operational and financial success and specific accounting and financial characteristics and challenges encountered finance and financial reporting.

Class C Directors Continuing in Office until 2014

John Terwilliger Age: 64 Director Since: 2001	Mr. Terwilliger has served as our Chairman, Chief Executive Officer, President and a director since our inception in April 2001. Mr. Terwilliger brings to our board over 30 years of energy industry experience as well as essential insight and guidance from an inside perspective as a result of his key and ongoing role in acquiring and managing our asset portfolio, his central role in managing all aspects of operations of our company and his position as our largest shareholder.

O. Lee Tawes III Age: 64 Director Since: 2005	Mr. Tawes is Executive Vice President and Head of Investment Banking, and a Director at Northeast Securities Inc. Prior to joining Northeast Securities, Mr. Tawes held management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2004. Mr. Tawes has served as a Director of New Leaf Brands, Inc. since 2001 and of GSE Systems, Inc. since 2006. Mr. Tawes is a graduate of Princeton University and received his MBA from Darden School at the University of Virginia. Mr. Tawes brings to our board over 30 years of broad experience in finance and investment banking, and specific experience in oil and gas finance and investment banking, and his resulting understanding of our industry, operating environment, key drivers of financial success and specific capital market characteristics and challenges encountered by our company.

Class A Directors Continuing in Office Until 2013

Stephen Hartzell Age: 58 Director Since: 2005	Since 2003, Mr. Hartzell has been an owner operator of Southern Star Exploration, LLC, an independent oil and gas company. From 1986 to 2003, Mr. Hartzell served as an independent consulting geologist. From 1978 to 1986, Mr. Hartzell served as a petroleum geologist, division geologist and senior geologist with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration. Mr. Hartzell received his B.S. in Geology from Western Illinois University and an M.S. in Geology from Northern Illinois University. Mr. Hartzell brings to our board over 30 years of broad experience in the oil and gas industry, covering geology, operations management and asset management, and his resulting understanding of our industry, operating environment, key drivers of operational success and specific geological characteristics and challenges encountered in operations.
Richard J. Howe, Ph.D. Age: 83 Director Since: 2011	Dr. Howe retired as President and Chief Operating Officer of Pennzoil Company in 1988. Previously, Dr. Howe served in diverse managerial and executive roles with such companies as Shell Oil, Exxon and Pennzoil. Dr. Howe holds a B.S., M.S. and Ph.D. in Mechanical Engineering from the University of Minnesota and a M.Ind.Mgmt. from MIT. Dr. Howe brings to our board over 30 years of broad executive and managerial level experience in the energy industry and a keen understanding of the industry and international markets.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE NOMINEE TO THE BOARD OF DIRECTORS SET FORTH IN THIS PROPOSAL 1.

In considering your vote with respect to the election of directors pursuant to Proposal 1, you should consider the discussions of “Executive Compensation” and “Corporate Governance” and the other discussions contained in this Proxy Statement.

PROPOSAL 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our board, on the recommendation of the audit committee, has selected the firm of GBH CPAs, PC as our registered public accounting firm for fiscal 2012. GBH CPAs, PC has served as our registered public accounting firm since January 2009. Although stockholder approval of the board's selection of GBH CPAs, PC is not required by law, the board believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved at the annual meeting, the board will reconsider its selection of GBH CPAs, PC.

Representatives of GBH CPAs, PC are expected to be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF GBH CPAs, PC AS OUR REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.

In considering your vote with respect to the ratification of our selection of GBH CPAs, PC as our registered public accounting firm pursuant to Proposal 2, you should consider the discussion of "Relationship with Independent Registered Public Accounting Firm" and the other discussions contained in this Proxy Statement.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Operations and Executive Compensation During 2011

Our operations are focused on making strategic investments in oil and natural gas properties in which we invest alongside larger partners and operators or receive carried interests for sourcing opportunities or assembling prospects and partners. Our mission is to deliver outstanding net asset value per share growth to our investors via attractive oil and natural gas investments. Our strategic investments are focused on early identification of, and entrance into, existing and emerging resource plays, particularly in South America and the U.S. Gulf Coast region. By entering into these plays earlier and partnering with, or promoting to, larger operators, we believe we can capture larger resource potential at lower cost and minimize our exposure to drilling risks and costs and ongoing operating costs.

We, along with our partners, actively manage our resources through opportunistic acquisitions and divestitures where reserves can be identified, developed, monetized and financial resources redeployed with the objective of growing acreage positions, reserves, production and shareholder value.

We gauge the success of our efforts principally in terms of return on investment as measured by direct value delivered to shareholders, either through appreciation in stock price or through payment of dividends, and through reserve growth and net asset growth.

The relative success of our operations is largely a function of the direct efforts of our senior management team in identifying attractive opportunities and suitable partnerships to develop oil and natural gas properties and negotiating favorable terms of participation in those opportunities. Because we do not operate oil and natural gas properties, our focus is on identification of prospects and partners and control of costs. To that end, we operate with a minimal employee base, principally comprised of our senior management team, specifically, our chief executive officer, our chief financial officer and our senior vice president of exploration, who carry out substantially all of the key functions of our company.

As discussed below, our compensation committee generally reviews compensation levels at mid-year in conjunction with our annual meeting and fixes salary, bonus and equity grant levels at that time taking into account the previous year’s operating results as well as year-to-date developments and industry compensation data. The compensation of our executive officers during 2011 reflected our objectives set forth above, the success or failure of which is directly tied to the performance of our executive officers, and the following events and/or developments:

- in mid-2011, the compensation committee determined to increase the base salary of our chief executive officer, chief financial officer and senior vice president of exploration by 5%, which remained at a level approximating the 50th percentile among a pool of comparable companies whose 2009 compensation levels were evaluated by the committee; and

- in mid-2011, the compensation committee determined to pay cash bonuses and to make grants of restricted stock based on 2010 performance, which reflected, among other things, (i) record revenues and field level profitability, with 2010 operating revenues growing 140.4% to a record $19.5 million and income from operations, excluding gains from sales of properties, improving to $3.2 million from a loss from operations of $1.5 million in 2009, (ii) realization of gains of approximately $27.2 million, on unamortized investments of approximately $4.2 million, from the sale of our interest in four prospects in Colombia and the sale of our interest in certain Eagle Ford Shale prospects in Karnes County, Texas, (iii) the redeployment of proceeds from our 2010 divestitures to increase in our position in the CPO 4 prospect to 37.5% and to increase our total net acreage position in Colombia to 179,978 acres at year-end

2010 up from 154,910 acres at year-end 2009, and (iv) distributions to shareholders of $6.8 million of dividends during 2010.

The foregoing actions by the compensation committee reflect the overall objective of maintaining base salary structures that are competitive with the 50th percentile of our competitor peer group while rewarding proven performance by discretionary cash bonuses and future realization of value through equity grants in the form of restricted stock and/or options and, where appropriate, event driven cash bonuses. The compensation committee believes that this approach allows the company to minimize fixed costs and retain flexibility to allow the company to adapt quickly to specific conditions and events.

Objectives and Philosophy of Compensation Program

Our compensation program is designed to attract and retain key employees, motivating them to achieve and rewarding them for superior performance by providing a competitive package through a combination of base salary, cash bonuses, equity incentives and other perquisites and benefits. Philosophically, our executive compensation program is designed to provide adequate, but not excessive, base compensation to allow our executives to focus on achieving our corporate goals without the allure of, or financial need to seek, more lucrative base pay opportunities elsewhere while making available bonus opportunities and equity participation that offer both direct rewards for recognized superior performance, at both the corporate and individual levels, and opportunities for wealth creation associated with increased shareholder value. Our philosophy reflects the unique nature of our business as a non-operator investor in oil and gas properties wherein our future growth is uniquely tied to the efforts of our management team in identifying attractive new opportunities and partners and controlling costs as opposed to applying their efforts to the development and management of operated properties. The ultimate objective of our program is to increase shareholder value by providing executives with appropriate incentives to achieve our business objectives.

We generally target paying total direct compensation commensurate with that of approximately the 50th percentile of our peer group. We believe that this competitive position is needed in order to successfully retain and motivate our current management team and attract superior talent if needed in the future.

To facilitate the formulation and monitoring of our compensation program, the compensation committee, in conjunction with the 2007 retention of Deloitte Consulting LLP, developed a list of peer companies and tracks the compensation programs of our peers as well as throughout the broader energy market.

Our list of peer companies (“Peer Companies”) is periodically reviewed and updated by the compensation committee and consists of other public oil and natural gas exploration and production companies of similar market capitalization and revenue levels against whom we compete for executive talent.

In fixing 2011 compensation levels, we reviewed publicly disclosed compensation for 2010 of the following Peer Companies:

Dune Energy	Evolution Petroleum
ATP Oil & Gas	Hyperdynamics
Abraxas Petroleum	Panhandle Oil & Gas
Carrizo Oil & Gas	BPZ Resources
Endeavour International Corp	Halcon Resources Corporation
Concho Resources	ISRAMCO
Harken Energy	Double Eagle Petroleum
Toreador Resources Corp	

While we do not think it is appropriate to establish compensation based solely on benchmarking compared to our Peer Companies, we believe that this practice is useful for two reasons. First, our compensation practices must be competitive in order to attract and retain executives with the ability and experience necessary to provide leadership and to deliver strong performance to our shareholders. Second, benchmarking allows us to assess the reasonableness of our compensation practices. This process allows us to achieve one of our primary objectives of maintaining competitive compensation to ensure retention when justified and rewarding the achievement of company objectives so as to align with shareholder interest.

Our history has previously affected the mix of incentives offered to John Terwilliger, our chief executive officer. Mr. Terwilliger possesses substantial equity ownership in our company due to his involvement in our initial establishment and initial activities. Thus, from inception through most of fiscal year 2007, our primary incentives for Mr. Terwilliger were offered through our salary and benefits programs, including the grants of overriding royalty interests in various prospects in lieu of salary in the early years of our existence. During fiscal year 2007, in conjunction with our engagement of Deloitte Consulting LLP, we ceased granting overriding royalty interests and determined to commence the payment of bonuses and grants of equity to reward Mr. Terwilliger for achievement of corporate goals and to align his interests with our shareholders, and expect to continue to do so in the future. Our equity incentives are currently provided under our existing Houston American Energy Corp. 2008 Long-Term Incentive Plan ("2008 Long-Term Incentive Plan").

Since 2008, we have based our compensation philosophy solely on a market-competitive allocation of incentive awards. That is, although our chief executive officer owns significant equity through his own investments, we will not consider the value of those holdings when determining future awards. We will, however, consider the value of equity based awards previously made when determining future awards.

As the company grows and seeks to hire and retain additional employees, whether executives or non-executives, we intend to expand the scope of our compensation program to more specifically tailor elements of our program to motivate and reward more specific performance criteria designed to benefit overall company performance. In that regard, as circumstances of our operations dictate, we may establish more narrow goal oriented programs geared to both short and long-term performance in order to create an environment of goals, rewards and expectations. We anticipate that goals that may be rewarded will include growth of revenues, growth of operating earnings and earnings per share, growth in oil and gas reserves and other key operating metrics. Because we believe that all employees contribute to our success, we intend to develop programs that will measure and reward both individual and team performance for substantially all future employees.

Elements of our Compensation Plan and Why We Chose the Character and Amount of Each

Elements of compensation for our executives presently include salary and periodic cash bonuses and restricted stock and stock option grants as well as participation in broad based benefit plans available to all employees, including health, disability and life insurance.

We do not set targets for the mix of compensation among the various elements when determining compensation awards. The mix of value attributable to each of the elements of compensation is generally driven by the company's desire to emphasize variable compensation, such as cash bonus and long-term incentives, over fixed compensation such as base salary and benefits. We believe that this approach to compensation allocation supports our culture of entrepreneurial performance.

Other than for certain perquisites and benefits that are provided to all of our executive officers, individual performance has a significant impact on determining each compensation component. Each individual executive officer's annual performance is measured based on a thorough review of his contributions to our business results for the year and the long-term impact of the individual's behavior and decisions.

Base Salary

We provide our senior executive officers with an annual base salary to compensate them for services rendered during the year. Our goal is to set base salaries for our senior executive officers at levels that are competitive with Peer Companies for the skills, experience and requirements of similar positions in order to attract and retain top talent. We feel that this range supports competitive compensation and ensures retention. In order to ensure that each officer is appropriately compensated, the compensation committee, when setting base salaries, considers individual performance, tenure and experience and our financial performance in addition to the compensation review of the Peer Companies. The individual base salary levels are generally reviewed in conjunction with our annual meeting each May or June and are adjusted as appropriate based on an analysis of current market salary levels at the Peer Companies, individual performance and experience and our financial performance.

For fiscal year 2011, the salary of Mr. Terwilliger was $346,500 through the date of the mid-year review. At the 2011 mid-year review, Mr. Terwilliger's salary was increased by 5% to $363,825, an amount below the average base salary of the 50th percentile of the Peer Companies in 2010.

Similarly, Mr. Jacobs' salary for 2011 was $181,500 through the date of the mid-year review. At the 2011 mid-year review, Mr. Jacobs' salary was increased by 5% to $190,575, an amount below the average base salary of the 25th percentile of the Peer Companies in 2010.

Mr. Jeffers' salary for 2011was $240,000 through the date of the mid-year review. At the 2011 mid-year review, Mr. Jeffers' salary was increased by 5% to $252,000, an amount approximating the average base salary of the 50th percentile of the Peer Companies in 2010.

Cash Bonuses

Cash bonuses are a core component of our compensation program. The compensation committee considers the cash bonuses to reward achievement of corporate objectives and to align the interests of our executive officers with our shareholders by placing a significant portion of their compensation at risk. Cash bonuses are considered annually based on overall corporate performance and individual contributions to that performance.

Because of the nature of our operations as a non-operating investor in oil and gas properties, the compensation committee believes that traditional formula or target based bonuses do not adequately reflect corporate or individual performance but tend to motivate executives to pursue opportunities that are focused on achievement of pre-determined targets which may or may not be reliable indicators of corporate and individual performance. Instead, the compensation committee has historically focused the payment of bonuses on evaluation of overall performance of the company and of individual executives with observable events reflecting the realization of extraordinary value resulting in event specific bonuses.

During fiscal year 2011, the compensation committee determined that cash bonuses should be paid to members of senior management based on the success enjoyed by management in securing favorable positions in increasingly large and attractive asset plays and the overall improvement in operations as measured by oil and gas revenues and profitability during 2010. In evaluating the amount of cash bonuses to be paid, the compensation committee conducted discussions with the chief executive officer and reviewed 2010 bonus, total cash compensation and total compensation levels of the Peer Companies. Taking into account the accomplishments of management during 2010, and the absence of additional equity based grants in 2010, the compensation committee determined that cash bonuses should be paid in the amount of 75% of base salary, or $259,875, to Mr. Terwilliger, 50% of base salary, or $136,125, to Mr. Jacobs, and 50% of base salary, or $120,000, to Mr. Jeffers. In each case, the bonuses brought total cash compensation to roughly the 60th percentile of the Peer Companies while maintaining total compensation in the 25th to 50th percentile of the Peer Companies.

Equity Incentive Programs

Our 2008 Equity Incentive Plan is the primary vehicle for offering long-term incentives and rewarding our executive officers and key employees. We also regard awards under our 2008 Equity Incentive Plan as a key retention tool. This is a very important factor in our determination of the terms of options granted and stock awarded, including the number of underlying shares that are granted in connection with that award. Because of the direct relationship between the value of an option or similar stock award and the market price of our common stock, we believe that granting stock options or shares of stock is the best method of motivating the executive officers to manage our company in a manner that is consistent with the interests of our company and our stockholders.

Stock Awards. During 2011, we awarded 15,000 shares of restricted stock to each of our chief executive officer, our chief financial officer and our senior vice president of exploration. The restricted stock grants vest ratably over a three year period. The compensation committee determined to award restricted stock in 2011 after making no equity grants in 2010, other than an option grant made at the time of hiring Mr. Jeffers, and in lieu of stock options due to the accounting treatment.

Option Awards Granted. We grant options to our executive officers and key employees at the time of hiring and, thereafter, at the time of the compensation committee's annual review of compensation based upon prior performance, the importance of retaining their services, the potential for their performance to help us attain our long-term goals and taking into account currently outstanding awards held by executive officers and key employees. However, there is no set formula for the granting of options to individual executives or employees. During 2011, we made no stock option grants to officers, instead opting for restricted stock grants.

Timing of Grants. Option and restricted stock awards to our executive officers and other key employees have, historically, been limited to the commencement of employment and in conjunction with the compensation committee’s annual review of compensation, typically occurring during the second quarter in conjunction with our annual meeting. Stock option awards are granted to our non-employee directors on their initial appointment or election and, thereafter, on the date of our annual meeting of stockholders. Grants to newly hired employees are effective on the employee’s first day of employment, and to facilitate this practice, the compensation committee may authorize the chair of the compensation committee to grant individual stock awards to non-executive employees between scheduled meetings of the compensation committee. The compensation committee has adopted as a policy a specific prohibition of timing stock option grants, and has made no equity grants, to coordinate with the release of material non-public information in any manner designed to affect the value of executive compensation. The exercise price of all stock options is set at the prior day’s closing price of our common stock on the NYSE Amex.

Perquisites and Post-Termination Pay

Our executives are entitled to few benefits and, in each case, those benefits are available to all of our employees. In this regard it should be noted that we do not provide pension arrangements, post-retirement health coverage, or similar benefits for our executives or employees nor do we maintain any agreements that provide for payments in connection with termination of employment. The principal benefit we maintain for our executives is our health insurance plan that is the same for all employees.

Compensation Practices and Procedures

Our current compensation practices and procedures are intentionally simplistic at this time in recognition of the small number of employees and the nature of the company's operations as a non-operator investor in assets sourced by our management team. As a result, the company has not, as yet, adopted any formal cash bonus plans or any retirement plans, instead relying on equity compensation and discretionary cash bonuses as a principal element of both compensation and motivation of its executive officers. In particular, wealth creation aspects of equity have served as both an avenue for rewarding overall company performance and as a means of creating wealth accumulation.

The compensation committee, at its annual compensation review, takes into consideration the history of all the elements of each executive officer's total compensation, including reviewing compensation make-up, totals and trends over recent fiscal years and comparisons of the compensation of the executive officers with that of the executive officers in an appropriate market comparison group.

While our current business plan of pursuing investments/alliances as a non-operating owner of oil and gas interests does not anticipate any substantial additions to our staffing, we anticipate that future hiring demands may require the company to expand the scope of its compensation practices to include the implementation of specific cash based bonus plans designed to reward short-term performance. Such bonus plan may entail the establishment by the compensation committee of target annual bonuses fixed as a percentage of base salary based on satisfaction of criteria determined by the committee. Target bonuses and performance criteria may be tailored to measure individual performance of key employees as well as overall company performance. It is anticipated that the compensation committee may retain the discretionary authority to award bonuses beyond those otherwise earned under established bonus plans.

We choose to pay each element of compensation, including compensation under any bonus plans we may adopt, in order to attract and retain the necessary executive talent, reward annual performance and provide incentive for their balanced focus on long-term strategic goals as well as short-term performance. The amount of each element of compensation will be determined by or under the direction of our compensation committee, which intends to use the following factors to determine the amount of salary and other benefits to pay each executive:

- performance against corporate and individual objectives for the previous year;
- difficulty of achieving desired results in the coming year;
- value of their unique skills and capabilities to support long-term performance of the company;
- performance of their general management responsibilities; and
- contribution as a member of the executive management team.

These elements fit into our overall compensation objectives by helping to secure the future potential of our operations, facilitating our development of oil and gas reserves, providing proper compliance and regulatory guidance, and helping to create a cohesive team.

Role of Executive Officers

The committee takes into consideration annual recommendations of the chief executive officer with respect to the compensation of each of the executive officers, including himself. Additionally, the chief executive officer takes part in the negotiations of potential executive officer hires and makes recommendations to the compensation committee in that regard. The compensation committee may accept or adjust such recommendations. Neither the chief executive officer nor any of the subject executive officers is present at the time of the committee's deliberations regarding executive compensation.

How Risk Factors into Compensation

Because the compensation committee evaluates performance and awards of cash bonuses and equity after the fact and in light of actual results, the committee believes that its policies do not encourage or promote excessive risk taking by management nor does the committee believe that its compensation policies will have a material adverse effect on our company. Further, because of the singular focus of our business and the absence of hedging, we do not believe that our operations are prone to undue risk taking relative to other operators in our industry.

How Tax Factors into Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to the corporation’s chief executive officer and four other most highly paid executive officers. Qualifying performance-based compensation will not be subject to the deduction limitation if certain requirements are met. Our compensation committee will periodically review the potential consequences of Section 162(m) and may structure future performance-based executive compensation to comply with certain exemptions in Section 162(m). However, we reserve the right to use our judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) when we believe that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions or the officer’s performance.

The Role of Compensation Consultants

As noted above, in conjunction with the hiring of our CFO, we agreed to retain, during 2007, a compensation consultant to review and make recommendations with respect to the compensation of our CFO. During 2007, we retained Deloitte Consulting LLP to provide a survey of compensation practices for similarly situated companies and to provide broad recommendations regarding the compensation of our CEO and CFO.

While we did not retain outside compensation consultants during 2011, we may, from time to time, consult with outside compensation experts to assess our compensation policies in comparison to our competitors and to seek recommendations regarding revisions to our compensation policies.

Response to 2011 Say-On-Pay Vote

Our compensation committee values the input of our stockholders relative to our executive compensation plan. In June 2011, we held our initial advisory vote on the compensation of our named executive officers and on the frequency of future votes in that regard. We received strong support for our compensation paid to our officers at our 2011 shareholders meeting, with more than 99% of the votes cast being in favor of ratification of our executive compensation program. At the same meeting, our stockholders voting to recommend future “say-on-pay” votes once every three years. We encourage open communication with our stockholders, including on matters relating to our executive compensation program. In the event our stockholders cast votes in the future reflecting a level of dissatisfaction with our compensation program, or should we receive significant adverse feedback outside of a vote in that regard, our committee will take into account the feedback of our stockholders and will endeavor to modify our executive compensation program to appropriately address the concerns of our stockholders.

Report of Compensation Committee

The compensation committee is responsible for discharging the responsibilities of the board with respect to the compensation of our executive officers. The compensation committee sets general performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation committee may retain the services of a compensation consultant and consider recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation committee assesses the information it receives in accordance with its business judgment. The compensation committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation committee and recommended to the full board for ratification.

The compensation committee is responsible for administering all of our equity-based plans. The committee may, however, authorize the chair of the compensation committee to grant individual stock awards upon the hiring of new employees between scheduled meetings of the compensation committee. The compensation committee also periodically reviews compensation and equity-based plans and makes its recommendations to the board with respect to these areas.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 31, 2011 with management. In reliance on the reviews and discussions referred to above, the compensation committee recommended to the board, and the board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2011 for filing with the SEC.

By the Compensation Committee of the Board of Directors:

John Boylan, Compensation Committee Chair
Stephen Hartzell, Compensation Committee Member
Richard J. Howe, Compensation Committee Member

Summary Executive Compensation Table

The following table includes information concerning compensation for the three years ended December 31, 2011 for our CEO, CFO and our only other executive officer (collectively, the "Named Executive Officers"), being our only executive officers during the latest year:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
John F. Terwilliger, CEO	2011	355,162	259,875	247,800	—	—	—	862,837
	2010	333,375	472,500	—	—	—	—	805,375
	2009	315,000	—	—	—	—	—	315,000
James J. Jacobs, CFO	2011	186,038	136,125	247,800	—	—	—	569,963
	2010	173,938	165,000	—	—	—	—	338,938
	2009	165,000	—	—	182,831	—	—	347,831
Kenneth Jeffers, Sr VP Exploration (2)	2011	246,000	120,000	247,800	—	—	—	613,800
	2010	92,769	—	—	958,477	—	—	1,051,246
	2009	—	—	—	—	—	—	—

(1) The amounts included in the "Stock Awards" and "Option Awards" columns reflect the grant date fair value calculated in accordance with FASB ASC Topic 718. The Company's FASB ASC Topic 718 assumptions used in these calculations are set forth in Note 6 to the Financial Statements included in the Company's annual report on Form 10-K filed with the SEC on March 7, 2012. See "Grants of Plan-Based Awards – 2011" for details with respect to the terms of the Stock Awards during 2011.

(2) Mr. Jeffers was appointed Senior Vice President of Exploration in August 2010.

Grants of Plan-Based Awards - 2011

The following table sets forth information regarding plan-based awards to the Company's Named Executive Officers in 2011.

All Other Stock
Awards; Number

Name	Grant Date