

TETON PETROLEUM CO
Form PRE 14A
May 28, 2004

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement [] Confidential, For Use of the Commission Only (As Permitted by Rule 14a-6(e)(2))
- [] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

TETON PETROLEUM COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- [] No fee required
- [X] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction: \$15.0 million
 - (5) Total fee paid: \$1,900.50
- [] Fee paid previously with preliminary materials.
- [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
 - (1) Amount Previously Paid:

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- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

[Preliminary Copy]

TETON PETROLEUM COMPANY
1600 Broadway, Suite 2400
Denver, Colorado 80202-4921

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JULY __, 2004**

TO THE STOCKHOLDERS OF TETON PETROLEUM COMPANY:

You are cordially invited to attend the annual meeting of stockholders (the "Annual Meeting") of Teton Petroleum Company to be held at The Pinnacle Club, located at 555 17th St., Suite 3700, Denver, CO 80202 on July __, 2004 at 9:30 AM (local time). At the Annual Meeting, you will be asked to vote on the following:

1. To elect five Directors to the Company's Board, to hold office until his successor is elected and qualified or until his earlier resignation or removal (Proposal No. 1);
2. To consider and act upon a proposal to ratify the Board's selection of Ehrhardt Keefe Steiner & Hottman PC as the Company's independent auditors for the fiscal year ending December 31, 2004 (Proposal No. 2);
3. To approve the sale of the Company's indirect equity interest in the Siberian-Texan Joint Stock Company Goloil ("Goloil"), which constitutes substantially all of the Company's assets within the meaning of Section 271 of the Delaware General Corporation Law, to the Open-Joint Stock Oil and Gas Company RussNeft ("RussNeft"), the owner of the remaining interests in Goloil; all as set forth in the Share Sale and Purchase Contract dated April 20, 2004, between Goltech Petroleum LLC, our wholly owned subsidiary and 35.30% owner of Goloil, and RussNeft. (Proposal No. 3);
4. To approve the issuance of common stock or securities convertible into or exercisable for common stock (which may be issuable, exercisable or convertible below the then current market value of the common stock) which could result in an increase in outstanding shares of common stock of 20% or more (Proposal No. 4);
5. To approve the 2004 Non-Employee Stock Compensation Plan (Proposal No. 5); and
6. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

BECAUSE OF THE SIGNIFICANCE OF THESE PROPOSALS TO THE COMPANY AND ITS STOCKHOLDERS, IT IS VITAL THAT EVERY STOCKHOLDER VOTES AT THE ANNUAL MEETING IN PERSON OR BY PROXY.

The foregoing items of business are more fully described in the Proxy Statement that is attached and made a part of this Notice.

The Board has fixed the close of business on June __, 2004 as the Record Date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

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All stockholders are cordially invited to attend the Annual Meeting in person. Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the meeting, please take the time to vote in one of these ways:

- o By mail - fill in, sign and date the enclosed proxy card and return it promptly in the enclosed postage-paid envelope.
- o By telephone - call the toll-free telephone number on your proxy card to vote by phone.
- o Via Internet - visit the website noted on your proxy card to vote via the Internet.

You may attend the meeting and vote in person even if you have previously voted by proxy in one of the three ways listed above. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

The Annual Report to stockholders for the Company's fiscal year ended December 31, 2003 has been mailed with or prior to this Proxy Statement. This Proxy Statement and the enclosed proxy are expected to be mailed to stockholders on or about June 15, 2004.

By Order of the Board of Directors,

H. Howard Cooper
Chairman

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE. IF A QUORUM IS NOT REACHED, THE COMPANY WILL HAVE THE ADDED EXPENSE OF RE-ISSUING THESE PROXY MATERIALS. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. THANK YOU FOR ACTING PROMPTLY.

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IMPORTANT: Please SIGN, DATE, and RETURN the enclosed proxy or submit your proxy by telephone or the Internet immediately whether or not you plan to attend the Annual Meeting. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience.

[PRELIMINARY COPY]

TETON PETROLEUM COMPANY

1600 Broadway, Suite 2400
Denver, Colorado 80202-4921

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Teton Petroleum Company, a Delaware corporation (the "Company"), of proxies in the enclosed form for use in voting at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at The Pinnacle Club, located at 555 17th St., Suite 3700, Denver, CO 80202 on July __, 2004 at 9:30 AM (local time), and any adjournment or postponement thereof.

SUMMARY TERM SHEET

This section contains a summary of the material features of the sale of the Company's indirect equity interest in the Siberian-Texan Closed Joint Stock Company Goloil. This summary may not contain all of the information that is important to you to understand the sale fully. This summary includes page references in parentheses to direct you to more complete descriptions of the topics presented in this summary.

- o On April 20, 2004, Goltech Petroleum LLC ("Goltech"), a company organized under the laws of Texas, our wholly owned subsidiary and 35.30% owner of Siberian-Texan Closed Joint Stock Company Goloil ("Goloil"), a company organized under the laws of the Russian Federation, entered into a Share Purchase and Sale Contract with Open Joint-Stock Oil and Gas Company RussNeft ("RussNeft"), a company organized under the laws of the Russian Federation, the owner of the remaining interest in Goloil. Under the terms of the Share Purchase and Sale Contract, Goltech has agreed to sell our 35.30% indirect equity interest in Goloil to RussNeft. The Company's interest in Goloil constitutes substantially all of our assets within the meaning of Section 271 of the Delaware General Corporation Law. Completion of the Goloil sale is subject to stockholder approval and other closing conditions. (See p. __) The sale is being made for the reasons set forth under "Sale of Goloil Proposal No. 3" below.
- o The purchase price for our 35.30% interest in Goloil is \$8,960,229 in cash. In connection with the Goloil sale, the Company also entered into a separate agreement with Goloil for the repayment of all of the outstanding advances owed to the Company by Goloil (the "loan repayment agreement"). At

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the date of the loan repayment agreement, the Company advances totaled \$6,039,771 (including interest at 8% through March 31, 2004) (\$3,569,051 of the principal and \$131,452 of the accrued interest of which had been repaid as of April 2, 2004). The remainder will be paid at the closing of the Goloil sale. Accordingly, the gross proceeds of the Goloil sale and the loan repayment to the Company will be \$15,000,000. (See p. __)

- o The closing of the Goloil sale will take place shortly after the last of the closing conditions is satisfied. (See p. __)
- o We have not sought or received an independent report, opinion or appraisal regarding the fairness of the transaction. The Board believes, however, that the consideration offered for our interest in Goloil is fair and that the transaction is in the best interests of our stockholders. (See p. __)
- o No proceeds from the Goloil sale will be distributed to stockholders. (See p. __)
- o Immediately following the Goloil sale, our principal asset will be the cash from the sale. We are currently seeking to acquire interests in other oil and gas properties primarily focused on Russia and the former Commonwealth of Independent States (the "CIS states"). We may also consider opportunities outside our primary geographic focus. We have from time to time engaged in preliminary negotiations regarding possible acquisitions in Russia. However, no agreements have been reached except for one transaction (described herein) which is not likely to occur due to the exercise of a right of first purchase by an existing partner. (See p. __)
- o There are numerous risks associated with the Goloil sale. Stockholders are urged to read and carefully consider the risk factors associated with the Goloil sale. (See p. __)
- o The Board unanimously recommends that stockholders vote in favor of the proposal to approve the Goloil sale. (See p. __)
- o Approval of the Goloil sale requires the affirmative vote of a majority of the outstanding shares of our common stock. (See p. __)

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Proxy Statement contains statements that plan for or anticipate the future. In this prospectus, forward-looking statements are generally identified by the words "anticipate," "plan," "believe," "expect," "estimate," and the like. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements regarding the following:

- o * general economic conditions;
- o completion of the sale of Goloil;
- o our plans to acquire additional oil and gas properties
- o uncertainty created by differences of interpretation of the contracts between us and our Russian partner RussNeft;
- o our ability to fund our share of capital expenditures in Goloil;
- o Goloil's ability to service its loan repayments to Goltech and Teton;
- o our ability to raise additional capital, obtain debt financing, or generate sufficient revenues to make acquisitions and fund our operating and development plan;
- o our success in completing development and exploration activities;
- o political stability in Russia;

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- o changes in Russian law, currency regulations, and taxation;
- o our present company structure;
- o our accumulated deficit; and
- o other factors discussed elsewhere in this Proxy Statement.

Although we believe that any forward-looking statements we make in this Proxy Statement are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. For example, a few of the uncertainties that could affect the accuracy of forward-looking statements, besides the specific factors identified under "Risk Factors" below, include:

- o our ability to close the Goloil sale on a timely basis;
- o our ability to complete acquisitions of additional oil and gas properties;
- o our ability to obtain financing to complete any such acquisitions;
- o * changes in general economic and business conditions affecting the Company and the oil industry;
- o * developments that might make our oil products less competitive in nearby markets; and
- o * changes in our business strategies.

In light of the significant uncertainties inherent in the forward-looking statements made in this Proxy Statement, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

We are not undertaking any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this Proxy Statement. Additionally, we are not undertaking any responsibility to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this Proxy Statement. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this Proxy Statement.

QUESTIONS AND ANSWERS

Q: WHY IS THE COMPANY PROPOSING TO SELL SUBSTANTIALLY ALL OF ITS ASSETS?

A: The Board is recommending the Goloil sale at this time because:

- o Our minority position in Goloil does not allow us to maximize our return on this investment, since RussNeft as majority owner (after including reversionary interests) can control the decision making at Goloil;
- o RussNeft has since October 1, 2003 caused Goloil to sell its oil production at a fixed price which does not allow the Company to maximize the value of its investment in Goloil (whereas previously, we had received a higher price for our oil);
- o The Company would need to seek external financing to fund Goloil's accelerated capital expenditure program;
- o Legal remedies for minority stockholders in Russia are significantly more limited than in the United States;
- o Because of its majority position, RussNeft is the most logical buyer for Goloil;

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- o The sale provides us with an opportunity to dispose of Goloil at a significant gain currently estimated at approximately \$12.6 million;
- o We plan to use the proceeds of the Goloil sale to acquire oil properties where we will have more control than we do with respect to Goloil;
- o We believe there are currently oil properties on the market at reasonably attractive prices; and
- o For the other reasons set forth under "Sale of Goloil Proposal No. 3" - No Opinion of Financial Advisor" - Fairness of the Goloil Sale.

Q: HOW MAY STOCKHOLDERS BENEFIT FROM THE GOLOIL SALE?

A: Stockholders should benefit from the Goloil sale because we will be able to sell Goloil at a significant gain and have the opportunity to use the proceeds of the Goloil sale to acquire interests in other oil projects with greater potential for future growth, which may enhance the value of our Company.

Q: WHO IS THE PURCHASER?

A: The purchaser will be RussNeft. RussNeft is the owner through its two subsidiaries, McGrady Assets Limited ("McGrady") and Limited Liability Company InvestPetrol ("InvestPetrol") of the remaining 64.70% interest in Goloil. RussNeft is a company organized under the laws of the Russian Federation and is a large independent oil producer in Russia.

Q: WHAT IS THE PURCHASE PRICE FOR THE ASSETS OF OUR COMPANY?

A: The purchase price for our 35.30% interest in Goloil is \$8,960,229 in cash. In connection with the Goloil sale, the Company also entered into an agreement with Goloil for the repayment of all of the outstanding advances owed to the Company by Goloil. At the date of this agreement, the Company advances totaled \$6,039,771 including interest at 8% (\$3,569,051 of the principal and \$131,452 of accrued interest of which had been repaid as of April 2, 2004). Accordingly, the gross proceeds of the Goloil sale and the loan repayment to the Company will be \$15,000,000.

Q: WILL ANY OF THE PROCEEDS OF THE GOLOIL SALE BE DISTRIBUTED TO STOCKHOLDERS?

A: No, the proceeds of the Goloil sale will not be distributed to stockholders. We will use the proceeds of the Goloil sale, after the payment of transaction expenses, to pursue possible acquisitions of interests in other oil and gas properties primarily focused on Russia and the former CIS states.

Q: WHAT WILL HAPPEN IF THE GOLOIL SALE IS APPROVED?

A: If the Goloil sale is approved, we will complete the sale of our assets subject to satisfaction of the closing conditions set forth in the Share Purchase and Sale Contract. After the closing, we intend to use the sale proceeds to seek to acquire interests in other oil and gas properties primarily focused on Russia and the former CIS states. We may also consider other opportunities outside our primary area of geographic focus. Our stockholders will not directly receive any consideration from the Goloil sale, and your stock will continue to have the same rights as it did before the sale.

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Q: WHAT WILL HAPPEN IF THE GOLOIL SALE IS NOT APPROVED?

A: Even if the Goloil sale is not approved, the Company plans to seek other possible acquisitions in the oil industry, primarily focused on Russia and the former CIS states. However, if the Goloil sale is not completed, the Company may encounter significant future losses in Goloil. In addition, the Company would have to contribute significant additional capital to Goloil at a time when Goloil's revenues are not sufficient to cover capital costs due to the fixed price at which Goloil is selling its oil.

Q: WHAT HAS HAPPENED WITH THE PROPOSED SAMSON TRANSACTION?

A: On April 5, 2004, the Company announced that it had signed a purchase and sale agreement to acquire a majority (52%) interest in a producing field in Russia. This transaction was announced on May 13, 2004 to involve a proposed purchase of a majority interest in Samson/Vitol (Cyprus) Limited ("SVC") which owns 100% of ZAO Pechoraneftgas ("PNG") which in turn owns a producing field in Russia. A deposit of \$3.85 million was paid by the Company to the proposed seller, Samson International Resources ("Samson"). The closing of the acquisition was subject to several conditions, including a right of first purchase held by Samson's partner, Vitol Holding B.V. ("Vitol"), to acquire Samson's interest in the field on the same terms offered by the Company. Vitol elected to exercise this right in early May. As a result, Samson refunded the Company's deposit, though the contract between Samson and the Company technically remains in effect. In the event that Vitol does not purchase Samson's 52% interest, the Company and Samson could determine to proceed with the contemplated transaction subject to the satisfactory completion of the Company's due diligence and satisfaction of all other conditions. However, the Company believes in light of the exercise of the first purchase right by Vitol and the public announcement by Valkyries Petroleum of its purchase of 50% of the project from Vitol, that this transaction is unlikely to occur.

Q: DO I HAVE APPRAISAL RIGHTS IN CONNECTION WITH THE GOLOIL SALE?

A: No. Under Delaware law, you will not have appraisal rights in connection with the Goloil sale.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE GOLOIL SALE?

A: Approval of the Goloil sale will require the affirmative vote of a majority of the outstanding shares of our Common Stock. Only votes that are cast in favor of the Goloil sale will be counted towards the majority needed to obtain approval of the Goloil sale. If a stockholder does not vote on this proposal, the failure to vote will have the same effect as a vote against the proposal. Therefore, it is important that you vote on this matter.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE PROPOSALS OTHER THAN THE GOLOIL SALE?

A: The affirmative vote of the holders of a plurality of the shares of the Company cast at the Annual Meeting is required for Election of Directors - Proposal No. 1. The affirmative vote of the holders of a majority of the outstanding shares of the Company present or represented by proxy and entitled to vote on the matter is required to consider and act upon a proposal to ratify the Board's selection of Ehrhardt Keefe Steiner & Hottman PC as the Corporation's independent auditors for the fiscal year ending December 31, 2004 (Proposal No. 2). The affirmative vote of a majority of votes cast at the Annual

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Meeting in person or by proxy is required to approve the issuance of the Company's Common Stock or securities convertible into or exercisable for Common Stock which could result in an increase in outstanding shares of our Common Stock of 20% or more (Proposal No. 4). The affirmative vote of a majority of votes cast at the Annual Meeting in person or by proxy is required to approve the 2004 Non-Employee Stock Compensation Plan - Proposal No. 5.

Q: HOW DO I VOTE?

If you complete and properly sign the accompanying proxy and return it to the Company, it will be voted as you direct. Unless contrary instructions are given, shares will be voted in accordance with the Board's recommendations on each of the enumerated proposals and in the proxy holders' discretion with regard to any other matters that may be properly presented at the meeting and all matters incident to the conduct of the meeting. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and executed proxies returned by a broker holding shares of the Company's Common Stock in "street name" which indicate that the broker does not have discretionary authority as to certain shares to vote on one or more matters ("broker non-votes").

Q: CAN I VOTE BY TELEPHONE OR ELECTRONICALLY?

If you are a registered stockholder (that is, if you hold your stock in certificate form), you may vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card. If your shares are held in "street name," please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. Please follow the voting instructions on the enclosed proxy card. The deadline for voting by telephone or electronically is 5:00 p.m. (Eastern Standard Time) on _____, 2004.

Q: CAN I CHANGE MY VOTE AFTER I RETURN MY PROXY CARD?

A proxy may be revoked by giving the Secretary of the Company written notice of revocation at any time before the voting of the shares represented by the proxy. A stockholder who attends the meeting may revoke a proxy at the meeting. Attendance at the meeting will not, by itself, revoke a proxy.

Q: WHO IS ENTITLED TO VOTE AT THE MEETING?

Only holders of record of the Company's Common Stock and preferred stock, \$.001 par value per share, on June __, 2004 will be entitled to vote at the Meeting. At the close of business on the Record Date, the Company had issued and outstanding _____ shares of Common Stock and _____ shares of preferred stock. Stockholders of the Company are entitled to one vote for each share held. Such shares may not be voted cumulatively.

Q: WHO CAN ATTEND THE MEETING?

Only stockholders as of the Record Date, or their duly appointed proxies, may attend the meeting, and each may be accompanied by one guest. Seating, however, is limited. Admission to the meeting will be

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on a first-come, first-served basis. Registration will begin at ___ a.m.. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

For registered stockholders, the bottom portion of the proxy card enclosed with the Proxy Statement is their Annual Meeting admission ticket. Please note that if you hold your shares in "street name" you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date and check in at the registration desk at the meeting.

Q: WHY IS THE COMPANY SOLICITING PROXIES?

Because many of our stockholders are unable to personally attend the Annual Meeting, the Board solicits the enclosed proxy so that each stockholder is given an opportunity to vote. This proxy enables each stockholder to vote on all matters which are scheduled to come before the meeting. When the proxy is returned properly executed, the stockholder's shares will be voted according to the stockholder's directions. Stockholders are urged to specify their choices by marking the appropriate boxes on the enclosed proxy card.

The Company will bear the entire cost of preparing, assembling, printing and mailing the proxy materials furnished by the Board to stockholders. Copies of the proxy materials will be furnished to brokerage houses, fiduciaries and custodians to be forwarded to the beneficial owners of the Common Stock. In addition to the solicitation of proxies by use of the mail, some of the officers, Directors and regular employees of the Company may (without additional compensation) solicit proxies by telephone or personal interview, the costs of which the Company will bear.

This Proxy Statement and the accompanying form of proxy is being sent or given to stockholders on or about June__, 2004.

Q: WHAT CONSTITUTES A QUORUM?

In accordance with the Company's bylaws, the presence of one third of the shares entitled to vote, whether present in person or represented by proxy, will constitute a quorum at the meeting. Abstentions will be treated as shares that are present and entitled to vote but against any proposal submitted to stockholders. Broker non-votes will be considered present but not entitled to vote on any proposal submitted to stockholders.

WHO CAN HELP ANSWER YOUR QUESTIONS?

You may seek answers to your questions by calling or emailing:

Ms. Gillian Kane
Vice President, Investor Relations
Tel. (970) 870-1417
gkane@tetonpetroleum.com

Or by writing or calling the Company at its principal executive offices:

Teton Petroleum Company
1600 Broadway, Suite 2400
Denver, Colorado 80202-4921
Tel. (303) 542-1878
Fax. (303) 542-1817

CORPORATE GOVERNANCE

Board of Directors

The Board oversees our business affairs and monitors the performance of management. In accordance with our corporate governance principles, the Board does not involve itself in day-to-day operations. The Directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials that we send them and by participating in Board and committee meetings. Our Directors hold office until their successors have been elected and duly qualified unless the director resigns or by reason of death or other cause is unable to serve in the capacity of director. Biographical information about our Directors is provided in "Election of Directors - Proposal No. 1" on page __.

Director Independence

The Board has determined that all of the Directors and nominees who would serve after July __, 2004 are independent except for Mr. Cooper, the Company's Chairman and Founder and Mr. Arleth, President, Chief Executive Officer and Secretary of the Company. The Board's determinations of independence were made in accordance with Section 121A of the American Stock Exchange ("AMEX") Company Guide. The Company was a small business issuer within the meaning of Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "1934 Act") through December 31, 2003. On that date the Company ceased to be a small business issuer because its public float exceeded \$25 million at the end of two consecutive years. As a result, the Company ceased reporting as a small business issuer commencing with the Form 10-Q filed for the quarter ended March 31, 2004. Small business issuers are not required to have a majority of independent directors until their first annual meeting of stockholders after July 1, 2005. However, as a result of its ceasing to be eligible to report as a small business issuer, the Company is now required to have a majority of independent directors within the meaning of Section 121A of the AMEX Company Guide. The Directors the Board has determined to be independent are Messrs. Woodcock, Connor and Conroy.

Board Meetings and Attendance

During 2003, the Board held five meetings. Except for one director, who could not attend one meeting, all other Directors attended 100% of the meetings of the Board and committees on which he served. The Board also approved certain actions by unanimous written consent.

Annual Meeting Attendance

It is the Company's policy that Directors should make every effort to attend the annual meeting of stockholders. In 2003, a blizzard in Denver prevented physical attendance by Messrs. Connor, Conroy and Woodcock. The Directors who could not attend in person, instead participated by telephone.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our Directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Business Conduct and Ethics is included as Appendix E to this Proxy Statement.

Nomination of Directors

As provided in the Governance and Nominating Committee's charter and our Company's corporate governance principles, the Governance and Nominating

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Committee is responsible for identifying individuals qualified to become Directors. The Governance and Nominating Committee seeks to identify director candidates based on input provided by a number of sources, including (1) the Governance and Nominating Committee members, (2) our other Directors, (3) our stockholders, (4) our Chief Executive Officer or Chairman, and (5) third parties such as professional search firms. In evaluating potential candidates for director, the Governance and Nominating Committee considers the entirety of each candidate's credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board. However, at a minimum, candidates for director must possess:

- o high personal and professional ethics and integrity;
- o the ability to exercise sound judgment;
- o the ability to make independent analytical inquiries;
- o a willingness and ability to devote adequate time and resources to diligently perform Board and committee duties; and
- o the appropriate and relevant business experience and acumen.

In addition to these minimum qualifications, the Governance and Nominating Committee also takes into account when considering whether to nominate a potential director candidate the following factors:

- o whether the person possesses specific industry expertise and familiarity with general issues affecting our business;
- o whether the person's nomination and election would enable the Board to have a member that qualifies as an "audit committee financial expert" as such term is defined by the Securities and Exchange Commission (the "SEC");
- o whether the person would qualify as an "independent" director under the rules of the SEC and AMEX listing standards;
- o the importance of continuity of the existing composition of the Board to provide long term stability and experienced oversight; and
- o the importance of diversified Board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

The Governance and Nominating Committee will consider director candidates recommended by stockholders provided such recommendations are submitted in accordance with the procedures set forth below. In order to provide for an orderly and informed review and selection process for director candidates, the Board has determined that stockholders who wish to recommend director candidates for consideration by the Governance and Nominating Committee must comply with the following:

- o the recommendation must be made in writing to the attention of the Company's Corporate Secretary, Karl F. Arleth;
- o the recommendation must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the recommending person's ownership of the Company's Common Stock;

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- o the recommendation shall also contain a statement from the recommending stockholder in support of the candidate; professional references, particularly within the context of those relevant to Board membership, including issues of character, judgment, diversity, age, independence, expertise, corporate experience, length of service, other commitments; and personal references; and
- o a statement from the stockholder nominee indicating that such nominee wants to serve on the Board and could be considered independent under SEC rules and AMEX listing standards, as in effect at that time.

All candidates submitted by stockholders will be evaluated by the Governance and Nominating Committee according to the criteria discussed above and in the same manner as all other director candidates.

Complaints Regarding Accounting Matters

The Audit Committee has established procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters ("accounting matters"), and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Communications with Directors

The Board has approved procedures for stockholders to send communications to individual Directors or the non-employee Directors as a group.

Written correspondence should be addressed to the director or Directors in care of Ms. Gillian Kane at the address given under "Who Can Answer Your Questions?" on page __. All correspondence will be forwarded directly to the intended recipient.

You may also contact individual employee Directors by calling the Company's principal executive offices at (303) 542-1878.

ELECTION OF DIRECTORS

PROPOSAL NO. 1

The Board proposes the election of the current Directors of the Company for an additional term of one year. The following is information about each nominee, including biographical data for at least the last five years. Should one or more of these nominees become unavailable to accept nomination or election as a director, the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the Board may recommend, unless the Board reduces the number of Directors.

The Board adheres to corporate governance principles designed to assure the continued vitality of the Board and excellence in the execution of its duties. The Board is responsible for supervision of the overall affairs of the Company. Following the Annual Meeting, the Board will consist of five Directors. The term of each director continues until the next annual meeting or until successors are elected. The nominees for director are:

Name	Principal Occupation for the Past Five Years and Current Directorships	Age
H. Howard Cooper	H. Howard Cooper has been our chairman and founder	

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since 1996. Mr. Cooper was our president and CEO from 1996 until May 2003. Mr. Cooper founded American Tyumen in November 1996. He served as a director and president of American Tyumen until the merger with the Company. Since the merger, he has held these same positions with the Company. In 1994, he was a principal with Central Asian Petroleum, an oil and gas company with its primary operations in Kazakhstan, located in Denver, Colorado. From 1992 to 1994 Mr. Cooper served with AIG, an insurance group. 48

Karl F. Arleth Karl F. Arleth has been our president and Chief Executive Officer and Corporate Secretary since May 2003 and a director since 2002. From 2002 to 2003, Mr. Arleth was the Chief Operating Officer and a Board member of Sefton Resources, Inc. Between 1999 and 2001, he served as Chairman and CEO of Eurogas, Inc. Ending in 1999, Mr. Arleth spent 21 years with Amoco and BP-Amoco. In 1998 he chaired the Shareholder Board of the Azerbaijan International Operating Company (AIOC) for BP-Amoco in Baku, Azerbaijan. Concurrently, in 1998, he was also President of Amoco Caspian Sea Petroleum Ltd. in Azerbaijan. In 1997, he served as Director of Strategic Planning for Amoco Corporations Worldwide Exploration and Production Sector in Chicago. From 1992 to 1996 Mr. Arleth was President of Amoco Poland Ltd. in Warsaw, Poland. 55

Thomas F. Conroy Thomas F. Conroy was our Chief Financial Officer and Corporate Secretary from March 2002 until May 1, 2003, and a director since 2002. Since 2002, Mr. Conroy has been a principal member of Mann-Conroy-Eisenberg & Assoc. LLC, a life insurance and reinsurance consulting firm and since 2001, has been a managing principal of Strategic Reinsurance Consultants International LLC, a life reinsurance consulting and brokerage firm. Ending in 2001, Mr. Conroy, spent 27 years with ING and its predecessor organizations, serving in various financial positions and leading two of its strategic business units as President. As President of ING Reinsurance, he established ING's international presence, setting up facilities in The Netherlands, Bermuda, Ireland and Japan. He also served as an Officer and Board Member of Security Life of Denver Insurance Company and its subsidiaries. Mr. Conroy is a certified public accountant. 66

James J. Woodcock James J. Woodcock has been a director since 2002 and Chairman of the Company's Compensation Committee. Since 1981, Mr. Woodcock has been the owner and CEO of Hy-Bon Engineering Company, based in Midland, Texas. Hy-Bon is an engineering firm and manufacturer of vapor recovery, gas boosters, and casing pressure reduction systems for the oil industry. From 1997 to 2002, Mr. Woodcock was the chairman of Transrepublic Resources, a private oil and gas exploration firm located in Midland Texas. Since 1996, Mr. Woodcock has been a board member of Renovar Energy, a private waste to energy firm located in Midland Texas and was 65

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its Chairman of the Board until 2003.

John T. Connor, Jr. has been a director since 2003 and chairs the Board's audit committee. He is the Founder and Portfolio Manager of the Third Millennium Russia Fund, a US based mutual fund specializing in the equities of Russian public companies, which he founded in 1998. Mr. Connor is a member of the Council on Foreign Relations and the American Law Institute. He is a director of Port.ru., Inc., a Delaware corporation, which operates the leading internet portal in Russia, mail.ru. and is also a member of the board of directors of Swissfone Ltd., based in Washington, D.C., an Irish company which is a telecom wholesaler.

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All officers hold office until the first meeting of the Board after the annual meeting of stockholders next following his election or until his successor is elected and qualified. A director or officer may also resign at any time. Messrs. Connor, Conroy and Woodcock have been determined by the Board to be independent Directors within the meaning of Section 121A of the AMEX Company Guide. While Mr. Conroy currently qualifies as independent under that provision, commencing December 1, 2004, it is possible he will no longer qualify due to a more restrictive independence requirement which takes effect that day which disqualifies Directors with an employee relationship within the last three years rather than within the last year as under the current rules.

Approval of this proposal requires the affirmative vote of a plurality of the shares of the Company cast at the Annual Meeting.

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF ALL THE ABOVE NOMINEES.

DIRECTOR COMPENSATION

Independent Directors are compensated as follows: \$6,000 cash for each quarter served, plus \$2,500 in stock for each Board meeting attended, plus \$1,000 in stock for each teleconference call in which the director participates to a maximum annual total of \$35,000. The number of shares received for participating in Board meetings and teleconferences is determined by the closing share price at the end of each quarter during which the meeting or teleconference occurred.

In addition to these fees, Directors are reimbursed for reasonable travel expenses, are eligible to participate in the Company's stock option plan, and are covered by the Company's directors and officers insurance.

The outside Directors received no compensation during the first nine months of 2003. For the fourth quarter of 2003, they received \$8,500 in the form of Company stock based on the closing price of \$4.98 on December 31, 2003.

BOARD COMMITTEES

The Board has standing Audit, Compensation, and Governance and Nominating committees. Each committee has a written charter. The charters are included as appendices to this Proxy Statement. Information concerning the membership and function of each committee is as follows:

Board Committee Membership

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Name	Audit Committee	Compensation Committee	Governance and Nominating Committee
Mr. Cooper			
Mr. Arleth			
Mr. Woodcock	X	X(2)	X
Mr. Conroy(1)	X	X	X(2)
Mr. Connor	X(2)		

-
- (1) Mr. Conroy was appointed to the Audit Committee, the Compensation Committee and the Governance and Nominating Committee on May 11, 2004.
- (2) Chairman.

Audit Committee

The Audit Committee is responsible for determining the adequacy of the Company's internal accounting and financial controls, reviewing the results of the audit of the Company performed by the independent public accountants, and recommending the selection of independent public accountants. The functions of the Audit Committee and its activities during 2003 are described in more detail under "Report of the Audit Committee" on page __ as well as in the Committee's charter included as Appendix E to this Proxy Statement. During the year, the Board examined the composition of the Audit Committee in light of the adoption by the AMEX of new listing standards governing audit committees. Based upon this examination, the Board has determined that each of the members of the Audit Committee is unrelated, is an outside member with no other current affiliation with the Company, and is independent as defined by AMEX listing standards. The Board has determined that Mr. John Connor is an "audit committee financial expert" as that term is defined by the SEC and AMEX, and is "independent" from the Company's management as that term is defined in Item 7(d)(3)(iv) of Regulation 14A promulgated under the 1934 Act. During 2003, the Audit Committee held three meetings by teleconference.

During the year, the Board examined the composition of the Audit Committee in light of the adoption by AMEX of new listing standards governing audit committees. Based upon this examination, the Board has determined that Mr. Connor and Mr. Woodcock are unrelated, are outside members with no other current affiliation with the Company, and are independent as defined by AMEX listing standards. Mr. Conroy was appointed to the Audit Committee in June 2004 as the third member of the Committee pursuant to the Board's determination that he does not have a material relationship with the Company that would interfere with the exercise of his independent judgment. However, but for the exception described below, Mr. Conroy would be deemed not independent for Audit Committee purposes under AMEX listing standards because he served as chief financial officer of the Company from March 2002 until May 2003. However, pursuant to exceptional and limited circumstances, which are described below, the Board has determined that it is in the best interests of the Company and its stockholders if Mr. Conroy temporarily serves as the third member of the Committee.

A small business issuer is required to have only two members on its audit committee. The Company ceased to be eligible to report as a small business issuer in early 2004 and began reporting as a regular issuer when it filed its quarterly report for the period ended March 31, 2004. As described under "Director Independence" on page __, the Company was therefore required to appoint a third member to the Audit Committee. As neither Mr. Cooper nor Mr. Arleth, by virtue of their service as current executive officers, qualify for membership on the Audit Committee under AMEX listing standards, the Company must appoint an additional Board member. The Company believes it will take some time to identify a suitable candidate. As a result, the Board has determined that it is in the best interests of the Company and its shareholders for Mr. Conroy to

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serve on the Audit Committee while the Company conducts the search for an appropriate, qualified new Board member and until a suitable replacement is found. Under an applicable exception in the AMEX listing standards, Mr. Conroy became eligible for temporary service on the Audit Committee in May 2004 as (i) he satisfies the independence requirements of Rule 10A-3 under the 1934 Act and (ii) he is not a current officer or employee or an immediate family member of such officer or employee. A director appointed to the Audit Committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the Audit Committee. In making such determination, the Board considered the fact that Mr. Conroy is experienced in financial matters and is a certified public accountant. The Board intends to appoint Mr. Conroy's replacement by the first quarter of 2005.

Compensation Committee

The Compensation Committee determines matters pertaining to the compensation of certain executive officers of the Company and administers the Company's stock option and incentive compensation. During 2003, the Compensation Committee held three meetings by teleconference. The Committee's report starts on page __. The Committee's charter is included as Appendix D to this Proxy Statement.

Governance and Nominating Committee

The Board has established a Governance and Nominating Committee for purposes of nominating Directors and for all other purposes outlined in the Governance and Nominating Committee charter, including nominees submitted to the Board by stockholders. The Board has determined that each of the members of the Governance and Nominating Committee is unrelated, is an outside member with no other affiliation with the Company, and is independent as defined by AMEX. The Committee's charter is included as Appendix F to this Proxy Statement.

INFORMATION ABOUT STOCK OWNERSHIP

The following tables set forth certain information as of May __, 2004, available to the Company with respect to the shares of the Company (i) held by those persons known to the Company to be beneficial owners (as determined under the rules of the SEC) of more than 5% of the Common Stock then outstanding and (ii) held by each of the Directors, each of the executive officers named in the Summary Compensation Table below, and by all of the Directors and such executive officers as a group. The business address for all Directors and executive officers is c/o Teton Petroleum Company, 1600 Broadway, Suite 2400, Denver, Colorado 80202.

5% BENEFICIAL OWNERS

Name and Address of Beneficial Owner	Common Stock Beneficially Owned	Percent of Class
H. Howard Cooper (1)	1,607,481	15.2%
Karl F. Arleth (2)	984,106	9.8%
James J. Woodcock (3)	747,358	7.6%
John T. Connor (4)	544,093	5.7%

- (1) Includes (i) 145,857 shares of Common Stock, (ii) 458,335 shares underlying warrants exercisable between \$3.24 and \$12.00, and (iii) 1,003,289 shares underlying options exercisable between \$3.48 and \$3.60 per share.

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- (2) Includes (i) 75,772 shares of Common Stock, (ii) 197,995 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 710,339 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (3) Includes (i) 102,948 shares of Common Stock, (ii) 234,262 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 410,148 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (4) Includes (i) 185,539 shares of Common Stock owned indirectly, (ii) 183,554 shares underlying warrants exercisable between \$3.24 and \$6.00 owned indirectly, and (iii) 175,000 shares underlying options exercisable between \$3.60 and \$3.71 per share.

DIRECTORS AND OFFICERS

Name and Address of Beneficial Owner -----	Common Stock Beneficially Owned -----	Percent of Class -----
H. Howard Cooper (1)	1,607,481	15.2%
Karl F. Arleth (2)	984,106	9.8%
James J. Woodcock (3)	747,358	7.6%
John T. Connor (4)	544,093	5.7%
Igor Effimoff (5)	467,058	4.9%
John J. Mahar (6)	83,334	1.0%
Thomas F. Conroy (7)	159,950	1.7%
Ilia A. Gurevich (8)	66,668	0.7%
Directors and Executive Officers as a Group	4,660,048	46.52%

- (1) Includes (i) 145,857 shares of Common Stock, (ii) 458,335 shares underlying warrants exercisable between \$3.24 and \$12.00, and (iii) 1,003,289 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (2) Includes (i) 75,772 shares of Common Stock, (ii) 197,995 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 710,339 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (3) Includes (i) 102,948 shares of Common Stock, (ii) 234,262 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 410,148 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (4) Includes (i) 185,539 shares of Common Stock owned indirectly, (ii) 183,554 shares underlying warrants exercisable between \$3.24 and \$6.00 owned indirectly, and (iii) 175,000 shares underlying options exercisable between \$3.60 and \$3.71 per share.
- (5) Includes (i) 2,057 shares of Common Stock (ii) 35,186 shares underlying warrants exercisable at \$3.71 per share, and (iii) 429,815 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (6) Includes 83,334 shares underlying options exercisable at \$3.48 per share.
- (7) Includes (i) 17,957 shares of Common Stock (ii) 38,335 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 103,658 shares underlying options exercisable between \$3.48 and \$3.60 per share.
- (8) Includes (i) 6,898 shares of Common Stock (ii) 12,314 shares underlying warrants exercisable between \$3.24 and \$6.00, and (iii) 47,456 shares underlying options exercisable between \$3.48 and \$3.60 per share.

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The Company has furnished the following report concerning the philosophy underlying the Company's compensation of executive officers.

COMPENSATION COMMITTEE REPORT

The Report of the Compensation Committee (the "Compensation Report") does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the 1934 Act, except to the extent the Company specifically incorporates this Compensation Report by reference therein.

The Company's executive compensation program is designed to attract, retain and motivate executive officers capable of leading the Company to meet its business objectives, to align the interests of executive management with those of the stockholders, and to provide incentives and reward both short and long term performance based on the success of the Company in meeting its development milestones and business objectives. The Compensation Committee places a particular emphasis on variable, performance based components, such as the bonus potential and stock option awards, the value of which could increase or decrease to reflect changes in corporate and individual performance.

Components of Compensation

Each executive officer's compensation package is generally comprised of the following elements: (1) a base salary which is established at levels considered appropriate for the duties and scope of responsibilities of each officer's position; (2) a performance-based annual bonus; and (3) periodic grants of stock options to strengthen the mutuality of interests between the executive officers and the Company's stockholders. Executive officers are also eligible to participate in compensation and employee benefits generally available to all employees of the Company.

The Compensation Committee believes that this approach best serves the interests of the Company and its stockholders. It enables the Company to meet the requirements of the highly competitive environment in which the Company operates while ensuring that executive officers are compensated in a way that advances both the short and long-term interests of stockholders. Under this approach, compensation for these officers involves a high proportion of pay that is "at risk", namely, the annual bonus and stock options. The variable annual bonus is also based, in significant part, on Company performance. Stock options relate a significant portion of long term remuneration directly to stock price appreciation realized by all of the Company's stockholders.

Base Salary

Base salaries for executive officers are set at levels believed by the Committee to be sufficient to attract and retain qualified executive officers based on the stage of development of the Company, the salary levels in effect for comparable positions in similarly situated companies within relevant industries, and internal comparability considerations. Base salaries for the Company's executive officers other than the Chief Executive Officer, as well as changes in such salaries, are based upon recommendations by the Chief Executive Officer, taking into account such factors as competitive industry salaries, a subjective assessment of the nature of the position and the contribution and experience of the officer and the length of the officer's service. All such recommendations are subject to approval or disapproval by the Compensation Committee. [Other than provisions provided for in employment agreements], changes in base salaries of executives are based on an evaluation of the personal performance of the executive, prevailing market practices, and the performance of the Company as a whole. In determining base salaries, the Committee not only considers the short

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term performance of the Company, but also the success of the executive officers in developing and executing the Company's strategic plans, developing management employees and exercising leadership in the development of the Company.

Cash-Based Incentive Bonus

The Committee believes that a portion of the total cash compensation for executive officers should be based on the Company's success in meeting its short-term performance objectives and contributions by the executive officers that enable the Company to meet its long-term objectives, and has structured the executive compensation program to reflect this philosophy. This approach creates a direct incentive for executive officers to achieve desired short-term corporate goals that also further the long-term objectives of the Company, and places a significant portion of each executive officer's annual compensation at risk.

Stock Options

The Compensation Committee believes that equity participation is a key component of the Company's executive compensation program. Stock options are awarded by the Committee to executive officers primarily based on potential contributions to the Company's growth and development and marketplace practices. These awards are designed to retain executive officers and to motivate them to enhance stockholder value by aligning the financial interests of executive officers with those of stockholders. Stock options provide an effective incentive for management to create stockholder value over the long term because the full benefits of the option grants cannot be realized unless an appreciation in the price of the Company's Common Stock occurs over a number of years.

Variable Bonus

The Committee may award annual or interim special bonuses in the form of cash, stock options, or restricted stock to executive management and employees for achieving certain milestones, progress made in the staff and organizational development of the Company, and advances in the market acceptance and commercialization of the Company's technology.

CEO Compensation

With the framework described above, the Committee determines the salary and bonus of the Chief Executive Officer based on his leadership, the execution of business plans, and strategic results. The complexity of the business and his experience are also key factors. The Committee has used the following metrics to determine the CEO's compensation: the complexity of the Company's international operations, the experience that the CEO brings to the Company and its business, the CEO's ability to continuously improve the Company's results, and the CEO's ability to evaluate and execute on acquisitions that will enable the Company to grow its asset base in the near term. The Committee does not use narrow, quantitative measures or formulas in determining the CEO's compensation. The Committee meets annually to establish operational and financial goals and objectives for the CEO and throughout the year regularly meets in executive sessions and with the CEO to review performance against those objectives. A final meeting of the Compensation Committee as well as with the entire Board is held each year during the Board's December meeting to measure results of the prior year as well as to set results and establish compensation benchmarks for the subsequent year.

Thomas F. Conroy
James J. Woodcock

Information about the Executive Officers

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The Chairman and the Chief Executive Officer are elected annually by our Board. The remaining executive officers are approved by the executive committee and hold office until their successors are elected and duly qualified.

The current executive officers of the Company are as follows:

Name	Age	Position
-----	---	-----
H. Howard Cooper	48	Executive Chairman of the Board of Directors and Founder
Karl F. Arleth	55	Chief Executive Officer, President, Secretary, and Director
Igor Effimoff	58	Executive Vice President and Chief Operating Officer
John Mahar	50	Executive Vice President of Finance
Patrick A. Quinn	50	Chief Financial Officer
Ilia Gurevich	40	Senior Controller - Russia
Gordon Phair	43	Controller - U.S.

H. Howard Cooper has been our chairman and founder since 1996. Mr. Cooper was our president and CEO from 1996 until May 2003. Mr. Cooper founded American Tyumen in November 1996. He served as a director and president of American Tyumen until the merger with the Company. Since the merger, he has held these same positions with the Company. In 1994, he was a principal with Central Asian Petroleum, an oil and gas company with its primary operations in Kazakhstan, located in Denver, Colorado. From 1992 to 1994 Mr. Cooper served with AIG, an insurance group.

Karl F. Arleth has been our president and Chief Executive Officer and Corporate Secretary since May 2003 and our director since 2002. From 2002 to 2003, Mr. Arleth was the Chief Operating Officer and a Board member of Sefton Resources, Inc. Between 1999 and 2001, he served as Chairman and Chief Executive Officer of Eurogas, Inc. Ending in 1999, Mr. Arleth spent 21 years with Amoco and BP-Amoco. In 1998 he chaired the Shareholder Board of the Azerbaijan International Operating Company (AIOC) for BP-Amoco in Baku, Azerbaijan. Concurrently in 1998, he was also President of Amoco Caspian Sea Petroleum Ltd. in Azerbaijan. In 1997, he served as Director of Strategic Planning for Amoco Corporations Worldwide Exploration and Production Sector in Chicago. From 1992 to 1996 Mr. Arleth was President of Amoco Poland Ltd. in Warsaw, Poland.

Igor Effimoff has been our Executive Vice President and Chief Operating Officer since 2002. Between 1996 and 2001, he was President of Pennzoil Caspian Corporation, managing the Company's interests in the Caspian Region. Between 1994 and 1996 he was the Chief Executive Officer of Larmag Energy, NV, a privately held Dutch oil and gas production company with its primary assets in the Caspian Sea.

John Mahar has been our Executive Vice President of Finance since 2004 and served as our interim Chief Financial Officer from April 2003 until February 2004. Since 1991, he has been a Managing Director of Gladstone Capital, LLC, an oil-and-gas financial advisory firm based in New York he co-founded. Between 1983 and 1991, Mr. Mahar was first Vice President at Schroder Capital Management International, Inc. where he was responsible for the firm's domestic U.S. investment operations.

Patrick A. Quinn, CPA, CVA has been our Chief Financial Officer since February 2004, a position he occupies on a part-time basis. Since 1986, Mr. Quinn has been the CEO of Quinn & Associates, P.C. (Q&A). Q&A provides accounting, tax and auditing services primarily to the oil and gas industry. Q&A has provided accounting and tax services to the Company since its inception. Mr. Quinn has extensive experience in international oil and gas operations including serving

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as the Controller of Hamilton Oil Corporation, which was the first company to produce oil in the U.K. sector of the North Sea.

Ilia Gurevich has been our Senior Controller for Russia since 2003, having previously held the position of Controller since 2002. . Between 1998 and 2002, he was a financial analyst for TeleInvest, an investment firm in Denver, Colorado. From 1997 to 1998, he was a Research Analyst for the firm of MIG-2000, in Los Angeles. From 1993 to 1997, he was Vice President, Finance, for an oil joint venture affiliated with Sidanco.

Gordon Phair has been our U.S. Controller since November 2003. Between 1999 and November 2003, Mr. Phair was an independent contractor providing accounting and financial services primarily to mining companies. From 1998 to 1999 Mr. Phair was the director of accounting for Caleel-Hayden, a cosmetics distributor. Mr. Phair is a certified public accountant.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table provides information about the total compensation for services in all capacities to the Company or its subsidiary for the Chief Executive Officer and the other most highly compensated executive officers of the Company whose total annual salary and bonus exceeded \$100,000 (collectively, the "named executive officers"). See the Compensation Committee Report beginning on p. ___ for an explanation of our compensation philosophy.

Name and Positions	Year	Salary (\$)	Bonus (\$)	Awards Other Annual Compensation (\$)	Long Term Compensation (Securities Underlying Options)
H. Howard Cooper	2003	160,000	-	-	603,289
	2002	160,000	50,000	-	-
	2001	210,000	-	-	-
Karl F. Arleth(1)	2003	85,000	-	-	410,338
	2002	-	-	-	-
	2001	-	-	-	-
Igor Effimoff	2003	108,000	-	-	89,815
	2002	-	-	-	-
	2001	-	-	-	-

(1) Reflects compensation as Chief Executive Officer for the period beginning May 1, 2003 through the end of 2003.

Options/SARs Grants During Last Fiscal Year

The following table provides information related to options granted to our Directors and named executive officers during the fiscal year ended December 31, 2003.

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Name	Number of Securities Underlying Options Granted	% of Total Options in Fiscal 2003 (1)	Exercise Price Per Share	Expiration Date
-----	-----	-----	-----	-----
H. Howard Cooper	603,289	38.2%	\$3.48	04/08/13
Karl F. Arleth	410,338	26.0%	\$3.48	04/08/13
James J. Woodcock	210,148	13.3%	\$3.48	04/08/13
John T. Connor, Jr.	100,000	6.3%	\$3.71	08/03/13
Igor Effimoff	89,815	5.7%	\$3.48	04/08/13
John J. Mahar	83,333	5.3%	\$3.48	04/08/13
Thomas F. Conroy	28,658	1.8%	\$3.48	04/08/13

(1) The exercise price of the stock options was based on the fair market value of the stock on the day of the grant.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Value

No options were exercised in the last fiscal year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the 1934 Act requires that the Company's Directors and certain of its officers file reports of ownership and changes of ownership of the Company common stock with the SEC and AMEX. Based solely on copies of such reports provided to the Company, the Company believes that all Directors and officers filed on a timely basis all such reports required of them with respect to stock ownership and changes in ownership during 2003 except that Mr. John Mahar and Mr. John Connor were late in filing Form 3s reporting becoming respectively, an executive officer and a director and Messrs. Arleth, Conroy, Cooper, and Woodcock were late in reporting the grant of stock options under the 2003 Employee Stock Option Plan.

Executive Employment Agreements

The Company and Mr. Cooper, our Chairman, entered into an employment agreement, effective May 1, 2002. The employment agreement is for a three-year term. After the third year, the agreement is automatically renewed from year to year, unless it is terminated as provided below. Mr. Cooper's initial salary under the agreement is \$13,333 per month, which was increased to \$16,667 per month beginning in January 2004. In the Board's discretion, he may receive additional bonus compensation. Mr. Cooper's employment is terminated immediately upon his death or permanent disability. The Company may also terminate Mr. Cooper's employment immediately for cause, as defined in the agreement. Mr. Cooper may terminate his employment immediately for good reason, as defined in the agreement. Additionally, either the Company or Mr. Cooper may terminate Mr. Cooper's employment upon 60 days prior written notice to the other. Upon termination of Mr. Cooper's employment without cause by the Company or for good reason by Mr. Cooper, Mr. Cooper is entitled to severance pay. The severance pay is equal to Mr. Cooper's salary for the preceding 24 months. Such severance may

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be paid in monthly installments over 24 months from the date of termination. The Company may discontinue the severance payments if Mr. Cooper violates the confidentiality, noncompetition, or nonsolicitation provisions of his employment agreement.

Ms. Anya Cooper, secretary, signed an employment agreement with the Company on May 1, 2002. The agreement is for a three-year term, whereby Ms. Cooper's salary is \$6,500 per month. Under the terms of the agreement, Ms. Cooper is entitled to 12 months of severance pay, payable in monthly installments over 12 months from the date of termination. The Company may discontinue the severance payments if Ms. Cooper violates the confidentiality provision of her employment agreement. Ms. Cooper is the wife of Mr. Cooper, the Chairman and Founder of the Company.

Mr. Arleth, President and Chief Executive Officer, signed an employment agreement on May 1, 2003. The agreement is for a three-year term, with an initial salary of \$10,000 per month that was increased to \$15,000 per month beginning in January 2004. Under the terms of the agreement, Mr. Arleth is entitled to 24 months severance pay in the event of a change of position or control of the Company.

AUDIT COMMITTEE REPORT

The following Report of the Audit Committee (the "Audit Report") does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Audit Report by reference therein.

Role of the Audit Committee

The Audit Committee's primary responsibilities fall into three broad categories:

First, the Committee is charged with monitoring the preparation of quarterly and annual financial reports by the Company's management, including discussions with management and the Company's outside auditors about draft annual financial statements and key accounting and reporting matters;

Second, the Committee is responsible for matters concerning the relationship between the Company and its outside auditors, including recommending their appointment or removal; reviewing the scope of their audit services and related fees, as well as any other services being provided to the Company; and determining whether the outside auditors are independent (based in part on the annual letter provided to the Company pursuant to Independence Standards Board Standard No. 1); and

Third, the Committee reviews financial reporting, policies, procedures, and internal controls of the Company.

The Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to each of the matters assigned to it under the Committee's charter. In overseeing the preparation of the Company's financial statements, the Committee met with management and the Company's outside auditors, including meetings with the Company's outside auditors without management present, to review and discuss all financial statements prior to their issuance and to discuss significant accounting issues. Management advised the Committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the Committee discussed the statements with both management and the outside auditors. The Committee's review included discussion with the outside auditors of matters required to be discussed pursuant to Statement on

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Auditing Standards No. 61 (Communication With Audit Committees) as well as matters previously disclosed in Item 8-A of the Company's Annual Report on Form 10-KSB.

With respect to the Company's outside auditors, the Committee, among other things, discussed with Ehrhardt Keefe Steiner & Hottman PC matters relating to its independence, including the disclosures made to the Committee as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

Audit and Non-Audit Fees

Aggregate fees for professional services rendered to the Company by Ehrhardt Keefe Steiner & Hottman PC as of or for the two fiscal years ended December 31, 2003 and 2002 are set forth below:

	2003	2002
	----	----
Audit Fees	\$ 141,917	\$ 142,296
Audit-Related Fees	51,047	33,778
Tax Fees	6,500	12,805
	-----	-----
Total	\$ 199,464	\$ 188,879

Audit Fees. Aggregate fees for professional services rendered by Ehrhardt Keefe Steiner & Hottman PC in connection with its audit of our consolidated financial statements included in Forms 10-KSB and the quarterly reviews of our financial statements included in Forms 10-QSB for the fiscal years 2003 and 2002.

Audit-Related Fees. These were primarily related to SB-2 and SB-2/A filings for the registration of our stock, assistance with the AMEX application process, and reviews and discussions regarding accounting treatment of debt and equity transactions.

Tax Fees. These were related to tax compliance and related tax services.

Ehrhardt Keefe Steiner & Hottman PC rendered no professional services to us in connection with the design and implementation of financial information systems in fiscal year 2003 or 2002.

Recommendations of the Audit Committee. In reliance on the reviews and discussions referred to above, the Committee recommended to the Board that the Board approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, for filing with the SEC.

John T. Connor, Jr.
James J. Woodcock

STOCK PERFORMANCE GRAPH

The following performance graph reflects the share price performance of Teton Petroleum Company since its shares commenced trading in the United States on the OTC Bulletin Board in November 2001. (Teton shares have been traded on the American Stock Exchange since May 2003). The total return of Teton's shares is compared to 1) the Russell 2000(R) Index, an index measuring the performance of 2000 companies with small market capitalizations, and to 2) a peer group of 26 companies with SIC code 1311 (Crude Oil and Natural Gas Producers) with market capitalizations of less than \$100 million. All cumulative returns are calculated on a fiscal year basis ending on December 31 of each year and have been weighted

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by market capitalization.

The Companies included in the peer group are:

Abraxas Pete Corp	Equity Oil Co	Parallel Pete Corp Del
Arena Resources Inc	Exploration Co	Primeenergy Corp
Beta Oil & Gas Inc	Georesources Inc	Pyr Energy Corp
Blue Dolphin Energy Co	Gmx Res Inc	Quest Resource Corp
Castle Energy Corp	Gulfwest Energy Inc New	Tengasco Inc
Chaparral Res Inc	Isramco Inc	Toreador Res Corp
Contango Oil & Gas Co	Kestrel Energy Inc	Tri Vy Corp
Daugherty Res Inc	Magellan Pete Corp	Vaalco Energy Inc
Double Eagle Pete Co	Mexco Energy Corp	

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements, and other information with the SEC. Such reports, proxy statements and other information may be inspected without charge at the principal office of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at 233 Broadway, New York, New York 10279 and 175 W. Jackson Blvd., Suite 900, Chicago, Illinois 60604, and copies of all or any part thereof may be obtained at prescribed rates from the SEC's Public Reference Section at such addresses. Also, the SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Such reports, proxy and information statements and other information also can be inspected at the office of the American Stock Exchange, Inc. 86 Trinity Place New York.

The Company's Annual Report to Stockholders for the fiscal year ended December 31, 2003 (which is not part of the Company's proxy soliciting materials) has been mailed to the Company's stockholders with or prior to this proxy statement. A copy of the Company's Annual Report on Form 10-K, without exhibits, will be furnished without charge to stockholders upon request to:

Ms. Gillian Kane
Vice President, Investor Relations
Tel. (970) 870-1417
Teton Petroleum Company
1600 Broadway, Suite 2400
Denver, Colorado 80202-4921

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

PROPOSAL NO. 2

Ehrhardt Keefe Steiner & Hottman PC has served as the Company's independent auditors since December 1999 and has been appointed by the Board to continue as

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the Company's independent auditors for the fiscal year ending December 31, 2004. In the event that ratification of this selection of auditors is not approved by a majority of the shares of Common Stock voting at the Annual Meeting in person or by proxy, the Board will reconsider its selection of auditors. Ehrhardt Keefe Steiner & Hottman PC has no interest, financial or otherwise, in the Company.

A representative of Ehrhardt Keefe Steiner & Hottman PC is expected to be present at the Annual Meeting. The auditors will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The proxy holders intend to vote the shares represented by proxies to ratify the Board's selection of Ehrhardt Keefe Steiner & Hottman PC as the Company's independent auditors for the fiscal year ending December 31, 2004.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee pre-approves all audit and non-audit services provided by the independent auditors prior to the engagement of the independent auditors with respect to such services. The Chairman of the Audit Committee has been delegated the authority by the Committee to pre-approve interim services by the independent auditors other than the annual audit. The Chairman must report all such pre-approvals to the entire Audit Committee at the next Committee meeting.

Approval of this proposal requires the affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

THE BOARD RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF EHRHARDT KEEFE STEINER & HOTTMAN PC AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004.

SALE OF GOLOIL

PROPOSAL NO. 3

TO APPROVE THE SALE OF THE COMPANY'S INDIRECT EQUITY INTEREST IN GOLOIL, WHICH CONSTITUTES THE SALE OF SUBSTANTIALLY ALL OF THE COMPANY'S ASSETS Within the meaning of SECTION 271 OF Delaware General Corporation law, TO RUSSNEFT, THE OWNER OF THE REMAINING INTERESTS IN GOLOIL; ALL AS SET FORTH IN THE SHARE SALE AND PURCHASE CONTRACT DATED APRIL 20, 2004, BETWEEN GOLTECH PETROLEUM LLC, OUR WHOLLY OWNED SUBSIDIARY AND 35.30% OWNER OF GOLOIL, AND RUSSNEFT.

Business of Goloil

The Company, through its wholly owned subsidiary, Goltech owns a 35.30% equity interest in Goloil. Goltech's principal executive office is located at 1600 Broadway, Suite 4200, Denver, Colorado 80202 and its telephone number is (303) 542-1878. RussNeft owns the remaining 64.70% of Goloil through two subsidiaries, McGrady and InvestPetrol. McGrady holds 35.29% and InvestPetrol holds 29.41% of the equity interests in Goloil. However, until Goltech and McGrady receive the return of 100% of their capital investment in Goloil, they are each entitled to a 50% economic interest in Goloil. Goloil is managed by a seven person management board on which we have two representatives. Pursuant to the existing agreements among Goloil's shareholders, Goltech and McGrady share equally in capital expenditures, gross revenues, costs and expenses, until they receive

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100% return of their investments in Goloil. Limited Liability Company EnergoSoyuz-A ("EUA"), a wholly owned subsidiary of RussNeft, is the lessor of certain oil field facilities to Goloil pursuant to Lease Agreement No. EST 160/000630 (the "EUA Lease Agreement") among EUA as lessor and Goloil as lessee dated as June 2000. EUA is also the recipient of a production payment ("Production Payment") consisting of 50% of Goloil's production (or at EUA's option, cash in lieu of such production). Since October 2003 EUA has taken cash instead of oil under the Production Payment in the amount of approximately \$650,000 per month. In addition, Goloil has been selling its oil at a fixed price of 2400 Rubles or \$11.50 per barrel. It is possible that a significant portion of such sales have been made to or through one or more affiliates of RussNeft.

RussNeft, which was founded in the fall of 2002, is one of Russia's largest independent oil producers. The address of RussNeft's principal executive office is 15 Zubarev Per., Building No. 1, Moscow 129164, Russia and its telephone number is 011-7095-411-6335. In September 2003, RussNeft acquired a 64.70% equity interest in Goloil in a private transaction in which it purchased all of the shareholders of Goloil (other than Goltech), i.e., McGrady and InvestPetrol. At that time, RussNeft also acquired EUA, the lessor of various wells and facilities to Goloil under the EUA Lease Agreement and recipient of the Production Payment described above. In acquiring such interests, RussNeft became entitled to appoint a majority of the management board of Goloil and effectively took control of its operations.

Goloil holds a twenty-five year renewable license to produce oil and gas in a portion of Western Siberia. The license was issued by the Russian Federation and expires in 2022, but may be extended if Goloil complies with certain specified conditions and undertakes additional operations at the end of the term of the license. The Goloil license encompasses 187 square kilometers (116 square miles) in the south central portion of the west Siberian basin. The license area is located approximately 50 miles north of Nizhnevartovsk in western Siberia. Three oil producing fields are located within the license area: Golevaya, Eguryak, and South Eguryak.

The following chart shows the current ownership structure of Goloil.

Description of Arrangements with Goloil and RussNeft

The most recent estimate of Teton's share of the oil reserves owned by Goloil was prepared for inclusion in our Form 10-KSB for the year ended December 31, 2003 that we filed with the SEC. The analysis was prepared by the independent oil and gas reservoir engineering firm, Gustavson Associates which is located in Boulder, Colorado.

The price of oil used for this analysis was 2,400 rubles per ton (\$11.50 per barrel at March 31, 2004 exchange rates), net of transportation, marketing and export duties, which is the price Goloil has realized from October 1, 2003 to the present time under the pricing arrangement set by RussNeft. The analysis took into account other factors including the costs to operate and maintain Goloil's wells, important taxes such the Mineral Extraction Tax, the Russian profits tax, Value Added Tax (VAT), and required capital expenses.

In addition to the economic and tax parameters discussed above, the Gustavson analysis also took into account the somewhat complex ownership and financing structure of Teton's ownership in Goloil.

As noted above, Teton owns 35.30% of the shares of Goloil. But Teton has always been entitled to 50% of the net profits from Goloil because InvestPetrol, the owner of 29.41% of Goloil's shares has never invested in the development of the

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license and consequently is not entitled to any profits until Teton and McGrady fully recover their investment. Based on the Gustavson analysis, this would not occur until 2011 or 2012, at which time Teton's interest in the profits of Goloil would be reduced from 50% to 35.30%.

Gustavson's analysis also takes into account the Production Payment. Since 2001 Goloil has paid EUA a fee payable in oil production (i.e. physical barrels of oil), or cash, at an amount equivalent to 50% of Goloil's oil production. Since RussNeft (which now owns EUA) became the majority owner of Goloil in October 2003, the production payment has been paid as a flat monthly fee of 19 million rubles (approximately \$650,000) and Gustavson applied this amount through June 2007, when the production payment is due to expire.

Based on the above, Gustavson estimated that the share of Goloil's proved reserves attributable to Teton was approximately 8,262,000 barrels of oil. Teton's share of the future cash flow from the production of these reserves was estimated at \$12,225,000 and its present value, using a 10% discount rate, was estimated at \$5,993,000. These numbers are after Russian profits tax, but do not take into account any U.S. federal income taxes.

In order to realize these cash flows, Gustavson estimated that Teton would be required to invest approximately \$14.6 million in capital expenditures for drilling and infrastructure over the next three years, before Goloil would begin to generate positive cash flow to Teton's interest.

As required by the Financial Accounting Standards Board, the standardized measure of discounted future net cash flows is computed by applying year-end prices, costs and legislated tax rates and a discount factor of 10% to net proved reserves. The standardized measure includes costs for future dismantlement, abandonment and rehabilitation obligations. The Company believes the standardized measure does not provide a reliable estimate of the Company's expected future cash flows to be obtained from the development and production of its oil and gas properties or the value of its proved oil and gas reserves. The standardized measure is prepared on the basis of certain prescribed assumptions including year-end prices, which represent a single point in time and therefore may cause significant variability in cash flows from year to year as prices change.

Revenues/Assets

Our oil revenues from the Goloil license were \$6,923,320 in 2002, \$11,437,802 in 2003 and \$2,962,500 in the quarter ended March 31, 2004. In each period the Goloil revenues accounted for 100% of our revenues and our interest in Goloil constitutes our only operating asset. Consequently, this sale constitutes a sale of substantially all of our assets for purposes of Delaware law. Accordingly, the sale is being submitted to stockholders for approval pursuant to Section 271 of the Delaware General Corporation Law.

Background of the Negotiations

The Company's acquired an initial interest in Goloil in September 1996. Between 1996 and 1998, the Company's added to its interest in Goloil ultimately owning 70.6% of the shareholding in Goloil, with the balance being owned by a number of minority shareholders whose interests were ultimately purchased by InvestPetrol. Initially, Goltech was to provide 100% of the capital required for investment and would be entitled to 100% of the revenue until such time as Goltech recouped its investment and interest on that investment. Goltech was also the operator of Goloil. However, the Company lacked the necessary capital to drill wells and lacked the ability to transport its oil through the Russian State Pipeline Company ("TransNeft") since the field was not connected to the TransNeft pipeline system.

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In order to comply with the terms and work program obligations for its license and commence drilling by the time required by its license, the Company sold one-half of its 70.6% interest in Goloil to a Russian partner, Mediterranean Overseas Trust, a trust organized under the Republic of Malta ("MOT"). Pursuant to a Master Agreement ("the Master Agreement") dated June 19, 2000 among MOT, Goltech and Teton. Also in June 2000, the Company and MOT entered into the EUA Lease Agreement with EUA, an affiliate of MOT, pursuant to which EUA drilled and completed five wells on the Eguryak license, completed construction of a 24 mile long pipeline connection to the TransNefit pipeline system and constructed a separation and oil processing unit. EUA leased these facilities to Goloil pursuant to the EUA Lease Agreement in exchange for the Production Payment that consists of 50% of Goloil's production through 2007 subject to minimum delivery requirements (all of which could be taken in oil to be sold domestically within Russia or in cash). The Master Agreement, among other things, provided that MOT would buy a 50% interest in Goltech. In addition to taking its 50% interest in Goltech, MOT became entitled to appoint a majority of the management board of Goloil and assumed operating control of Goloil. The Production Payment and the investment plan were memorialized in an oilfield development agreement and the EUA Lease Agreement, which were entered into between the parties on June 30, 2000.

By allowing MOT to take domestic (Russian) oil as payment, the Company ensured that it would be able to sell most of its own allocation of the field's production into the non-Russian markets for hard currency where it could receive a substantially higher price per barrel than was provided by the Russian domestic market. At the time the June 2000 agreements were signed, the average price received by Goloil for Russian domestic oil was approximately \$10 per barrel and the average price received by Goloil for export oil was approximately \$23 per barrel. More importantly, the transaction served a vital immediate purpose by facilitating the Company's ability to raise the capital necessary to continue to meet the license's work requirements as specified by the Russian government. The Company proceeded with the transaction because it believed that:

- o MOT was capable of quickly establishing production and generating cash flow at Goloil;
- o these assets were undervalued due to poor infrastructure as well as due to Russia's status as an emerging market with a nascent political system and an embryonic legal system; and
- o if Teton had not secured the financing for the drilling program, separation and oil processing unit and connecting pipeline, the Goloil license could have been revoked by the Russian Government for failure to meet the license's requirements.

Notwithstanding the clear need the Company had to consummate the transaction with MOT and its affiliate EUA, as the Company matured, it became increasingly evident that the transaction did not provide an ideal platform for the Company because of:

- o our lack of operating control of Goloil once RussNefit purchased its majority interest;
- o the lack of operating discipline from its Russian Partner resulting in operating revenues that covered operating costs but not capital expenses.

Goltech, Teton and MOT entered into a new arrangement known as the Restructuring and Funding Agreement (the "Restructuring Agreement") dated October 19, 2001. The Restructuring Agreement allowed MOT ultimately to transfer its interest in Goloil from Goltech to McGrady, an MOT subsidiary, thus making McGrady a direct stockholder in Goloil along with InvestPetrol and our Goltech subsidiary. The Restructuring Agreement also provided for the Company and MOT to share equally

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in funding responsibility for Goloil.

In or around April 2002, the Company believes that MOT and its affiliates began to change the payment terms under the Restructuring Agreement and the Master Agreement by, among other things, paying to EUA 50% of Goloil's cash oil sales revenue, rather than taking oil in-kind under the Production Payment to EUA.

On November 12, 2002, Mr. Cooper sent a letter to MOT that, among other things, indicated the Company's interest in redefining the relationship to more accurately reflect the original operating concept, including the Production Payment. On November 26, 2002, the parties signed a memorandum of understanding (the "11/2002 MOU") that, among other things, defined agreements to control the relationship between McGrady, and the Company going forward. As a result of the 11/2002 MOU, an amendment to the EUA Lease Agreement dated March 25, 2002 was signed that clearly defined the Production Payment as 50% of production to be sold into the domestic (Russian) market. The MOU also allowed MOT to complete its withdrawal from Goltech and transfer its interest to McGrady as a direct stockholder in Goloil. The 11/2002 MOU also provided for joint approval of capital expenditures by Goltech and MOT.

After the 11/2002 MOU was executed, and from April to September of 2003, the Company began a series of discussions with InvestPetrol, McGrady, and EUA, with respect to a potential buyout of their interests in Goloil. These discussions ultimately did not lead to any agreement due to an inability to agree on price.

On September 14, 2003, MOT informed the Company of RussNeft's purchase of McGrady, InvestPetrol and EUA.

On September 29, 2003, Messrs. Arleth, Cooper and Effimoff met with representatives of RussNeft in Moscow to discuss entering into a new memorandum of understanding.

At subsequent meetings, RussNeft indicated that it wanted to sell Goloil's production at a fixed price based on the average price Goloil had received for its oil (both domestic and export) for the previous year. That price of 2400 rubles per ton (or \$11.50 per barrel) became the price at which Goloil sold its oil commencing in October 2003. On October 2, 2003, Teton signed a new memorandum of understanding dated October 2, 2003 with RussNeft, Teton, McGrady, InvestPetrol, Goltech and Goloil (the "10/2003 MOU") which, among other things, recognized certain of the existing arrangements and provided the parties would seek a more general basis of cooperation to be negotiated in the future but suspend for further discussion RussNeft's stated intention to have Goloil sell its production at 2400 rubles per ton.

Between mid-October 2003 and November 2003, Messrs. Effimoff (Chief Operating Officer) and Gurevich (the Company's Senior Controller) met with representatives of RussNeft in an effort to agree on the outstanding issues not addressed in the 10/2003 MOU. During this time, Goloil began selling its oil at \$11.50 per barrel and making payments to EUA at a flat rate of 19 million rubles per month (approximately \$650,000) in lieu of the production payment.

On November 3, 2003, Mr. Gurevich met with Mr. Sergei Bakhir, Vice President for Operations of RussNeft, and other RussNeft executives in Moscow to discuss the various issues between the parties. During the course of that meeting, representatives of RussNeft first indicated an interest in purchasing Teton's share of Goloil.

In November and December 2003, representatives of the Company continued to explore with RussNeft whether a common ground could be found for proceeding with the relationship. On December 15, 2003, the Company received RussNeft's proposed budget for Goloil for 2004. Among other things, the budget provided for an accelerated drilling program and capital expenditures that were beyond the

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Company's means and which might never be recovered under the RussNeft pricing policy of selling all of Goloil's production for 2400 rubles per ton. On December 22, 2003, the proposed 2004 Goloil budget was approved by the Goloil board. The Company representatives on Goloil's board opposed the proposed 2004 budget.

On January 18 and 19, Messrs. Cooper, Effimoff and Arleth met at the Company's Colorado office to consider the status of the relationship with RussNeft and the possibility of recommending a sale of the Company's interest in Goloil to the Company's Board.

In late January 2004 through February 12, 2004, Messrs. Effimoff and Gurevich traveled to Moscow to, discuss with RussNeft the terms of a possible sale of the Company's interest in Goloil.

On January 20, 2004, the Company hired an affiliate of Troika Dialog, a Moscow-based investment bank, with a mandate to assist it in negotiating the sale of its interest in Goloil.

On February 10, 2004, the Company received a letter from Mr. Gutseriev through Troika's affiliate. Among other things, the letter offered the Company \$4.5 million for its share in Goloil, which included payment of debt and equity for the Company.

During February 2004, representatives of Troika, acting on behalf of the Company, met with Mr. Gutseriev on several occasions to discuss a revised offer for the Company's interest in Goloil.

On March 2, 2004, following a Goloil Board meeting, Messrs. Cooper and Arleth, accompanied by representatives of the Troika affiliate, met with Mr. Gutseriev in Moscow to negotiate the proposed sale of Teton's stake in Goloil.

On March 26, 2004, during a telephonic Board meeting, Mr. Arleth discussed with the other Board members the plan to sell Goltech's interest in Goloil to RussNeft if a fair and reasonable transaction could be structured under the circumstances. The Board endorsed management's assessment and recommendation.

On March 31, 2004, we signed an agreement with RussNeft regarding the sale of its interest in Goloil.

On April 5, 2004, we announced an agreement to acquire a majority interest in a producing field in Russia (later disclosed to be the Samson transaction).

On April 6, 2004, the Company's Board unanimously approved the proposed terms of the Goloil sale and authorized the execution of a definitive agreement.

On April 12, 2004, we announced the sale of Goloil. The press release stated in relevant part:

"Teton will sell its 35% stake in the Goloil license to a private Russian independent. In addition, the sale price will include all outstanding loans and accrued interest owed to Teton. The closing of the Goloil transaction is subject to approval by Teton's shareholders."

On April 20, 2004, a revised definitive Share Purchase and Sale Contract (the "Share Purchase and Sale Contract") between the Company and RussNeft for the sale of the Company's interest in Goloil was executed.

On May 13, 2004, we announced, among other things, further information on the Goloil sale, that Vitol had exercised its first purchase right with respect to the Samson transaction and that our \$3.85 million deposit on this proposed purchase had therefore been fully refunded.

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The aggregate consideration of US\$15,000,000 was ultimately arrived at through a variety of factors:

- o The amount of the loans, including accrued interest, due Goltech had previously been established at US\$6,039,771 at March 31, 2004; and
- o The balance of US\$8,960,229 was based in part on the parties' agreement on the value of the reserves.

Summary of Material Terms of the Share Purchase and Sale Contract

On April 6 and April 13, 2004, our Board unanimously approved and on May 11 it unanimously ratified the Share Purchase and Sale Contract between our wholly owned subsidiary Goltech Petroleum LLC and RussNeft, pursuant to which Goltech agreed to sell our indirect 35.30% interest in Goloil to RussNeft. The definitive Share Purchase and Sale Contract was executed by both parties on April 20, 2004. Under Delaware law, completion of the Goloil sale requires the approval of our stockholders since the Goloil sale constitutes the sale of substantially all of our assets.

The material terms of the Share Purchase and Sale Contract are summarized below.

Parties

The parties to the Share Purchase and Sale Contract are Goltech Petroleum LLC, a Texas limited liability company and our wholly owned subsidiary, and RussNeft.

The Assets

The asset to be sold is Goltech's 35.30% ownership stake in Goloil. Goloil's significant asset is a license that encompasses 187 square kilometers (116 square miles) in the south central portion of the west Siberian basin. It is located approximately 10 miles to the north and west of Samotlor, Russia's largest oil field. Three producing fields are located within the license area: Golevaya, Eguryak, and South Eguryak. The Goloil license expires in 2022, but may be extended upon compliance with a specified program of operations and an undertaking of additional investment after the end of the term. The Goloil license may be terminated prior to its term if Goloil fails to comply with the requirements of the license. The Assets to be sold constitute substantially all of our operating assets.

The Purchase Price

The purchase price for our 35.30% interest in Goloil is \$8,960,229 in cash. As is described below, Goloil will also repay advances made by the Company to Goloil totaling \$6,039,771, of which \$3,569,051 of the principal and \$131,452 of the accrued interest had been repaid as of April 2, 2004. The gross proceeds of the two transactions to the Company will be \$15,000,000. The advances were made to Goloil by the Company to finance our 50% share of Goloil's capital expenditures and currently bear interest at the rate of 8% per annum.

Closing

Unless otherwise agreed by the parties, the closing date for the Goloil sale is expected to take place shortly after shareholder approval of the Goloil sale is obtained and all other conditions of the Goloil sale are met.

Representations and Warranties

The agreement contains various customary representations and warranties made by each of the parties to the agreement. Such representations and warranties relate

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to, among other things, the enforceability of the agreement, the parties' organization, the parties' authority to enter into the agreement, and the title to the shares of Goloil being transferred.

Conditions to Completion of the Goloil Sale

In addition to stockholder approval of the transaction, the completion of the sale of our assets is subject to the repayment of \$6,039,771 in loans made by the Company to Goloil, \$3,569,051 of the principal and \$131,452 of the accrued interest of which had been repaid as of April 2, 2004.

Termination of the Share Purchase and Sale Contract

The contract may be terminated and the Goloil sale abandoned for various reasons, including:

- o by mutual consent of the parties;
- o if we have not sent a notice to RussNeft by August 1, 2004, stating that our stockholders have approved the Goloil sale;
- o if RussNeft has not issued certain letters of credit to support payment of the Purchase Price and the repayment of advances as required by the agreement by August 16, 2004; and
- o if Goloil has not repaid all debts, including the principal and interest under all of its loan agreements with the Company [Goltech], pursuant to the loan repayment agreement described below.

Regulatory Approvals

The sale is subject to Russian Anti-Monopoly Commission approval.

Repayment of Loan Advances

In connection with the Goloil sale, the Company also entered into a separate agreement with Goloil for the repayment of all of the outstanding loans and advances owed to the Company by Goloil. At the date of the loan repayment agreement, the amount of advances by the Company to Goloil, including interest totaled \$6,039,771. As of April 2, 2004, \$3,569,051 of the principal and \$131,452 of the accrued interest had been repaid. As noted above, the repayment of the loans is a condition to the closing of the Share Purchase and Sale Contract.

Expenses of the Goloil Sale

Whether or not the Goloil sale is completed, each party is required to bear its own costs and expense including fees of attorneys, accountants and financial advisors. We currently estimate our legal and accounting costs in connection with the sale to be approximately \$250,000. Additionally, if the Goloil sale is completed, we will owe an investment banking fee of \$750,000 to an affiliate of Troika Dialog in connection with its arrangement of the Goloil sale.

Absence of Dissenters' Rights of Appraisal

Under the applicable provisions of Delaware General Corporation Law, the Company's stockholders will have no appraisal rights in connection with the Proposed Transaction to seek appraisal for the fair value of the shares of Common Stock.

No Opinion of Financial Advisor - Fairness of the Goloil Sale

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The Board believes that in light of all the circumstances, including those set forth under "Risk Factors" below, that the proposed Goloil sale is in the best interests of, and is fair and reasonable to, the stockholders of the Company and unanimously recommends that our stockholders approve the sale of Goloil.

Our Board has considered a number of factors in reaching this conclusion, including, in particular, the following:

- o The Company expects to realize a significant gain on the Goloil sale currently estimated at approximately \$12.6 million;
- o The fact that RussNeft is the most likely purchaser for Goloil since it is already the majority owner of Goloil;
- o The fact that there is a limited universe of alternate buyers for a minority interest in a Russian oil and gas company;
- o The expected long term recovery of profits by our Company based on the current structure of Goloil's ownership and the positions RussNeft has taken under the agreements and, in particular, the fact that we would have had to invest approximately \$14.6 million in Goloil over the next three years to fund RussNeft's accelerated capital expenditure programs, in order to receive approximately \$13.3 million in cash flow from reserves, rather than receiving \$15 million of cash in the Goloil sale now.
- o Our minority position in Goloil does not allow us to maximize our return on investment since RussNeft as majority owner is able to make decisions for the benefit of RussNeft;
- o RussNeft has caused Goloil to sell its production at a fixed price which does not allow the Company to maximize the value of its investment in Goloil;
- o The inability of the Company to effectively prevent the discounted sales of Goloil production;
- o The difficulties the Company would face in continuing its relationship with RussNeft;
- o The fact that legal remedies for minority stockholders in Russia are significantly more limited than in the United States and the potential costs and effectiveness of seeking redress in Russian courts against a Russian party;
- o The fact that the Company pays the Russian mineral extraction tax and the lifting costs on the 50% of Goloil's production that is paid to EUA as a production payment and will do so through 2007;
- o The fact that InvestPetrol has a 29.41% reversionary interest in Goloil's profits from and after the time at which Teton receives its original investment back which would reduce Teton's profit interest after payout of its investment;
- o Reductions in Goloil's revenues and projected future net revenues from proved reserves as a result of the sales by Goloil at a fixed price and in 2002 as a result of various other factors previously reported by the Company;
- o The Company's desire to own a controlling interest in its operating business;
- o The potential availability of other potential oil fields for sale in Russia

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at attractive prices comparable to the price the Company would receive in the sale of Goloil; and

- o The potential availability of the proceeds from the sale of Goloil for use in pursuing other opportunities with the potential to improve the Company's economic position.

Countervailing Considerations

The Board also identified and considered a number of potentially negative factors in its deliberations concerning the Goloil sale, including, but not limited to:

- o The risk that if the Company cannot complete an acquisition within a reasonable time after closing Goloil that its Common Stock could be delisted from the AMEX;
- o The risk that the Company cannot promptly reinvest the proceeds from the Goloil sale it risks dissipating those proceeds in payment of operating expenses; and
- o The potential for a negative perception being created in the market by reason of our not having a completed acquisition to replace our operating business before exiting from our existing business.

Procedural Safeguards

The Board believes that sufficient procedural safeguards are present to ensure the fairness of the Goloil sale. The belief is based upon the following factors:

- o Approval of the Share Purchase and Sale Contract requires the affirmative vote of a majority of the outstanding Common Stock of the Company; and
- o The Goloil sale was unanimously approved by the Directors of the Company, including the independent members of the Board.

Accounting Treatment of Proposed Transaction

Under accounting principles generally accepted in the United States of America, upon consummation of the Proposed Transaction, we expect to reflect the results of operations of Goloil as discontinued operations, including the related gain on the sale, net of any applicable taxes commencing in the third quarter of 2004. For further information see the Pro Forma financial information included as Appendix A-3.

Summary Pro Forma Financial Information

Attached as Appendix A-3 is the Company's unaudited pro forma condensed financial information which gives effect to the sale of Goloil. As discussed in Appendix A-3, and summarized below, the operations of Goloil have been reclassified to discontinued operations and a gain of \$12.6 million has been recorded on the sale. The pro forma condensed financial information does not purport to represent what the results of operations and financial position of the Company would actually have been nor do they purport to project the results of operations or financial position of the Company for any future period or as of any date. The summary pro forma information set forth below is qualified in its entirety by reference to the pro forma information set forth in Appendix A-3 including the notes thereto.

The following table summarizes key financial items as historically provided by the Company and then on a pro forma basis, assuming the sale occurred on March 31, 2004:

TETON PETROLEUM COMPANY
SUMMARY PRO FORMA INFORMATION
GIVING EFFECT TO THE SALE OF GOLOIL

Statement of Operations Data:	December 31, 2003		March 31, 2004	
	Historical Amounts, as Reported	Pro Forma After Goloil Sale	Historical Amounts, as Reported	Pro Forma After Goloil Sale
Sales	\$11,437,802	-	2,962,500	-
Net loss from continuing operations applicable to common shares:	(8,415,537)	(6,816,857)	(3,075,083)	(2,639,787)
Net income (loss) from discontinued operations applicable to common shares:	-	(1,598,680)	-	12,177,001
Net (loss) income applicable to common shares:	(8,415,537)	(8,415,537)	(3,075,083)	9,537,214
Net loss from continuing operations per common share:	(1.23)	(1.00)	(0.35)	(0.30)
Net income (loss) from discontinued operations per common share:	-	(0.23)	-	1.39
Weighted average common shares outstanding	6,840,303	6,840,303	8,747,165	8,747,165
Net (loss) income from per common share	\$ (1.23)	\$ (1.23)	\$ (0.35)	\$ 1.09
Balance Sheet Data:				
Current assets			10,325,326	20,696,760
Total assets			21,132,672	20,723,128
Current liabilities			13,011,002	732,261
Total liabilities			13,140,502	732,261
Total stockholders' equity			7,992,170	19,990,867

Selected Consolidated Financial Data

The following table contains selected consolidated Financial Data and Operating Information of the Company for the three months ended March 31, 2004 and 2003 and for each of the five years ended December 31, 2003 and is qualified in its entirety by reference to the unaudited financial statements of the Company for

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the quarter ended March 31, 2003 and March 31, 2004 and the audited financial statements for the three years ended December 31, 2003 set forth in Appendix A. The results for the quarter ended March 31, 2004 are not indicative of results for the full year 2004.

TETON PETROLEUM COMPANY SELECTED FINANCIAL DATA AND OPERATING INFORMATION (In \$000's, except as noted)

	For the Quarter Ended March 31,		For the Years Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
Financial							

Operating Revenues	\$ 2,963	\$ 3,409	\$11,438	\$ 6,923	\$ 1,625	\$ 1,675	\$ 1,518
Net loss	(2,522)	(781)	(5,635)	(10,974)	(1,658)	(3,066)	(1,025)
Comprehensive loss	(3,360)	(695)	(8,247)	(11,115)	(1,742)	(2,957)	(325)
Net cash provided by (used in) operating activities	(1,563)	192	(3,011)	(5,169)	(1,553)	(1,069)	(903)
Total assets	21,133	10,995	20,718	10,012	2,211	2,317	1,789
Oil and gas properties, net (successful efforts)	8,564	7,479	9,340	4,896	1,169	1,490	1,482
Notes payable	0	0	0	0	844	1,425	577
Proportionate share of notes payable	8,220	2,845	7,419	2,948	770	395	0
Working capital (deficit)	(2,686)	(2,865)	(1,160)	176	(1,430)	(982)	(246)
Stockholders' equity (deficit)	7,992	5,154	10,205	4,879	(382)	58	(1,212)
Weighted average Common shares outstanding - basic and diluted	8,747	6,321	6,840	3,105	2,244	1,470	1,096
Basic and diluted loss per common share	(0.35)	(0.12)	(1.23)	(3.53)	(0.72)	(2.04)	(0.96)
Cash dividends declared per common share	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating							

Net productive wells (1)	10.5	7.5	10.5	6.5	3.5	1.5	1.0
Net oil production - barrels	167	151	632	471	95	143	134
Oil and gas property and equipment expenditures	190	2,887	5,392	3,222	322	2,002	257
Proved reserves							
- barrels (2,3)	8,095	13,113	8,262	13,264	40,174	8,500	19,375
Proved developed reserves							
- barrels (2,3)	3,649	4,416	3,816	4,567	15,493	1,300	2,300

(1) Net well count is based on Teton's effective net interest as of the end of each year.