houston american

exploring the potential

Investor Presentation
Enercom - August 13-17, 2017

Forward-Looking Statements

This presentation contains forward-looking statements, including those relating to our future financial and operational results, reserves or transactions, that are subject to various risks and uncertainties that could cause the Company's future plans, objectives and performance to differ materially from those in the forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "expect," "intend," "plan," "subject to," "anticipate," "estimate," "continue," "present value," "future," "reserves," "appears," "prospective," or other variations thereof or comparable terminology. Factors that could cause or contribute to such differences could include, but are not limited to, those relating to the results of exploratory drilling activity, the Company's growth strategy, changes in oil and natural gas prices, operating risks, availability of drilling equipment, availability of capital, the inherent variability in early production tests, dependence on weather conditions, seasonality, expansion and other activities of competitors, changes in federal or state environmental laws and the administration of such laws, the general condition of the economy and its effect on the securities market, the availability, terms or completion of any strategic alternative or any transaction and other factors described in "Risk Factors" and elsewhere in the Company's Form 10-K and other filings with the SEC. While we believe our forward-looking statements are based upon reasonable assumptions, these are factors that are difficult to predict and that are influenced by economic and other conditions beyond our control.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose proved, probable and possible reserves. We use certain terms in this document, such as non-proven, resource potential, Probable, Possible, Exploration and un-risked resource potential. These terms include reserves, and prospects and leads not rising to the level of or included in reserves, with substantially less certainty than proved reserves, and no discount or other adjustment is included in the presentation of such amounts. The recipient is urged to consider closely the disclosure in our Form 10-K and quarterly reports available from us at 801 Travis, Suite 1425, Houston, Texas 77002 or our website. You can also obtain these reports from the SEC by calling 1-800-SEC-0330.

Corporate Overview

- **Houston-based exploration and production company with onshore properties in Reeves County in Texas, Louisiana, and Colombia; founded 2001**
- **Two primary intangible assets:**

  1) Great operating partners in Texas (Founders Oil & Gas Operating, LLC) and Colombia (Bogata-based Hupecol Operating, LLC)

  2) Clean company

  - **Minimal debt**
  - **Simple capital structure – 2017 YTD added $3.8 MM to capital**
  - **Low overhead**
  - **$50 million tax loss carryforward**

- **Two primary tangible assets with significant potential:**

  1) Permian Basin Undeveloped Acreage

  - **18.6% Average Working Interest in the Wolfcamp / Bone Spring / Avalon resource play covering 960 gross (179 net) acres in Reeves County, TX, Delaware sub-basin**
  - **11 net potential horizontal locations identified (5 zones) and peers are also testing the Wolfcamp C and X/Y**

  2) Colombia – Three Exploration Licenses

  - **12.5% Working Interest in Heavy Oil Belt covering 392,000 gross (49,000 net) acres in the Northern Putumayo Basin**

Management and Directors

John P. Boylan
Chairman/CEO

Chairman and CEO of Houston American since April 2015, member of the Board since 2006. As an industry consultant during the last decade, has held senior management roles in public and private energy company clients in both E&P (onshore and offshore) and oilfield services. A licensed CPA in Texas with B.B.A. in Accounting from the University of Texas and an M.B.A. in Finance, Economics and International Business from New York University.

Directors

R. Keith Grimes

President – International Division of Sierra Hamilton, an international service provider to oil and gas exploration and production companies offering specialized technical consulting and E&P technology to operators worldwide. Formerly CEO of predecessor company, Hamilton Group and with Expro Group in eastern hemisphere.

Stephen P. Hartzell

Co-Owner of Southern Star Exploration, LLC, an independent oil and gas exploration company. Formerly, an independent Consulting Geologist and held various geological positions with Amoco Production Company, Tesoro Petroleum Corporation, Moore McCormack Energy and American Hunter Exploration.

Roy W. Jageman

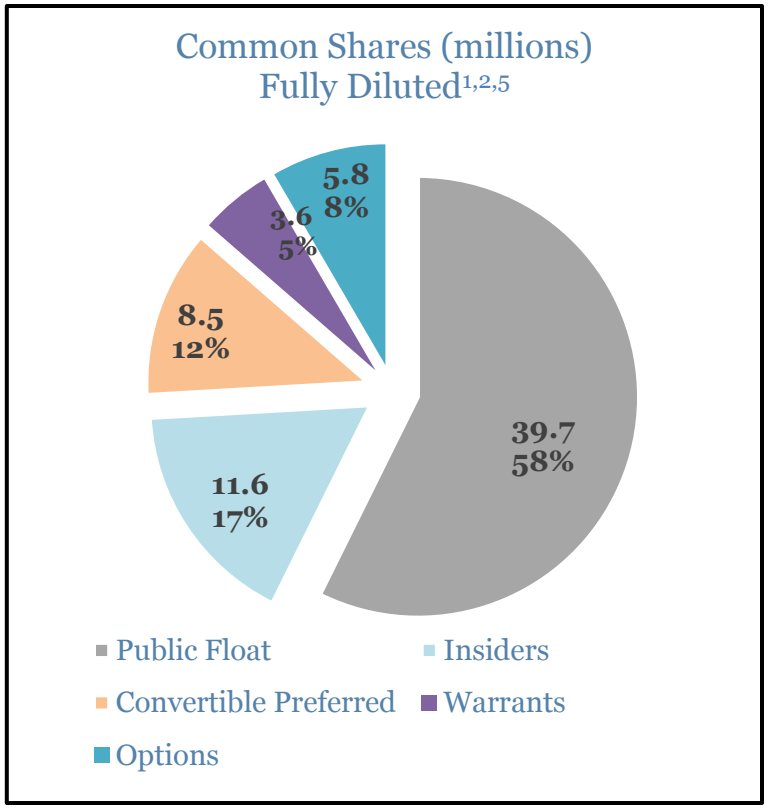
Over 25 years of experience in energy finance, mergers and acquisitions with Simmons & Co., Lehman Brothers, Solomon Brothers and Wasserstein Perella. Former CFO of Plantation Petroleum Company, Ranger Gas Storage, and Encore Acquisition Company, a publicly traded exploration and production company.

O. Lee Tawes

Private investor. Formerly Head of Investment Banking and a Director of Northeast Securities, Inc. Previous management and research analyst positions with C.E. Unterberg, Towbin, Oppenheimer & Co. Inc., CIBC World Markets and Goldman Sachs & Co. from 1972 to 2001.

Capitalization[1]

NYSE MKT: HUSA	
Market Capitalization	$38.5 million
Current Assets[2,3,4]	$0.3 million
Total Liabilities[4]	$0.6 million
Stockholders' Equity[2]	$4.2 million
Common Shares Outstanding[2]	51.3 million
Common Shares Fully Diluted[2,5]	69.2 million



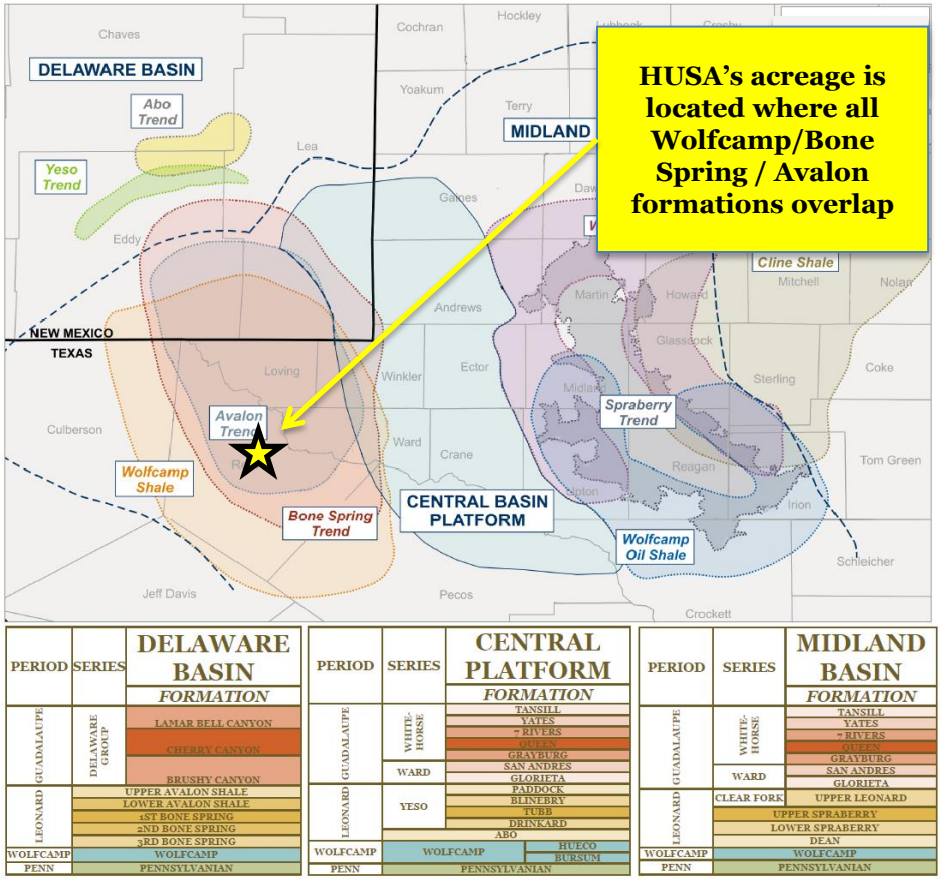
1. As of June 30, 2017
2. Does not include $1.7 million in net proceeds received in July 2017 from sale of 3.0 million shares of common stock via At-the-Market Issuance Sales Agreement (the "ATM Offering").
3. Does not include $1.0 million paid in August 2017 for the completion costs of the Johnson State #1H well.
4. Does not include $300,000 paid in July 2017 to retire short term notes payable.
5. Includes (a) 8.5 million shares issuable on conversion of Series A and B Convertible Preferred Stock, (b) 3.6 million shares issuable upon exercise of Warrants, and (c) 5.8 million shares issuable upon exercise of options, of which 2.0 million options are significantly "out of the money".

Permian

Delaware Basin

Resource Plays in the Permian Basin

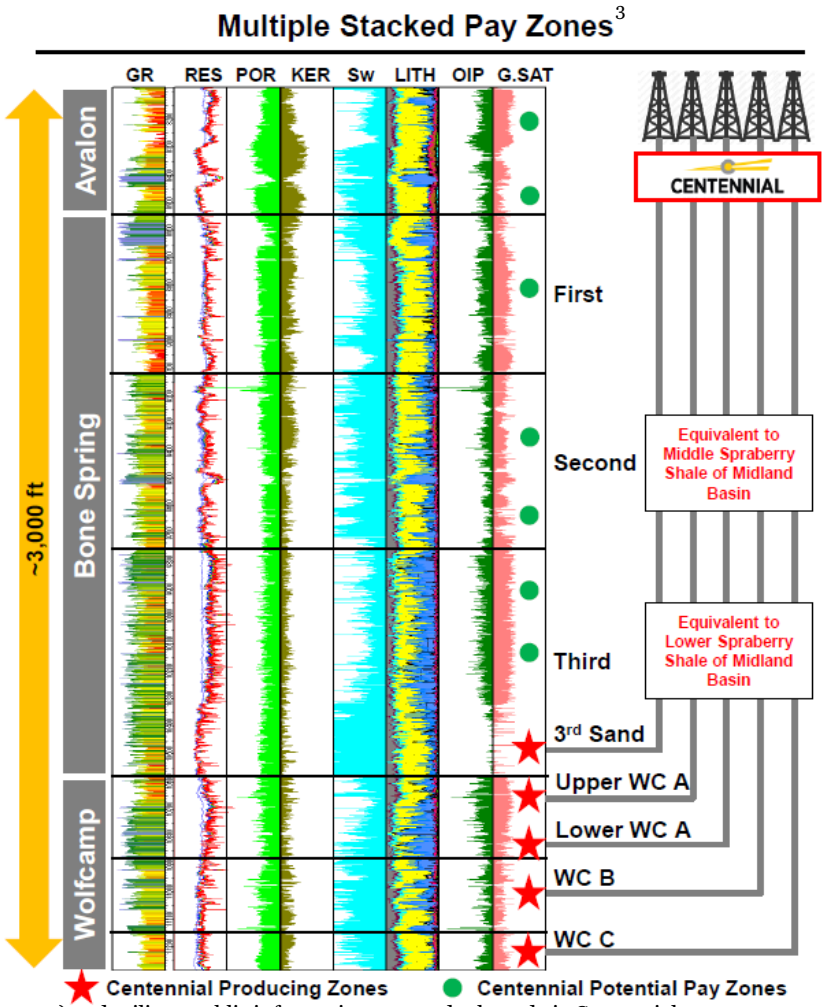
- The Permian Basin includes the Wolfcamp, Bone Spring, and Avalon formations.[1]
- HUSA's acreage in Reeves County, TX is located in the most active county in the Permian Basin with more than 65 horizontal rigs running.
- Active Reeves County companies include Apache, Concho, EOG Resources, Centennial, Energen, Matador, PDC Energy, Cimarex, Carrizo and Felix
- Centennial acquired Silverback Exploration's nearby acreage Q4 2016 because of its Wolfcamp, Bone Spring, and Avalon potential and on August 7 beat street production forecasts by 20%.
- HUSA's acreage ★ is situated where all three shale formations/trends overlap.



1. U.S. Geologic Survey, Article titled "USGS Estimates 20 Billion Barrels of Oil in Texas' Wolfcamp Shale Formation" dated November 15, 2016. The USGS assessment of continuous oil only covers the Midland Basin portion of Texas' Permian Basin. HUSA's project is in the western side of the Permian Basin in the portion of the basin called the Delaware Basin.

Multi-Stacked Pay Zones

- The play contains multiple stacked pay zones that require horizontally ("Hz") drilled and hydraulically fractured wellbores
- Primary Initial target – Wolfcamp A/B:
  - Internal gross undeveloped resource potential of 1,300 MBoe (HUSA's net 182MBoe) per Hz well[1]
  - Potential for "Wine Rack" spacing, 330' lateral x 175' vertical, where shale thickness allows (i.e. Wolfcamp A – Upper and Lower)[2]
- Spacing allows for potentially eight 4,500' Hz wells per 640 acres in each stacked prospective pay zone ("bench"). Utilizing Centennial's Producing Zones (★), calculate a total of potentially **40 Hz wells per 640 acres**.

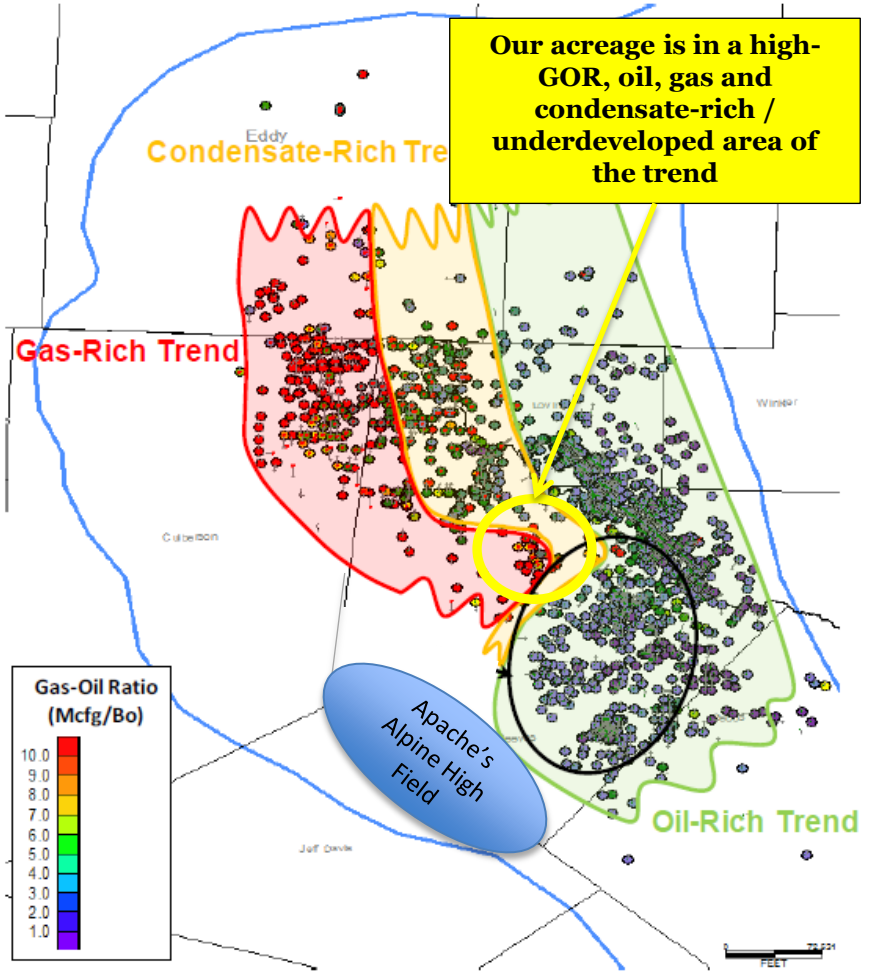


1. Internal resource estimate prepared assumes 18.7% net working interest (14.1% net revenue interest) and utilizes public information on trend released via Centennial Silverback Acquisition Overview –November 2016, page 9 averages 13 producing wells from Wolfcamp A - NSAI gross Oil EUR 457 MBo (total including gas and NGL EUR 1,275 BOE).
2. Per Resolute Energy Corporation's press release dated December 19, 2016, page 2.
3. Image taken from Centennial Goldman Sachs Global Energy Conference presentation – January 2017, page 8.

Entry into the Delaware Basin

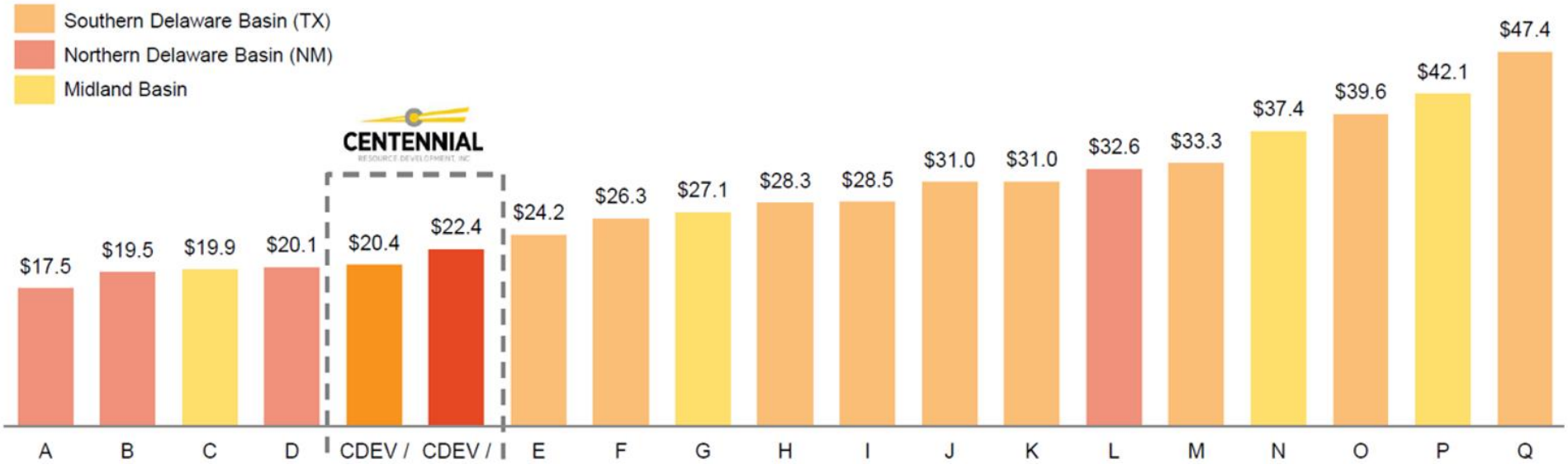
- In January 2017 acquired a 25% interest in initial ~720 gross leased acres for $5,500 per net acre from Founders Oil & Gas III, LLC (179 net leased acres) – pooling increased gross acres to 960, with HUSA now owning 18.7% average WI.
- The O'Brien #3H well frac underway. Production facilities and gas flowline are under construction and will be ready to go for flowback of frac.
- The Johnson #1H well is shut in awaiting completion of a gas flowline. Once completed the operator can begin flowing the well again. Anticipated during September '17.
- Centennial's notation of five productive benches (see on pg 7.), **equates to 60 gross (11.2 net)** potential Hz well locations across our acreage – 18.7 average WI%.
- Wolfcamp A "Type Well" gross (8/8ths) economics:[2]
  - EUR 1,300 MBOE
  - NPV10 $9.3 million
  - IRR 64%
  - F&D $6.70 / Boe
  - Discounted ROI 2.4x
  - Undiscounted ROI 4.3x

Wolfcamp Oil/Condensate/Gas Trend Map [1]



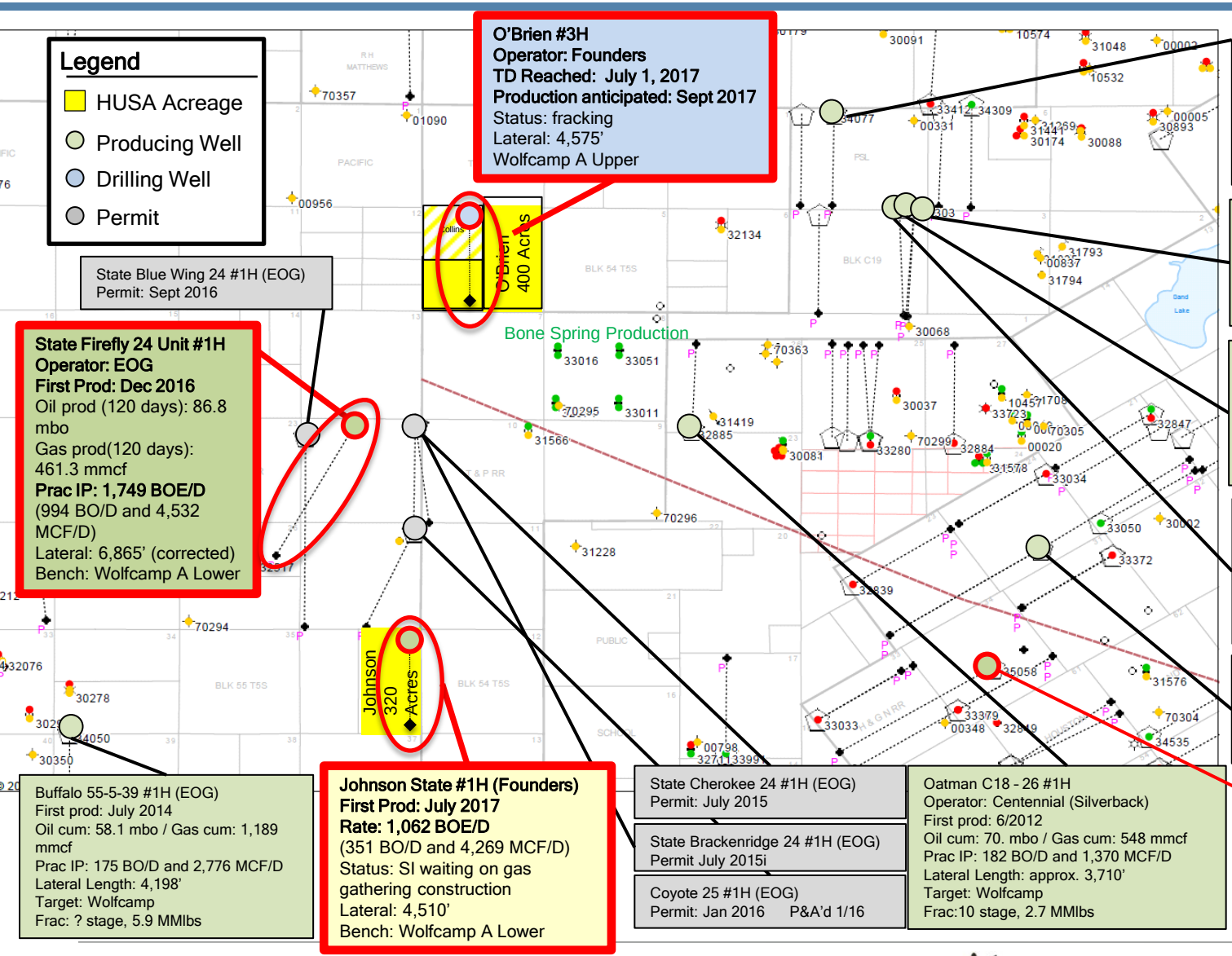
1. Image taken from Centennial Goldman Sachs Global Energy Conference presentation – January 2017, page 5. Includes only wells reported as producing from Wolfcamp formation.
2. Per internal estimated reserve economic report using type well shown in Note 1. on pg 7. Includes $50/bo and $3/mcf flat, $23k/m gross LOE, $6.5 million gross D&C.

Comparable Transactions – Adjusted $/Permian Net Acre ($ thousands)



Source: Centennial Resource Development

Wolfcamp Shale Activity Map (Updated 08/15/17)



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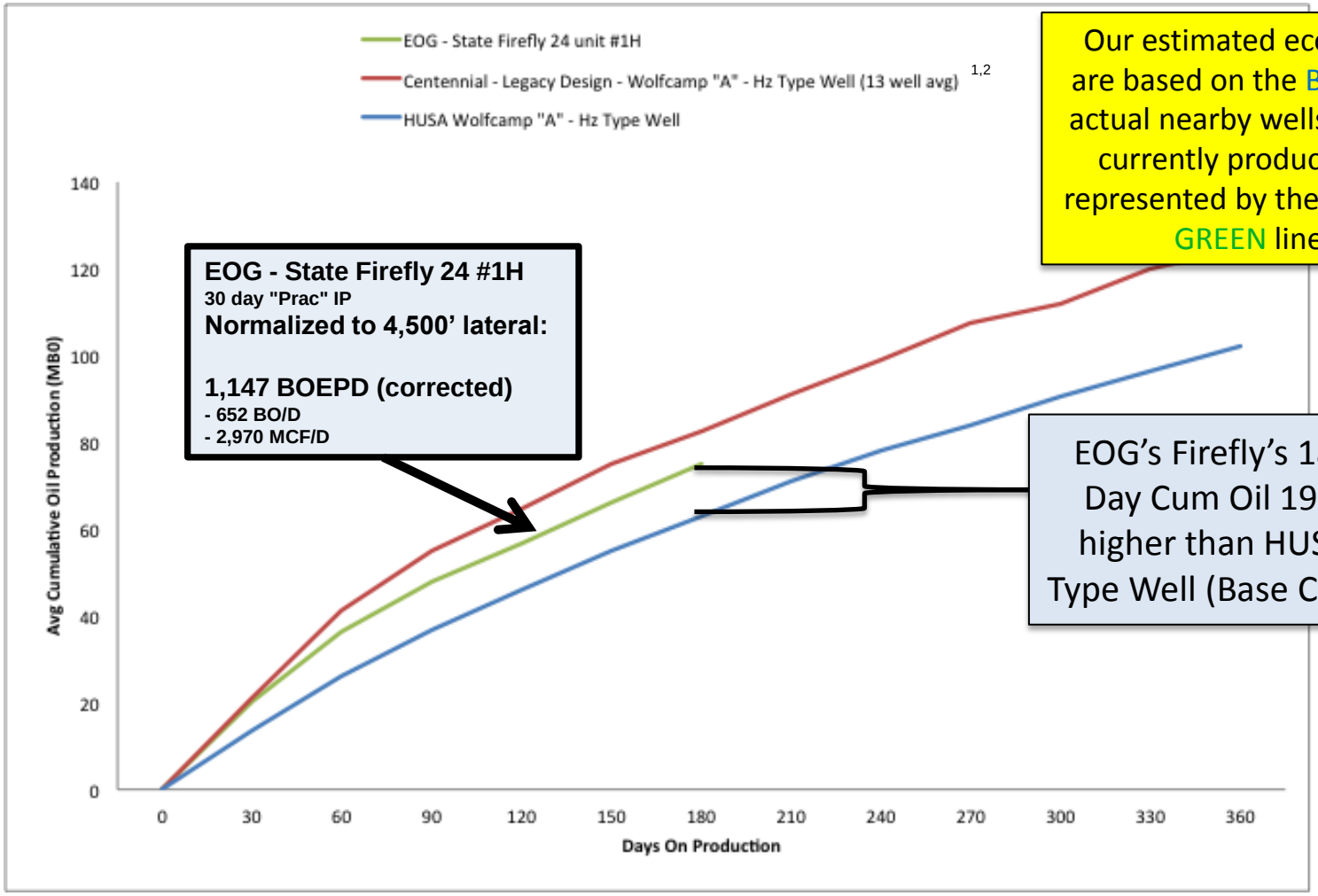
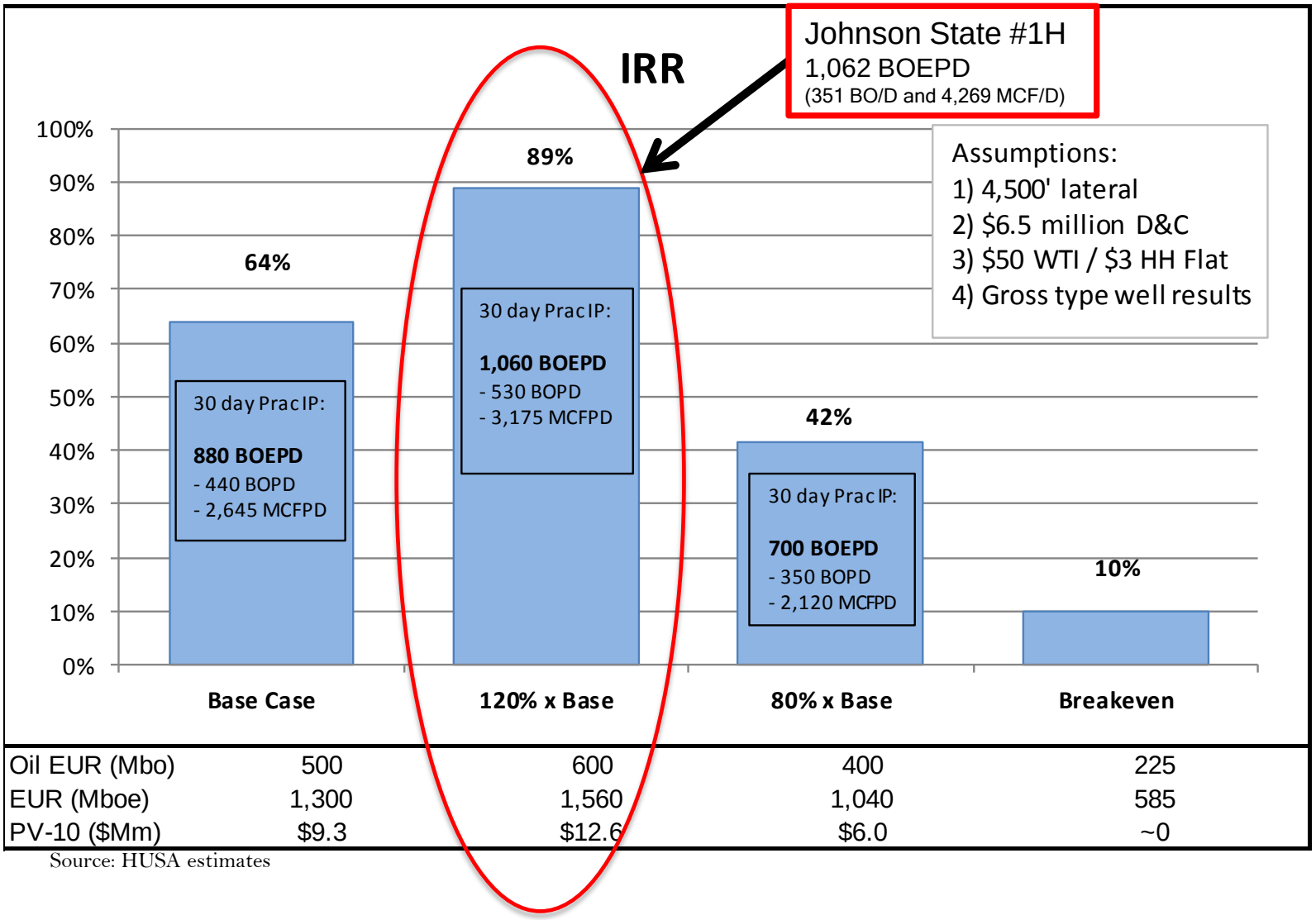
Type Well Comparison



1. Centennial legacy design wells take average of 13 Wolfcamp A wells (<5,000' laterals), that were all completed since Jan '15. and includes Folk Rolwing A 4-34 33 (first production Feb '16); See Note 2. below for reference.
2. Internal resource estimate prepared utilizing public information on trend released via Centennial Silverback Acquisition Overview –November 2016, page 9 averages 13 producing wells from Wolfcamp A - NSAI gross Oil EUR 457 MBo (total including gas and NGL's EUR 1,275 MBOE).

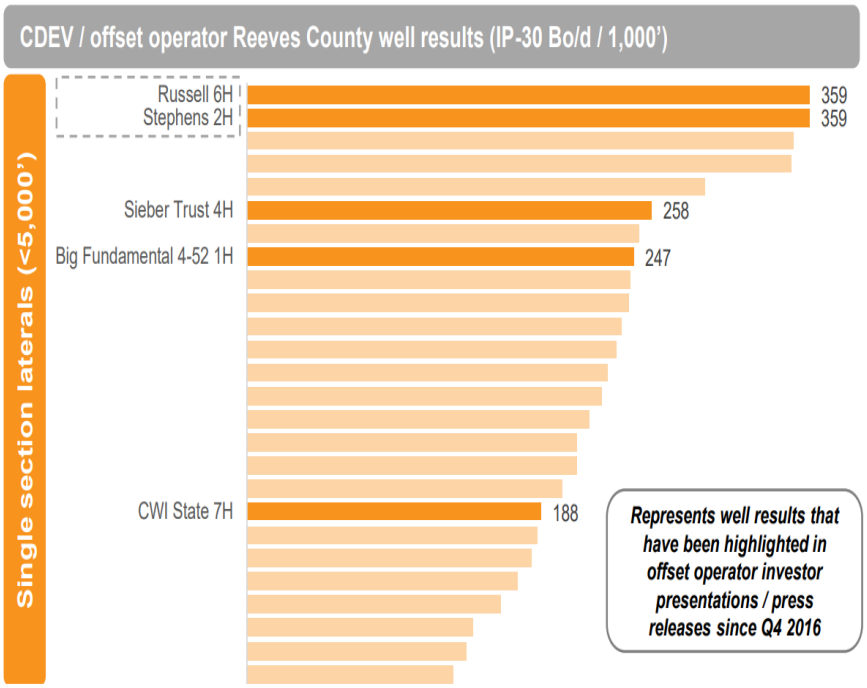
Estimates for a Single Bench – Wolfcamp A



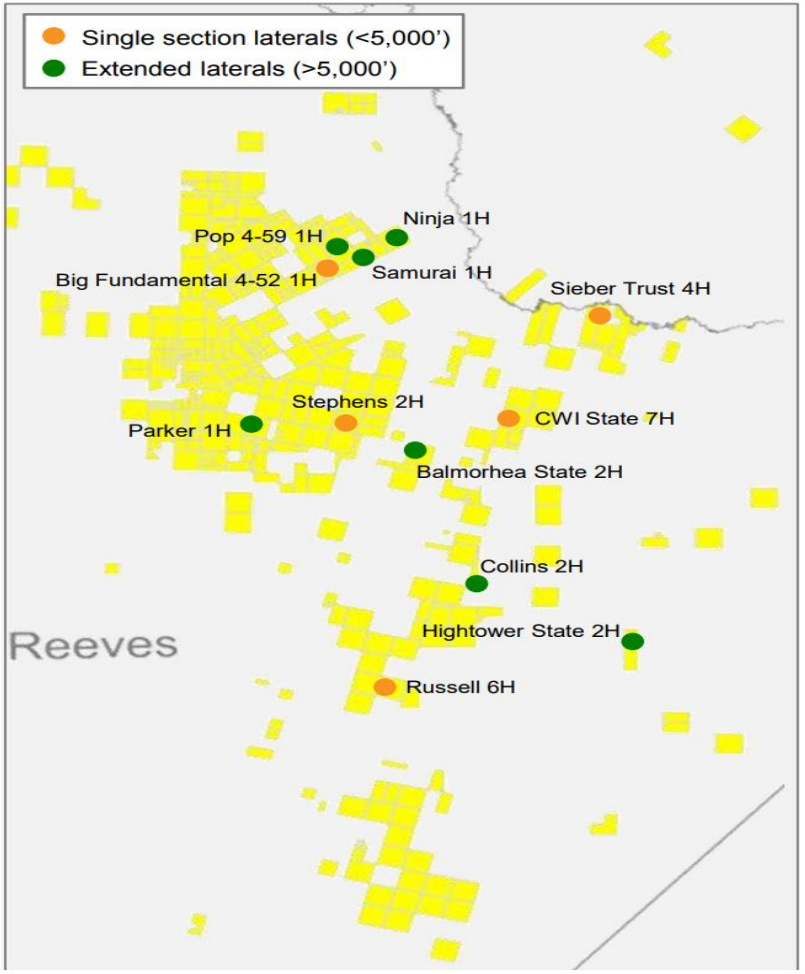
Oil EUR (Mbo)	500	600	400	225
EUR (Mboe)	1,300	1,560	1,040	585
PV-10 ($Mm)	$9.3	$12.6	$6.0	~0

Source: HUSA estimates

Most Recent Wells Showing Oil Rate Improvement As Reeves Activity Creeps South



Source: CDEV 2Q presentation August 7, 2017



- Two recent short lateral wells (Russell 6H & Stephens 2H) have been the best drilled to date by Centennial based on oil IP per 1,000' of lateral.
- Both wells are south of previous top performing wells—a positive datapoint for HUSA's blocks.

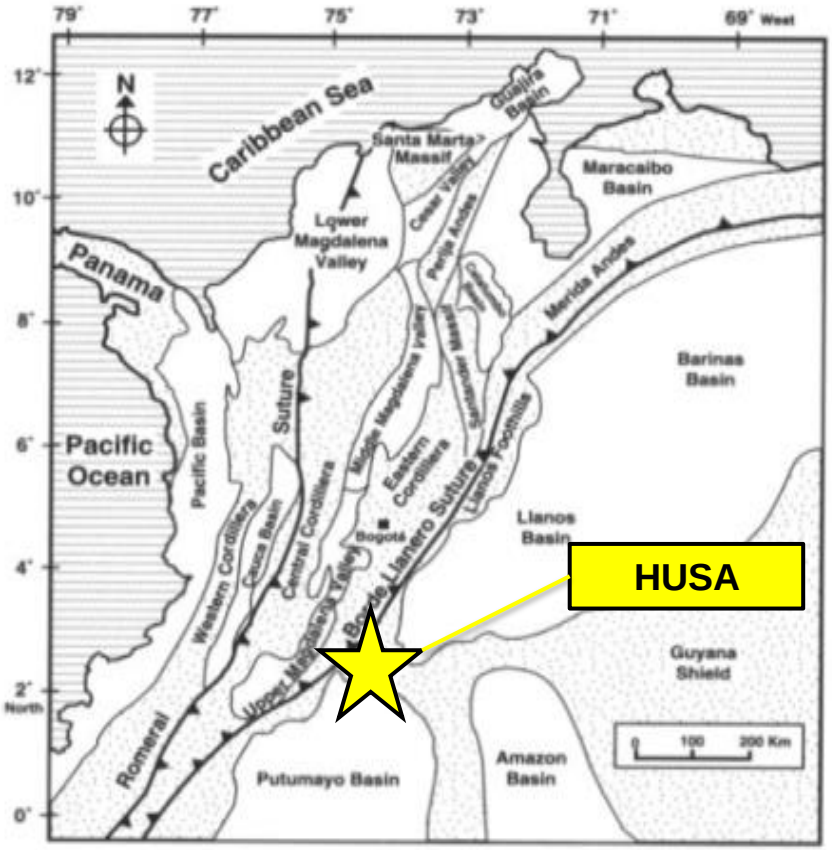
Permian/Delaware Timeline

Colombia

Putumayo Basin

Colombia Overview

- HUSA's concessions are all operated by Hupecol Operating, LLC,[1] a privately held E&P company with offices in Bogota, Colombia and Houston, Texas
- Hupecol operates significant production and gathering facilities in Colombia and domestically in the U.S.
- Hupecol has an extensive staff of regional managers, geologists, petroleum engineers and geophysical professionals
- Since 2003 HUSA has participated in 123 wells with Hupecol with a 67% completion success rate and has monetized assets realizing $69.9 million in after tax gross proceeds which equates to an ROI of 2.8X



1. Hughes Petroleum Colombia (Hupecol) owned by Dan A. Hughes Company, L.P. Source: www.dahughes.net

Executive Summary

Houston American Game Plan

Generate healthy returns and peer group leading growth while maintaining low leverage

- **Tie-in first two Reeves County horizontal wells by September**
- **Add Permian proven reserve categories to report for year end**
- **Pursue opportunistic leasing and/or acquisitions in the Delaware or Midland Basins as smaller tracts generally are much less costly on per acre basis and non-core blocks' primary terms begin expiring**
- **Potential to scale JV in Delaware to increased participation %**
- **2017 YTD results of capital campaign ($3.8 million):**
  - **Issued $1.2 MM of Series A convertible preferred stock;**
  - **Issued $0.9 MM of Series B convertible preferred stock; and**
  - **Issued 3.0 MM shares in an ATM offering for proceeds of $1.7 MM**
- **Additional potential sources of funds:**
  - **In the money warrants exercisable for $1.6 MM with near term expiration (including $1.3 MM in Jan '18)**
  - **The Company has capability to issue up to an additional $3.2 MM under ATM**

Conclusion

- **Completion of first two wells in premier location in the Permian Basin provides new growth area**
- **Strong operating partners with extensive experience in respective operating areas**
  - **Founders in the Permian Basin**
  - **Hupecol in Colombia**
- **Clean Company – very modest debt and simple capital structure**
- **Low overhead/cash burn with G&A below $600,000 per quarter**
- **NYSE MKT listed with broad shareholder base and active volume**
- **Significant potential upside and near-term cash flow from Permian assets**
- **Significant potential upside in Colombian assets**