

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

GULFWEST ENERGY INC  
Form 10-Q/A  
February 25, 2005

FORM 10-Q/A

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended September 30, 2004

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12108

GULFWEST ENERGY INC.  
-----

(Exact name of Registrant as specified in its charter)

Texas  
-----

(State or other jurisdiction  
of incorporation)

87-0444770  
-----

(IRS Employer  
Identification No.)

480 North Sam Houston Parkway East  
Suite 300  
Houston, Texas  
-----

(Address of principal executive offices)

77060  
-----

(zip code)

(281) 820-1919  
-----

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, November 10, 2004, was 18,593,969

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

shares of Class A Common Stock, \$.001 par value.

### EXPLANATORY NOTE

This Quarterly Report on Form 10-Q/A is intended to amend and restate in its entirety the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2004, which was filed on November 12, 2004 (the "Original Form 10-Q"), to ensure that the information contained in the report is true, accurate and complete as of the date of the filing of this Amended Quarterly Report on Form 10-Q/A, February 25, 2004. Accordingly, pursuant to rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Form 10-Q/A contains the complete text of items 1, 2, 4 and 6 of Part I and items 4 and 6 of Part II, as amended, as well as certain currently dated certifications. Unaffected items have not been repeated in this Amendment No. 1.

In February 2004, we determined that 281,000 options we issued should have been classified as variable options rather than intrinsic value options. As a result, we accrued \$70,250 in additional compensation expense. This amendment reflects the results of the classification in the financial statements and notes thereto. The net effect of these revisions was to decrease total liabilities and stockholders' equity at, or for the quarter ended September 30, 2004 by \$70,250 and \$70,250, respectively. Such revisions had minimal impact on our consolidated statements of income, cash flows, comprehensive income or changes in stockholders' equity.

All other information in the report remains as previously filed with the Commission in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2004 and is incorporated by reference herein.

This amendment does not reflect events occurring after the filing of the Original Form 10-Q, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments as described above and set forth below.

GULFWEST ENERGY INC.  
FORM 10-Q/A FOR THE QUARTER ENDED  
SEPTEMBER 30, 2004

Page of  
FORM 10-Q/A

Part I: Financial Information

Item 1.	Financial Statements	
	Consolidated Balance Sheets, September 30, 2004 and December 31, 2003	3
	Consolidated Statements of Operations for the three months and nine months ended September 30, 2004 and 2003	5
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2004 and 2003	6
	Notes to Consolidated Financial Statements	7

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Part II:	Other Information	
Item 6.	Exhibits and Reports on 8-K	14
Signatures		15

2

### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS.

GULFWEST ENERGY INC.  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

#### ASSETS

	September 30, 2004 (Unaudited)	December 31, 2003 (Audited)
	----- (Restated)	-----
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 991,555	\$ 483,618
Accounts Receivable - trade, net of allowance for doubtful accounts of -0- in 2004 and 2003	1,445,879	1,099,802
Prepaid expenses	244,684	159,269
Total current assets	----- 2,682,118	----- 1,742,689
<b>OIL AND GAS PROPERTIES</b>		
Using the successful efforts method of accounting	55,960,490	58,472,886
<b>OTHER PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation, depletion and amortization	1,828,769	2,132,220
	(9,452,293)	(10,017,931)
Net oil and gas properties, and other property and equipment	----- 48,336,966	----- 50,587,175
<b>OTHER ASSETS:</b>		
Deposits	20,142	20,142
Debt issue cost, net	2,124,289	78,768
Total other assets	----- 2,144,431	----- 98,910

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

TOTAL ASSETS	\$ 53,163,515	\$ 52,428,774
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these statements.

3

GULFWEST ENERGY INC.  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2004	December 31, 2003
	(Unaudited)	(Audited)
	(Restated)	
CURRENT LIABILITIES		
Notes payable	\$ 5,106,568	\$ 8,182,165
Notes payable - related parties	2,140,000	1,465,000
Current portion of long-term debt	686,147	29,396,092
Current portion of long-term debt - related parties	115,284	130,152
Accounts payable - trade	4,077,890	5,002,675
Accrued expenses	592,237	443,568
	-----	-----
Total current liabilities	12,718,126	44,619,652
	-----	-----
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	21,374,396	35,801
Asset retirement obligations	1,083,036	1,357,206
	-----	-----
Total noncurrent liabilities	22,457,432	1,393,007
	-----	-----
OTHER LIABILITIES		
Derivative instruments	3,013,131	591,467
	-----	-----
Total liabilities	38,118,689	46,604,126
	-----	-----
COMMITMENTS AND CONTINGENCIES		

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

STOCKHOLDERS' EQUITY		
Preferred stock	270	190
Common stock	18,493	18,493
Additional paid-in capital	34,063,386	29,283,692
Retained deficit	(19,107,323)	(23,477,727)
	-----	-----
Total stockholders' equity	14,974,826	5,824,648
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 53,163,515	\$ 52,428,774
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these statements.

4

GULFWEST ENERGY INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED  
SEPTEMBER 30, 2004 AND 2003  
(UNAUDITED)

	Three Months Ended September 30,		End
	2004	2003	2004
	-----	-----	-----
	(Restated)		(Restat
OPERATING REVENUES			
Oil and gas sales	\$ 2,816,386	\$ 2,400,967	\$ 7,811
Operating overhead and other income	(13,440)	35,096	65
	-----	-----	-----
Total Operating Revenues	2,802,946	2,436,063	7,876
	-----	-----	-----
OPERATING EXPENSES			
Lease operating expenses	1,149,771	1,434,002	3,749
Depreciation, depletion and amortization	526,277	540,312	1,402
Accretion expense	16,287		57
General and administrative	568,439	380,176	1,442
	-----	-----	-----
Total Operating Expenses	2,260,774	2,354,490	6,650
	-----	-----	-----
INCOME FROM OPERATIONS	542,172	81,573	1,226
	-----	-----	-----
OTHER INCOME AND EXPENSE			

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Interest expense	(1,036,591)	(756,212)	(2,971)
Other financing costs	(532,728)		(901)
Loss on sale of assets	(1,891,707)	(19,848)	(2,118)
Unrealized gain (loss) on derivative Instruments	(1,862,729)	295,030	(2,421)
Abandoned property			(326)
Forgiveness of debt			11,884
	-----	-----	-----
Total Other Income and Expense	(5,323,755)	(481,030)	3,144
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(4,781,583)	(399,457)	4,370
	-----	-----	-----
INCOME TAXES			
	-----	-----	-----
NET INCOME (LOSS)	(4,781,583)	(399,457)	4,370
	-----	-----	-----
DIVIDENDS ON PREFERRED STOCK (Paid 2004 - 0; 2003 - 0)	124,375		256
	-----	-----	-----
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ (4,905,958)	\$ (399,457)	\$ 4,114
	=====	=====	=====
NET INCOME (LOSS) PER SHARE, BASIC	\$ (.27)	\$ (.02)	\$
	=====	=====	=====
DILUTED	\$ (.27)	\$ (.02)	\$
	=====	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these statements.

5

GULFWEST ENERGY INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(UNAUDITED)

	2004	2003
	-----	-----
	(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 4,370,404	\$ (1,510)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	1,402,522	1,714
Accretion expense	57,003	
Debt issue cost expense	859,498	
Discount on note payable	261,238	
Common stock warrants issued and charged to operations		25

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Other financing costs		1,000
Notes payable issued and charged to earnings		
	61,046	
Loss on sale of assets	2,118,516	19
Abandoned property	326,512	
Unrealized (gain) loss on derivate instruments	2,421,664	(487)
Forgiveness of debt	(11,884,145)	
(Increase) decrease in accounts receivable - trade, net	(46,077)	97
(Increase) decrease in prepaid expenses	(85,415)	(70)
Increase (decrease) in accounts payable and accrued expenses	(597,162)	346
	-----	-----
Net cash provided by (used in) operating activities	(734,396)	1,136
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of property and equipment	1,200,350	
Purchase of property and equipment	(3,272,059)	(911)
	-----	-----
Net cash used in investing activities	(2,071,709)	(910)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on sale of preferred stock, net	3,363,745	
Payments on debt	(17,806,173)	(1,441)
Proceeds from debt issuance	19,880,258	823
Debt issue cost	(2,123,788)	
	-----	-----
Net cash provided by (used in) financing activities	3,314,042	(618)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	507,937	(392)
	-----	-----
CASH AND CASH EQUIVALENTS, beginning of period	483,618	687
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 991,555	\$ 294
	=====	=====
CASH PAID FOR INTEREST	\$ 2,821,404	\$ 2,183
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these statements.

GULFWEST ENERGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004 AND 2003  
(UNAUDITED)

1. During interim periods, we follow the accounting policies set forth in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. Users of financial information produced for interim periods are encouraged to refer to the footnotes contained in the Annual Report when reviewing interim financial results.
2. The accompanying financial statements include the Company and its wholly-owned subsidiaries: RigWest Well Service, Inc. formed September 5, 1996; GulfWest Texas Company formed September 23, 1996; DutchWest

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Oil Company formed July 28, 1997; Southeast Texas Oil and Gas Company, L.L.C. acquired September 1, 1998; SETEX Oil and Gas Company formed August 11, 1998; GulfWest Oil & Gas Company formed February 8, 1999; LTW Pipeline Co. formed April 19, 1999; GulfWest Development Company formed November 9, 2000; and, GulfWest Oil & Gas Company (Louisiana) LLC formed July 31, 2001. All material intercompany transactions and balances are eliminated upon consolidation.

3. In management's opinion, the accompanying interim financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations, and the statements of cash flows of GulfWest Energy Inc. for the interim periods.

4. Non-cash Investing and Financing

During the nine month period ended September 30, 2004, we issued a note payable for \$600,000 in exchange for an account payable for \$538,954 and \$61,046 of interest expense was recorded. Also, as a result of refinancing debt we issued common stock warrants valued at \$916,029 which were recorded as a note discount, issued \$500,000 of preferred stock of a wholly owned subsidiary as a commission to a financial advisor, recorded a \$360,000 payable for a loan termination fee and had \$11,884,145 in debt forgiven by the prior lender. We also financed field trucks for \$78,036,

During the nine month period ended September 30, 2003, we decreased the current portion of long term debt - related parties by applying \$17,300 in deposits and reclassified \$176,324 from accrued expenses to current portion of long term debt. Also during the period, \$1 million in preferred stock was issued to an energy lender as required by an agreement that expired on May 29, 2003.

5. As a result of a financing agreement with an energy lender, we were required to enter into an oil and gas hedging agreement with the lender. It has been determined this agreement meets the definition of SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" and is accounted for as a derivative instrument.

We entered into an agreement, commencing in May 2000, to hedge a portion of our oil and gas sales for the period of May 2000 through April 2004. The agreement calls for initial volumes of 7,900 barrels of oil and 52,400 Mcf of gas per month, declining monthly thereafter. We entered into an additional agreement with the energy lender, commencing September 2001, to hedge an additional portion of our oil and gas sales for the periods of September 2001 through July 2004

and September 2001 through December 2003, respectively. The agreement calls for the initial volumes of 15,000 barrels of oil and 50,000 Mmbtu of gas per month, declining monthly thereafter. These agreements were terminated in April 2004 with the refinancing of the related debt. We entered into a second agreement, as a result of refinancing the debt, commencing May 2004, to hedge a portion of our oil and gas sales for the period of May 2004 through October 2005. The agreement calls for 10,000 barrels of oil and 60,000 Mmbtu of gas per month. As a result of



Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

these agreements, we realized a decrease in revenues of \$1,154,349 for the nine month period ended September 30, 2004 and a decrease in revenues of \$1,209,982 for the nine month period ended September 30, 2003, which is included in oil and gas sales.

The estimated change in fair value of the derivatives is reported in Other Income and Expense as unrealized (gain) loss on derivative instruments. The estimated fair value of the derivatives is reported in Other Assets (or Other Liabilities) as derivative instruments.

6. Stock Based Compensation

In October 1995, SFAS No. 123, "Stock Based Compensation," (SFAS 123) was issued. This statement requires that we choose between two different methods of accounting for stock options and warrants. The statement defines a fair-value-based method of accounting for stock options and warrants but allows an entity to continue to measure compensation cost for stock options and warrants using the accounting prescribed by APB Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Use of the APB 25 accounting method results in no compensation cost being recognized if options are granted at an exercise price at the current market value of the stock or higher. We will continue to use the intrinsic value method under APB 25 but are required by SFAS 123 to make pro forma disclosures of net income (loss) and earnings (loss) per share as if the fair value method had been applied in its 2004 and 2003 financial statements.

If we had used the fair value method required by SFAS 123, our net loss and per share information would approximate the following amounts:

Three months	2004		
	As Reported	Proforma	As Reported
SFAS 123 compensation cost	\$	\$ 420,250	\$
APB 25 compensation cost	\$	\$	\$
Net income (loss)	\$ (4,905,958)	\$ (5,326,208)	\$ (399,457)
Income (loss) per common share,			
Basic	\$ (.27)	\$ (.29)	\$ (.04)
Diluted	\$ (.27)	\$ (.29)	\$ (.04)

8

Nine months	2004		
	As Reported	Proforma	As Reported

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

SFAS 123 compensation cost	\$	\$	425,500	\$
APB 25 compensation cost	\$	\$		\$
Net income (loss)	\$	\$	4,114,320	\$ (1,510,681)
Income (loss) per common share,				
Basic	\$	\$	.22	\$ (.08)
Diluted	\$	\$	.14	\$ (.08)

7. In February 2005, we determined that many of the 1,525,000 options we issued on July 15, 2004 were improperly characterized as incentive stock options. In addition 281,000 of these options were improperly expensed as options entitled to fixed accounting treatment rather than as options subject to variable award accounting treatment. In connection with the correction of these errors, we adopted the GulfWest Energy Inc. 2004 Stock Option and Compensation Plan to govern the terms of the options that were granted on July 15, 2004 and obtained the consent of the employees granted such options to the change in their characterization to being non-qualified stock options.

As a result of the change in the option accounting characterization, we accrued \$70,250 in compensation expense. The significant effects of the revisions on our statement of income, cash flows consolidated balance sheet from the amounts previously reported are summarized in the following table:

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended September 30, 2004

	As Reported	Adjustment	Restated
General and administrative	\$ 498,189	\$ 70,250	\$ 568,439
Total operating expenses	\$ 2,190,524	\$ 70,250	\$ 2,260,774
Net income (loss)	\$ (4,835,708)	\$ (70,250)	\$ (4,905,958)

Nine Months Ended September 30, 2004

	As Reported	Adjustments	Restated
General and administrative	\$ 1,371,822	\$ 70,250	\$1,442,072
Total operating expenses	\$ 6,580,374	\$ 70,250	\$6,650,624
Net income (loss)	\$ 4,184,570	\$ (70,250)	\$4,114,320

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2004

	As Reported	Adjustment	
Increase (decrease) in accounts payable and accrued expenses	\$ (667,412)	\$ 70,250	\$

CONSOLIDATED BALANCE SHEET

September 30, 2004

	As Reported	Adjustment	R
Accrued expenses	\$ 521,987	\$ 70,250	\$
Total current liabilities	\$ 12,647,876	\$ 70,250	\$
Retained deficit	\$ (19,037,073)	\$ (70,250)	\$

8. As shown in the financial statements, we had a working capital deficiency of \$10,036,008 at September 30, 2004 and \$42,876,963 for the year ended December 31, 2003. This and other conditions raise substantial doubt about our ability to continue as a going concern.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are engaged primarily in the acquisition, development, exploitation, exploration and production of crude oil and natural gas. Our focus is on increasing production from our existing crude oil and natural gas properties through the further exploitation, development and optimization of those properties, and on acquiring additional crude oil and natural gas properties. Our gross revenues are derived from the following sources:

1. OIL AND GAS SALES that are proceeds from the sale of crude oil and natural gas production to midstream purchasers;
2. OPERATING OVERHEAD AND OTHER INCOME that consists of earnings from operating crude oil and natural gas properties for other working interest owners, and marketing and transporting natural gas. This also includes earnings from other miscellaneous activities.

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

### RESULTS OF OPERATIONS

The factors which most significantly affect our results of operations are (1) the sales price of crude oil and natural gas, (2) the level of total sales volumes of crude oil and natural gas, (3) the level of and interest rates on borrowings and, (4) the level and success of new acquisitions and development of existing properties.

Comparative results of operations for the periods indicated are discussed below.

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2004 COMPARED TO THREE MONTH PERIOD ENDED SEPTEMBER 30, 2003.

#### REVENUES

Oil and Gas Sales. Revenues from the sale of crude oil and natural gas for the quarter increased 17% from \$2,401,000 in 2003 to \$2,816,400 in 2004 due to higher commodity prices offset by lower production volumes and the sale of two properties in West Texas and one property in Oklahoma. The lower production volumes were due to the natural decline in production from our Gulf Coast fields. We have implemented a development plan which should result in increased production in future quarters.

Operating Overhead and Other Income. Revenues from these activities decreased from \$35,100 in 2003 to \$(13,400) in 2004. This was due to fluctuations in prices of natural gas in our imbalance accounts.

#### COSTS AND EXPENSES

Lease Operating Expenses. Lease operating expenses decreased 20% from \$1,434,000 in 2003 to \$1,149,800 in 2004 due to lower production volumes and the sale of two properties in West Texas and one property in Oklahoma.

11

Depreciation, Depletion and Amortization (DD&A). DD&A decreased 3% from \$540,300 in 2003 to \$526,300 in 2004, due to lower commodity sales volumes.

General and Administrative (G&A) Expenses. G&A expenses increased 50% for the period from \$380,200 in 2003 to \$568,400 in 2004, due to increased costs related to our financing activities.

Interest Expense. Interest expense increased 37% from \$756,200 in 2003 to \$1,036,600 in 2004, primarily due to a significant increase in our interest rate following our refinancing.

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004 COMPARED TO NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2003.

#### REVENUES

Oil and Gas Sales. Revenues from the sale of crude oil and natural gas for the period decreased 7% from \$8,376,000 in 2003 to \$7,811,400 in 2004 due to lower production volumes and the sale of two properties in West Texas and one property in Oklahoma. Our development plan to increase production did not start until May 2004.

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Operating Overhead and Other Income. Revenues from these activities decreased 35% from \$100,800 in 2003 to \$65,600 in 2004. This was due to fluctuations in prices of natural gas in our imbalance accounts.

### COSTS AND EXPENSES

Lease Operating Expenses. Lease operating expenses decreased 11% from \$4,196,400 in 2003 to \$3,749,000 in 2004 due to lower production volumes and the sale of two properties in West Texas and one property in Oklahoma.

Depreciation, Depletion and Amortization (DD&A). DD&A decreased 18% from \$1,714,900 in 2003 to \$1,402,500 in 2004, due to lower commodity sales volumes.

General and Administrative (G&A) Expenses. G&A expenses increased 19% for the period from \$1,214,700 in 2003 to \$1,442,100 in 2004, due to increased costs related to our financing activities.

Interest Expense. Interest expense increased 28% from \$2,328,900 in 2003 to \$2,971,400 in 2004, due to a significant increase in our interest rate following our refinancing.

### FINANCIAL CONDITION AND CAPITAL RESOURCES

At September 30, 2004, our current liabilities exceeded our current assets by \$10,036,008. We had a loss of \$4,905,958 for the quarter compared to a loss of \$399,457 for the period in 2003. The loss for 2004 included a non-cash loss of approximately \$1.9 million associated with the change in our estimate of the fair value of our hedge, approximately \$1.9 million loss on the sale of assets and approximately \$500,000 of amortization of expenses associated with our refinancing.

During the third quarter of 2004, our sales volumes were 40,733 barrels of crude oil and 272,611 Mcf of natural gas compared to 49,330 barrels of crude oil and 263,561 Mcf of natural gas in the third quarter of 2003. Revenue for crude oil sales for the period was \$1,332,744 in 2004 compared to \$1,176,604 in 2003 and for natural gas sales was \$1,483,642 in 2004 compared to \$1,224,363 in 2003.

During the nine-month period ended September 30, 2004 our sales volumes were 127,530 barrels of oil and 756,614 Mcf of natural gas compared to 169,953 barrels of oil and 908,346 Mcf of natural gas for the period in 2003. Revenue

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

for crude oil sales for the period was \$3,861,893 in 2004 compared to \$4,076,097 in 2003 and for natural gas sales was \$3,949,480 in 2004 compared to \$4,299,889 in 2003.

On April 27, 2004, in our wholly-owned subsidiary, GulfWest Oil and Gas Company, we completed an \$18,000,000 financing package with a new energy lender. We used \$15,700,000 to retire existing debt of \$27,584,145, resulting in forgiveness of debt of \$11,884,145. This taxable gain will be completely offset by available net operating loss carryforwards. The term of the note is eighteen months and it bears interest at the prime rate plus 11%. This rate increases by .75% per month beginning in month ten. We paid the new lender \$1,180,000 in cash fees and also issued the new lender warrants to purchase 2,035,621 shares of our common stock at an exercise price of \$.01 per share, expiring in five years. The warrants are subject to demand registration and anti-dilution provisions.

Simultaneously, our wholly-owned subsidiary, GulfWest Oil & Gas Company, completed the initial phase of a private offering of its Series A Preferred Stock for \$4,000,000. The Series A Preferred Stock is exchangeable for our Common Stock based on a liquidation value of \$500 per share of Series A Preferred Stock divided by \$.35 per share of our Common Stock. As part of a fee and commission, we issued \$500,000 of the Series A Preferred Stock to a financial advisor. One of our directors acquired \$1,500,000 of the Series A Preferred Stock.

Of the \$21,500,000 total cash raised, we used \$15,700,000 to pay existing debt and \$1,580,000 to pay fees and commissions, leaving \$4,220,000 available for capital expenditures and working capital.

As of September 30, 2004 we have incurred \$2,983,787 in loan fees. This includes lender fees of \$1,540,000 (\$1,180,000 paid in cash and a \$360,000 fee due at the termination of the loan), financial advisor fees of \$1,150,000, which includes the \$500,000 of Series A Preferred Stock, and \$293,787 for other professional fees. Also, the lender charges a quarterly administrative fee of \$25,000. These costs are being amortized over the term of the loan and are included in other financing costs.

In addition we issued the lender warrants valued at \$916,029. The value of the warrants is recorded as a note discount and is being expensed over the term of the loan and included in interest expense.

### PART II. OTHER INFORMATION

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits -

NUMBER	DESCRIPTION
-----	-----

*3.1	Articles of Incorporation of the Registrant and Amendments thereto.
------	---

## Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

- &3.3 Amendment to the Company's Articles of Incorporation to increase the number of shares of Class A Common Stock that the Company will have authority to issue from 20,000,000 to 40,000,000 shares, approved by the Shareholders on November 19, 1999 and filed with the Secretary of State of Texas on December 3, 1999.
- #3.2 Amendment to the Articles of Incorporation of the Registrant changing the name of the Registrant to "GulfWest Energy Inc.", approved by the Shareholders on May 18, 2001 and filed with the Secretary of Texas on May 21, 2001.
- \*3.4 Bylaws of the Registrant.
- #10.1 GulfWest Oil Company 1994 Stock Option and Compensation Plan, amended and restated as of April 1, 2001, and approved by the shareholders on May 18, 2001.
- 31.1 Certification of Chief Executive Officer pursuant to Exchange rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002; filed herewith.
- 31.2 Certification of Chief Financial Officer pursuant to Exchange rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002; filed herewith.
- 32 Certification pursuant to 18. U.S.C Section 1350 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002; filed herewith.
- \* Previously filed with the Registrant's Registration Statement (on Form S-1, Reg. No. 33-53526), filed with the Commission on October 21, 1992.
- & Previously filed with the Registrant's Definitive Proxy Statement, filed with the Commission on October 18, 1999.
- # Previously filed with the Registrant's Definitive Proxy Statement, filed with the Commission on April 16, 2001.
- (b) Form 8-K - None. 14

### SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GULFWEST ENERGY INC.  
(Registrant)

Edgar Filing: GULFWEST ENERGY INC - Form 10-Q/A

Date: February 24, 2005

by: /S/ THOMAS R. KAETZER

-----  
Thomas R. Kaetzer  
President

Date: February 24, 2005

by: /S/ JIM C. BIGHAM

-----  
Jim C. Bigham  
Executive Vice President and Secretary

Date: February 24, 2005

by: /S/ RICHARD L. CREEL

-----  
Richard L. Creel  
Vice President of Finance