

PYR ENERGY CORP
Form DEF 14A
May 16, 2006

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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 under ss. 240.14a-12

PYR ENERGY CORPORATION

(Name of Registrant as Specified in Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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:

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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:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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PYR ENERGY CORPORATION

1675 Broadway, Suite 2450

Denver, Colorado 80202

(303) 825-3748

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held June 22, 2006

The Annual Meeting of Stockholders of PYR Energy Corporation (the Company) will be held on June 22, 2006 at 10:00 a.m. (Denver, Colorado time) at Wells Fargo Bank Center, 1740 Broadway, for the following purposes:

1. To elect a Board of Directors consisting of four Directors;
2. To consider and vote upon a proposal recommended by the Board of Directors to ratify the selection of Hein & Associates LLP to serve as our certified independent accountants for the fiscal year ending August 31, 2006;
3. To consider and vote upon a proposal recommended by the Board of Directors to ratify the sale as part of the October 2005 private placement of 20,000 shares of common stock to a trust controlled by Kenneth R. Berry, Jr. our Vice President of Land and currently Corporate Secretary and 50,000 shares of common stock to an entity controlled by Mr. Berry;
4. To consider and vote upon a proposal recommended by the Board of Directors to approve our 2006 Stock Incentive Plan; and
5. To transact any other business that properly may come before the Annual Meeting.

Only the stockholders of record as shown on our transfer books at the close of business on May 15, 2006 are entitled to notice of, and to vote at, the Annual Meeting. Our Annual Report for the fiscal year ended August 31, 2005 is being mailed to stockholders with this proxy statement. The Annual Report is not part of the proxy soliciting material.

All stockholders, regardless of whether they expect to attend the meeting in person, are requested to complete, date, sign and return promptly the enclosed form of proxy in the accompanying envelope (which requires no postage if mailed in the United States). The person executing the proxy may revoke it by filing with our Secretary an instrument of revocation or a duly executed proxy bearing a later date, or by electing to vote in person at the Annual Meeting.

All stockholders are extended a cordial invitation to attend the Annual Meeting.

By the Board of Directors

Denver, Colorado

May 15, 2006

/s/ D. Scott Singdahlsen

D. Scott Singdahlsen

Chief Executive Officer

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**PROXY STATEMENT
PYR ENERGY CORPORATION**

1675 Broadway, Suite 2450
Denver, Colorado 80202
(303) 825-3748

ANNUAL MEETING OF STOCKHOLDERS

To be held June 22, 2006

SOLICITATION AND REVOCATION OF PROXIES

This proxy statement is provided in connection with the solicitation of proxies by and on behalf of the Board of Directors of PYR Energy Corporation, a Maryland corporation (referred to as the Company or PYR Energy or we or us), to be voted at the Annual Meeting of Stockholders to be held at 10:00 a.m. (Denver, Colorado time) on June 22, 2006 at Wells Fargo Bank Center, 1740 Broadway or at any adjournment or postponement of the Annual Meeting. We anticipate that this proxy statement and the accompanying form of proxy will be first mailed or given to stockholders on or about May 22, 2006.

The shares represented by all proxies that are properly executed and submitted will be voted at the Annual Meeting in accordance with the instructions indicated on the proxies. Unless otherwise directed, the shares represented by proxies will be voted (1) for each of the four nominees for director whose names are set forth on the proxy card, (2) in favor of ratification of Hein & Associates LLP as our certified independent accountant, (3) in favor of the ratification of the sale of 70,000 shares of our common stock to a trust and entity controlled by Kenneth R. Berry, Jr., our Vice President of Land and currently Corporate Secretary, and (4) in favor of the adoption of our 2006 Stock Incentive Plan.

A stockholder giving a proxy may revoke it at any time before it is exercised by delivering written notice of revocation to our Secretary, by substituting a new proxy executed at a later date, or by requesting, in person at the Annual Meeting, that the proxy be returned.

The solicitation of proxies is to be made principally by mail; however, following the initial solicitation, further solicitations may be made by telephone or oral communication with stockholders. Our officers, directors and employees may solicit proxies, but these persons will not receive compensation for that solicitation other than their regular compensation as employees. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to beneficial owners of the shares held of record by those persons. We may reimburse those persons for reasonable out-of-pocket expenses incurred by them in so doing. We will pay all expenses involved in preparing, assembling and mailing this proxy statement and the enclosed material. A majority of the issued and outstanding shares of common stock entitled to vote, represented either in person or by proxy, constitutes a quorum at any meeting of the stockholders. If sufficient votes for approval of the matters to be considered at the Annual Meeting have not been received prior to the meeting date, we intend to postpone or adjourn the Annual Meeting in order to solicit additional votes. The form of proxy we are soliciting requests authority for the proxies, in their discretion, to vote

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the stockholders' shares with respect to a postponement or adjournment of the Annual Meeting. At any postponed or adjourned meeting, we will vote any proxies received in the same manner described in this proxy statement with respect to the original meeting.

AVAILABLE INFORMATION

Copies of the Annual Report are being sent to each stockholder with this proxy statement. Upon written request, we will provide, without charge, a copy of our quarterly reports on Forms 10-QSB for the quarters ended November 30, 2005 and February 28, 2006 to any stockholders of record, or to any stockholder who owns common stock listed in the name of a bank or broker as nominee, at the close of business on May 15, 2006. Any request for a copy of these reports should be mailed to the Secretary, PYR Energy Corporation, 1675 Broadway, Suite 2450, Denver, Colorado 80202, (303) 825-3748. Stockholders may also receive copies of these reports by accessing our website at www.pyrenergy.com or the SEC's website at www.sec.gov.

1. ELECTION OF DIRECTORS

At the Annual Meeting, the stockholders will elect four directors to serve as our Board of Directors. Each director will be elected to hold office until the next annual meeting of stockholders and thereafter until his successor is elected and qualified. The affirmative vote of a majority of the shares represented at the Annual Meeting in person or by proxy is required to elect each director. Cumulative voting is not permitted in the election of directors. Consequently, each stockholder is entitled to one vote for each share of common stock held in his or her name. In the absence of instructions to the contrary, the person named in the accompanying proxy shall vote the shares represented by that proxy for the persons named below as management's nominees for directors. Each of the nominees currently is a director of the Company.

It is not anticipated that any of the nominees will become unable or unwilling to accept nomination or election, but, if that should occur, the persons named in the proxy intend to vote for the election of such other person as the Board of Directors may recommend.

Required Vote; Board Recommendation

An affirmative vote of the majority of shares represented at the Annual Meeting in person or by proxy is necessary to elect each director.

The Board of Directors unanimously recommends a vote for each of the nominees for election as directors.

The following table sets forth, with respect to each nominee for director, the nominee's age, his positions and offices with the Company, the expiration of his term as a director and the year in which he first became a director. Individual background information concerning each of the nominees follows the table. For additional information concerning the nominees, including stock ownership and compensation, see "Executive Compensation", "Stock Ownership Of Directors And Principal Stockholders", and "Certain Transactions With Management And Principal Stockholders".

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Name	Age	Position with the Company	Expiration of Term as Director	Director Since
David Kilpatrick	56	Chairman of the Board	2007 Annual Meeting	2002
D. Scott Singdahlsen	48	Chief Executive Officer, Chief Financial Officer, President, and Director	2007 Annual Meeting	1997
Bryce W. Rhodes	53	Director	2007 Annual Meeting	1999
Dennis M. Swenson	71	Director	2007 Annual Meeting	2004

David B. Kilpatrick has been a Director of the Company since June 2002. Mr. Kilpatrick was appointed as Chairman of the Board of Directors in November 2005. Mr. Kilpatrick also serves on the Company's Audit Committee and the Company's Compensation Committee. He is currently President of Kilpatrick Energy Group, which provides strategic management consulting services to the oil and gas industry. He currently serves as a Director of the publicly traded Cheniere Energy and W.E. Corporation. Prior to the 1998 merger with Texaco, he was President and Chief Operating Officer of Monterey Resources, Inc., the largest independent oil and gas producer in California. Mr. Kilpatrick has served as President of the California Independent Petroleum Association and is a member of its Board of Directors and also serves as a Director of the Independent Oil Producers Agency. He earned a Bachelor of Science degree in Petroleum Engineering from the University of Southern California and a Bachelor's Degree in Geology and Physics from Whittier College.

D. Scott Singdahlsen has served as President, Chief Executive Officer, and a Director of the Company since August 1997. Mr. Singdahlsen co-founded PYR Energy, LLC in 1996, and served as General Manager and Exploration Coordinator. In 1992, Mr. Singdahlsen co-founded Interactive Earth Sciences Corporation, a 3-D seismic management and interpretation consulting firm in Denver, for which he served as vice president and president and lead seismic interpretation specialist from 1992 to 1996. Prior to forming Interactive Earth Sciences Corporation, Mr. Singdahlsen was employed as a Development Geologist for Chevron USA in the Rocky Mountain region. At Chevron, Mr. Singdahlsen was involved in 3-D seismic reservoir characterization projects and geostatistical analysis. Mr. Singdahlsen started his career at UNOCAL as an Exploration Geologist in Midland, Texas. Mr. Singdahlsen earned a B.A. in Geology from Hamilton College and a M.S. in Structural Geology from Montana State University.

Bryce W. Rhodes has been a Director of the Company since April 1999, when he was nominated and elected to the Board in connection with the sale by the Company of convertible promissory notes issued in a private placement transaction in October and November 1998. Mr. Rhodes is a member of the Company's Audit Committee and Chairman of the Compensation Committee. Since 1991, Mr. Rhodes served as Vice President, and then from September 2003 as President and CEO of W. E. Corporation (WEC), an oil and gas exploration company. Mr. Rhodes served as Investment Manager of WEC from 1985 until 1991. Mr. Rhodes received B.A. degrees in Geology and Biology from the University of California, Santa Cruz, in 1976 and an MBA degree from Stanford University in 1979.

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Dennis M. Swenson joined as a Director in October 2004, and serves as the Audit Committee Chairman and as a member of the Compensation Committee. From 1992 through 1995, Mr. Swenson was an independent consultant. Mr. Swenson was Executive Vice President, Chief Financial Officer, Secretary and Treasurer, of StarTek, Inc., a NYSE traded company with headquarters in Denver, Colorado from 1996 through retirement in 2001. Mr. Swenson was employed at Ernst & Young in Denver from 1960 to 1973, and was a partner at Ernst & Young from 1973 to 1991. He has a Bachelor's Degree in Accounting from Brigham Young University and an MBA Degree from the University of Denver.

Executive Officers

Tucker L. Franciscus, 37, Vice President of Strategic Development and Corporate Secretary until November 2005, joined PYR in September 2004. Mr. Franciscus joined the firm from Stifel Nicolaus & Company, where he oversaw their Investment Banking Energy Group practice between 2001 and 2004. Mr. Franciscus was responsible for mergers and acquisitions, equity and debt offerings, and private placements for all of Stifel's energy clients. Prior to working at Stifel, Mr. Franciscus was the senior associate and manager for the Global Energy Group at J.P. Morgan in New York and an associate in the Deutsche Banc BT Wolfensohn Mergers & Acquisitions Group. Mr. Franciscus has executed equity, debt, mergers and acquisitions and other financing transactions in various industries including defense, energy, media and telecom. For five years preceding his banking experience, Mr. Franciscus worked in various marketing and finance positions in the Oil and Gas sector, including Snyder Oil and KN Energy (Interenergy). Additionally, he was a commissioned Infantry Officer in the U.S. Army and served in the reserves recently. Mr. Franciscus has an MBA from the Daniels College of Business at the University of Denver and a Bachelor of Arts from Ohio Wesleyan University.

Kenneth R. Berry, Jr., 53, has served as Vice President of Land since August 1999, as land manager for the Company since October 1997, and as Corporate Secretary since November 2005. Mr. Berry is responsible for the management of all land issues including leasing and permitting. Prior to joining the Company, Mr. Berry served as the managing land consultant for Swift Energy Company in the Rocky Mountain region. Mr. Berry began his career in the land department with Tenneco Oil Company after earning a B.A. degree in Petroleum Land Management at the University of Texas - Austin.

Each of our officers serves at the pleasure of the Board of Directors. There are no family relationships among our officers and directors.

Board of Directors and Committees

The Board of Directors met four times during the fiscal year ended August 31, 2005 and each director participated in all of the meetings of the Board and of all committees on which that director served during the year. We encourage all incumbent directors, as well as all nominees for election as directors, to attend the annual meeting of stockholders. Our 2005 Annual Meeting of Stockholders held on August 8, 2005 was attended by all four of the incumbent Directors who were directors as of that date.

The standing committees of the Board include the Audit Committee and the Compensation Committee. The Audit Committee and the Compensation Committee each consists entirely of non-employee directors. The Board has not appointed a nominating committee.

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The Audit Committee met five times during the fiscal year ended August 31, 2005. The Audit Committee oversees for the effectiveness of the Company's accounting policies and practices, financial reporting and internal controls. The Audit Committee charter was adopted by the Board of Directors in June 2000 and was amended by the Board in April 2001 and April 2004. A copy of the Audit Committee charter was attached as Exhibit A to our definitive proxy statement regarding the Annual Meeting of our stockholders held on June 18, 2001 and can be found on the SEC's website at www.sec.gov and on the company's website at www.pyrenergy.com. The functions of the Audit Committee and its activities during the fiscal year ended August 31, 2005 are described below under the heading Audit Committee Report. The Audit Committee currently consists of Messrs. Swenson (Chairman), Kilpatrick, and Rhodes, each an independent director within the meaning of the AMEX rules. The Board of Directors has determined that Mr. Swenson is the Company's audit committee financial expert.

The Compensation Committee met two times during the fiscal year ended August 31, 2005. The Compensation Committee has the authority to establish policies and make determinations concerning compensation and employee benefits. The Compensation Committee reviews and makes recommendations concerning the compensation policies and the implementation of those policies and determines compensation and benefits for executive officers. The Compensation Committee currently consists of Messrs. Kilpatrick, Swenson and Rhodes (Chairman). None of the members of the Compensation Committee is an employee of the Company.

The Company does not have a nominating committee because it believes that currently, the nominating functions should be relegated to the full Board. Nominees for director will be selected or recommended by a majority of the Company's directors who meet the AMEX independence standards, Messrs. Swenson, Kilpatrick and Rhodes. In selecting nominees for the Board, the Company is seeking a board with a variety of experiences and expertise, and in selecting nominees will consider business experience in the industry in which the Company operates, financial expertise, independence from transactions with the Company, experience with publicly traded companies, experience with relevant regulatory matters in which the Company is involved and reputation for integrity and professionalism. The independent directors will consider in good faith director candidates who meet the minimum qualifications and who are recommended by stockholders.

Stockholders may nominate persons to serve on the Board of Directors. To be considered for nomination by the Board at the next annual meeting of stockholders, the nominations must be made by stockholders of record entitled to vote. Stockholder nominations must be made by notice in writing, delivered or mailed by first class U.S. mail, postage prepaid, to the Secretary of the Company at the Company's principal business address, not less than 53 days nor more than 90 days prior to any meeting of the stockholders at which directors are to be elected. Each notice of nomination of directors by a stockholder shall set forth the nominee's name, age, business address, if known, residence address of each nominee proposed in that notice, the principal occupation or employment of each nominee for the five years preceding the date of the notice, the number of shares of the Company's common stock beneficially owned by each nominee and any arrangement, affiliation, association, agreement or other relationship of the nominee with any Company stockholder.

Stockholders wishing to send communications to the Board may contact D. Scott Singdahlsen, our Chief Executive Officer, President and Director, at the Company's principal executive office address. All such communications shall be shared with the members of the Board, or if applicable, a specified committee or director.

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Employee Code of Conduct and Code of Ethics and Reporting of Accounting Concerns

We have adopted an Employee Code of Conduct (the Code of Conduct). We require all employees to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires that our employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest.

We also adopted a Code of Ethics for our Chief Executive Officer, our Chief Financial Officer, our Controller and all other financial officers and executives. This Code of Ethics supplements our Code of Conduct and is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. The Code of Conduct and Code of Ethics were filed with the SEC as exhibits to our Annual Report on Form 10-KSB for the year ended August 31, 2003 and can be found on our website at www.pyrenergy.com.

Further, we have established whistle-blower procedures which provides a process for the confidential and anonymous submission, receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. These procedures provide substantial protections to employees who report company misconduct.

Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Dennis Swenson, an independent Director, is the Company s audit committee financial expert.

Audit Committee Report

The report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with management the audited financial statements in the Company s Annual Report on Form 10-KSB for the year ended August 31, 2005 and the unaudited financial statements included in the Quarterly Reports on Form 10-QSB for the first three quarters of the fiscal year ended August 31, 2005.

The Committee discussed with the independent auditors, who are responsible for expressing an opinion on the conformity of audited financial statements with generally accepted accounting principles, the auditors judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed by the auditors with the Committee under Statement on Auditing Standard No. 61, as amended. In addition, the Committee discussed with the independent auditors the auditors independence from management and the Company, including the matters in the written disclosures and the letter required by the Independence Standards Board Standard No. 1. The Committee considered whether the auditors providing services on behalf of the Company other than audit services is compatible with maintaining the auditors independence.

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The Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the results of the auditors' examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee met five times during the fiscal year ended August 31, 2005, and during the fiscal year ending August 31, 2006, has met four times to date.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in the Annual Report on Form 10-KSB for the year ended August 31, 2005 for filing with the SEC. The Committee also has recommended to the Board the selection of the Company's independent auditors.

The Audit Committee

Dennis Swenson (Chairman)
David B. Kilpatrick
Bryce W. Rhodes

Compensation Committee Interlocks and Insider Participation

Messrs. Kilpatrick, Swenson and Rhodes serve on the Company's Compensation Committee. None of these individuals served as a member of the compensation committee of another entity that has an executive officer serving on the Compensation Committee of the Company. No executive officer of the Company served as a director of another entity that had an executive officer serving on the Compensation Committee of the Company. Finally, no executive officer of the Company served as a member of the compensation committee of another entity, which had an executive officer serving as a director of the Company.

Compensation Committee Report on Executive Compensation

None of the members of the Compensation Committee of the Board of Directors is an employee of the Company. The Compensation Committee sets and administers the policies that govern the annual and long-term compensation of executive officers of the Company. The Compensation Committee makes determinations concerning compensation of executive officers and awards of stock options under the Company's stock option plans.

Compensation Policies Toward Executive Officers. The Compensation Committee's executive compensation policies are designed to provide competitive levels of compensation that relate compensation to the Company's annual and long-term performance, reward above-average corporate performance compared to other companies in the oil and gas industry, recognize individual initiative and achievements, and assist the Company in retaining and attracting qualified executive officers. The Compensation Committee attempts to achieve these objectives through a combination of base salary, stock options, and cash bonus awards. In determining compensation, the Compensation Committee considers the matters discussed in this report as well as the recommendations of the Chief Executive

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Officer concerning other executive officers and employees. The Compensation Committee met during the year ended August 31, 2005 to consider stock option grants for performance during the years ended August 31, 2004 and August 31, 2005.

Executive Salaries. Executive salaries are reviewed by the Compensation Committee and are set for individual executive officers based on subjective evaluations of each individual officer's performance and contributions to the Company, the Company's past performance, the Company's future prospects and long-term growth potential and a comparison of the salary ranges for executives of other companies in the oil and gas industry. Through consideration of these criteria, the Compensation Committee believes that salaries may be set in a manner that is both competitive and reasonable within the Company's industry.

Stock Options. Stock options are granted to executive officers and other employees of the Company by the Compensation Committee as a means of providing long-term incentive to the Company's employees. The Compensation Committee believes that stock options encourage increased performance by the Company's employees and align the interests of the Company's employees with the interests of the Company's stockholders. Decisions concerning recommendations for the granting of stock options to a particular executive officer are made after reviewing the number of options previously granted to that officer, the number of options granted to other executive officers (with higher ranking officers generally receiving more options in the aggregate), and a subjective evaluation of that officer's performance and contributions to the Company as described above under **Executive Salaries** and anticipated involvement in the Company's future prospects. While stock options are viewed by the Committee on a more forward-looking basis than cash bonus awards based on prior performance, an executive officer's prior performance will impact the number of options that may be granted. After considering the foregoing factors, during the fiscal year ended August 31, 2005, the Committee recommended that the Company grant options to three officers as follows:

Name/Title	Number of Options	Exercise Price Per Share
D. Scott Singdahlsen, President and Chief Executive Officer	200,000	\$ 0.96
Tucker L. Franciscus Vice President Strategic Development	150,000	\$ 0.94
Kenneth R. Berry, Jr. Vice President Land	-0-	-0-

Cash Bonus Awards. The Compensation Committee considers on an annual basis whether to pay cash bonuses to some or all of the Company's employees, including the Company's executive officers. The Compensation Committee considers the granting of bonuses with the objective that the Company will remain competitive in its compensation practices and be able to retain highly qualified executive officers. In determining the amounts of bonuses, the Compensation Committee considers the performance both of the Company and of each executive officer in the past year as described above under **Executive Salaries**. The Committee's review of the Company's performance concentrates on exploration success, prospect generation, investment community recognition of the Company and financial stability. The Committee did not pay cash bonuses to any of its employees during the fiscal year ended August 31, 2005.

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Chief Executive Officer Compensation. Generally, the compensation of the Company's Chief Executive Officer is determined in the same manner as the compensation for other executive officers of the Company as described above. The Committee did not adjust Mr. Singdahlsen's compensation during the fiscal year ended August 31, 2005.

The Compensation Committee

David B. Kilpatrick (Chairman until November 2005)

Dennis Swenson

Bryce W. Rhodes (New Chairman)

* * * *

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, executive officers and holders of more than 10% of the Company's common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. The Company believes that during the year ended August 31, 2005, its officers, directors and holders of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements, except that Tucker Franciscus, a Vice President, was late filing a Form 3 with respect to his receipt of stock options on September 1, 2004 and David Kilpatrick, a director, was late filing a Form 4 with respect to his receipt of stock options on October 13, 2004. In making these statements, the Company has relied upon representations and its review of copies of the Section 16(a) reports filed for the fiscal year ended August 31, 2005 on behalf of the Company's directors, officers and holders of more than 10% of the Company's common stock.

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Table of Contents**Executive Compensation****Summary Compensation Table**

The following table sets forth in summary form the compensation received during each of the last three completed fiscal years ended August 31, 2005 by D. Scott Singdahlsen, our Chief Executive Officer, President, Chief Financial Officer and Director and our other two most highly compensated officers (the Named Executive Officers).

Name and Principal Position	Fiscal Year	Summary Compensation Table Annual Compensation			Long-Term Compensation Awards			All Other Compensation (\$) ⁽⁵⁾
		Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Other Annual Compensation (\$) ⁽³⁾	Restricted Stock Awards (\$)	Securities Underlying Options(#)	LTIP Payout (\$) ⁽⁴⁾	
D. Scott Singdahlsen Chief Executive Officer, Officer, Chief Financial Officer, and President	2005	\$ 175,000				200,000		
	2004	\$ 175,000						
	2003	\$ 175,000				281,750		
Tucker L. Franciscus Vice President and Secretary	2005	\$ 120,000				150,000		
	2004							
	2003							
Kenneth R. Berry Jr. Vice President	2005	\$ 108,000						
	2004	\$ 93,150				135,000		
	2003	\$ 93,150				157,500		

(1) The dollar value of base salary (cash and non-cash) received during the year indicated.

(2) The dollar value of bonus (cash and non-cash) received during the year indicated.

(3) During the period covered by the Summary Compensation Table, we did

not pay any
other annual
compensation
not properly
categorized as
salary or bonus,
including
perquisites and
other personal
benefits,
securities or
property.

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The following table provides certain summary information concerning individual grants of stock options made to Named Executive Officers during the fiscal year ended August 31, 2005 under our stock option plans.

Name	Option Grants in last Fiscal Year			Expiration Date
	Shares of Common Stock Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year (3)	Exercise Price (\$/Share)	
D. Scott Singdahlsen	200,000 ⁽¹⁾	40%	\$0.96	November 17, 2014
Tucker Franciscus	150,000 ⁽²⁾	30%	\$0.94	September 1, 2009

Kenneth Berry

- (1) One-fifth of these options are exercisable on each anniversary date of the grant for five years following the grant date.
- (2) One-third of these options are exercisable on each anniversary date of the grant for three years following the grant date.
- (3) During fiscal year 2005, we granted stock options to purchase a total of 500,000 shares of our common stock under our stock option plans to all, including

the Named
Executive
Officers.

Subsequent to the fiscal year ended August 31, 2005, we granted Options to (1) David Kilpatrick, Dennis Swenson and Bryce Rhodes, each a member of our Board of Directors, each to purchase 15,000 shares at a exercise price of \$1.34 per share immediately exercisable on or before the fifth anniversary of the grant dated; (2) Scott Singdahlsen, our Chief Executive Officer, on November 23, 2005 to purchase 25,000 shares at a exercise price of \$1.34 per share immediately exercisable on or before the fifth anniversary of the grant dated; (3) Tucker Franciscus, our Vice President of Strategic Planning, on November 2, 2005 to purchase 25,000 shares at a exercise price of \$1.34 per share immediately exercisable on or before the fifth anniversary of the grant dated; and (4) Kenneth Berry, our Vice President of Land and currently Corporate Secretary, on November 23, 2005 to purchase 25,000 shares at a exercise price of \$1.34 per share immediately exercisable on or before the fifth anniversary of the grant dated.

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The following table provides certain summary information concerning stock option exercises during the fiscal year ended August 31, 2005 by the Named Executive Officers and the value of unexercised stock options held by the Named Executive Officers as of August 31, 2005.

Aggregated Option Exercises in last Fiscal Year And Year-End Option Values⁽¹⁾

Name	Shares Acquired on Exercise ⁽²⁾	Value Realized (\$) ⁽³⁾	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) ⁽⁴⁾		Value of Unexercised In-the- Money Options at Fiscal Year- End (\$) ⁽⁵⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
D. Scott Singdahlsen			302,834	293,916	145,937	152,968
Tucker Franciscus				150,000		63,000
Kenneth Berry			300,000	82,500	185,400	41,600

(1) No stock appreciation rights are held by any of the named executive officers.

(2) The number of shares received upon exercise of options during the year ended August 31, 2005.

(3) With respect to options exercised during the year ended August 31, 2005, the dollar value of the difference between the option exercise price and the market value of

the option
shares
purchased on
the date of the
exercise of the
options.

- (4) The total
number of
unexercised
options held as
of August 31,
2005, separated
between those
options that
were exercisable
and those
options that
were not
exercisable on
that date.
- (5) For all
unexercised
options held as
of August 31,
2005, the
aggregate dollar
value of the
excess of the
market value of
the stock
underlying those
options over the
exercise price of
those
unexercised
options. These
values are
shown
separately for
those options
that were
exercisable and
those options
that were not yet
exercisable on
August 31, 2005
based on the
closing sale
price of our

common stock
on that date,
which was
\$1.36 per share.

Table of Contents**Employee Retirement Plans, Long-Term Incentive Plans and Pension Plans**

Excluding the Company's stock option plans, we do not have any long-term incentive plan to serve as incentive for performance to occur over a period longer than one fiscal year.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))* (c)
Equity compensation plans approved by security holders	2,269,750	\$ 1.41	569,250
Equity compensation plans not approved by security holders	0		0
Total	2,269,750		569,250

* As of February 28, 2006.

1997 Stock Option Plan

In August 1997, our 1997 Stock Option Plan (the 1997 Plan) was adopted by the Board of Directors and subsequently approved by the stockholders. Pursuant to the 1997 Plan, we may grant options to purchase an aggregate of 1,000,000 shares of common stock to key employees, directors and other persons who have contributed or are contributing to our success. The options granted pursuant to the 1997 Plan may be either incentive options qualifying for beneficial tax treatment for the recipient or they may be nonqualified options. The 1997 Plan may be administered by the Board of Directors or by an option committee. Administration of the 1997 Plan includes determination of the terms of options granted under the 1997 Plan. At February 28, 2006, options to purchase 550,000 shares were outstanding under the Plan and 166,500 options were available to be granted under the 1997 Plan.

2000 Stock Option Plan

In March 1999, our 2000 Stock Option Plan (the 2000 Plan) was adopted by the Board of Directors and subsequently approved by the stockholders. Pursuant to the 2000 Plan, we may grant options to purchase shares of our common stock to key employees, directors and other persons who have contributed or are contributing to our success. We initially could grant options to purchase up to 500,000 shares pursuant to the 2000 Plan. In June 2001, our stockholders approved an amendment which allows us to grant options to purchase up to 1,500,000 shares pursuant to the 2000 Plan. In June 2004, our stockholders approved an amendment to increase from 1,500,000 to 2,250,000 the number of shares of common stock issuable pursuant to options granted under the 2000 Plan. The options granted pursuant to the 2000 Plan may be either incentive options qualifying for beneficial tax treatment for the recipient or non-qualified options. The 2000 Plan may be administered by the Board of Directors or by an option committee. Administration of the 2000 Plan includes determination of the terms of options granted under the 2000 Plan. As of April 28, 2006, options to purchase 1,719,750 shares were outstanding under the 2000 Plan and 402,750 options were

available to be granted pursuant to the 2000 Plan.

Table of Contents**2006 Stock Incentive Plan**

At the annual meeting, stockholders will be asked to approve our 2006 Stock Incentive Plan (the 2006 Plan). Pursuant to the 2006 Plan, and subject to approval of the 2006 Plan by the stockholders, our Compensation Committee may grant options, Restricted Stock and Restricted Stock Units with respect to, a total number not in excess of, 4,000,000 shares of our common stock. Awards may be made to any employee, officer or director of the Company and its related companies or other persons who provide services to the Company and its related companies. The Compensation Committee may grant either incentive stock options, which comply with Section 422 of the Internal Revenue Code, or nonqualified stock options under the 2006 Plan. The Compensation Committee sets option exercise prices and terms. The Compensation Committee may also grant awards of Restricted Stock and Restricted Stock Units under the 2006 Plan, that may be contingent on continued service or the attainment of certain performance goals. As of the date of this proxy statement, no awards have been made under the 2006 Plan. For additional information regarding the 2006 Plan, see below 4. Proposal To Adopt 2006 Stock Option Plan .

Compensation Of Outside Directors

On April 12, 2002, we granted options to purchase 20,000 shares of common stock to Mr. S.L. Hutchison and Mr. Rhodes who, at that time, were the only outside directors of the Company. The exercise price of the options is \$1.65 per share, with 5,000 of the options immediately vesting and the remaining 15,000 of the options vesting 2,500 options for each fiscal quarter served as Director beginning June 1, 2002. Effective with Mr. Kilpatrick becoming a non-employee member of the Board of Directors on June 4, 2002, we granted him options to purchase 20,000 shares of common stock at an exercise price of \$1.72 per share. The options vest 2,500 options for each fiscal quarter served as Director beginning with our fiscal quarter ended August 31, 2002. Other than options to purchase an aggregate of 281,750 shares granted to Scott Singdahlsen in February 2003, there were no options granted to any of our directors during the fiscal years ended August 31, 2003 or 2004. Mr. Kilpatrick and Mr. Rhodes both received options to purchase 50,000 shares at an exercise price of \$1.15 per share on September 17, 2004. One-half of these options vest immediately and one-half vest after one year. Mr. Swenson was granted options to purchase 50,000 shares on October 1, 2004 at an exercise price of \$1.24 per share. One-half of these options vest immediately and one-half vest after one year. Mr. Hutchison, the former Audit Committee Chairman, was awarded options to purchase 25,000 shares on January 12, 2005 at an exercise price of \$1.15 per share. On November 23, 2005, we granted to Messrs. Kilpatrick, Swenson and Rhodes options each to purchase 15,000 shares at a exercise price of \$1.34 per share immediately exercisable on or before the fifth anniversary of the grant dated.

The Company pays each member of the Board of Directors a fee for attending Board meetings, plus a cash retainer to the Audit Committee Chairman. The fees are as follows:

Meeting Fees:

\$1000 per meeting for in-person quarterly Board meetings and \$250 per meeting for teleconference meetings.

\$500 per meeting for in-person or telephonic committee meetings (audit and compensation) when not held in conjunction with a regularly scheduled Board meeting. \$250 if held in conjunction with a regularly scheduled Board meeting.

\$1000 fee for attendance of Annual Meeting of Stockholders (in addition to fee related to Board meeting in conjunction with the Annual Meeting of Stockholders).

Cash Retainer:

\$5,000 per year for Audit Committee Chairperson.

Table of Contents**Employment Contracts And Termination of Employment And Change-In-Control Arrangements**

We do not have any written employment contracts with any of our officers or other employees. We have no compensatory plan or arrangement that results or will result from the resignation, retirement or any other termination of an executive officer's employment or from a change-in-control or a change in an executive officer's responsibilities following a change-in-control, except that both the 1997 Plan and the 2000 Plan provide for vesting of all outstanding options in the event of the occurrence of a change-in-control.

Stock Ownership Of Directors And Principal Stockholders

As of April 28, 2006 there were 37,915,259 shares of common stock outstanding. The following table sets forth certain information as of that date with respect to the beneficial ownership of common stock by each director and nominee for director, by all executive officers and directors as a group, and by each other person known by us to be the beneficial owner of more than five percent of our outstanding shares of common stock:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percentage of Shares Outstanding
D. Scott Singdahlsen 1675 Broadway, Suite 2450 Denver, Colorado 80202	2,111,750 ⁽²⁾	5.5%
Bryce W. Rhodes c/o W. E. Company 7770 El Camino Real Carlsbad, CA 92009	162,414 ⁽³⁾	*
David B. Kilpatrick 9105 St. Cloud Lane Bakersfield, CA 93311	85,000 ⁽⁴⁾	*
Dennis M. Swenson 5360 Lakeshore Drive Littleton, CO 80123	65,000 ⁽⁵⁾	*
Tucker L. Franciscus 1675 Broadway, Suite 2450 Denver, Colorado 80202	75,000 ⁽⁶⁾	*
Kenneth R. Berry, Jr. 1675 Broadway, Suite 2450 Denver, Colorado 80202	505,365 ⁽⁷⁾	1.3%
All Executive Officers and Directors as a group (six persons)	3,004,529 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	7.7%
Victory Oil Company 222 West Sixth Street, Suite 1010 San Pedro, California 90731	2,813,304	7.4%

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Name and Address of Beneficial Owner	Number of Shares Beneficially Owned⁽¹⁾	Percentage of Shares Outstanding
Eastbourne Capital Management, L.L.C. 1101 Fifth Avenue, Suite 160 San Rafael, CA 94901	3,766,753 ⁽⁸⁾	9.9%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	5,056,100 ⁽⁹⁾	13.3%

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