

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

GULFWEST ENERGY INC  
Form PRE 14A  
April 15, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [X] Preliminary Proxy Statement  
 [ ] Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 [ ] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to ss.240.1a-11(c) or ss.240.1a-12

GULFWEST ENERGY INC.  
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- [X] 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 is calculated and state how it was determined):
  - 4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid.
- [ ] Fee paid previously with preliminary materials.  
 [ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
- 1) Amount previously paid:

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

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

GULFWEST ENERGY INC.  
480 N. Sam Houston Parkway E.  
Suite 300  
Houston, Texas 77060

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May [12], 2005

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of GulfWest Energy Inc. will be held on [Thursday], May [12], 2005 at 1:30 p.m. local time, at 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, (281) 820-1919, for the following purposes:

- (1) To elect two directors to hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified.
- (2) To approve the merger of GulfWest Energy Inc. into a wholly owned Delaware subsidiary, Crimson Resources Inc., to effectuate the change of our state of incorporation from Texas to Delaware and to increase the number of authorized shares of common stock from 80 million to 200 million.
- (3) To approve the 2004 Stock Option and Compensation Plan.
- (4) To approve the 2005 Stock Incentive Plan.
- (5) To consider and act upon such other business as may properly come before the meeting or any adjournments or postponement thereof.

The close of business on April 15, 2005 has been fixed as the record date for determining shareholders entitled to notice of, and to vote at, the meeting or any adjournments or postponement thereof. For at least 10 days prior to the meeting, a complete list of shareholders entitled to vote at the meeting will be open to any shareholder's examination during ordinary business hours at our offices at 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060.

A proxy for the meeting and a proxy statement with information concerning the matters to be acted upon is enclosed herewith.

By Order of the Board of Directors

/s/ Jim C. Bigham

-----  
Jim C. Bigham  
Secretary

Houston, Texas  
[\_\_\_\_], 2005

Your vote is important no matter how large or small your holdings may be. If you do not expect to be present at the meeting in person, you are urged to immediately complete, date, sign, detach and return the enclosed proxy in the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

accompanying envelope, which requires no postage if mailed in the United States.

GULFWEST ENERGY INC.  
480 N. Sam Houston Parkway E.  
Suite 300  
Houston, Texas 77060

### PROXY STATEMENT

For

ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on May [12], 2005

The Board of Directors (the "Board") of GulfWest Energy Inc. (the "Company" or "GulfWest") is furnishing this proxy statement to shareholders beginning on or about April 29, 2005 in connection with a solicitation of proxies for use at the annual meeting of shareholders to be held on [Thursday], May [12], 2005, at 1:30 p.m. local time, at 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, (281) 820-1919, and at all adjournments or postponements thereof (the "Annual Meeting"), for the purposes set forth in the attached Notice of Annual Meeting of Shareholders.

All shares represented by a valid proxy, properly executed, duly returned to us and not revoked will be voted in accordance with the instructions contained therein. The shares represented by executed but unmarked proxies will be voted (i) FOR the two nominees for election as directors named herein under "Election of Directors", (ii) FOR our merger into Crimson Resources Inc., a Delaware corporation and our wholly owned subsidiary, to effectuate the change of our state of incorporation from Texas to Delaware and to increase the number of authorized shares of common stock from 80 million to 200 million, (iii) FOR the 2004 Stock Option and Compensation Plan and (iv) FOR the 2005 Stock Incentive Plan, and at the discretion of the person named as proxy with regard to any other matter that may properly come before the Annual Meeting.

Executing a proxy given in response to this solicitation will not affect a shareholder's right to attend the Annual Meeting and to vote in person. Presence at the Annual Meeting of a shareholder who has signed a proxy does not in itself revoke a proxy. Any shareholder giving a proxy may revoke it at any time by giving written notice thereof to GulfWest Energy Inc., 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, Attention: Jim C. Bigham.

### RECORD DATE AND VOTING SECURITIES

The record date for determining the shareholders entitled to vote at the Annual Meeting is the close of business on April 15, 2005 (the "Record Date"). On that date, 26,941,117 shares of our Class A Common Stock, par value \$.001 per share ("Common Stock"), were outstanding and entitled to vote. In deciding all questions and other matters, a holder of Common Stock on the Record Date may cast one vote for each share of Common Stock registered in his or her name. Shares of our Series G Convertible Preferred Stock, par value \$.01 per share (the "Series G Preferred Stock"), and shares of our Series H Convertible Preferred Stock, par value \$.01 per share (the "Series H Preferred Stock"), may vote on an as converted basis with the Common Stock with respect to matters on which approval of our shareholders may be required. However,

with respect to the election of directors, the Series G Preferred Stock is entitled to elect a majority of our directors, but not the remaining directors, which the holders of the Common Stock and Series H Preferred Stock are entitled to elect and for which proxies are being solicited by this statement. On the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Record Date, 81,000 shares of Series G Preferred Stock, representing the voting power of 45,463,562 shares of Common Stock, and 6,500 shares of Series H Preferred Stock, representing the voting power of 9,285,714 shares of Common Stock, were outstanding. Our Series D Preferred Stock (the "Series D Preferred Stock") and Cumulative Convertible Preferred Stock, Series E (the "Series E Preferred Stock"), \$.01 par value per share, of which 8,000 and 9,000 shares, respectively, are outstanding, do not have voting rights unless required by law or as set forth in their respective Statements of Resolution.

A significant portion of our capital stock's voting power is held by one investor and by our management. See "Security Ownership of Certain Beneficial Owners and Management" and, in particular, the section titled "Change in Control" within that Section.

### QUORUM AND VOTING

To be validly approved by the shareholders, each proposal described herein, other than the proposal regarding the election of directors and the proposal to merge the Company into a wholly owned Delaware subsidiary to effectuate the change of our state of incorporation from Texas to Delaware, must be approved by the affirmative vote of a majority of votes that are actually voted at the Annual Meeting in respect of the shares of Common Stock, Series G Preferred Stock and Series H Preferred Stock. Each director nominee must be elected by a plurality of votes cast by holders of the Common Stock and Series H Preferred Stock entitled to vote at the Annual Meeting. The proposal to change our state of incorporation from Texas to Delaware must be approved at the Annual Meeting by the affirmative vote of (i) a majority of votes entitled to be cast in respect of the shares of Common Stock, Series G Preferred Stock and Series H Preferred Stock, voting together as a single class, and (ii) a majority of each of the Common Stock, Series G Preferred Stock and Series H Preferred Stock, each voting by itself separately as a class. Each share of Common Stock is entitled to one vote per share. Each share of Series G Preferred Stock votes on an as converted basis with the Common Stock on the proposals described in this statement, except for the proposal regarding the election of directors, in which case each share is not entitled to vote, and except to the extent the Series G Preferred Stock is entitled to vote as a separate class, in which case each share is entitled to one vote per share, and currently has a conversion price of \$.90 a share; on a fully converted basis the 81,000 shares of Series G Preferred Stock (including accrued and unpaid dividends to the Record Date) would convert into 45,463,562 shares of Common Stock. Each share of Series H Preferred Stock votes on an as converted basis with the Common Stock on the proposals described in this statement except to the extent the Series H Preferred Stock is entitled to vote as a separate class, in which case each share is entitled to one vote per share, and currently has a conversion price of \$.35 a share; on a fully converted basis the 6,500 shares of Series H Preferred Stock would convert into 9,285,714 shares of Common Stock.

Only votes cast "for" a matter constitute affirmative votes. One-third of the issued and outstanding shares of Common Stock and Series G Preferred Stock and Series H Preferred Stock (on an as converted basis) are necessary to constitute a quorum to transact business. Each share represented at the Annual Meeting in person or by Proxy will be counted towards a quorum. Votes "withheld" or abstaining from voting are counted for quorum purposes, but since they are

2

not cast "for" a particular matter, they will have the same effect as negative votes or a vote "against" our proposal to change our state of incorporation. "Broker non-votes" (i.e., shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

entitled to vote and the broker or nominee does not have discretionary power to vote on a particular matter), if any, are counted for purposes of determining the existence of a quorum but will have no effect on the outcome of the proposals to elect the two director nominees or to approve the 2004 Stock Option and Compensation Plan or the 2005 Stock Incentive Plan.

3

### Proposal 1 Election of Directors

The Board consists of five directors, a majority of which the Series G Preferred Stock, voting as a class, is entitled to elect. The two directors indicated below which the holders of the Common Stock and Series H Preferred Stock are entitled to vote on as a single class have been nominated by the Board for re-election to serve until the next Annual Meeting of Shareholders and until their successors have been elected and qualified. Allan D. Keel, B. James Ford and Skardon F. Baker, who were elected by the holders of the Series G Preferred Stock on February 28, 2005, have been nominated for re-election to serve until the next Annual Meeting of Shareholders and until their successors have been elected and qualified.

It is expected that the two nominees named below will be able to accept such nominations. If either nominee for any reason is unable or is unwilling to serve at the time of the Annual Meeting, the Proxy holder may vote the Proxy for a substitute nominee or nominees. The following sets forth information as to the two nominees for election at the Annual Meeting, as well as the three continuing directors elected by the holders of the Series G Preferred Stock, including their ages, present principal occupations, other business experience during the last five years, and directorships in other publicly-held companies.

THE BOARD RECOMMENDS THE SHAREHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES LISTED BELOW.

#### DIRECTORS

Name	Age	Position	Year First Elected as Director
Allan D. Keel	45	President, Chief Executive Officer and Director	2005
John E. Loehr	59	Director	1998
B. James Ford	36	Director	2005
Skardon F. Baker	35	Director	2005
J. Virgil Waggoner	77	Chairman of the Board	1998

4

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Allan D. Keel was appointed Chief Executive Officer and President and joined the Company's board of directors on February 28, 2005. Before joining Gulfwest, Mr. Keel was Vice President/General Manager of Westport Resources, Houston office, during 2004. In this role he was responsible for Westport Resources' Gulf of Mexico operations including acquisitions, development and exploration. In 2003, Mr. Keel served as a consultant to both domestic and international companies in building their presence in the Gulf of Mexico. From mid 2000 until mid 2001, Mr. Keel served as a Vice President at Enron Energy Finance where he worked on private equity transactions and volumetric production payments. From mid 2001 through 2002, Mr. Keel served as President and CEO of Mariner Energy Company, a majority owned affiliate of Enron. Subsequent to Enron's bankruptcy and its decision to sell Mariner, Mr. Keel partnered with Oaktree Capital Management, LLC in an effort to acquire the company. From 1996 until mid-2000, Mr. Keel was Vice President/General Manager for Westport Resources, where he built the Gulf of Mexico division from a grassroots effort. From 1984 to 1996, Mr. Keel was with Energen Resources where he directed the company's exploration, joint venture and acquisition activities. He received BS and MS degrees in geology from the University of Alabama and an MBA from the Owen School of Management at Vanderbilt University. Mr. Keel was appointed pursuant to the terms of the Series G Preferred Stock, the majority of which is held by OCM GW Holdings, LLC whose ultimate parent is Oaktree Capital Management, LLC.

B. James Ford became a member of the Company's board of directors on February 28, 2005. Mr. Ford is a Managing Director of Oaktree Capital Management, LLC. Before joining Oaktree in June 1996, Mr. Ford was a consultant with McKinsey & Co., and a financial analyst in the Investment Banking Department of PaineWebber Incorporated. Mr. Ford earned a Bachelor of Arts in Economics from the University of California at Los Angeles and an MBA from the Stanford University Graduate School of Business. He currently serves as a director of Cebridge Connections, LLC and National Mobile Television. Mr. Ford was appointed pursuant to the terms of the Series G Preferred Stock, the majority of which is held by OCM GW Holdings, LLC whose ultimate parent is Oaktree Capital Management, LLC.

Skardon F. Baker became a member of the Company's board of directors on February 28, 2005. Mr. Baker is a Vice President of Oaktree Capital Management, LLC. Before joining Oaktree in 2004, Mr. Baker spent four years at J.P. Morgan Chase & Co. and its predecessor organizations, serving most recently as a Vice President in the Mergers and Acquisitions group responsible for identifying and executing leveraged transactions for the firm's financial sponsor client base. Mr. Baker also served as Executive Aide to Geoff Boisi and Don Layton, co-CEOs of JP Morgan's investment bank. Before that, Mr. Baker was a Director and Associate at The Beacon Group, LLC, a merger advisory and private investment firm. Before Beacon, Mr. Baker received an MBA from Harvard Business School and a JD from the University of Texas School of Law, where he was Associate Editor of The Texas Law Review. During his time in graduate school, Mr. Baker worked at McKinsey & Co. and Vinson & Elkins, LLP. Before graduate school, Mr. Baker served as Chief Speechwriter and Special Assistant for the Office of Governor George W. Bush. Before that, he was a Lieutenant in the United States Army. Mr. Baker received a BA degree in Government magna cum laude from Harvard University. Mr. Baker was appointed pursuant to the terms of the Series G Preferred Stock, the majority of which is held by OCM GW Holdings, LLC whose ultimate parent is Oaktree Capital Management, LLC.

J. Virgil Waggoner has served as a director of the Company since December 1, 1997, and was Chairman of the Board from May, 2002 to February 28, 2005, and was reappointed Chairman of the Board on March 16, 2005. Mr. Waggoner's career in the petrochemical industry began in 1950, and included senior management

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

positions with Monsanto Company and El Paso Products Company in the petrochemical and plastics unit of El Paso Company. He served as president and chief executive officer of Sterling Chemicals, Inc. from the firm's inception in 1986 until its sale and his retirement in 1996. He is currently chief executive officer of JVV Investments, Ltd., a private company.

John E. Loehr has served as a director of the Company since 1992, was Chief Executive Officer from May 12, 2004 to February 28, 2005, was chairman of the board from September 1, 1993 to July 8, 1998 and was chief financial officer from November 22, 1996 to May 28, 1998. He is also currently president and sole shareholder of ST Advisory Corporation, an investment company, and vice-president of Star-Tex Trading Company, also an investment company. He was formerly president of Star-Tex Asset Management, a commodity-trading advisor, a position he held from 1988 until 1992 when he sold his ownership interest. Mr. Loehr is a CPA and a member of the American Institute of Certified Public Accountants.

Directors are elected annually and hold office until the next annual meeting or until their successors are duly elected and qualified. The Board met five times during 2004. No director during the last fiscal year attended fewer than 75% of the total number of meetings of boards and committees on which that director served during that year.

Shareholders desiring to communicate with the Board should do so by sending regular mail to Board of Directors, 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060. We believe our responsiveness to shareholder communications to the Board has been excellent.

The Company encourages, but does not require, directors to attend annual meetings of shareholders. At the Company's 2004 shareholder meeting, all members of the board at the time of the meeting attended.

### Code of Ethics

The Board has not adopted a "code of ethics" defined by the applicable rules of the SEC. Following the preferred stock transactions that resulted in a change in control of the Company in February 2005 (See "Security Ownership of Certain Beneficial Owners and Management"), which included the addition of three new members to our board of directors and the resignation of three members, our reconstituted board has not yet had an opportunity to adopt a code of ethics, but intends to do so.

6

### BOARD MEETINGS AND COMMITTEES

Our Board has established an audit committee and a compensation committee. However, as a result of the February 2005 transactions which resulted in a change in control of the Company, we are currently in the process of reconstituting these committees. (See "Security Ownership of Certain Beneficial Owners and Management".) As a result, our full board is currently performing the functions of these two committees until such time as new committee members are appointed except that, from time to time as necessary, B. James Ford and Skardon F. Baker have been acting as interim members of the compensation committee to address compensation issues relating to our named executive officers. Although not subject to such standards, under current Nasdaq listing standards, we believe that Skardon F. Baker would be considered an independent director.

The audit committee was established to review and appraise the audit efforts of our independent auditors, and monitor our accounts, procedures and

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

internal controls. During 2004, the committee was initially comprised of Mr. John E. Loehr (Chairman), Mr. J. Virgil Waggoner, and Mr. M. Scott Manolis. The Board had made a determination that Mr. Loehr was an independent financial expert. When Mr. Loehr was elected Chief Executive Officer on May 12, 2004, he resigned from the audit committee. Mr. Manolis was elected Chair of the audit committee and Mr. Marshall A. Smith III was appointed to that committee. The Board did not determine whether this newly constituted audit committee had an independent financial expert. The committee met two times during 2004. On February 28, 2005, effective at the closing of the February 2005 preferred stock transactions that resulted in a change in control of the Company, Mr. Manolis, Mr. Smith and Thomas Kaetzer resigned as members of our board of directors. Mr. Waggoner and Mr. Loehr remained as directors and B. James Ford, Skardon F. Baker and Allan D. Keel were elected to fill the vacancies resulting from the resignation of such three directors. Following these transactions, the Board has not had an opportunity to appoint new members to the audit committee or determine whether the newly constituted audit committee will have an independent financial expert and, if it will, who that individual will be.

The function of the compensation committee is to fix the annual salaries and other compensation for our officers and key employees. During 2004, the committee was comprised of Mr. J. Virgil Waggoner (Chairman), Mr. John E. Loehr and Mr. M. Scott Manolis. Mr. Loehr resigned from the committee on May 12, 2004 when he became Chief Executive Officer. The committee met one time during 2004. As a result of the February 2005 transactions we have not yet had an opportunity to appoint permanent members to the compensation committee. However, B. James Ford and Skardon F. Baker have acted as interim members of the compensation committee from and after February 28, 2005 from time to time as necessary.

The Board does not have a nominating committee. We believe that the entire board is able to fulfill the functions of a nominating committee. In any event, the directors elected solely by the Series G Preferred Stock, constituting a majority of directors, are entitled to nominate the directors to be elected by the holders of the Series G Preferred Stock or, if there are no such directors, holders of a majority of the Series G Preferred Stock may nominate the nominees for election as such directors, and the following discussion is so qualified by the rights of the holders of the Series G Preferred Stock and their elected directors. We do not have a charter addressing director nominations.

7

The Board believes that candidates for director should have certain minimum qualifications, including being able to read and understand financial statements and having the highest personal integrity and ethics. The Board also considers such factors as relevant expertise and experience, ability to devote sufficient time to the affairs of the Company, demonstrated excellence in his or her field, the ability to exercise sound business judgment and the commitment to rigorously represent the long-term interests of the Company's shareholders. Candidates for director will be reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of shareholders.

The Board does not have a formal process for identifying and evaluating nominees for directors. Instead, it uses its network of contacts to identify potential candidates. The Board will conduct any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the board. The Board will meet to discuss and consider such candidates' qualifications and then select a nominee for recommendation to the Board by majority vote, subject to the rights of the holders of the Series G Preferred Stock and their elected directors to nominate and elect a majority of directors.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

The Board has not established procedures for considering nominees recommended by shareholders.

### COMPENSATION OF DIRECTORS

The shareholders approved an amended and restated Employee Stock Option Plan on May 28, 1998, which was further amended and restated effective April 1, 2001 to increase the number of authorized shares to 2 million (and terminated on February 11, 2004), which included a provision for the payment of reasonable fees in cash or stock to directors. Effective July 15, 2004 the Board established a 2004 Stock Option and Compensation Plan in which directors were eligible to participate. The Board approved a 2005 Stock Incentive Plan effective February 28, 2005, which includes directors as eligible participants under the plan. Due to limited capital resources, no fees were paid to directors in 2004.

### EXECUTIVE OFFICERS

The following table sets forth information on our executive officers, except for Allan D. Keel whose information is included with the information regarding our directors above:

Name	Age	Position	Year F
E. Joseph Grady	52	Senior Vice President and Chief Financial Officer	
Thomas R. Kaetzer	46	Senior Vice President of Operations	
Tracy Price	46	Senior Vice President - Land/Business Development	
Thomas H. Atkins	46	Senior Vice President - Exploration	
Jay S. Mengle	51	Senior Vice President - Engineering	
Richard L. Creel	56	Vice President of Finance and Controller	
Jim C. Bigham	69	Vice President and Secretary	

8

E. Joseph Grady was appointed Vice President and Chief Financial Officer on February 28, 2005. E. Joseph Grady is managing director of Vision Fund Advisors, Inc., a financial advisory firm he co-founded in 2001. Mr. Grady has over twenty-five years of financial, operational and administrative experience. He was formerly Senior Vice President - Finance and Chief Financial Officer of Texas Petrochemicals Holdings, Inc. from April 2003 to July 2004 and Vice President - Chief Financial Officer and Treasurer of Forcenergy Inc. from 1995 to 2001.

Thomas R. Kaetzer was appointed Senior Vice President and Chief Operating Officer of the Company on September 15, 1998. From December 21, 1998 to February 28, 2005 he served as President and a director. Effective April 1, 2005, he was appointed as Senior Vice President of Operations. He was Chief Executive Officer from March 20, 2001 until May 12, 2004. Prior to joining GulfWest, Mr. Kaetzer had 17 years experience in the oil and gas industry, including 14 years with

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Texaco Inc., which involved the evaluation, exploitation and management of oil and gas assets. He has both onshore and offshore experience in operations and production management, asset acquisition, development, drilling and workovers in the continental U.S., Gulf of Mexico, North Sea, Colombia, Saudi Arabia, China and West Africa. Mr. Kaetzer has a Masters Degree in Petroleum Engineering from Tulane University and a Bachelor of Science Degree in Civil Engineering from the University of Illinois.

Tracy Price was appointed Senior Vice President - Land/Business Development on April 1, 2005. Mr. Price joined the Company after serving as the Senior Vice President - Land/Business Development for The Houston Exploration Company from 2001 until joining the Company. Prior to his tenure at The Houston Exploration Company, Mr. Price served as Manager of Land and Business Development for Newfield Exploration Company between 1990 and 2001. From 1986 to 1990 Mr. Price was Land Manager for Apache Corporation. Prior to Apache, Mr. Price has also served in similar land management capacities at Challenger Minerals Inc. and Phillips Petroleum Company. Mr. Price received his BBA in Petroleum Land Management from the University of Texas.

Thomas H. Atkins was appointed Senior Vice President - Exploration on April 1, 2005. Mr. Atkins joined the Company after serving as the General Manager - Gulf of Mexico for Newfield Exploration Company where he was employed from 1998 until joining the Company. Prior to his tenure at Newfield, Mr. Atkins served in various exploration capacities with EOG Resources and its predecessor companies from 1984 to 1998, including prospect generator, development geologist and finally as Exploration Manager. Mr. Atkins also worked at the Superior Oil Company from 1981 through 1984. Mr. Atkins received a BS in Geology from the University of Oklahoma.

Jay S. Mengle was appointed Senior Vice President - Engineering on April 1, 2005 after serving as the Shelf Asset Manager - Gulf of Mexico for Kerr McGee Corporation subsequent to the 2004 merger with Westport Resources. Mr. Mengle was with Westport Resources from 1998 to 2004, where he started Westport's Gulf Coast/Gulf of Mexico drilling and production operations. Prior to joining Westport, Mr. Mengle also served in various drilling, production and marketing management capacities at Norcen Energy Resources, Kirby Exploration and Mobil Oil Corp. Mr. Mengle received his BS in Petroleum Engineering from the University of Texas.

9

Richard L. Creel has served as controller of the Company since May 1, 1997 and was elected vice president of finance on May 28, 1998. Prior to joining the Company, Mr. Creel served as Branch Manager of the Nashville, Tennessee office of Management Reports and Services, Inc. He has also served as controller of TLO Energy Corp. He has extensive experience in general accounting, petroleum accounting and financial consulting and income tax preparation.

Jim C. Bigham has served as Secretary since 1991 and as Executive Vice President of the Company from 1996 to February 2005, when he became Vice President. Prior to joining the Company, he held management and sales positions in the real estate and printing industries. Mr. Bigham is also a retired United States Air Force Major. During his military career, he served in both command and staff officer positions in the operational, intelligence and planning areas.

### EXECUTIVE COMPENSATION

#### Summary Compensation Table

The following table sets forth information regarding compensation paid to

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

our chief executive officers and another executive officer (and an individual for whom disclosure would be provided but for the fact that he was not serving as an executive officer) whose total annual compensation was \$100,000 or more during the last fiscal year ended December 31, 2004.

Name and Principal Position	Year End	Annual Compensation			Restricted Stock Awards (\$)	Long Term O
		Salary (\$)	Bonus (\$)	Other Annual Compensation		
John E. Loehr(1) Chief Executive Officer	2004	-	-	-	-	
	2003	-	-	-	-	
	2002	-	-	-	-	
Thomas R. Kaetzer(2) President	2004	\$ 150,000	-	\$ 25,000	-	
	2003	\$ 150,000	-	\$ 25,000	-	
	2002	\$ 144,167	-	\$ 25,000	-	
Marshall A. Smith(4)	2004	\$ 150,000	-	\$ 25,000	-	
	2003	\$ 150,000	-	\$ 25,000	-	
	2002	\$ 150,000	-	\$ 25,000	-	

(1) During 2004 Mr. Loehr, a director, served as Chief Executive Officer from May 12, 2004. He received no compensation for his services as Chief Executive Officer.

(2) Mr. Kaetzer joined us as Chief Operating Officer in September, 1998, was elected President in December, 1998 and was elected Chief Executive Officer on March 20, 2001. He served as Chief Executive Officer until May 12, 2004. He received a base annual salary of \$150,000, plus a \$25,000 annual contribution to a life insurance savings account paid monthly. In his employment agreement, Mr. Kaetzer was entitled to receive 5-year warrants to purchase 300,000 shares of Common Stock to be issued 100,000 each year over a three year period, beginning in 2002. After receiving warrants to purchase 100,000 shares of Common Stock in 2002, Mr. Kaetzer elected to receive options rather than warrants. In 2003, Mr. Kaetzer elected to defer receipt of options to purchase 100,000 shares of Common Stock until 2004.

10

(3) During 2002, pursuant to his employment agreement, Mr. Kaetzer received warrants to purchase 100,000 shares of Common Stock exercisable at \$0.75 a share. At March 31, 2005, the closing price for a share of our Common Stock was \$1.16 and on April 30, 2002, the date on which the warrants were received, the closing price was \$.56 a share.

(4) Mr. Smith served as Chief Executive Officer until March 20, 2001 and

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

as Chairman of the Board until his resignation on May 11, 2002. As Chairman of the Board, Mr. Smith devoted full time to the business. Effective June 1, 2002, he resigned as an executive officer and became a paid consultant at an annual fee of \$150,000, plus a \$25,000 annual contribution to a life insurance savings account to be paid monthly. His consulting agreement expired September 30, 2004.

### Option Grants During 2004

The following table sets forth certain information concerning stock options granted to the named executive officers during the year ended December 31, 2004.

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/share)	Expiration Date
Thomas R. Kaetzer	100,000	7%	\$ 0.75	7/15/2009
	110,000	7%	0.45	9/1/2008

- (1) Present value for this option was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: (1) risk free interest rate 2004- 3.0%, 2003 - 3.0%; 2002 - 3.0%; (2) weighted average expected life 2004- 3.0, 2003 - 3.4; 2002 - 3.6; (3) expected volatility of 2004- 94.32%, 2003 - 147.43%; 2002 - 101.73%; and (4) no expected dividends. The present value of stock options granted is based on a theoretical option-pricing model. In actuality, because the company's employee stock options are not traded on an exchange, optionees can receive no value nor derive any benefit from holding stock options under these plans without an increase in the market price of the company's stock. Such an increase in stock price would benefit all shareholders commensurately.

### Option Exercises During 2004 and Year End Option Values

Name	Number of Securities Underlying Unexercised Options at FY End(1) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at End(2) (\$ Exercisable/Unexercisable)
John E. Loehr(3)	20,000/0	\$ 2
Thomas R. Kaetzer(3) (4)	210,000/0	60
Marshall A. Smith	20,000/0	2

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

- 
- (1) No shares were acquired or value realized upon the exercise of options since no options were exercised by the named executive officers in 2004.
  - (2) A market price of \$0.88 a share was used based on the closing price of our Common Stock at December 30, 2004, the last day of the fiscal year on which a closing price for our common stock was reported.
  - (3) Does not include 100,000 and 125,000 warrants exercisable by Mr. Kaetzer at December 31, 2004 for \$.75 and \$.875 a share, respectively, or 270,000 warrants held by Mr. Loehr at December 31, 2004 exercisable for \$.75 a share. Mr. Kaetzer's warrants for 100,000 shares of Common Stock exercisable at \$.875 a share expired in January 2005.
  - (4) Includes options for 100,000 and 110,000 shares exercisable for \$.75 and \$.45 a share, respectively.

11

### Repricing of Options

The following table sets forth information regarding all "repricing" of options held by any named executive officer during fiscal year 2004. The table heading and the column heading below use the terms "repriced" or "repricing" as required by the applicable regulation; however, the options described below were received in connection with a cancellation and regrant of options. The Board believes that granting stock options motivates high levels of performance and provides an effective way to recognize employee contributions. Effective July 15, 2004, the Board at the time determined to cancel options previously held by the one named executive officer included in the table below, representing 10,000 shares, and options previously held by certain eligible employees, representing 271,000 shares, and to grant new options with a lower exercise price, \$0.45 a share, equal to the market value of the shares on the new grant date. By doing so, they intended to provide these individuals with the benefit of owning options that, over time, may have a greater potential to increase in value, which creates better performance incentives and therefore maximizes shareholder value.

This report is submitted by the members of the Board:

Allan D. Keel  
B. James Ford  
Skardon F. Baker  
J. Virgil Waggoner  
John E. Loehr

### OPTION REPRICING

Name	Date	Number of securities underlying options	Market price of stock at time of repricing or amendment	Exercise price at time of repricing or amendment	New e p
-----					

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Thomas R. Kaetzer                      July 15, 2004                      10,000                      \$ 0.45                      \$ 1.20  
 President

12

The following table shows the Company's shareholder approved and non-shareholder approved equity compensation plans:

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)
Equity compensation plans approved by security holders	424,000	\$1.02
Equity compensation plans not approved by security holders	3,195,000	\$.61
Total	3,619,000	

Our only equity compensation plan with outstanding options that has been approved by security holders to date is our amended and restated Employee Stock Option Plan, which terminated in February 2004.

Since 1996 we have occasionally issued warrants to employees, consultants and directors as additional compensation. These warrants have exercise prices at \$.75 per share and entitle the warrant holders to purchase up to 840,000 shares of Common Stock. The warrants exercisable for Common Stock contain certain anti-dilution provisions and have expiration dates from May 1, 2006 to October 31, 2008.

Additionally, warrants have occasionally been issued to lenders or guarantors on loans to us as additional consideration for entering into the loans or guaranties. These warrants have an exercise price ranging from \$.01 to \$.75 per warrant and entitle the warrant holders to purchase up to 855,000 shares of Common Stock. A director of the Company has 625,000 of these warrants. The warrants contain certain anti-dilution provisions and have expiration dates ranging from May 15, 2005 to March 4, 2008.

The features of the 2004 Stock Option and Compensation Plan and 2005 Stock Incentive Plan are described in Proposals 3 and 4, respectively.

We have issued 22,400,000 options at a weighted-average exercise price of \$1.42 under the 2005 Stock Incentive Plan (see "Executive Compensation"). The aggregate number of shares of our Common Stock that may be issued and outstanding pursuant to the exercise of awards under the Plan may not exceed 28,525,000 shares, reduced by 1,525,000, the number of shares of underlying options and awards granted under the 2004 Plan.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Although we are seeking approval of the 2004 Stock Option and Compensation Plan, neither the plan itself nor the 1,500,000 outstanding grants under the plan are contingent on obtaining shareholder approval, and they are included in the table above, together with the 1,695,000 warrants outstanding, as grants pursuant to equity compensations plan not approved by security holders.

13

The weighted-average exercise price of our 1,695,000 outstanding warrants and 1,500,000 outstanding options under the 2004 Stock Option and Compensation Plan is \$.74 and \$.47, respectively.

### Employment Agreements

Effective October 1, 2001, we entered into an Employment Agreement with Mr. Thomas R. Kaetzer, former President and Chief Executive Officer for a period of three years. Under the Employment Agreement, Mr. Kaetzer received a base annual salary of \$150,000, plus a \$25,000 annual contribution to a life insurance savings account to be paid monthly. Under his Employment Agreement, Mr. Kaetzer was entitled to receive 5-year warrants to purchase 300,000 shares of Common Stock to be issued 100,000 each year over a three year period, beginning in 2002. Except for the warrants for 100,000 shares of Common Stock issued in April 2002, Mr. Kaetzer elected to receive options to purchase Common Stock. In the event of a change of control, Mr. Kaetzer would have had the option to continue as an employee under the terms of the Employment Agreement or receive a lump-sum cash severance payment equal to 200% of his annual base salary for the year following the change of control. The Employment Agreement terminated by its terms on September 30, 2004.

Effective June 1, 2002, we entered into a Consulting Agreement with Mr. Marshall A. Smith III, which expired September 30, 2004. Under the Consulting Agreement, Mr. Smith received an annual consulting fee of \$150,000, plus a \$25,000 annual contribution to a life insurance savings account to be paid monthly. In the event of a change of control, Mr. Smith would have had the option to continue as a consultant under the terms of the Consulting Agreement or receive a lump-sum cash severance payment equal to 200% of his annual consulting fee for the year following the change of control. The Consulting Agreement terminated by its terms on September 30, 2004.

Effective February 28, 2005, we entered into employment agreements with two officers, Allan D. Keel (President and Chief Executive Officer) and E. Joseph Grady (Senior Vice President and Chief Financial Officer). Each agreement has a term of three years with automatic yearly extensions unless we or the officer elects not to extend the agreement. Each agreement provides for a base salary and, starting in calendar year 2006 and thereafter, an annual discretionary bonus of 0% to 100% of each officer's base salary to be established by our Board or a duly authorized committee. Mr. Keel will receive a base salary of \$240,000 per year and a first year bonus of \$120,000 for the year ending December 31, 2005, payable on or before February 26, 2006. Mr. Grady will receive a base salary of \$220,000 per year and a first year bonus of \$110,000 for the year ending December 31, 2005, payable on or before February 25, 2006.

Effective April 1, 2005, we entered into employment agreements with three newly appointed officers: Tracy Price (Senior Vice President - Land/Business Development); Thomas H. Atkins (Senior Vice President - Exploration); and J.S. Mengle (Senior Vice President - Engineering). In addition, on April 1, 2005 the Company entered into an Employment Agreement with Thomas R. Kaetzer as Senior Vice President of Operations. Each agreement has a term of two years with automatic yearly extensions unless we or the officer elects not to extend the agreement. Each agreement provides for a base salary and, starting in calendar

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

year 2006 and thereafter, an annual discretionary bonus of 0% to 70% of each officer's base salary to be established by our Board or a duly authorized committee. Mr. Price will receive a base salary of \$185,000 per year and Mr. Kaetzer, Mr. Atkins and Mr. Mengle will each receive a base salary of \$180,000 per year.

14

Each of these agreements provides for severance and change-in-control payments in the event we terminate an officer's employment "without Cause" or if the officer terminates for "Good Reason." "Cause" and "Good Reason" are narrowly defined. "Change of Control" is deemed to occur when less than 10% of our Common Stock is beneficially owned by Oaktree Capital Management, LLC and its affiliates. If an officer is terminated by us "without Cause" or the officer resigns for "Good Reason" then that officer will receive (A) a cash amount equal to the greater of (i) two times the sum of the calendar year's base salary and the prior year's discretionary bonus and (ii) \$600,000 (or \$500,000, in the case of Mr. Price, Mr. Mengle, Mr. Atkins and Mr. Kaetzer) and (B) health insurance benefits for two years from the termination date. If an officer is terminated by us "without Cause" or the officer resigns for "Good Reason" within 90 days before or 12 months after a Change of Control, payment of the entire cash severance amount will be made in a lump sum on the earlier of the date on which the Change of Control occurs and the officer's effective date of termination. Otherwise, upon termination by us "without Cause" or by the officer for "Good Reason", the officer will receive half of the cash severance amount in a lump sum within 15 days of termination. The remainder of the cash severance payment will be made when the officer gives 30 days' notice to us prior to the conclusion of the 12 month period following the termination date agreeing to comply with non-compete and non-solicitation provisions for an additional 12 months.

On February 28, 2005, the Company entered into Stock Option Agreements with Mr. Keel and Mr. Grady. Mr. Grady received options to purchase 900,000 shares of the Company's Common Stock at an exercise price of \$0.97 per share, options to purchase 1,350,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share, and options to purchase 1,800,000 shares of the Company's Common Stock at an exercise price of \$1.70 per share. Mr. Keel received options to purchase 2,700,000 shares of the Company's Common Stock at an exercise price of \$0.97 per share, options to purchase 4,050,000 shares of the Company's Common Stock at an exercise price of \$1.25 per share, and options to purchase 5,400,000 shares of the Company's Common Stock at an exercise price of \$1.70 per share.

On April 1, 2005, the Company entered into Stock Option Agreements with Mr. Price, Mr. Mengle, Mr. Atkins and Mr. Kaetzer. Mr. Price received options to purchase 900,000 shares of the Company's Common Stock at an exercise price of \$1.16 per share and options to purchase 1,800,000 shares of the Company's Common Stock at an exercise price of \$1.70 per share. Mr. Mengle received options to purchase 450,000 shares of the Company's Common Stock at an exercise price of \$1.16 per share and options to purchase 900,000 shares of the Company's Common Stock at an exercise price of \$1.70 per share. Mr. Atkins received options to purchase 383,000 shares of the Company's Common Stock at an exercise price of \$1.16 per share and options to purchase 767,000 shares of the Company's Common Stock at an exercise price of \$1.70 per share. Mr. Kaetzer received options to purchase 333,333 shares of the Company's Common Stock at an exercise price of \$1.16 per share and options to purchase 666,667 shares of the Company's Common Stock at an exercise price of \$1.70 per share.

15

Each set of options granted will become vested and exercisable with respect

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

to 15% of the shares on the first anniversary of the date granted and thereafter at the end of each full succeeding year from the date granted according to the following: 25% on the second anniversary, an additional 25% on the third anniversary and 35% on the fourth anniversary at which time each set of granted options will be vested and exercisable.

### Report of the Board on Executive Compensation

On April 16, 1993, the Board established the Compensation Committee and authorized it to develop and administer an executive compensation system, which will enable us to attract and retain qualified executives. Compensation for the President and Chief Executive Officer, and other executive officers during 2004 was determined by the Compensation Committee which functions under the philosophy that compensation of executive officers, specifically including that of the President and Chief Executive Officer, should be directly and materially linked to the Company's performance. Despite our philosophy regarding executive compensation, Mr. Loehr elected not to receive any compensation when he became Chief Executive Officer in May 2004; Mr. Loehr took over the position from Thomas Kaetzer who in 2001 had entered into an employment agreement with us, which expired in September 2004 (see "Employment Agreements"). Since February 2005 the Board has generally performed the functions of the Compensation Committee, although B. James Ford and Skardon F. Baker have acted as the interim Compensation Committee from time to time as necessary to comply with requirements for action by a committee of two or more outside directors.

The overall compensation policy of the Company is to maximize shareholder return by combining annual and long-term compensation to executives based upon corporate and individual performance. Annual compensation was generally paid in the form of base salary, which during fiscal year 2004 was, other than with respect to employment agreements the Board previously approved and which were in effect until September 2004, based upon the compensation committee's recommendations and taking into account competitive factors and the historic salary structure for various levels of responsibility within the Company, as well as level and scope of responsibility, salaries paid for comparable positions at similarly situated companies and individual and corporate performance, and also taking into account senior management's recommendation as to appropriate compensation for members of management reporting to them. Long-term compensation to executives is built around the Company's stock option programs. In 2005 the Board determined to enter into employment agreements with our president and Chief Executive Officer and other key executive officers providing for a set base salary with an annual discretionary bonus component to award and encourage corporate and individual performance based on the factors described above. Bonus compensation is determined at the discretion of the Board or the compensation committee and will not be considered "performance based compensation" under Section 162(m) of the Internal Revenue Code. Based on our officer's current compensation levels it is unlikely that deduction of such compensation will be limited under Section 162(m) and, thus, the Board determined that it was appropriate to retain discretion to determine compensation within the contractual parameters.

The Company effects stock option grants from time-to-time as a mechanism for providing long-term, non-cash compensation to executives. The Board believes that stock options are an effective incentive for executives and managers to create value for the Company and its shareholders since the value of an option bears a direct relationship to appreciation in the Company's stock price. By using stock-based compensation, the Company can focus much-needed cash flow, which would otherwise be paid out as compensation, back into the daily operations of the business. Individual stock option grants are subjectively determined based upon a number of factors, including individual performance and prior year's grants. During 2004 there were options issued to purchase 1,525,000 shares of our Common Stock (including 271,000 shares underlying repriced options), 495,000 of which were issued to executive officers, including 10,000

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

shares underlying repriced options. All option grants were made at an exercise price equal to or greater than the fair market value of the underlying stock on the date of grant. Currently, approximately 16.7 million outstanding options have an exercise price greater than the April 1, 2005 \$1.17 closing price of the underlying Common Stock. Grants under the 2004 Stock Option and Compensation Plan, the adoption of which was not contingent on shareholder approval, will not qualify as "performance based compensation" and will be subject to the deduction limits of Section 162(m) of the Internal Revenue Code. However, grants under our 2005 Stock Incentive Plan are intended to qualify as "performance based compensation" and thus not subject to the limits of Section 162(m), subject to shareholder approval of that plan.

16

This report is submitted by the members of the Board:

Allan D. Keel  
B. James Ford  
Skardon F. Baker  
J. Virgil Waggoner  
John E. Loehr

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2004, Messrs. Waggoner, Loehr (until May 12 of that year when he was elected Chief Executive Officer) and Manolis served on the Compensation Committee. During fiscal year 2004 no interlocking relationship existed between any member of the Board or Compensation Committee and any member of the Board or Compensation Committee of any other company.

During April 2004, entities controlled by Mr. Loehr and Mr. Manolis received 400 and 1,000 shares, respectively, of a series of our preferred stock, in consideration for services performed for the Company, which these entities elected to convert to Common Stock in December of that same year. Another entity which Mr. Loehr managed purchased 200 shares of another series of our preferred stock in April 2004 for \$500 per share, which in February 2005 was exchanged for another series of preferred stock which then converted into Common Stock. In addition, an entity co-owned by Mr. Loehr and another director received approximately \$1.3 million at the closing of our February 2005 preferred stock offering in consideration for that entity's interest in certain properties which it had acquired from a third party in 2004, in consideration for satisfaction of monetary obligations owed by the Company to that party under an agreement. See "Certain Relationships and Related Transactions" below.

17

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions With Management and Others

On February 28, 2005, OCM GW Holdings, LLC purchased 81,000 shares of our Series G Preferred Stock and 2,000 shares of our subsidiary's, GulfWest Oil & Gas Company's, Series A Preferred Stock ("Series A Preferred Stock") for \$42 million. Skardon F. Baker, a director, is a vice president of, and B. James Ford, also a director, is a managing director of, Oaktree Capital Management, LLC, the ultimate parent of OCM GW Holdings, LLC.

In connection with our April 2004 financing, J. Virgil Waggoner, a director, and Star-Tex Trading Co., an entity managed by John E. Loehr, an officer at the time and currently a director, purchased 3,000 shares and 200

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

shares, respectively, of Series A Preferred Stock at a price of \$500 per share. Both Mr. Waggoner and Star-Tex, in connection with the February 2005 offering, elected to exchange those shares for an equal number of shares of Series H Preferred Stock. Star-Tex elected to convert its shares of Series H Preferred Stock to 285,715 shares of then Common Stock effective February 28, 2005.

In December 2001, the Company and Summit Investment Group Texas L.L.C., entered into an agreement (the "Summit Agreement") relating to the development of oil and gas properties in several counties in Texas. On March 5, 2004, we entered into an Option Agreement for the Purchase of Oil and Gas Leases (the "Addison Agreement") with W. L. Addison Investments L.L.C., a private company owned by Mr. J. Virgil Waggoner and Mr. John E. Loehr, two of our directors ("Addison"). Under the Addison Agreement, Addison agreed to pay Summit, on our behalf, the non-recouped and outstanding advanced funds under the agreement amounting to \$1,200,000, thereby retiring the Summit Agreement except for certain surviving obligations with respect to areas of mutual interest and lease bank agreements expiring in 2008 and Summit retained the right to participate up to a 25% working interest in the drilling of any wells on the leases acquired by Addison. For consideration of such payment, Addison acquired certain oil and gas leases and wellbores from Summit but agreed to grant us a 180-day redemption option (which was extended by mutual consent on July 15, 2004) to purchase the same for \$1,200,000, plus interest at the prime rate plus 2%. In substitution for an account payable to Summit, we granted Addison a promissory note for \$600,000, with interest at the prime rate plus 2%. The granted promissory note would be considered paid in full if we exercised the redemption option by paying the \$1,200,000, plus interest. We exercised the redemption option and Addison received \$1,275,353 at the closing of the February 2005 offering and waived its rights under the agreement to retain up to a 25% working interest under the leases.

As part of the April 2004 refinancing, a former lender agreed to return all 2,000 shares of our Cumulative Convertible Preferred Stock, Series F, par value \$.01 per share, it held. Rather than receive the shares as treasury shares (which would have meant cancellation of the series) at our request the former lender transferred 400 of the shares to ST Advisory Corp., an entity owned by John E. Loehr, our former Chief Executive Officer and a current director, 400 of the shares to a financial advisor to the Company, and 200 of the shares to Thomas R. Kaetzer, our President and a director at that time and 1,000 shares to Intermarket Management LLC, an entity partially owned by M. Scott Manolis, one of our directors at that time. These transfers were to compensate Mr. Kaetzer, the financial advisor and the entities controlled by Mr. Loehr and Mr. Manolis for service to the Company. On December 22, 2004, Mr. Kaetzer, Star-Tex and Intermarket Management elected to convert their shares to Common Stock.

18

\$675,203 of the proceeds from the February 2005 offering went towards the payment of accrued and unpaid dividends on the preferred stock. J. Virgil Waggoner received \$469,603 as a result.

As part of the closing of the February 2005 offering, the investor and the Company agreed to pay certain legal, accounting and other due diligence costs and, also certain closing fees which totaled approximately \$3.75 million. Of this certain related parties received the following fees: OCM GW Holdings, LLC \$1,000,000; Intermarket Management LLC \$500,000 (Mr. Manolis, one of our directors at the time, is an owner of Intermarket Management).

### VOTE REQUIRED AND BOARD RECOMMENDATION

Each of the two director nominees must be elected by a plurality of votes cast by holders of the Common Stock and Series H Preferred Stock entitled to

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

vote at the Annual Meeting.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE TWO NOMINEES TO THE BOARD OF DIRECTORS. PROXY CARDS EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.

19

### Proposal 2 Reincorporation of the Company in Delaware and Increase in Authorized Shares of Common Stock

The Board has approved and recommends that the shareholders approve a proposal to merge the Company into a wholly owned Delaware subsidiary, Crimson Resources Inc., to effectuate a change in our state of incorporation from Texas to Delaware, and to increase the number of authorized shares of common stock from 80 million to 200 million (the "Reincorporation"), subject to approval and adoption by our shareholders of the Agreement and Plan of Merger ("Plan of Merger") in substantially the form of APPENDIX A to this Proxy Statement. After the shareholders have approved the proposed Plan of Merger, GulfWest will be merged into a newly organized, wholly owned subsidiary Delaware corporation, Crimson Resources Inc., that will be the surviving corporation ("Crimson Resources"). Crimson Resources currently has no operations. YOU ARE URGED TO READ CAREFULLY THIS PROXY STATEMENT, INCLUDING EACH RELATED APPENDIX REFERENCED IN THIS SECTION AND ATTACHED HERETO BEFORE VOTING ON THE REINCORPORATION.

In connection with the Reincorporation, our corporate name will change to Crimson Resources Inc. and we will do business as "Crimson Resources".

The Reincorporation will not result in any material change in our business, assets or financial position or in the persons who constitute our Board or management. Upon the effective date of the merger (the "Effective Date"):

- o the legal existence of the Company as a separate corporation will cease;
- o Crimson Resources, as the surviving corporation, will succeed to the assets and assume the liabilities of the Company;
- o each outstanding share of our Common Stock will automatically be converted into one share of common stock, \$.001 par value per share, of Crimson Resources (the "Delaware Common Stock");
- o each outstanding share of our Series D Preferred Stock, par value \$.01 per share, will automatically be converted into one share of Series D Preferred Stock, \$.01 par value per share, of Crimson Resources (the "Delaware Series D Preferred Stock");
- o each outstanding share of our Cumulative Convertible Preferred Stock, Series E, par value \$.01 per share, will automatically be converted into one share of Cumulative Convertible Preferred Stock, Series E, \$.01 par value per share, of Crimson Resources (the "Delaware Series E Preferred Stock");
- o each outstanding share of our Series G Convertible Preferred Stock, par value \$.01 per share, will automatically be converted into one share of Series G Convertible Preferred Stock, \$.01 par value per share, of Crimson Resources (the "Delaware Series G Preferred Stock"); and

- o each outstanding share of our Series H Convertible Preferred Stock, par value \$.01 per share, will automatically be converted into one share of Series H Convertible Preferred Stock, \$.01 par value per share, of Crimson Resources (the "Delaware Series H Preferred Stock"; collectively, all preferred stock of the Delaware corporation is referred to as "Delaware Preferred Stock" and the Delaware Common Stock and Delaware Preferred Stock is referred to as the "Delaware Capital Stock").

However, there will be no automatic conversion for those shares with respect to which the holders thereof entitled to do so duly exercise their dissenters' rights under Texas law. See "Rights of Dissenting Shareholders" below.

The Delaware Preferred Stock will have substantially identical designations, preferences, limitations and relative rights as the series of Company preferred stock from which such series converted.

Outstanding options and warrants to purchase our Common Stock will automatically be converted into options and warrants to purchase an identical number of shares of Delaware Common Stock.

The terms of the Reincorporation are described in more detail in the Plan of Merger attached hereto as APPENDIX A and all references to the Reincorporation are qualified by and subject to the more complete information set forth therein.

Following the Effective Date, certificates representing shares of our capital stock will be deemed to represent an equal number of shares of Delaware Capital Stock into which such shares converted. The Reincorporation will not affect the validity of the currently outstanding stock certificates. Consequently, it will not be necessary for shareholders of the Company to exchange their existing stock certificates for stock certificates of Crimson Resources.

The Reincorporation will become effective upon filing merger documents in Delaware and Texas, which are expected to be made as soon as practicable following shareholder approval. Pursuant to the terms of the Plan of Merger, the merger may be abandoned by the Boards of GulfWest and Crimson Resources any time prior to the Effective Date (whether before or after shareholder approval). In addition, the Board of Crimson Resources may amend the Plan of Merger or the surviving corporation's charter or bylaws at any time prior to the Effective Date, provided that any amendment made after shareholder approval may not (i) alter or change the amount or kind of shares to be received in exchange for or on conversion of all or any of the shares of Crimson Resources, or (ii) alter or change any of the terms and conditions of the Plan of Merger or the surviving corporation's charter or bylaws, if such alteration or change would adversely affect the holders of our capital stock.

After the Effective Date, the Certificate of Incorporation of Crimson Resources, the form of which is attached hereto as APPENDIX B (the "Certificate of Incorporation"), and the Bylaws of Crimson Resources, the form of which is attached hereto as APPENDIX C ("Bylaws"), will govern the surviving corporation. All references to the Certificate of Incorporation and Bylaws are qualified by and subject to the more complete information set forth therein. Certain changes in the rights of the shareholders of GulfWest will result under Delaware law and the new Certificate of Incorporation and Bylaws. See "Certain Changes in the Rights of Shareholders."

FEDERAL INCOME TAX CONSEQUENCES

The proposed reincorporation is expected to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. We believe that for federal income tax purposes no gain or loss will be recognized by the Company, Crimson Resources or the shareholders of the Company who receive Delaware Capital Stock for their Company capital stock in connection with the Reincorporation. The aggregate tax basis of Delaware Capital Stock received by a shareholder of the Company as a result of the Reincorporation will be the same as the aggregate tax basis of the Company capital stock converted into such Delaware Capital Stock held by such shareholder as a capital asset at the time of the Reincorporation. A shareholder who holds Company capital stock will include in his holding period for the Delaware Capital Stock which he receives as a result of the Reincorporation his holding period for the Company capital stock converted into such Delaware Capital Stock, provided the shares are held as a capital asset at the time of the Reincorporation.

State, local or foreign income tax consequences to shareholders may vary from the Federal income tax consequences described above, and shareholders are urged to consult their own tax advisor as to the consequences to them of the Reincorporation under all applicable tax laws.

EFFECT ON CURRENT MARKET VALUE OF COMPANY'S STOCK

We do not know of any reason why implementation of the Reincorporation and the conversion of shares of capital stock of the Company into shares of Delaware Capital Stock would cause the market value, if any, of the Delaware Capital Stock following the Reincorporation to be different from the present market value of the outstanding shares of the capital stock of the Company.

SECURITIES ACT CONSEQUENCES

Following the merger, Crimson Resources will be a publicly-held company, the Delaware Common Stock will be traded and it will file with the SEC and provide to its holders of Delaware Common Stock the same type of information that we had previously filed and provided. The shares of Crimson Resources are expected to continue to be traded without interruption on the over-the-counter bulletin board market following the merger either under our current symbol, "GULF", or a new symbol. Shareholders whose stock in the Company is freely tradeable before the merger will continue to have freely tradeable shares of the surviving corporation. Shareholders holding restricted securities of the Company will be subject to the same restrictions on transfer as those to which their present shares of stock in the Company are subject. Individuals who had shares of our Common Stock registered for resale on a Registration Statement under the Securities Act will have to suspend sales or rely on an exemption from registration in accordance with our policies and practices for a period of time following the Reincorporation, as we will be required to prepare and file an amendment and be declared effective by the SEC before such individuals can effectuate sales pursuant to that Registration Statement. In summary, the surviving corporation and its stockholders will generally be in the same respective positions under the federal securities laws after the merger as were the Company and its shareholders prior to the merger.

CONSEQUENCES UNDER OUR SHAREHOLDER'S AGREEMENT WITH OCM GW HOLDINGS, LLC IF WE DO NOT REINCORPORATE.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Under our Shareholders Rights Agreement with OCM GW Holdings, LLC (see "Security Ownership of Certain Beneficial Owners and Management"), if we do not reincorporate in Delaware by July 30, 2005, we will be required to make additional payments on the Series G Preferred Stock in the amount of \$80 per share per annum until the reincorporation occurs or a number of shares of Series G Preferred Stock are converted into a new series of preferred stock substantially similar to the Series G Preferred Stock except that (i) it will not have the right to vote, (ii) it will be redeemable at the holder's option on January 15, 2008, and if not redeemed the dividend will increase to 14%, (iii) it will not be convertible, (iv) it will bear a quarterly dividend at an annual rate of 12%, and (v) it will be optionally redeemable by us at any time. We are required to use our best efforts to convert certain of the shares of Series G Preferred Stock into this new preferred stock if the Delaware reincorporation has not occurred by December 31, 2005.

### INCREASE IN AUTHORIZED CAPITALIZATION

The Board has determined that it is in the Company's best interests to increase the authorized capitalization of the Company in the Reincorporation. On an as converted basis, if we issued all of the Common Stock underlying our various convertible and derivative securities, including warrants and granted employee stock options, outstanding at April 15, 2005, the number of our outstanding shares of Common Stock would increase to approximately 110 million shares. Currently, we are only authorized to issue 80,000,000 shares of our Common Stock, 26,941,117 shares of which are outstanding as of April 15, 2005. As all the shares of our Common Stock and convertible securities and other derivatives convertible or exercisable for Common Stock will be converted into Delaware Common Stock or the right to receive Delaware Common Stock upon conversion or exercise, we will need to provide for a greater number of authorized shares in order to accommodate the exercise or conversion of all Crimson Resources' convertible preferred stock, options and warrants, as well as to provide for the possibility of other future issuances of Delaware Common Stock. Accordingly, the Certificate of Incorporation of Crimson Resources provides for an authorized capitalization of 200,000,000 shares of Delaware Common Stock.

If the shareholders approve the merger, the Board may cause the issuance of the additional shares of Delaware Common Stock without further vote of Crimson Resources' stockholders, except as provided under the surviving corporation's certificate of incorporation, the Delaware General Corporation Law ("DGCL") and other applicable rules and regulations.

### PRINCIPAL REASONS FOR AND EFFECTS OF THE REINCORPORATION

The State of Delaware has long been the leader in adopting, construing and implementing comprehensive, flexible corporation laws which are conducive to the operational needs and independence of corporations domiciled in that state. The corporation law of Delaware is widely regarded as the most extensive and well-defined body of corporate law in the United States. Both the legislature and the courts in Delaware have demonstrated an ability and a willingness to act quickly and effectively to meet changing business needs. The Delaware judiciary has acquired considerable expertise in dealing with complex corporate issues. Moreover, the Delaware courts have repeatedly shown their willingness to accelerate the resolution of such complex corporate issues within the very limited time available to meet the needs of parties engaged in corporate litigation. It is anticipated that the DGCL will continue to be interpreted and construed in significant court decisions, thus lending greater predictability and guidance in managing and structuring the internal affairs of a corporation and its relationships and contacts with others. For a discussion of certain differences in shareholder rights and the powers of management under Delaware and Texas law, see "Certain Changes in the Rights of Shareholders" below.

CERTAIN CHANGES IN THE RIGHTS OF SHAREHOLDERS

After the Reincorporation, the shareholders of GulfWest, a Texas corporation, will become stockholders of Crimson Resources, a Delaware corporation. Some of the differences between the Texas and Delaware corporation laws, as well as differences between the charter and bylaws of GulfWest and those of Crimson Resources are set forth below. This description of differences is a summary only and does not purport to be a complete description of all differences.

BUSINESS COMBINATIONS STATUTES.

Texas

We are currently subject to the Texas Business Corporation Act (the "TBCA"). The TBCA imposes a special voting requirement for the approval of specific business combinations and related party transactions between public corporations and affiliated shareholders unless the board of directors of the corporation approves the transaction or the acquisition of shares by the affiliated shareholder prior to the affiliated shareholder becoming an affiliated shareholder. The act prohibits specific mergers, sales of assets, reclassifications and other transactions between shareholders beneficially owning 20% or more of the outstanding stock of a Texas public corporation for a period of three years following the shareholder acquiring shares representing 20% or more of the corporation's voting power unless two-thirds of the unaffiliated shareholders approve the transaction at a meeting held no earlier than six months after the shareholder acquires that ownership. A vote of shareholders is not necessary if the board of directors approves the transaction or approves the purchase of shares by the affiliated shareholder before the affiliated shareholder acquires beneficial ownership of 20% of the shares, or if the affiliated shareholder was an affiliated shareholder before December 31, 1996, and continued as such through the date of the transaction.

Delaware

Section 203 (the "Delaware Business Combinations Statute") of the DGCL, prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is broadly defined as a person (including the affiliates and associates of such person) that is directly or indirectly a beneficial owner of 15% or more of the voting power of the outstanding voting stock of a Delaware corporation. This provision prohibits certain business combinations (including mergers, consolidations, sales or other dispositions of assets having an aggregate market value of 10% or more of either the consolidated assets of a company, and certain transactions that would increase the interested stockholder's proportionate share of ownership in a company or grant the interested stockholder disproportionate financial benefits) between an interested stockholder and a company for a period of three years after the date the interested stockholder acquired its stock, unless: (i) the business combination or the transaction in which the stockholder became an interested stockholder is approved by such company's board of directors prior to the date the interested stockholder becomes an interested stockholder; (ii) the interested stockholder acquired at least 85% of the voting stock of such company in the transaction in which it became an interested stockholder; or (iii) the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the votes entitled to be cast by disinterested stockholders at an annual or special meeting. If the Reincorporation is consummated, the Delaware Business Combinations Statute will apply to Crimson Resources.

Thus, under the Delaware Business Combination Statute, shareholders owning 15% of the voting stock of Crimson Resources (or in certain cases an even smaller percentage) might be able to block certain transactions which is a smaller percentage than is currently the case under Texas law. The application of either statute could make more difficult or discourage a tender offer or the completion of a "second step" merger by a holder of a substantial block of the voting stock of Crimson Resources, irrespective of whether such action might be perceived by stockholders holding a majority of the Delaware Capital Stock to be beneficial to it and its stockholders.

The application of the Delaware Business Combinations Statute could adversely affect the ability of stockholders to benefit from certain transactions which are opposed by the Board or by stockholders owning 15% of the voting stock of Crimson Resources, even if the price offered in such transactions represents a premium over the then-current market price of the voting stock of Crimson Resources, to the extent that such a market then exists. To the extent that the Board's disapproval of a proposed transaction discourages establishment of a controlling stock interest, the position of the Board and current management may be strengthened, thereby assisting those persons in retaining their positions.

However, the Board believes that, on balance, becoming subject to the provisions of the Delaware Business Combinations Statute will be in the best interest of GulfWest and its shareholders. In recent years there have been a number of surprise takeovers of publicly-owned corporations. These transactions have occurred through tender offers or other sudden purchases of a substantial number of outstanding shares. Frequently, these tender offers and other share purchases have been followed by a merger or other form of complete acquisition of the target company by the purchaser without any negotiations with the board of directors of the target company. Such a "second step" business combination automatically eliminates minority interests in the target company, often for less valuable consideration per share than was paid in the purchaser's original tender offer or market purchases. In other instances, a purchaser has used its controlling interest to effect other transactions having an adverse impact on the target company and its stockholders.

RIGHT OF SHAREHOLDERS TO VOTE ON CERTAIN MERGERS.

Texas

Under Texas law, shareholders have the right to vote on all mergers to which the corporation is a party (except for the merger into the surviving corporation of subsidiaries owned 90% or more by the surviving corporation, for which a shareholder vote also is not required under Delaware law). In certain circumstances, different classes of securities may be entitled to vote separately as classes with respect to such transactions. Unless the articles of incorporation provide otherwise, approval of the holders of at least two-thirds of all outstanding shares entitled to vote is required by Texas law to approve a merger, while under Delaware law approval by the holders of a majority of all outstanding shares is required to approve a merger, unless the certificate of incorporation provides otherwise. Unless the articles of incorporation provide otherwise, the approval of the shareholders of the corporation in a merger is not required under Texas law if all of the following are met: (i) the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

corporation is the sole surviving corporation in the merger; (ii) there is no amendment to the corporation's articles of incorporation; (iii) each shareholder holds the same number of shares after the merger as before, with identical designations, preferences, limitations and relative rights; (iv) the voting power of the shares outstanding after the merger plus the voting power of the shares issuable as a result of the merger (taking into account convertible securities and warrants, options or other rights to purchase securities issued pursuant to the merger) does not exceed the voting power of the shares outstanding prior to the merger by more than 20%; (v) the number of participating shares (that is, shares whose holders are entitled to participate without limitation in dividends or other distributions) outstanding after the merger plus the participating shares issuable as a result of the merger (taking into account convertible securities and warrants, options or other rights to purchase securities issued pursuant to the merger) does not exceed the number of participating shares outstanding prior to the merger by more than 20%; and (vi) the board of directors of the corporation adopts a resolution approving the plan of merger.

Delaware

Under Delaware law, unless the certificate of incorporation provides otherwise, stockholders of the surviving corporation in a merger have no right to vote, except under limited circumstances, on the acquisition by merger directly into the surviving corporation in cases where: (x) the agreement of merger does not amend the certificate of incorporation of such corporation; (y) each share of stock of such corporation outstanding immediately prior to the effective date of the merger is to be an identical outstanding or treasury share of the corporation after the effective date of the merger; and (z) either no shares of common stock of the surviving corporation, and no shares, securities or obligations convertible into such stock are to be issued or delivered under the plan of merger, or the authorized unissued shares or the treasury shares of common stock of the surviving corporation to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other shares, securities or obligations to be issued or delivered under such plan do not exceed 20% of the shares of common stock of such corporation outstanding immediately prior to the effective date of the merger.

The Certificate of Incorporation does not alter the statutory rules described above. Our current Articles of Incorporation provide that where the provisions of the TBCA provide for a specific vote to authorize an action, the vote of a majority of the shares entitled to vote will be required to approve the matter.

26

SALES, LEASES, EXCHANGES OR OTHER DISPOSITIONS.

Texas

Generally, the sale, lease, exchange or other disposition of all, or substantially all, of the property and assets of a Texas corporation, if not made in the usual and regular course of its business, requires the approval of the holders of at least two-thirds of the outstanding shares of the corporation. Under Texas law, the transfer of substantially all of a corporation's assets to wholly-owned subsidiaries in such a manner that the corporation continues to indirectly engage in its business is deemed to be in the usual and regular course of its business.

Delaware

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

A Delaware corporation may sell, lease or exchange all or substantially all of its property and assets when and as authorized by a majority of the outstanding stock of the corporation entitled to vote thereon, unless the certificate of incorporation provides to the contrary. The Certificate of Incorporation does not so provide.

### APPRAISAL RIGHTS.

#### Texas

Except for the limited classes of mergers, consolidations, sales and asset dispositions for which no shareholder approval is required under Texas law, and as set forth in this paragraph, shareholders of Texas corporations with voting rights have appraisal rights in the event of a merger, consolidation, sale, lease, exchange or other disposition of all, or substantially all, the property and assets of the corporation. Notwithstanding the foregoing, a shareholder of a Texas corporation has no appraisal rights with respect to any plan of merger in which there is a single surviving or new domestic or foreign corporation, or with respect to any plan of exchange, if:

- o the shares held by the shareholder are part of a class of shares which are listed on a national securities exchange, the Nasdaq Stock Market or designated as a national market security on an interdealer quotation system by the National Association of Securities Dealers, Inc., or are held of record by not less than 2,000 holders, on the record date for the plan of merger or the plan of exchange; and
- o the shareholder is not required by the terms of the plan of merger or exchange to accept for his shares any consideration other than
- >> shares of a corporation that, immediately after the merger or exchange, will be part of a class or series of shares which are:
  - o listed, or authorized for listing upon official notice of issuance, on a national securities exchange or approved for quotation as a national market security on an interdealer quotation system by the National Association of Securities Dealers, Inc.; or

27

- o held of record by not less than 2,000 holders;
- o cash in lieu of fractional shares otherwise entitled to be received; or
- o a combination of such shares and cash.

The appraisal rights of a shareholder of a Texas corporation are summarized under "Rights of Dissenting Shareholders" below.

#### Delaware

Under Delaware law, stockholders have no appraisal rights in the event of a merger or consolidation of the corporation if the stock of the Delaware corporation is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc., or if such stock is held of record by more than 2,000 stockholders, or in the case of a merger in which a Delaware corporation is the surviving corporation, if:

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

- o the agreement of merger does not amend the certificate of incorporation of the surviving corporation;
- o each share of stock of the surviving corporation outstanding immediately prior to the effective date of the merger is to be an identical outstanding share of the surviving corporation after the effective date of the merger; and
- o the increase in the outstanding shares as a result of the merger does not exceed 20% of the shares of the surviving corporation outstanding immediately prior to the merger.

Even if appraisal rights would not otherwise be available under Delaware law in the cases described in the preceding sentence, stockholders would still have appraisal rights if they are required by the terms of the agreement of merger or consolidation to accept for their stock anything other than:

- o shares of stock
  - >> of the surviving corporation;
  - >> of any other corporation whose shares will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.; or
  - >> held of record by more than 2,000 stockholders;
- o cash in lieu of fractional shares; or

28

- o a combination of such shares and cash.

Otherwise, stockholders of a Delaware corporation have appraisal rights in consolidations and mergers.

Under Delaware law, any corporation may provide in its certificate of incorporation that appraisal rights will also be available as a result of an amendment to its certificate of incorporation or the sale of all or substantially all of the assets of the corporation.

Crimson Resources currently has no such provisions in its Certificate of Incorporation.

### SHAREHOLDER CONSENT TO ACTION WITHOUT A MEETING.

#### Texas

Under Texas law, any action that may be taken at a meeting of the shareholders may be taken without a meeting if written consent thereto is signed by all the holders of shares entitled to vote thereon. The articles of incorporation of a Texas corporation may provide that action by written consent in lieu of a meeting may be taken by the holders of that number of shares which, under the corporation's articles of incorporation, would be required to take the action which is the subject of the consent at a meeting at which the holders of the shares entitled to vote thereon were present and voted.

Except as provided in the Statements of Resolution governing its preferred stock, GulfWest's Articles of Incorporation do not address the use of written

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

consents in lieu of a meeting with respect to any action subject to shareholder approval. As a result, except as set forth in the Company's Statements of Resolution for its preferred stock the taking of any such action without a meeting requires the unanimous written consent of the holders of GulfWest's shares.

Delaware

Under Delaware law, unless otherwise provided in the certificate of incorporation, any action that can be taken at such meeting can be taken without a meeting if written consent thereto is signed by the holders of outstanding stock having the minimum number of votes necessary to authorize or take such action at a meeting of the stockholders.

As currently proposed, Crimson Resources' Certificate of Incorporation and Bylaws require that any action required or permitted to be taken by stockholders of Crimson Resources must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting, except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, or as may be approved in advance by the Board.

29

### PROCEDURES FOR FILLING VACANT DIRECTORSHIPS.

Texas

Under Texas law, any vacancy occurring in the board of directors may be filled by the shareholders or by the affirmative vote of a majority of the remaining directors, although less than a quorum. A directorship to be filled by an increase in the number of directors may be filled by the shareholders or by the board of directors for a term of office continuing only until the next election of one or more directors by the shareholders, provided that the board of directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

Delaware

Under Delaware law, unless the certificate of incorporation or bylaws provide otherwise, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

The Certificate of Incorporation of Crimson Resources provides that only directors may fill vacancies unless the Certificate of Designation for a series of preferred stock provides otherwise and to the extent a series of preferred stock is entitled to elect one or more directors, the filling of vacancies with regard to those directors shall be governed by the terms of that series of preferred stock.

### RIGHT TO CALL MEETINGS.

Texas

Under Texas law, holders of not less than 10% of all of the shares entitled to vote have the right to call a special shareholders' meeting, unless the articles of incorporation provide for a number of shares greater than or less than 10%, but in no event may the articles of incorporation provide for a number of shares greater than 50%.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Except as provided in its Statements of Resolution, GulfWest's Articles of Incorporation provide that a special meeting of shareholders may be called at the request of the holders of at least 50% of all shares issued, outstanding and entitled to vote.

Delaware

Delaware law provides that special meetings of the stockholders may be called by the Board of Directors or such other persons as are authorized in the certificate of incorporation or bylaws.

The Certificate of Incorporation and Bylaws of Crimson Resources provide that except as otherwise required by the terms of one or more Certificates of Designation governing a series of preferred stock, special meetings of the stockholders may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President or by resolution of a majority of the Board.

30

VOTING BY PROXY.

Texas

Under Texas law, a shareholder may authorize another person or persons to act for such shareholder by proxy. However, unless otherwise provided in the proxy, under Texas law a proxy is only valid for eleven months from its date.

Delaware

Under Delaware law, a shareholder may authorize another person or persons to act for such shareholder by proxy. However, unless otherwise provided in the proxy, under Delaware law a proxy is valid for three years from its date.

CHARTER AMENDMENTS.

Texas

Under Texas law, an amendment to the articles of incorporation requires the approval of the holders of at least two-thirds of the outstanding shares of the corporation, unless a different amount, not less than a majority, is specified in the articles of incorporation.

GulfWest's Articles of Incorporation provide for approval of any action by a majority of shares entitled to vote on such matter on which Texas law specifies the number of shares required to approve such action.

Delaware.

Delaware law provides that amendments to the certificate of incorporation must be approved by the holders of a majority of the corporation's stock entitled to vote thereon, unless the certificate of incorporation provides for a greater number.

Crimson Resources' Certificate of Incorporation does not provide for any such greater number.

BYLAW AMENDMENTS.

Texas

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Under Texas law, the board of directors may amend, repeal or adopt a corporation's bylaws unless the articles of incorporation reserve this power exclusively to the shareholders, or the shareholders in amending, repealing or adopting a particular bylaw expressly provide that the board of directors may not amend or repeal that bylaw.

31

GulfWest's Articles of Incorporation do not restrict the ability of the Board to amend, repeal or adopt bylaws except as set forth in the Statements of Resolution governing its preferred stock, and GulfWest's shareholders have not to date amended, repealed or adopted a particular bylaw restricting the ability of the Board to amend or repeal such bylaw.

### Delaware

Under Delaware law, the right to amend, repeal or adopt the bylaws is permitted to the stockholders of the corporation and the corporation's Board of Directors, if the corporation's certificate of incorporation so provides.

Crimson Resources' Certificate of Incorporation provides that its bylaws may be amended, repealed, altered or adopted by the Board of Directors and its stockholders. Under Delaware law, the power to amend, repeal or adopt the bylaws so conferred upon the Board of Directors of Crimson Resources will not divest its stockholders of the power, or limit their power, to amend, repeal or adopt such bylaws.

### CLASS VOTING.

#### Texas

Under Texas law, class voting is required in connection with certain amendments of a corporation's articles of incorporation, a merger or consolidation requiring shareholder approval if the plan of merger or consolidation contains any provision which, if contained in a proposed amendment to a corporation's articles of incorporation, would require class voting, or certain sales of all or substantially all of the assets of a corporation. In particular, a class vote of a class or series would be permitted if the amendment or merger or plan of consolidation would: (a) increase or decrease the authorized number of shares of the class or series of shares; (b) change the par value of the shares; (c) effect an exchange, reclassification or cancellation of all or part of the shares of that class or series; (d) require an exchange of all or any part of the shares of that class or series; (e) change the designations, preferences, limitations or relative rights of the shares of that class or series; (f) create a senior class or series of shares; (g) limit or deny existing preemptive rights; (h) cancel or otherwise affect dividends that have accrued but that have not been declared; or (i) elect or make a change from close corporation status.

#### Delaware

In contrast, under Delaware law, class voting is not required in connection with such matters, except in the case of an amendment of a corporation's certificate of incorporation which adversely affects a class of shares.

### REMOVAL OF DIRECTORS.

#### Texas

A Texas corporation may provide for the removal of a director with or without cause in its articles of incorporation or bylaws.

GulfWest's bylaws currently provide that directors may be removed, with or without cause, at a special meeting of shareholders by the vote of a majority of the shares entitled to vote thereon, but this provision is subject to the provisions of its Statements of Resolution governing its preferred stock.

Delaware

Under Delaware law, a majority of stockholders may remove a director with or without cause except: (i) if the board of directors of a Delaware corporation is classified (i.e., elected for staggered terms), in which case a director may only be removed for cause, unless the corporation's certificate of incorporation provides otherwise; and (ii) in the case of a corporation which possesses cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there be classes of directors, at an election of the class of directors of which he is a part.

Subject to its Certificates of Designation governing its preferred stock, the directors of Crimson Resources may be removed with or without cause by a majority of the stockholders and to the extent a series of preferred stock is entitled to elect one or more directors, the removal of those directors will be governed by the terms of that series of preferred stock.

INSPECTION OF BOOKS AND RECORDS.

Texas

Under Texas law, a shareholder may, for a proper purpose, inspect the books and records of a corporation if such shareholder holds at least 5% of the outstanding shares of stock of the corporation or has been a holder of shares for at least six months prior to such demand.

Delaware

Under Delaware law, any shareholder may inspect the corporation's books and records for a proper purpose.

DISTRIBUTIONS AND DIVIDENDS.

Texas

Under Texas law, a distribution is defined as a transfer of money or other property (except a corporation's own shares or rights to acquire its shares), or an issuance of indebtedness, by a corporation to its shareholders in the form of: (i) a dividend on any class or series of the corporation's outstanding shares; (ii) a purchase, redemption or other acquisition by the corporation, directly or indirectly, of its shares; or (iii) a payment in liquidation of all or a portion of its assets. Under Texas law, a corporation may make a distribution, subject to restrictions in its charter, if it does not render the corporation unable to pay its debts as they become due in the course of its business, and if it does not exceed the corporation's surplus. Surplus is defined under Texas law as the excess of net assets (essentially, the amount by which total assets exceed total debts) over stated capital (essentially, the aggregate par value of the issued shares having a par value plus consideration paid for shares without par value that have been issued), as such stated capital may be adjusted by the board. This limitation does not apply to distributions involving a purchase or redemption of shares to eliminate fractional shares,

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

collect indebtedness, pay dissenting shareholders or redeem shares if net assets equal or exceed the proposed distribution.

33

Delaware

Under Delaware law, a corporation may, subject to any restrictions contained in its certificate of incorporation, pay dividends out of surplus and, if there is not surplus, out of net profits for the current and/or the preceding fiscal year, unless the net assets of the corporation are less than the capital represented by issued and outstanding stock having preferences on asset distributions. Surplus is defined under Delaware law as the excess of the net assets (essentially, the amount by which total assets exceed total liabilities) over capital (essentially, the aggregate par value of the shares of the corporation having a par value that have been issued plus consideration paid for shares without par value that have been issued), as such capital may be adjusted by the board of directors.

The Certificate of Incorporation of Crimson Resources does not provide otherwise.

STOCK REDEMPTION AND REPURCHASE.

Texas

As noted above, under Texas law, the purchase or redemption by a corporation of its shares constitutes a distribution. Accordingly, the discussion above relating to distributions is applicable to stock redemptions and repurchases.

Delaware

Under Delaware law, a corporation may purchase or redeem shares of any class except when its capital is impaired or would be impaired by such purchase or redemption. A corporation may, however, purchase or redeem out of capital, shares that are entitled upon any distribution of its assets to a preference over another class or series of its stock, or, if no shares entitled to such a preference are outstanding, any of its own shares, if such shares are to be retired and the capital reduced.

INDEMNIFICATION OF DIRECTORS AND OFFICERS. Texas and Delaware law have similar provisions and limitations regarding indemnification by a corporation of its officers, directors, employees and agents. If the Reincorporation is approved, the indemnification provisions of Delaware law will not apply to any act or omission that occurs before the Effective Date. The following is a summary comparison of the indemnification provisions of Texas and Delaware law:

SCOPE.

Texas. Under Texas law, a corporation is permitted to provide indemnification or advancement of expenses, by articles of incorporation or bylaw provision, resolution of the shareholders or directors, agreement, or otherwise, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the person in connection with the proceeding. However, if the person is found liable to the corporation, or if the person is found liable on the basis he received an improper personal benefit, indemnification under Texas law is limited to the reimbursement of reasonable expenses and no indemnification will be available if the person is found liable

for willful or intentional misconduct.

34

Delaware. Delaware law permits a corporation to indemnify directors, officers, employees, or agents against judgments, fines, amounts paid in settlement, and reasonable costs, expenses and counsel fees paid or incurred in connection with any proceeding, other than an action by or in the right of the corporation, to which such director, officer, employee or agent may be a party, provided such a director, officer, employee or agent shall have acted in good faith and shall have reasonably believed (a) in the case of a civil proceeding, that his conduct was in or not opposed to the best interests of the corporation, or (b) in the case of a criminal proceeding, that he had no reasonable cause to believe his conduct was unlawful. In connection with an action by or in the right of the corporation against a director, officer, employee or agent, the corporation has the power to indemnify such director, officer, employee or agent for reasonable expenses incurred in connection with such suit (a) if such person acted in good faith and in a manner not opposed to the best interests of the corporation, and (b) if found liable to the corporation, only if ordered by a court of law. Section 145 of the DGCL provides that such section is not exclusive of any other indemnification rights which may be granted by a corporation to its directors, officers, employees or agents.

The Certificate of Incorporation of Crimson Resources provides for mandatory indemnification of directors to the fullest extent permitted by Delaware law (and Crimson Resources' Bylaws provide for such indemnification), as do our Articles of Incorporation, but for any person that we have the power to indemnify.

#### ADVANCEMENT OF EXPENSES.

Texas. Under Texas law, expenses, including reasonable court costs and attorneys' fees, incurred by a director who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is a director of such corporation may be paid or reimbursed by the corporation prior to the final disposition of the proceeding after the corporation receives: (i) a written affirmation by the director of his good faith belief that he has met the standard of conduct necessary for indemnification under Texas law; and (ii) a written undertaking by or on behalf of the director to repay the amount paid or reimbursed if it is ultimately determined that he has not met those requirements or if it is ultimately determined that indemnification for such expenses is prohibited under Texas law. A former director may be so reimbursed on any terms the corporation deems appropriate.

Delaware. Delaware law provides for the advancement of expenses for such proceedings upon receipt of a similar undertaking; such undertaking, however, need not be in writing. Delaware law does not require that such director give an affirmation regarding his conduct in order to receive an advance of expenses.

35

#### PROCEDURE FOR INDEMNIFICATION.

Texas. Texas law provides that a determination that indemnification is appropriate shall be made: (i) by a majority vote of the directors who, at the time of the vote, are not party to the proceeding, regardless of whether such

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

directors constitute a quorum; (ii) by a majority vote of a special committee of the board of directors designated by a majority vote of the directors who at the time of the vote are not parties to the proceeding consisting solely of one or more directors, who at the time of the vote, are not party to the proceeding; (iii) by special legal counsel selected by majority vote under (i) or (ii); or (iv) by vote of all shareholders, but excluding from the vote those shares held by directors who, at the time of the vote, are party to the proceeding.

Delaware. Delaware law provides that a determination that indemnification is appropriate shall be made: (i) by a majority vote of directors who are not party to the proceeding, even though less than a quorum; (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; (iii) if there are no such directors or if such directors so direct, by independent legal counsel in a written opinion; or (iv) by stockholder vote.

### MANDATORY INDEMNIFICATION.

Texas. Under Texas law, indemnification by the corporation is mandatory only if the director is wholly successful on the merits or otherwise, in the defense of the proceeding.

Delaware. Delaware law requires indemnification with respect to any claim, issue or matter on which the director is successful on the merits or otherwise, in the defense of the proceeding.

### INSURANCE.

Texas. Texas law allows a corporation to purchase and maintain insurance on behalf of (i) any person who is or was a director, officer, employee or agent of the corporation, or (ii) any person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against such person and incurred by such person in such a capacity or arising out of his status as such a person, whether or not the corporation would otherwise have the power to indemnify him against that liability. Under Texas law, a corporation may also establish and maintain arrangements, other than insurance, to protect these individuals, including a trust fund or surety arrangement.

Delaware. Delaware law is substantially the same as Texas.

### PERSONS COVERED.

Texas. Texas law expressly and separately addresses the indemnification of officers, employees and agents. The protections afforded to these persons under Texas law resemble those provided to directors.

Delaware. Delaware law provides the same indemnification rights to officers, employees and agents as it provides for directors.

### STANDARD OF CARE.

The standard of care required under Texas and Delaware law is substantially the same. In general, directors are charged with the duty in their decision-making process and oversight responsibilities to act as would a reasonably prudent person in the conduct of such person's own affairs.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

### CONTINUITY OF INDEMNIFICATION.

Texas. Texas law does not contain a provision that expressly provides indemnification after a directorship has terminated for acts or omissions which took place prior to such termination.

Delaware. Delaware law does contain a provision which expressly provides that the statutory indemnification provisions: (i) apply to a director after the termination of the directorship with respect to acts performed while a director, and (ii) inure to the benefit of the estate and personal representatives of the director.

### SHAREHOLDER REPORTS.

Texas. Texas law requires a written report to the shareholders upon indemnification or advancement of expense.

Delaware. Delaware law does not have a similar reporting requirement.

### SPECIFIC INSTANCES OF DIRECTOR LIABILITY.

Texas. Texas law holds the directors of a corporation specifically liable for corporate distributions that are not permitted by statute, unless the directors acted in good faith and with ordinary care in determining that adequate provision existed to permissibly make a distribution.

Delaware. Delaware law does not contain provisions analogous to this provision of Texas law.

### LIMITED LIABILITY OF DIRECTORS.

Texas. Texas law permits a corporation to eliminate in its articles of incorporation all monetary liability of a director to the corporation or its shareholders for conduct in the performance of such director's duties. However, Texas law does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its shareholders; (ii) failing to act in good faith; (iii) engaging in intentional misconduct or a known violation of law; (iv) engaging in a transaction from which the director obtains an improper benefit; or (v) violating applicable statutes which expressly provide for the liability of a director.

37

Delaware. Delaware law similarly permits the adoption of a provision in the certificate of incorporation limiting or eliminating the monetary liability of a director to a corporation or its stockholders by reason of a director's breach of the fiduciary duty of care. Delaware law does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its stockholders; (ii) failing to act in good faith; (iii) engaging in intentional misconduct or a known violation of law; (iv) obtaining an improper personal benefit from the corporation; or (v) declaring an improper dividend or approving an illegal stock purchase or redemption.

GulfWest's Articles of Incorporation and Crimson Resources' Certificate of Incorporation both eliminate the monetary liability of a director to the fullest extent permitted by applicable law.

### POSSIBLE DISADVANTAGES OF REINCORPORATION AND ADDITIONAL CHANGES TO OUR BYLAWS

There are a number of substantive differences between the DGCL and the TBCA and some of those differences may, under certain circumstances, limit rights of

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

shareholders with respect to the management of the Company's affairs. For example, unlike the TBCA, the DGCL does not require a corporation to permit stockholders to call a special meeting of stockholders. Accordingly, except as provided in Certificates of Designation for the preferred stock, we have not made provision for stockholders calling special meetings in the Certificate of Incorporation governing Crimson Resources.

See "Certain Changes in the Rights of Shareholders" above for a more detailed summary of the differences between Texas and Delaware law.

Crimson Resources' Bylaws have more stringent requirements regarding notice of business to be transacted at stockholders' meetings and for nominating nominees for director. Business at special meetings under Crimson Resources' Bylaws will be limited to the stated purpose or purposes of that meeting, whereas under our bylaws other business may be transacted if all shareholders entitled to vote are present and consent.

Under Crimson Resources' Bylaws, to properly bring a matter before an annual meeting by a stockholder, that stockholder must give notice in proper form (including a representation that the stockholder will appear in person at the meeting to bring such business before the meeting) to Crimson Resources no later than the 90th day nor earlier than the opening of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders, unless the annual meeting is called for a date not within 45 days before or after that anniversary date in which case a different notice period results. Alternatively, a stockholder may satisfy its notice obligations with respect to a proposal (other than nominations) by complying with Rule 14a-8 under the Securities Exchange Act of 1934.

Generally, except with respect to preferred stockholders with respect to those directors elected by those holders of Crimson Resources' preferred stock, in order for a stockholder to nominate a nominee for director, notice must be given to Crimson Resources in proper form (including a representation that the stockholder will appear in person at the meeting to nominate that nominee) (i) in the case of an annual meeting, not later than the close of business on the 90th day nor earlier than the opening of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders, unless the annual meeting is called for a date that is not within 45 days before or after such anniversary date in which case a different notice period results, and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 10th day following the day on which public announcement of the date of the special meeting is first made by Crimson Resources.

38

Despite these potential disadvantages to the Reincorporation, we believe that the advantages of the Reincorporation to the Company and its shareholders outweigh its possible disadvantages.

The summary of the differences in Texas and Delaware law and the summary of the potential disadvantages to the Reincorporation above are only summaries, and are qualified in their entirety by reference to Crimson Resources' Certificate of Incorporation and Bylaws, which are attached hereto as APPENDIX B and APPENDIX C, respectively.

### RIGHTS OF DISSENTING SHAREHOLDERS

With certain exceptions which are not applicable to the Reincorporation, Article 5.11 of the TBCA gives each such shareholder of the Company entitled to vote on the Reincorporation the right to object to a merger. Article 5.12 of the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

TBCA gives each shareholder of the Company entitled to vote on the Reincorporation the right to demand payment of the fair value of his shares calculated as of the day before the vote was taken authorizing the merger, excluding any appreciation or depreciation in anticipation of the merger. Inasmuch as the Reincorporation contemplates such a merger of the Company, the rights under Article 5.11 will apply to the Reincorporation. However, because the Reincorporation is not intended to have any material effect upon the Company's business or financial condition, the Company reserves its right to abandon the Reincorporation for any reason at any time before the merger becomes effective, and would expect to do so if the holders of a substantial number of shares of our Common Stock or Preferred Stock entitled to exercise such dissenter's rights do so.

In order to perfect his dissenter's rights, a shareholder of GulfWest must, prior to the taking of the vote of shareholders on the merger, file with GulfWest a written objection to the merger, notifying GulfWest that his right to dissent will be exercised if the merger is effected and specifying the address to which notice shall be delivered or mailed in such event. If our merger into Crimson Resources is effected and the shareholder has not voted in favor thereof, GulfWest must, within ten days after the merger is effected, deliver or mail to such shareholder written notice thereof and such shareholder may, within ten days from the delivery or mailing of such notice, make written demand on the surviving corporation for payment of the fair value of his shares. Such demand must state the number and class of shares owned by the dissenting shareholder and his estimate of the fair value thereof. It is not necessary for the shareholder to vote against the Reincorporation (although he may not vote in favor of the Reincorporation, if he desires to preserve his dissenter's appraisal rights); however, any shareholder failing to make demand within the ten day period will be bound by such corporate action. A vote against or abstaining with respect to the proposed Reincorporation will not satisfy the requirement that the shareholder make demand for payment of his shares. Within 20 days after demanding payment for his or her shares in the manner described above, each holder of certificates representing shares so demanding payment shall submit such certificates to Crimson Resources for notation thereon that such demand has been made.

39

Within 20 days after receipt by GulfWest of a demand by the dissenting shareholder for payment of the fair value of his shares, we shall deliver or mail to the dissenting shareholder a written notice that GulfWest will either: (i) pay the amount claimed within 90 days after the date the merger is effected upon the surrender of the duly endorsed certificates; or (ii) pay some other amount as the fair value within 90 days after the date the merger was effected, upon receipt of notice within 60 days after the date the merger was effected from the shareholder that he will accept such amount in exchange for surrender of his duly endorsed certificates. If the Company and the dissenting shareholder can agree upon the fair value, such value will be paid and the dissenting shareholder shall cease to have any interest in such shares or in the corporation. If agreement as to the fair value cannot be reached, either the dissenting shareholder or the Company may, within the time limits prescribed by Article 5.12 of the TBCA, file a petition in a court of competent jurisdiction in Harris County, Texas, asking for a finding and determination of the fair value of such shares. Court costs will be allocated between the parties in such manner as the court shall determine to be fair and equitable.

The foregoing summary does not purport to be a complete statement of the rights of dissenting shareholders, and such summary is qualified in its entirety by references to Article 5.11, 5.12 and 5.13 of the TBCA, which are reproduced

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

in full as APPENDIX D hereto.

### VOTES REQUIRED FOR REINCORPORATION, MERGER AND PLAN OF MERGER

Approval of the Reincorporation, Merger and Plan of Merger, and the resulting increase in the outstanding shares of common stock, requires the affirmative vote of (i) a majority of votes entitled to be cast in respect of the shares of Common Stock, Series G Preferred Stock and Series H Preferred Stock, voting together as a single class and (ii) a majority of each of the Common Stock, Series G Preferred Stock and Series H Preferred Stock, each voting by itself separately as a class.

THE BOARD BELIEVES THAT THE REINCORPORATION, PLAN OF MERGER AND MERGER IS IN THE BEST INTEREST OF THE COMPANY AND ITS SHAREHOLDERS AND RECOMMENDS A VOTE FOR ITS APPROVAL.

40

### Proposal 3

#### Approval of 2004 Stock Option and Compensation Plan

The Board asks shareholders to approve the adoption of the 2004 Stock Option and Compensation Plan (the "2004 Plan"). However, options that have been granted under the 2004 Plan were not and are not contingent on shareholder approval, nor was Board approval of the 2004 Plan contingent on shareholder approval. Effective July 15, 2004, the Board adopted the 2004 Plan. The 2004 Plan sets forth the terms pursuant to which options to purchase Common Stock may be granted by the Board, or a committee designated by the Board. The discussion which follows is qualified in its entirety by reference to the 2004 Plan, a copy of which is attached to the Proxy Statement as APPENDIX E.

The purpose of the 2004 Plan is to promote the growth and general prosperity of the Company by permitting the Company to grant to its key employees (including officers) options to purchase Common Stock of the Company. Directors are also eligible to receive options under the 2004 Plan. The 2004 Plan is designed to help the Company attract and retain superior personnel for positions of substantial responsibility and to provide employees with an additional incentive to contribute to the success of the Company.

The material features of the 2004 Plan are summarized below. Such summary does not, however, purport to be complete and is qualified in its entirety by the terms of the 2004 Plan.

#### ADMINISTRATION

The 2004 Plan will be administered by the Board or by a committee of directors appointed by the Board. Prior to termination the Board or committee had the sole discretion and authority to determine from time to time the individuals to whom options were granted and the number of shares subject to each option, and have the sole and absolute discretion to interpret the 2004 Plan, to prescribe, amend and rescind any rules and regulations necessary or appropriate for the administration of the 2004 Plan, to determine and interpret the details and provisions of each option agreement, to modify or amend any option agreement or waive any conditions or restrictions applicable to any option or the exercise thereof, and to make all other determinations necessary or advisable for the administration of the 2004 Plan. Except when the entire Board is the 2004 Plan administrator, the Committee shall consist solely of two or more persons who are both "nonemployee directors" within the meaning of Rule 16b-3 under the Exchange Act and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code (the "Code") and the regulations promulgated thereunder.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

### TERMS OF NONQUALIFIED STOCK OPTIONS AVAILABLE FOR GRANT UNDER THE 2004 PLAN

Only options that do not qualify as an "incentive stock option" under Section 422 of the Code (nonqualified options) may be granted under the 2004 Plan. Nonqualified options provide for the right to purchase Common Stock at a price specified by the Board or committee, but may not be less than the fair market value at the time of grant, and may, but need not, become exercisable in installments after the grant date. Nonqualified options may be granted for any reasonable term, but may not be exercisable later than ten years after the date of grant. The Board or committee has the discretion to include in each option agreement provisions regarding exercisability of options following termination of an optionee's employment or service as the Board or committee, in its sole discretion, deems to be appropriate. Options may be transferable at the discretion of the Board or committee upon five days notice, subject to compliance with applicable securities laws.

41

The method of exercise for an option will be as set forth in the applicable option agreement. The purchase price will be paid at the time of exercise either in cash, certified or cashier's check, by cash or certified cashier's check for the par value of the shares plus a promissory note for the balance of the purchase price, by delivery of a copy of irrevocable instructions from the optionee to a broker or dealer to sell certain of the shares purchased upon exercise of the option or to pledge them as collateral for a loan and promptly deliver to the Company the sale or loan proceeds necessary to pay the purchase price, or in any other form of valid consideration, as permitted by the Board or committee.

The Board or committee may accelerate the exercisability of any option in whole or in part at any time.

If the Company or its shareholders enter into an agreement to dispose of all or substantially all of the assets of the Company by means of a sale, merger or other reorganization, liquidation or otherwise in a transaction in which the Company is not the surviving corporation, any option will become immediately exercisable with respect to the full number of shares subject to that option during the period commencing as of the date of the agreement to dispose of all or substantially all of the assets of the Company and ending when the disposition of assets contemplated by that agreement is consummated or the option is otherwise terminated, whichever occurs first. No option will become immediately exercisable when the shareholders of the Company immediately before the consummation of the transaction will own at least 50% of the total combined voting power of all classes of stock entitled to vote of the surviving entity immediately after the consummation of the transaction, or if the transaction contemplated in the agreement is a merger or reorganization in which the Company will survive.

In the event of a change in control or threatened change in control of the Company, all options granted prior to the change in control or threatened change in control will become immediately exercisable. The term "change in control" refers to the acquisition of 25% or more of the voting securities of the Company by any person or by persons acting as a group within the meaning of Section 13(d)(3) of the Exchange Act of 1934 (other than an acquisition by a person or group meeting the requirements of clauses (i) and (ii) of Rule 13d-1(b)(1) promulgated under the Exchange Act). However, no change in control or threatened change in control will be deemed to have occurred if prior to the acquisition of, or offer to acquire, 10% or more of the voting securities of the Company, the full board has adopted by not less than two thirds vote a resolution specifically approving such acquisition or offer. The preferred stock offering

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

in February 2005 in which OCM GW Holdings, LLC acquired a controlling interest in the Company ("See Security Ownership of Certain Beneficial Owners and Management") caused all outstanding options to vest.

### TERMINATION AND AMENDMENT

The 2004 Plan terminated on February 11, 2005. No options may be granted under the 2004 Plan after that date of termination. The Board or committee could have at any time amended or revised the terms of the 2004 Plan, including the form and substance of the option agreements to be used in connection with the 2004 Plan. No amendment, suspension, or termination of the 2004 Plan may, without the consent of the optionee who has received an option under the 2004 Plan, alter or impair any of that optionee's rights or obligations under any option granted under the 2004 Plan prior to that amendment, suspension or termination.

42

### SHARES SUBJECT TO THE 2004 PLAN

A maximum of 1,610,000 shares of Common Stock was reserved for issuance under the 2004 Plan. Based upon the closing price of \$\_\_\_\_\_ for a share of Common Stock on April 15, 2005, the aggregate value of the Common Stock reserved for issuance under the 2004 Plan is approximately \$\_\_\_\_\_. The 2004 Plan provides that no single individual may be granted in any one year options to purchase greater than 500,000 shares of Common Stock. Otherwise, there is no limit on the number of options that could have been granted to any one individual.

If the outstanding Common Stock is increased, decreased, changed into or exchanged for a different number or kind of shares or securities through merger, consolidation, combination, exchange of shares, other reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment will be made in the maximum number and kind of shares as to which options may be granted and director fees paid under the 2004 Plan. A corresponding adjustment will be made in the number or kind of shares allocated to and purchasable under unexercised options or portions thereof granted prior to any such change. Any such adjustment in outstanding options will be made without change in the aggregate purchase price applicable to the unexercised portion of the option, but with a corresponding adjustment in the price for each share purchasable under the option. The foregoing adjustments and the manner of application of the foregoing provisions will be determined solely by the Board or committee, and any such adjustment may provide for the elimination of fractional share interests.

On April 15, 2005, there were 1,500,000 options outstanding under the 2004 Plan. We have granted options to purchase 1,030,000 shares under the 2004 Plan to 12 regular employees, 495,000 shares to 3 officers, including 210,000 shares to a director who is also an officer at the time of grant. As the 2004 Plan terminated on February 11, 2005, we may not grant any additional options under the 2004 Plan, but the outstanding options will continue to be governed by the terms of the 2004 Plan.

### PERFORMANCE-BASED COMPENSATION -- SECTION 162(m) REQUIREMENT

The 2004 Plan is not intended to comply with 162(m) of the Code or to preserve the Company's tax deduction for certain awards made under the 2004 Plan by complying with the terms of Section 162(m) of the Code and regulations relating thereto.

See Proposal No. 4 below regarding approval of our 2005 Stock Incentive Plan for a discussion of 162(m) of the Code and the federal income tax

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

consequences of nonqualified options granted under the 2004 Plan.

### VOTE REQUIRED AND BOARD RECOMMENDATION

Assuming the presence of a quorum at the Annual Meeting, the affirmative vote of a majority of the votes cast on the matter by the holders of the Common Stock, Series G Preferred Stock and Series H Preferred Stock at the Annual Meeting is required to approve the adoption of the 2004 Stock Option and Compensation Plan. However, neither grants under the 2004 Plan nor the 2004 Plan itself is contingent on obtaining shareholder approval.

43

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE ADOPTION OF THE 2004 PLAN. PROXY CARDS EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.

### Proposal 4 Approval of 2005 Stock Incentive Plan

On February 28, 2005, the Board approved the adoption of the GulfWest Energy Inc. 2005 Stock Incentive Plan (the "Plan"), effective February 28, 2005 (the "Plan Effective Date"). Incentive stock options, nonstatutory stock options, restricted awards, unrestricted awards, performance awards, stock appreciation rights and dividend equivalent rights ("Awards") may be granted under the Plan on and after the Plan Effective Date. Awards may not be granted after February 24, 2015. The discussion which follows is qualified in its entirety by reference to the Plan, a copy of which is attached to the Proxy Statement as APPENDIX F.

The aggregate number of shares of the Company's Common Stock that may be issued and outstanding pursuant to the exercise of Awards under the Plan (the "Option and Restricted Stock Pool") will not exceed 28,525,000 shares, all of which may be used for incentive stock options. This aggregate number of shares will be reduced by 1,525,000, the number of shares of underlying options and awards granted and outstanding on the Effective Date ("Prior Outstanding Awards") under the 2004 Plan. If the Prior Outstanding Awards and/or the Awards expire, become forfeited or terminate, the shares may be added back into the Option and Restricted Stock Pool and reissued under the Plan. In the event of any change in the outstanding common shares of the Company as a result of a merger, consolidation, reorganization, recapitalization, reincorporation, stock split, liquidating dividend, stock dividend, dividend in property other than cash, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company, appropriate proportionate adjustments will be made to reflect any increase or decrease in the number of issued shares of Common Stock or change in the value of the Common Stock resulting from such transaction. No such adjustments will be required by the conversion of securities convertible into or exchangeable for shares of the Company's Common Stock.

### PURPOSE AND ELIGIBILITY

The purpose of the Plan is to advance the interests of the Company and its shareholders by helping the Company and its affiliates obtain and retain the services of directors, employees and consultants, who will contribute to the Company's long-range success, and to provide incentives to advance the interests of the Company.

The objectives of the Plan will be accomplished by the granting of nonstatutory stock options, restricted awards, unrestricted awards, performance

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

awards, stock appreciation rights and dividend equivalent rights to selected directors, key employees and consultants. Incentive stock options ("ISOs") may be granted only to employees.

44

Eligible award recipients are defined in the Plan to mean employees, consultants or directors of the Company or its affiliates. Eligible award recipients may be granted Awards under the Plan if so selected by the Board of Directors or Committee appointed by the Board of Directors (the "Administrator"). We have 26 full time employees who may participate in the Plan. Currently, we have awarded nonqualified options to purchase 22,400,000 shares of Common Stock to six of our officers, the terms of which are described under "Executive Compensation."

### ADMINISTRATION

The Administrator has the power and authority:

- o to select, subject to the limitations set forth in the Plan, the persons to whom Awards will be granted under the Plan;
- o to construe and interpret the Plan and apply its provisions;
- o to promulgate, amend and rescind rules and regulations relating to the administration of the Plan;
- o to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- o to determine when Awards are to be granted under the Plan;
- o to determine the number of shares of Common Stock to be made subject to each Award;
- o to determine whether each Stock Option is to be an ISO or a Non-Statutory Stock Option;
- o to prescribe the terms and conditions of each Award, including the exercise price and medium of payment, vesting provisions and Right of Repurchase provisions, and to specify the provisions of the Award Agreement relating to such grant or sale;
- o to amend any outstanding Awards for the purpose of modifying the time or manner of vesting, the purchase price or exercise price, as the case may be, subject to applicable legal restrictions; provided, however, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award, such amendment shall also be subject to the Participant's consent (provided, however, a cancellation of an Award where the Participant receives a payment equal in value to the Fair Market Value of the vested Award or, in the case of vested Options, the difference between the Fair Market Value of the Common Stock subject to a Stock Option and the exercise price, shall not constitute an impairment of the Participant's rights that requires consent);

45

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

- o to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment for purposes of the Plan;
- o to make decisions with respect to outstanding Stock Options that may become necessary upon a change in corporate control or an event that triggers anti-dilution adjustments; and
- o to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for administration of the Plan.

### AMENDMENT AND TERMINATION

The Administrator may amend or terminate the Plan at any time, provided that: (i) no amendment shall be effective unless approved by the shareholders to the extent shareholder approval is necessary to satisfy any applicable law or any Nasdaq or securities exchange listing requirements; and (ii) no action of the Administrator shall impair any Award previously granted under the Plan without the consent of such affected Award holder. The Plan will terminate automatically on February 24, 2015.

### INCENTIVE STOCK OPTIONS AND NON-QUALIFIED STOCK OPTIONS

The Plan authorizes the grant of both ISOs and NSOs ("NSO", and together with ISO, the "Option"), both of which are exercisable for shares of the Company's Common Stock. The price that an ISO holder must pay in order to exercise an ISO shall be not less than 100% of fair market value of Common Stock at the time of the grant. The price that a NSO holder must pay in order to exercise a NSO shall be not less than 35% of fair market value of Common Stock at the time of the grant. If a NSO is less than the fair market value per share of the Company's Common Stock on the date of the Option grant, the NSO shall be a grant or award that is considered "nonqualified deferred compensation" within the meaning of Section 409A of the Code and thus subject to additional requirements. Although the Plan permits NSOs to be granted at less than fair market value, it is anticipated that all options will be granted with an exercise price that is not less than fair market value of the Company's Common Stock on the date of grant. However, in the event an option is granted at less than fair market value or is modified at a time when fair market value is higher than the stated exercise price, the plan imposes additional restrictions that are intended to satisfy federal tax requirements applicable to nonqualified deferred compensation. In the case of ISOs granted to persons possessing more than 10% of the total combined voting power or value of all classes of stock of the Company and/or its subsidiaries, the Option price will be no less than 110% of the fair market value per share of the Company's Common Stock on the date of the grant. Fair market value will be determined by the Administrator. Provided that the Company's Common Stock is traded on the Nasdaq, the fair market value shall mean average of the high and low prices reported for such date or, if no trading occurred on the applicable exchange for that date, for the latest trading date prior to such date. If the Company's Common Stock was traded on a national securities exchange or the Nasdaq National Market or Nasdaq Small Cap Market as of the date in question, then the fair market value will be the closing price reported on such date. An Option holder may pay all or a portion of the Option exercise price by payments in cash, or, in the discretion of the Administrator, by surrendering shares already owned (for at least six months), by a broker assisted cashless exercise or in any other form of legal consideration acceptable to the Administrator, including with a full recourse promissory note.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

The period during which an Option may be exercised shall be determined by the Administrator and, for ISOs, may not extend more than ten years from the date of the grant, except in the case of ISOs granted to persons possessing more than 10% of the total combined voting power or value of all classes of stock of the Company and/or its subsidiaries in which case the Option period will not exceed five years from the date of grant.

To the extent not previously exercised, each ISO and NSO will terminate upon the expiration of the Option period specified in the option agreement provided, however that, subject to the discretion of the Administrator, each ISO and NSO will terminate, if earlier: (i) upon the date of termination of holder's service for any reason other than for cause, death or disability, provided that the option is not exercisable; (ii) one year after the date that the Option holder ceases to be an eligible participant by reason of such participant's death or disability; (iii) immediately upon the Option holder's termination of employment or service as a director for cause (whether or not the Option is vested); (iv) upon the 30th day after termination of service or commencement of employment with a competitor of the Company provided that holder resigns from service and is employed by a competitor of the Company; or (v) 3 months after the end of a period when holder was unable to exercise the Option because to do so would violate state or federal securities laws.

### RESTRICTED STOCK AWARDS

The Plan authorizes the grant of restricted stock awards which award shares of the Company's Common Stock to the recipient subject to forfeiture and transferability restrictions for a specified period. The recipient becomes vested and the shares of restricted stock become nonforfeitable and transferable pursuant to the terms and conditions of the restricted stock agreement. The Administrator has the authority to establish the terms and conditions of restricted stock awards, including the period over which such awards will vest and become nonforfeitable and whether the Company has the right to reacquire or repurchase the shares upon termination of the recipient's service. To the extent that an eligible participant has not become vested in shares of the Company's Common Stock subject to a restricted stock award prior to termination of employment, death or disability, the eligible participant shall forfeit such shares or the Administrator, in its discretion, may repurchase non-vested shares for an amount equal to the lesser of any purchase price paid by the participant (other than services) or the current fair market value.

### UNRESTRICTED AWARDS

The Plan authorizes the Administrator, in its sole discretion, to grant unrestricted awards, pursuant to which the recipient may receive shares of the Company's Common Stock free of vesting and transfer restrictions. Unless the recipient elects to defer receipt, the recipient will receive the beneficial ownership rights of the Company's Common Stock no later than 2 1/2 months after either the recipient's or the Company's taxable year for which services rendered as consideration were provided.

47

### PERFORMANCE AWARDS

The Plan authorizes the Administrator, in its sole discretion, to grant performance awards to any eligible plan participant, either independent of or in conjunction with the granting of other awards. The Administrator will establish the performance goals based on a pre-established objective formula or standard.

### STOCK APPRECIATION RIGHTS

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Stock Appreciation Rights ("SARs") may be granted independently of any Option or in conjunction with all or any part of an Option granted under the Plan, upon such terms and conditions as the Administrator may determine. Upon exercise, a SAR entitles an eligible participant to receive a cash payment equal to the positive difference between the fair market value of the Company's Common Stock on the date the SAR is exercised and the value of a share of the Company's Common Stock as stated in the SAR agreement.

### DIVIDEND EQUIVALENT RIGHTS

The Plan authorizes the Administrator, in its sole discretion, to grant a dividend equivalent right to an eligible recipient to allow the eligible recipient to receive credits based on cash dividends that would be paid on the shares of the Company's Common Stock as specified in the grant. A dividend equivalent right may be granted either independently or in conjunction with the granting of other awards.

### TRANSFERABILITY; DIVIDEND AND VOTING RIGHTS; WITHHOLDING

The terms of the Plan provides that ISOs, shares of unrestricted stock and performance awards are not transferable other than by will or the laws of descent and distribution. NSOs and restricted awards may not be transferred other than by will, the laws of descent and distribution, or, at the discretion of the Administrator, by direct gift to certain permitted transferees. Holders of Awards shall have no dividend rights unless the recipient is granted an Award entitling the recipient to receive credits based on cash dividends that would be paid on the shares of the Company's Common Stock.

The Plan provides that, subject to the discretion of the Administrator, recipients of options may pay all required local, state and federal withholding taxes associated with the exercise of options in cash, by surrendering shares already owned, by withholding shares issued pursuant to the option being exercised or by executing a promissory note unless otherwise provided by the Award agreement or by the Administrator, in its discretion.

### CHANGE IN CONTROL

In the event of a change of control of the Company, dissolution or liquidation of the Company, or any corporate separation or division, the Company, to the extent permitted by applicable law, but otherwise in the sole discretion of the Administrator, may provide for:

- o the continuation of outstanding grants by the Company (if the Company is the surviving entity);

48

- o the assumption of the Plan and such outstanding grants by the surviving entity or its parent;
- o the substitution by the surviving entity or its parent of grants with substantially the same terms for such outstanding grants and, if appropriate, subject to the equitable capitalization adjustments;
- o the cancellation of such outstanding grants in consideration for a payment equal in value to the Fair Market Value of vested grants, or in the case of an Option, the difference between the Fair Market Value and the exercise price for all shares of Common Stock subject to exercise (i.e., to the extent vested) under any outstanding Option.
- o The cancellation of such outstanding grants without payment of any

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

consideration subject to a right to exercise prior to cancellation.

In the event of a change in control of the Company, on the effective date of such change in control, the Administrator, in its discretion, may elect for all Options to become fully exercisable or to accelerate vesting. In the event of a change of control of the Company, on the effective date of such change in control, the Administrator, in its discretion, may elect for the acceleration of vesting for restricted awards and performance awards.

For purposes of the Plan, a change of control of the Company means:

(A) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company to any "person" (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) other than Oaktree Capital Management, LLC, OCM GW Holdings, LLC and their related parties ("Permitted Holders"); (B) the adoption of a plan relating to the liquidation or dissolution of the Company; (C) the consummation of any transaction (including any merger or consolidation) the result of which is that any "person" or "group" (as such terms are used in Section 13(d) of the Securities Exchange Act of 1934, as amended) other than Permitted Holders, becomes the beneficial owner (as defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934, as amended) directly or indirectly of more than 50% of the voting power of the Company; or (D) incumbent directors cease for any reason to constitute at least a majority of the Board. The foregoing notwithstanding, a transaction shall not constitute a change in control if (1) its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction or (2) it constitutes an initial public offering or a secondary public offering that results in any security of the Company being listed (or approved for listing) on any securities exchange or designated (or approved for designation) as a national market security on an interdealer quotation system.

### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary generally describes the principal federal (and not state and local) income tax consequences of certain awards granted under the Plan. The summary is general in nature and is not intended to cover all tax consequences that may apply to a particular employee or to the Company. Accordingly, any participant receiving a grant under the Plan should consult with his or her own tax adviser. Reference should be made to the applicable provisions of the Code. The provisions of the Code and regulations thereunder relating to these matters are complicated and their impact in any one case may depend upon the particular circumstances.

49

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INCLUDED FOR INFORMATIONAL PURPOSES ONLY. THE DISCUSSION IS BASED ON CURRENTLY EXISTING PROVISIONS OF THE CODE, EXISTING OR PROPOSED TREASURY REGULATIONS THEREUNDER AND CURRENT ADMINISTRATIVE RULINGS AND COURT DECISIONS. ALL OF THE FOREGOING ARE SUBJECT TO CHANGE, AND ANY SUCH CHANGE COULD AFFECT THE CONTINUING VALIDITY OF THIS DISCUSSION. EACH PARTICIPANT IN THE PLAN SHOULD CONSULT HIS OR HER TAX ADVISOR REGARDING SPECIFIC TAX CONSEQUENCES INCLUDING THE APPLICATION AND EFFECT OF STATE AND LOCAL TAX LAWS.

### STOCK OPTIONS

Under existing federal income tax provisions, a participant who receives a

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

NSO or an ISO will not normally realize any income, nor will the Company normally receive any deduction for federal income tax purposes upon the grant of an option. On exercise of an ISO, the holder will not recognize any income and the Company will not be entitled to a deduction. However, the amount by which the fair market value of the shares on the exercise date of an ISO exceeds the purchase price generally will constitute an item of adjustment for alternative minimum tax purposes and may therefore result in alternative minimum tax liability to the optionholder. Generally, upon exercise of a NSO, the excess of the fair market value of Common Stock on the date of exercise over the exercise price will be taxable as ordinary income to the optionee. Subject to any deduction limitation under section 162(m) of the Code (which is discussed below), the Company will be entitled to a federal income tax deduction in the same amount and at the same time as (1) the optionee recognizes ordinary income, or (2) if the Company complies with applicable income reporting requirements, the optionee should have reported the income. The tax basis for the shares acquired is the option exercise price plus the taxable income recognized. An optionee will recognize gain or loss on the subsequent sale of shares acquired upon exercise of a NSO in an amount equal to the difference between the amount realized and the tax basis of such shares. An optionee's subsequent disposition of shares acquired upon the exercise of a NSO will ordinarily result in capital gain or loss.

The disposition of shares acquired upon exercise of an ISO will ordinarily result in capital gain or loss. However, if the holder disposes of shares acquired upon exercise of an ISO within two years after the date of grant or one year after the date of exercise (a "disqualifying disposition"), the holder will generally recognize ordinary income, in the amount of the excess of the fair market value of the shares on the date the option was exercised over the option exercise price. Any excess of the amount realized by the holder on the disqualifying disposition over the fair market value of the shares on the date of exercise of the option will generally be capital gain. The Company will generally be entitled to a deduction equal to the amount of ordinary income recognized by a holder.

50

If an option is exercised through the use of shares previously owned by the holder, such exercise generally will not be considered a taxable disposition of the previously owned shares and thus no gain or loss will be recognized with respect to such shares upon such exercise. However, if the option is an ISO, and the previously owned shares were acquired on the exercise of an ISO or other tax-qualified stock option, and the holding period requirement for those shares is not satisfied at the time they are used to exercise the option, such use will constitute a disqualifying disposition of the previously owned shares resulting in the recognition of ordinary income in the amount described above. The receipt of vested shares in excess of the number of previously owned shares used upon exercise will be taxable as ordinary income to the optionee and the Company will be entitled to a corresponding deduction. To the extent an optionee pays all or part of the option exercise price of a NSO by tendering shares owned by the optionee, the tax consequences described above apply except that the number of shares received upon such exercise which is equal to the number of shares surrendered in payment of the option price will have the same tax basis and holding periods as the shares surrendered. The additional shares received upon such exercise will have a tax basis equal to the amount of ordinary income recognized on such exercise and a holding period which commences on the day following the date of recognition of such income.

Generally, the shares of Common Stock received on exercise of an option under the Plan are not subject to restrictions on transfer or risks of

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

forfeiture and, therefore, the optionee will recognize income on the date of exercise of a NSO. Special rules may apply to treat shares acquired by an optionee who is subject to restrictions under Section 16 of the Securities Exchange Act of 1934, as amended, as subject to a substantial risk of forfeiture.

### RESTRICTED SHARES

Shares granted under the Plan may, in the determination of the administrator, be subject to rights of repurchase and other transfer restrictions. The tax consequences of shares granted under the Plan depend on whether the shares are subject to restrictions and if so, whether the restrictions are deemed to create a "substantial risk of forfeiture" under Code Section 83 (for example, shares granted under the Plan which are subject to our right to repurchase the shares at a price that is less than fair market value which right lapses over a period of continued employment is considered a "substantial risk of forfeiture" under Code Section 83).

If shares are not subject to a "substantial risk of forfeiture," the recipient normally will recognize taxable ordinary income equal to the value of the shares in the year in which the shares are granted less the amount paid for the shares. If the shares are subject to a "substantial risk of forfeiture," the recipient normally will recognize taxable ordinary income as and when the "substantial risk of forfeiture" lapses in the amount of the fair market value of the shares no longer subject to the "substantial risk of forfeiture" less the amount paid for the shares. Upon disposition of the shares, the recipient will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for the shares plus any amount recognized as ordinary income upon grant or vesting of the shares. The gain or loss will be long or short-term depending on how long the recipient held the shares.

A recipient of shares subject to a "substantial risk of forfeiture" may make an election under Code Section 83(b) to recognize ordinary income in the year the recipient purchases the Restricted Shares, rather than waiting until the "substantial risk of forfeiture" lapses. If the recipient makes a Section 83(b) election, the recipient will be required to recognize as ordinary income in the year the recipient purchases the shares the difference, if any, between the fair market value of the shares on the purchase date and the purchase price paid. If the recipient makes a Section 83(b) election, the recipient will not be required to recognize any income when the "substantial risk of forfeiture lapses."

51

Generally, with respect to employees, we are required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the recipient.

### PERFORMANCE SHARES

Performance shares will generally be treated in the same manner as restricted stock for federal income tax purposes.

### PERFORMANCE-BASED COMPENSATION -- SECTION 162(m) REQUIREMENT

Section 162(m) of the Code generally disallows a federal income tax deduction to any publicly held corporation for compensation paid in excess of \$1 million in any taxable year to the chief executive officer or any of the four

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

other most highly compensated executive officers who are employed by Company on the last day of the taxable year, but does allow a deduction for "performance-based compensation," the material terms of which are disclosed to and approved by the shareholders. The Company has structured and intends to implement and administer the Plan so that compensation resulting from stock option exercises, including options vesting in accordance with certain specified performance goals can qualify as "performance-based compensation." The Administrator, however, has the discretion to grant Awards with terms that will result in the Awards not constituting performance-based compensation. To allow the Company to qualify options and other Awards as "performance-based compensation," the Company is seeking shareholder approval of the Plan.

### SECTION 280(G)

Under certain circumstances, the accelerated vesting or exercise of options or the accelerated lapse of restrictions with respect to other Awards in connection with a change of control might be deemed an "excess parachute payment" for the purposes of the golden parachute tax provisions of Section 280G of the Internal Revenue Code. To the extent it is so considered, the grantee may be subject to a 20% excise tax and the Company may be denied a federal income tax deduction.

### SECTION 409A

Effective January 1, 2005, Section 409A of the Code imposes new requirements on nonqualified deferred compensation, including restrictions on (1) the timing of elections to defer; (2) the timing of distributions; and (3) restrictions on the ability of the employer or the participant to accelerate the timing of distributions. Nonqualified deferred compensation arrangements that do not satisfy these requirements are currently includible in gross income to the extent not subject to a substantial risk of forfeiture and not previously included in gross income. If a deferred amount is required to be included in

52

income under Section 409A, the amount also is subject to interest and an additional income tax. The interest imposed is equal to the interest at the underpayment rate plus one percentage point, imposed on the underpayments that would have occurred had the compensation been includible in income for the taxable year when first deferred, or if later, when not subject to a substantial risk of forfeiture. The additional income tax is equal to 20 percent of the compensation required to be included in gross income. Subject to certain exceptions, the grant of a stock option, Stock Appreciation Right or other equity-based compensation may provide for a deferral of compensation subject to Section 409A. The new rules apply to nonqualified deferred compensation Awards granted on or after January 1, 2005 and will apply to nonqualified deferred compensation Awards granted prior to 2005 that are not vested by December 31, 2004 and may apply to vested Awards that are modified after such date.

A nonstatutory stock option does not provide for a deferral of compensation if: (1) the exercise price may never be less than the fair market value of the underlying shares on the date the option is granted, (2) the receipt, transfer or exercise of the option is subject to taxation under Section 83 of the Code, and (3) the option does not include any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of the option. If under the terms of the option, the amount required to purchase the share is or could become less than the fair market value of the shares on the date of grant, the grant of the share option may provide for the deferral of compensation subject to Section 409A. To the extent an arrangement grants the recipient a right other than to purchase shares at a defined price and such additional rights allow for the deferral of compensation (for example,

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

tandem arrangements involving options and share appreciation rights), the entire arrangement provides for the deferral of compensation.

An Award provides for the deferral of compensation only if the participant has a legally binding right during a taxable year to compensation that is not subject to a substantial risk of forfeiture, and that, pursuant to the terms of the plan, is payable to (or on behalf of) the participant in a later year (more than 2 1/2 months after the end of the year in which the participant has a legal right to such vested compensation). Section 409A provides certain transition rules and exceptions. Guidance under Section 409A also permits plans and Awards to be amended during 2005 to comply with the new requirements. The Company has included certain provisions in the Plan and the form of option agreement that are intended to comply with the requirements of Section 409A in the event an option or an SAR is determined to constitute nonqualified deferred compensation. However, the Company does not represent or warrant that Awards under the plan will satisfy the requirements of Section 409A. Participants are encouraged to consult with their individual tax advisors regarding the tax consequences of Awards under the plan and the application of Section 409A.

### VOTE REQUIRED AND BOARD RECOMMENDATION

Assuming the presence of a quorum at the Annual Meeting, the affirmative vote of a majority of the votes cast on the matter by the holders of the Common Stock, Series G Preferred Stock and Series H Preferred Stock at the Annual Meeting is required to approve the adoption of the 2005 Stock Incentive Plan.

53

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE ADOPTION OF THE PLAN. PROXY CARDS EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.

54

### REPORT REGARDING AUDITED FINANCIAL STATEMENTS

The Board adopted a written Audit Committee Charter on March 22, 2001. We have attached a copy of that Charter as APPENDIX G. As discussed above, following the February 2005 preferred stock offerings, we have not yet had an opportunity to appoint a full audit committee. As a result, the functions of the audit committee have been temporarily taken over by the full board until such time as a new audit committee has been appointed.

The Board has reviewed and discussed with management, and our independent auditors, our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2004.

The Board has received and reviewed the written disclosures and the letter from our independent auditors required by Independence Standards Board Standard No. 1 (titled, "Independence Discussions with Audit Committees"). Our independent auditors do not perform any non-audit services for us. The Board has discussed with the independent auditors the matters to be discussed by SAS 61 (Codification of Statements of Auditing Standards AU ss. 380).

Based on the review and discussions referred to above, the Board has determined that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the SEC.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Allan D. Keel  
 B. James Ford  
 Skardon F. Baker  
 J. Virgil Waggoner  
 John E. Loehr

55

### STOCK PERFORMANCE CHART

The following chart compares the yearly percentage change in the cumulative total shareholder return on our Common Stock during the five years ended December 31, 2004 with the cumulative total return of the Standard and Poor's 500 Stock Index and an index composed of all publicly traded oil and gas companies identifying themselves by primary Standard Industrial Classification (SIC) Code 1311 (Crude Petroleum and Natural Gas). The comparison assumes \$100 was invested on December 31, 1999 in our Common Stock and in each of the foregoing indices and assumes reinvestment of dividends. We paid no dividends on our Common Stock during such five-year period.

#### COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG GULFWEST, S&P 500 INDEX AND SIC CODE INDEX

	Gulf	S&P 500 Index	SIC Cod Index
December 31, 1999	\$100.00	\$100.00	\$100.00
December 31, 2000	\$137.14	\$ 90.89	\$127.00
December 31, 2001	\$ 76.57	\$ 80.09	\$116.50
December 31, 2002	\$ 50.29	\$ 62.39	\$124.20
December 31, 2003	\$ 48.00	\$ 80.29	\$199.50
December 31, 2004	\$104.00	\$ 89.02	\$253.50

56

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of April 15, 2005 regarding the beneficial ownership of Common Stock by each person known to us to own beneficially 5% or more of the outstanding Common Stock, each director, certain named executive officers, and the directors and executive officers as a group. The persons named in the table have sole voting and investment power with respect to all shares of Common Stock owned by them, unless otherwise noted.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. For the purpose of calculating the number of shares beneficially owned by a shareholder and the percentage ownership of that shareholder, shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of the date of this prospectus by that shareholder are deemed outstanding.

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent
Allan D. Keel(1,2)	363,333	
E. Joseph Grady(2)	0	
Tracy Price(2)	0	
Thomas H. Atkins(2)	0	
J.S. Mengle(2)	0	
J. Virgil Waggoner(3,4)	16,725,944	
Thomas R. Kaetzer(2,5)	608,852	
Jim C. Bigham(2,6)	260,985	
Richard L. Creel(2,7)	200,000	
John E. Loehr(2,8)	617,491	
B. James Ford(9,10)	0	
Skardon F. Baker(9,10)	0	
All current directors and officers as a group (12 persons)(11)	18,776,605	
Oaktree Capital Management, LLC(10,12)	62,194,199	

1. Includes 333,333 shares underlying convertible preferred stock and 30,000 shares underlying warrants to purchase Common Stock.
2. Shareholder's address is 480 N. Sam Houston Parkway East, Suite 300, Houston, Texas 77060.
3. Includes 9,545,229 shares held directly, 4,285,715 shares underlying exchangeable preferred stock, 625,000 shares subject to currently exercisable warrants, 2,250,000 underlying convertible preferred stock and 20,000 shares subject to currently exercisable options. Shareholder granted OCM GW Holdings, LLC an irrevocable proxy and entered into Share Restriction Agreement on February 28, 2005.
4. Shareholder's address is 6605 Cypresswood Drive, Suite 250, Spring, Texas 77379.
5. Includes 296,226 shares owned directly, 2,626 shares owned by his wife and 310,000 shares subject to currently exercisable warrants and options.
6. Includes 210,000 shares subject to currently exercisable warrants and options.
7. Includes 180,000 subject to currently exercisable options.
8. Includes 62,653 shares held directly; and 264,838 shares held by ST Advisory Corporation and 290,000 shares subject to currently exercisable warrants and options. Mr. Loehr is president and sole shareholder of ST Advisory Corporation.
9. Excludes shares held by OCM GW Holdings, LLC, of which they disclaim beneficial ownership.
10. c/o Oaktree Capital Management, LLC, 333 South Grand Avenue, Los

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Angeles, California 90071.

57

11. Includes 10,242,557 shares held directly, 1,665,000 shares subject to currently exercisable warrants and options and 6,869,048 shares underlying convertible preferred stock.
12. Includes 45,468,255 shares underlying convertible preferred stock held directly by OCM GW Holdings, LLC and 16,725,944 shares over which OCM GW Holdings, LLC may be deemed to have voting and/or dispositive power due to the Share Transfer Restriction and Irrevocable Proxy granted shareholder by Mr. Waggoner. The reported shares are owned directly by OCM GW Holdings, LLC. OCM Principal Opportunities Fund III, L.P. ("Fund") and OCM Principal Opportunities Fund IIIA, L.P. ("Fund IIIA") are the direct beneficial owners of Holdings. Fund is the managing member of Holdings and Oaktree Capital Management, LLC ("Oaktree") is the managing member of OCM Principal Opportunities Fund III GP, LLC ("Fund GP"), the general partner of the Fund and Fund IIIA. Although each of Fund, Fund IIIA, Fund GP and Oaktree may be deemed an indirect beneficial owner of the securities, each of them disclaims beneficial ownership of those shares except to the extent of its pecuniary interest in them.

### CHANGE IN CONTROL

On February 28, 2005 we closed two offerings of preferred stock exempt from registration under Section 4(2) of the Securities Act of 1933. OCM GW Holdings, LLC, an affiliate of Oaktree Capital Management, LLC, its ultimate parent, purchased 81,000 shares of Series G Preferred Stock, for a purchase price of \$40,500,000. OCM GW Holdings, LLC also purchased 2,000 shares of Series A Preferred Stock, for a purchase price of \$1,500,000.

As a result of the February 2005 preferred stock offerings, OCM GW Holdings, LLC acquired a controlling interest in us. OCM GW Holdings, LLC has the right to acquire 45,468,255 shares of common stock pursuant to conversion of Series G Preferred Stock and Series H Preferred Stock owned by it which represents approximately 65% of the currently outstanding common stock, assuming the conversion of its preferred stock.

J. Virgil Waggoner, a director and formerly our largest shareholder, entered into a Share Transfer Restriction Agreement, dated February 28, 2005, with OCM GW Holdings, LLC. Mr. Waggoner owns 9,545,229 shares of our Common Stock, which represents approximately 38% of the currently outstanding Common Stock. Additionally, Mr. Waggoner has the right to acquire an additional 7,180,715 shares pursuant to conversion of preferred stock and exercise of currently exercisable warrants and options. Pursuant to this Agreement, he agreed to deliver an Irrevocable Proxy coupled with an interest with respect to his shares of Common Stock, Series E Preferred Stock and Series H Preferred Stock thereby allowing OCM GW Holdings, LLC to vote such shares at any time in favor of our Delaware reincorporation or, if it does not occur by December 31, 2005, in favor of the conversion of certain of the Series G Preferred Stock into a new series of preferred stock. The proxy also grants OCM GW Holdings, LLC a proxy with additional rights with respect to the Series H Preferred Stock until such time as all the Series H Preferred Stock has converted into Common Stock. Mr. Waggoner is subject to restrictions on the disposition or transfer of the economic or voting rights of the capital stock owned by him, including prohibitions on transfers of shares of capital stock or entering into any swap, option, future, forward or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any such capital stock, without the consent of OCM GW Holdings, LLC.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

The Proxy and the restrictions on disposition in the Share Transfer Restriction Agreement terminate upon the earliest to occur of our Delaware reincorporation or creation of the new series of preferred stock, other than with respect to the shares of Series H Preferred Stock.

In addition, Mr. Waggoner agreed to exchange his shares of Series A Preferred Stock for Series H Preferred Stock pursuant to the amended terms of the Series A Preferred Stock Statement of Resolution and is required to convert any shares of Series H Preferred Stock he owns into Common Stock in the same proportion as that converted by OCM GW Holdings, LLC or its affiliates.

58

We and OCM GW Holdings, LLC entered into a Shareholders Rights Agreement on February 28, 2005 providing OCM GW Holdings, LLC with up to four demand registrations with respect to shares of Series G Preferred Stock and any common stock held by it upon the request of holders holding 50% or more of the registrable securities (treating the Series G Preferred Stock and Series H Preferred Stock on an as converted basis), and unlimited piggyback registration rights. OCM GW Holdings, LLC is entitled to receive monthly financial reports, an annual business plan and operating budget, periodic filings and other information about us and, in addition, the Agreement provides OCM GW Holdings, LLC with board observation rights. The Shareholders Rights Agreement subjects us to various restrictive covenants affecting the operation of our business. Further, OCM GW Holdings, LLC has a right of first refusal to purchase any additional securities proposed to be purchased by a third party from us. If we do not reincorporate in Delaware by July 30, 2005, we will be required to make additional payments on the Series G Preferred Stock in the amount of \$80 per share per annum until the reincorporation occurs or a number of shares of Series G Preferred Stock are converted into a new series of preferred stock substantially similar to the Series G Preferred Stock except that (i) it will not have the right to vote, (ii) it will be redeemable at the holder's option on January 15, 2008, and if not redeemed the dividend will increase to 14%, (iii) it will not be convertible, (iv) it will bear a quarterly dividend at an annual rate of 12%, and (v) it will be optionally redeemable by us at any time. We are required to use our best efforts to convert certain of the shares of Series G Preferred Stock into this new preferred stock if the Delaware reincorporation has not occurred by December 31, 2005.

We also entered into an Omnibus and Release Agreement with OCM GW Holdings, LLC and certain other shareholders on February 28, 2005, which prohibits those other shareholders from, directly or indirectly, entering into any swap, option, future, forward or other similar agreement that transfers, in whole or in part, any of the economic consequences of ownership of any of our Series H Preferred Stock issuable upon exchange of our Series A Preferred Stock or Common Stock, although such holders may sell our Common Stock or, after February 28, 2007, the Series H Preferred Stock. After February 28, 2007, OCM GW Holdings, LLC and its affiliates have a right of first refusal to acquire any Series H Preferred Stock if a third party offers to acquire that stock, and the signatories to the Omnibus and Release Agreement have piggyback registration rights with respect to certain of the common stock held by them or issuable as a dividend. Shareholders (other than Holdings) that are party to the Omnibus and Release Agreement have agreed to vote in favor of our Delaware reincorporation. The restrictions imposed upon the shareholders that have executed the Omnibus and Release Agreement do not apply to shares of common stock owned by these shareholders, whether received upon conversion of the Series H Preferred Stock or otherwise, except as disclosed above.

Pursuant to a Subscription Agreement dated February 28, 2005, Allan D. Keel, Chief Executive Officer and President, is subject to restrictions on

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

transfers of his shares of Series G Preferred Stock for a period of 2 years. Allan D. Keel and the other purchasers of Series G Preferred Stock are subject to a right of first offer in favor of OCM GW Holdings, LLC, but not with respect to shares of Common Stock received upon conversion, and are required to convert their shares to Common Stock when OCM GW Holdings, LLC and its affiliates convert their shares into Common Stock in the same proportion as OCM GW Holdings, LLC and its affiliates.

59

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission (the "SEC"). Such persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by us with respect to 2004, or written representations from certain reporting persons, we believe that our officers, directors and persons who own more than 10% of a registered class of our equity securities have complied with all applicable filing requirements, except that Mr. Waggoner was late in filing for two transactions involving two unauthorized sales of Common Stock by a broker, Mr. Kaetzer was late in filing for two transactions, one for the acquisition of options to purchase Common Stock and the other involving the acquisition of convertible preferred stock, Mr. Loehr was late in filing for one transaction involving the acquisition of convertible preferred stock, Mr. Bigham was late in filing for one transaction involving the acquisition of options to purchase Common Stock, and Mr. Creel was late in filing one transaction involving the acquisition of options to purchase Common Stock.

### INDEPENDENT AUDITORS

The Board has engaged Weaver & Tidwell, L.L.P., Dallas, Texas, as independent auditors to examine our accounts. Representatives of Weaver & Tidwell, L.L.P. are not expected to be present at the Meeting. No accountant has been selected for election, ratification or approval for the current year as we are still in the process of selecting a principal accountant for the year.

### PRINCIPAL ACCOUNTING FEES AND SERVICES

#### AUDIT FEES

The aggregate fees billed by Weaver & Tidwell for professional services rendered for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports on Form 10-Q for the fiscal years 2004 and 2003 were \$49,600 and \$51,610, respectively.

#### AUDIT-RELATED FEES

The aggregate fees billed by Weaver & Tidwell for professional services rendered for audit related fees were \$4,800 for 2004. These fees were incurred in connection with their review of our Registration Statement on Form S-1 filed for the benefit of certain selling shareholders, initially filed in June 2004. No such fees were incurred in 2003.

#### TAX FEES AND ALL OTHER FEES

There were no tax or other fees billed by Weaver & Tidwell in the fiscal

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

years 2004 and 2003.

60

All of Weaver & Tidwell's fees for 2004 and 2003 were pre-approved by the audit committee through a formal engagement letter with Weaver & Tidwell. The audit committee's or the board's, as applicable, policy is to pre-approve all services by the Company's independent accountants.

### SHAREHOLDERS' PROPOSALS

Shareholders may submit proposals on matters appropriate for shareholder action at our subsequent annual meetings consistent with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended. For such proposals to be considered in the Proxy Statement and Proxy relating to the 2006 Annual Meeting of Shareholders they must be received by us not later than December 30, 2005. Such proposals should be directed to GulfWest Energy Inc., 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, Attn: Secretary.

### OTHER BUSINESS

The Board knows of no matter other than those described herein that will be presented for consideration at the Annual Meeting. However, should any other matters properly come before the Meeting or any adjournments thereof, it is the intention of the person(s) named in the accompanying Proxy to vote in accordance with their best judgment in the interest of the Company.

### MISCELLANEOUS

We will bear all costs incurred in the solicitation of Proxies. In addition to solicitation by mail, our officers and employees may solicit Proxies by telephone, telegraph or personally, without additional compensation. We may also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares of Common Stock held of record by such persons, and we may reimburse such brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses incurred in connection therewith. We have not engaged a proxy solicitor.

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker or the Company that they or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker if your shares are held in a brokerage account or the Company if you hold registered shares. You can notify the Company by sending a written request to Jim C. Bigham, secretary of the Company, 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, by registered, certified or express mail.

61

Our Annual Report to Shareholders, including financial statements for the

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

year ended December 31, 2004, accompanies this Proxy Statement. The Annual Report is not to be deemed part of this Proxy Statement.

Houston, Texas  
[\_\_\_\_\_], 2005

By Order of the Board of Directors

/s/ Jim C. Bigham

-----  
Jim C. Bigham, Secretary

62

APPENDIX A

PLAN OF MERGER

A-1

AGREEMENT AND PLAN OF MERGER

OF

GULFWEST ENERGY INC., A TEXAS CORPORATION

AND

CRIMSON RESOURCES INC., A DELAWARE CORPORATION

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") dated as of \_\_\_\_\_, 2005, made and entered into by and between GulfWest Energy Inc., a Texas corporation ("GulfWest"), and Crimson Resources Inc., a Delaware corporation ("Crimson"), which corporations are sometimes referred to herein as the "Constituent Corporations."

W I T N E S S E T H:

WHEREAS, GulfWest is a corporation organized and existing under the laws of the State of Texas, having been incorporated on July 22, 1992; and

WHEREAS, Crimson is a wholly-owned subsidiary corporation of GulfWest, having been incorporated on [INSERT DATE OF INCORPORATION]; and

WHEREAS, the respective Boards of Directors of GulfWest and Crimson have determined that it is desirable to merge GulfWest into Crimson (the "Merger"); and

WHEREAS, the parties intend by this Agreement to effect a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that GulfWest shall be merged into Crimson upon the terms and conditions set forth below.

ARTICLE I

# Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

## MERGER

On the effective date of the Merger (the "Effective Date"), as provided herein, GulfWest shall be merged into Crimson, the separate existence of GulfWest shall cease and Crimson (hereinafter sometimes referred to as the "Surviving Corporation") shall continue to exist under the name of Crimson by virtue of, and shall be governed by, the laws of the State of Delaware. The address of the registered office of the Surviving Corporation in the State of Delaware will be Corporation Trust Center, 1209 Orange Street, in the County of New Castle, in the City of Wilmington, Delaware 19801.

A-2

## ARTICLE II CERTIFICATE OF INCORPORATION OF SURVIVING CORPORATION

The name of the Surviving Corporation shall be "Crimson Resources Inc." The Certificate of Incorporation of the Surviving Corporation, attached hereto as Exhibit A, as in effect on the date hereof shall be the Certificate of Incorporation of Crimson (the "Delaware Charter") without change, unless and until amended in accordance with Article VIII of this Agreement or otherwise amended in accordance with applicable law.

## ARTICLE III BYLAWS OF THE SURVIVING CORPORATION

The Bylaws of the Surviving Corporation as in effect on the date hereof shall be the Bylaws of Crimson (the "Delaware Bylaws") without change, unless and until amended in accordance with applicable law.

## ARTICLE IV EFFECT OF MERGER ON STOCK OF CONSTITUENT CORPORATIONS

4.1 On the Effective Date, each outstanding share of Class A Common Stock of GulfWest, par value \$.001 per share, (the "Common Stock"), other than the shares, if any, for which appraisal rights have been perfected under Articles 5.12 and 5.13 of the Texas Business Corporation Act ("TBCA"), shall be converted into one share of Common Stock, \$.001 par value per share, of Crimson (the "Delaware Common Stock"), and each outstanding share of Delaware Common Stock held by GulfWest shall be retired and canceled. In addition, on the Effective Date, (i) each outstanding share of GulfWest's Series D Preferred Stock, par value \$.01 per share ("Series D"), shall be converted into one share of the corresponding series of Crimson's Series D Preferred Stock, \$.01 par value per share (the "Delaware Series D"); (ii) each outstanding share of GulfWest's Cumulative Convertible Preferred Stock, Series E, par value \$.01 per share ("Series E"), shall be converted into one share of the corresponding series of Crimson's Cumulative Convertible Preferred Stock, Series E, \$.01 par value per share (the "Delaware Series E"); (iii) each outstanding share of GulfWest's Series G Convertible Preferred Stock, par value \$.01 per share ("Series G"), other than the shares, if any, for which appraisal rights shall be perfected under Articles 5.12 and 5.13 of the TBCA, shall be converted into one share of the corresponding series of Crimson's Series G Convertible Preferred Stock, \$.01 par value per share (the "Delaware Series G"); and (iv) each outstanding share of GulfWest's Series H Convertible Preferred Stock, par value \$.01 per share ("Series H" and together with Series D, Series E and Series G, the "Preferred Stock"), other than the shares, if any, for which appraisal rights have been perfected under Articles 5.12 and 5.13 of the TBCA, shall be converted into one share of the corresponding series of Crimson's Series H Convertible Preferred Stock, \$.01 par value per share (the "Delaware Series H" and together with the Delaware Series D, the Delaware Series E and the Delaware Series G, the "Delaware Preferred Stock"). The shares of Delaware Preferred Stock shall be

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

identical to the shares of Preferred Stock in substantially all other aspects. The powers, designations, preferences, and rights of the Delaware Preferred Stock are described in more detail in the Certificates of Designation, attached hereto as Exhibit B.

A-3

4.2 All options and rights to acquire the Common Stock under the GulfWest 2004 Stock Option and Compensation Plan and the GulfWest 2005 Stock Incentive Plan, and under all other outstanding options, warrants or rights outstanding on the Effective Date, will automatically be converted into equivalent options, warrants and rights to purchase the same number of shares of Delaware Common Stock.

4.3 After the Effective Date, (i) certificates representing shares of the Common Stock will represent shares of Delaware Common Stock, and (ii) certificates representing shares of the Preferred Stock will represent shares of Delaware Preferred Stock, and upon surrender of the same to the transfer agent for Crimson, the holder thereof shall be entitled to receive in exchange therefor a certificate or certificates representing the number of shares of Delaware Common Stock or Delaware Preferred Stock into which such shares of Common Stock or Preferred Stock shall have been converted pursuant to Article 4.1.

### ARTICLE V

#### CORPORATE EXISTENCE, POWERS AND LIABILITIES OF THE SURVIVING CORPORATION

5.1 On the Effective Date, the separate existence of GulfWest shall cease. GulfWest shall be merged with and into Crimson, the Surviving Corporation, in accordance with the provisions of this Agreement. Thereafter, Crimson shall possess all the rights, privileges, powers and franchises of a public as well as of a private nature, and shall be subject to all the restrictions, disabilities and duties of each of the parties to this Agreement; all singular rights, privileges, powers and franchises of GulfWest and Crimson, and all property, real, personal and mixed and all debts due to each of them on whatever account, shall be vested in Crimson; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter the property of Crimson, the Surviving Corporation, as they were of the respective constituent entities, and the title to any real estate, whether by deed or otherwise, vested in GulfWest and Crimson, or either of them, shall not revert or be in any way impaired by reason of the Merger, but all rights of creditors and all liens upon the property of the parties hereto, shall be preserved unimpaired, and all debts, liabilities and duties of GulfWest, shall thenceforth attach to Crimson, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

5.2 GulfWest agrees that it will execute and deliver, or cause to be executed and delivered, all such deeds and other instruments and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary in order to vest in and confirm to the Surviving Corporation title to and possession of all the property, rights, privileges, immunities, powers, purposes and franchises, and all and every other interest of GulfWest and otherwise to carry out the intent and purposes of this Agreement.

### ARTICLE VI

#### OFFICERS AND DIRECTORS OF SURVIVING CORPORATION

6.1 Upon the Effective Date, the officers and directors of GulfWest shall become the officers and directors of Crimson, and such persons shall hold office in accordance with the Delaware Bylaws until their respective successors shall have been appointed or elected.

A-4

6.2 If upon the Effective Date, a vacancy shall exist in the Board of Directors of the Surviving Corporation, such vacancy shall be filled in the manner provided by the Delaware Bylaws.

ARTICLE VII  
DISSENTING SHARES

7.1 Holders of shares of Common Stock, Series G and Series H who have complied with all requirements for perfecting their rights of appraisal set forth in Articles 5.12 and 5.13 of the TBCA shall be entitled to their rights under Texas law with payments to be made by the Surviving Corporation.

ARTICLE VIII  
APPROVAL BY SHAREHOLDERS, EFFECTIVE DATE, CONDUCT OF BUSINESS PRIOR TO  
EFFECTIVE DATE

8.1 Promptly after the approval of this Agreement by the requisite number of shareholders of GulfWest, the respective Boards of Directors of GulfWest and Crimson will cause their duly authorized officers to make and execute Articles of Merger and a Certificate of Merger or other applicable certificates or documentation effecting this Agreement and shall cause the same to be filed with the Secretaries of State of Texas and Delaware, respectively, in accordance with the TBCA and the Delaware General Corporation Law (the "DGCL"). The Effective Date shall be the date on which the Merger becomes effective under the TBCA or the date on which the Merger becomes effective under the DGCL, whichever occurs later.

8.2 The Boards of Directors of GulfWest and Crimson may amend this Agreement and the Delaware Charter or Bylaws at any time prior to the Effective Date, provided that an amendment made subsequent to the approval of the Merger by the shareholders of GulfWest may not (i) change the amount or kind of shares to be received in exchange for or on conversion of the shares of the Common Stock or Preferred Stock; or (ii) alter or change any of the terms and conditions of this Agreement or the Delaware Charter or Bylaws if such change would adversely affect the holders of the Common Stock or Preferred Stock.

ARTICLE IX  
TERMINATION OF MERGER

This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Date, whether before or after shareholder approval of this Agreement, by the consent of the Board of Directors of GulfWest and Crimson.

ARTICLE X  
MISCELLANEOUS

10.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

10.2 EXPENSES. If the Merger becomes effective, the Surviving Corporation shall assume and pay all expenses in connection therewith not theretofore paid by the respective parties. If for any reason the Merger shall not become effective, GulfWest shall pay all expenses incurred in connection with all the proceedings taken in respect of this Merger Agreement or relating thereto.

A-5

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

10.3 AGREEMENT. An executed copy of this Merger Agreement will be on file at the principal place of business of the Surviving Corporation at 480 N. Sam Houston Parkway E., Suite 300, Houston, Texas 77060, and, upon request and without cost, a copy thereof will be furnished to any shareholder.

10.4 COUNTERPARTS. This Merger Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective Presidents and Secretaries, all as of the day and year first above written.

GULFWEST ENERGY INC.,  
a Texas corporation

By:

-----  
Allan D. Keel, President  
and Chief Executive Officer

ATTEST:

-----  
Jim C. Bigham, Secretary

CRIMSON RESOURCES INC.,  
a Delaware corporation

By:

-----  
Allan D. Keel, President  
and Chief Executive Officer

ATTEST:

-----  
Jim C. Bigham, Secretary

A-6

EXHIBIT A

CERTIFICATE OF INCORPORATION

OF

CRIMSON RESOURCES INC.

A-7

CERTIFICATE OF INCORPORATION

OF

# Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

CRIMSON RESOURCES INC.

THE UNDERSIGNED, acting as the incorporator of a corporation under and in accordance with the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended from time to time (the "DGCL"), hereby adopts the following Certificate of Incorporation for such corporation:

## ARTICLE I

### NAME

The name of the corporation is Crimson Resources Inc. (the "Corporation").

## ARTICLE II

### PURPOSE

The purpose for which the Corporation is organized is to engage in any or all lawful acts and activities for which corporations may be incorporated under the DGCL.

## ARTICLE III

### REGISTERED AGENT

The street address of the initial registered office of the Corporation in the State of Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle, and the name of the Corporation's initial registered agent at such address is Corporation Trust Center.

## ARTICLE IV

### CAPITALIZATION

#### Section 4.1 Authorized Capital Stock

The total number of shares of all classes of capital stock which the Corporation is authorized to issue is 200,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock"), and 10,000,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"). Unless specifically provided otherwise herein, the holders of such shares shall be entitled to one vote for each share held in any stockholder vote in which any of such holders is entitled to participate.

#### Section 4.2 Preferred Stock

(a) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (the "Board") is hereby expressly authorized to provide for the issuance of shares of Preferred Stock in one or more series and to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and relative, participating, optional and other special rights, if any, of each such series and the qualifications, limitations and restrictions thereof, as shall be stated in the resolution(s) adopted by the Board providing for the issuance of such series and included in a certificate of designations (a "Preferred Stock Designation") filed pursuant to the DGCL.

A-8

(b) The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

affirmative vote of the holders of a majority of the outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders of Preferred Stock is required pursuant to another provision of this Certificate (including any Preferred Stock Designation).

### Section 4.3 Common Stock

(a) The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of shares of Common Stock are entitled to vote. Except as otherwise required by law or this Certificate (including any Preferred Stock Designation), at any annual or special meeting of the stockholders the Common Stock shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Certificate (including a Preferred Stock Designation), holders of Common Stock shall not be entitled to vote on any amendment to this Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate (including any Preferred Stock Designation).

(b) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

## ARTICLE V

### INCORPORATOR

A-9

Name	Address
Jim C. Bigham	480 North Sam Houston Parkway East Suite 300 Houston, TX 77060

## ARTICLE VI

### DIRECTORS

### Section 6.1 Board Powers

The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. In addition to the powers and authority expressly conferred upon the Board by statute, this Certificate or the Bylaws of the

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Corporation (the "Bylaws"), the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Certificate and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

### Section 6.2 Number and Election

(a) Unless and except to the extent that the Bylaws shall so require, the election of directors need not be by written ballot.

(b) Except as required by any Preferred Stock Designation, the number of directors of the Corporation, other than those who may be elected by the holders of one or more series of Preferred Stock entitled to elect a specified number of directors voting separately by class or series, shall be fixed from time to time exclusively by the Board pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Certificate, "Whole Board" shall mean the total number of directors the Corporation would have if there were no vacancies.

### Section 6.3 Initial Directors

Upon the filing of this Certificate, the powers of the incorporator shall terminate. The name and mailing address of the persons who are to serve as the initial directors until the first annual meeting of stockholders of the Corporation or until such director's successor is duly elected and qualified are as follows:

A-10

Name	Address
B. James Ford	480 North Sam Houston Parkway East Suite 300 Houston, Texas 77060
Skardon F. Baker	
J. Virgil Waggoner	
Allan D. Keel	
John Loehr	

### Section 6.4 Newly Created Directorships and Vacancies

Newly created directorships resulting from an increase in the number of directors and any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal or other cause may be filled solely by a majority vote of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders except as specified in a Preferred Stock Designation), and any director so chosen shall hold office for the remainder of the full term of such directorship and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

### Section 6.5 Preferred Stock - Directors

Notwithstanding any other provision of this Article VI, and except as otherwise required by law, whenever the holders of one or more series of Preferred Stock shall have the right, voting separately by class or series, to

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

elect one or more directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of such series of Preferred Stock as set forth in this Certificate (including any Preferred Stock Designation).

### ARTICLE VII

#### BYLAWS

In furtherance and not in limitation of the powers conferred upon it by law, the Board may adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders.

### ARTICLE VIII

#### MEETINGS OF STOCKHOLDERS

##### Section 8.1 Meetings

Except as otherwise required by law or the terms of any one or more series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, Chief Executive Officer, President, or the Board pursuant to a resolution adopted by a majority of the Whole Board, and the ability of the stockholders to call a special meeting is hereby specifically denied.

A-11

##### Section 8.2 No Action by Written Consent

Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent or as may be approved in advance by the Board, any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

##### Section 8.3 Advance Notice

Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the By-Laws.

### ARTICLE IX

#### LIMITED LIABILITY; INDEMNIFICATION

##### Section 9.1 Limitation of Personal Liability

No person who is or was a director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted by the DGCL as the same exists or hereafter may be amended. If the DGCL is hereafter amended to authorize corporate action further limiting or eliminating the liability of directors, then the liability of a director to the Corporation or its stockholders shall be limited or eliminated to the fullest extent permitted by the DGCL, as so amended. Any repeal or amendment of this Section 9.1 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate inconsistent with this Section 9.1 will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

law permits the Corporation to further limit or eliminate the liability of directors) and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

### Section 9.2 Indemnification

(a) Each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") by reason of the fact that he or she is or was a director of the Corporation or, while a director of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter a "Covered Person"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized or permitted by applicable law, as the same exists or may hereafter be amended, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such Covered Person in connection with such proceeding, and such right to indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall indemnify a Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred by this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any such proceeding in advance of its final disposition.

A-12

(b) The rights conferred on any Covered Person by this Section 9.2 shall not be exclusive of any other rights which any Covered Person may have or hereafter acquire under law, this Certificate, the Bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

(c) Any repeal or amendment of this Section 9.2 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate inconsistent with this Section 9.2, will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to provide broader indemnification rights on a retroactive basis than permitted prior thereto), and will not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

(d) This Section 9.2 shall not limit the right of the Corporation, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than Covered Persons.

ARTICLE X

AMENDMENT OF CERTIFICATE OF INCORPORATION

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by this Certificate, the Bylaws or the DGCL; and except as set forth in Article IX, all rights, preferences and privileges herein conferred upon stockholders, directors or any other persons by and pursuant to this Certificate in its present form or as hereafter amended are granted subject to the right reserved in this Article.

[Signature page follows]

A-13

IN WITNESS WHEREOF, the incorporator of the Corporation hereto has caused this Certificate of Incorporation to be duly executed as of [\_\_\_\_\_], 2005.

---

Jim C. Bigham, Incorporator

A-14

EXHIBIT B

CERTIFICATES OF DESIGNATION

FOR PREFERRED STOCK OF

CRIMSON RESOURCES INC.

A-15

EXHIBIT B-1

CERTIFICATE OF DESIGNATION,

PREFERENCES AND RIGHTS

OF

SERIES D PREFERRED STOCK

A-16

CRIMSON RESOURCES INC.

CERTIFICATE OF DESIGNATION,

PREFERENCES AND RIGHTS

OF

SERIES D

PREFERRED STOCK

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

---

Pursuant to Section 151 of the  
Delaware General Corporation Law

---

Crimson Resources Inc. (the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies that pursuant to the provisions of Section 151 of the Delaware General Corporation Law, its Board of Directors, at a duly noticed and convened meeting held on \_\_\_\_\_, 2005 adopted the following resolution, which resolution remains in full force and effect as of the date hereof:

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions stated in the Certificate of Incorporation, to fix by resolution or resolutions the designation of preferred stock and the powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution or resolutions of the Board of Directors under the Delaware General Corporation Law; and

WHEREAS, it is the desire of the Board of Directors of the Company, pursuant to its authority as aforesaid, to authorize and fix the terms of the preferred stock to be designated the Series D Preferred Stock of the Company and the number of shares constituting such preferred stock;

NOW, THEREFORE, BE IT RESOLVED, that there is hereby authorized the Series D Preferred Stock on the terms and with the provisions herein set forth:

A-17

### DESIGNATION, PREFERENCES AND RIGHTS

of  
SERIES D PREFERRED STOCK  
of  
CRIMSON RESOURCES INC.

The relative rights, preferences, powers, qualifications, limitations and restrictions granted to or imposed upon the Series D Preferred Stock or the holders thereof are as follows:

SECTION 1. Designation of Series. The shares of such series shall be designated "Series D Preferred Stock" (hereinafter called "Series D Preferred Stock").

SECTION 2. Number of Shares. The number of shares of Series D Preferred Stock shall be 12,000, of which number the Board of Directors may decrease (but not below the number of shares of the series then outstanding).

SECTION 3. Dividends. No dividends will be paid on the Series D Preferred Stock.

SECTION 4. Redemption Rights. The Series D Preferred Stock is not redeemable.

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

SECTION 5. No Sinking Fund. The Series D Preferred Stock shall not be entitled to the benefits of any retirement or sinking fund.

SECTION 6. Liquidation. The holders of the Series D Preferred Stock shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, be entitled to receive in full out of the assets of the Company, including its capital, before any amount shall be paid or distributed among the holders of the Company's common stock (the "Common Stock"), the amount of \$500 per share of Series D Preferred Stock.

SECTION 7. Voting Rights. Except as otherwise expressly required by law, the holders of the Series D Preferred Stock shall not be entitled to vote on any matters.

SECTION 8. Conversion to Common Stock. The Series D Preferred Stock is convertible to Common Stock at any time. A holder of Series D Preferred Stock may by written notice (the "Conversion Notice") to the Company convert any or all of the shares of the Series D Preferred Stock to Common Stock. The number of shares of Common Stock issuable with respect to each share of Series D Preferred Stock upon such conversion shall be \$500 per share of Series D Preferred Stock divided by \$8.00 per share of Common Stock (the "Conversion Ratio"). Any resulting fractional shares shall be rounded up to the next whole share. Following the date of the Conversion Notice, all shares of Series D Preferred Stock specified in the Conversion Notice shall thereafter cease to exist except to the extent that they evidence a right to receive the shares of Common Stock upon conversion. The shares of Common Stock issuable upon conversion shall be issued by the Company once such holder tenders the certificates evidencing such shares of Series D Preferred Stock to the Company for cancellation.

SECTION 9. Antidilution. In case (i) the outstanding shares of the Common Stock shall be subdivided into a greater number of shares, (ii) a dividend in Common Stock shall be paid in respect of Common Stock, or (iii) the outstanding shares of Common Stock shall be combined into a smaller number of shares thereof, the Conversion Ratio in effect immediately prior to such subdivision or combination or at the record date of such dividend or distribution shall, simultaneously with the effectiveness of such subdivision or combination or immediately after the record date of such dividend or distribution, be proportionately adjusted to equal the product obtained by multiplying the Conversion Ratio by a fraction, the numerator of which is the number of outstanding shares of Common Stock prior to such combination, subdivision or dividend, and the denominator of which is that number of outstanding shares of Common Stock after giving effect to such combination, subdivision or dividend. Any dividend paid or distributed on the Common Stock in stock or any other securities convertible into shares of Common Stock shall be treated as a dividend paid in Common Stock to the extent that shares of Common Stock are issuable upon the conversion thereof.

A-18

SECTION 10. Registration Rights. The holders of the Series D Preferred Stock will have no registration rights with respect to the Series D Preferred Stock or the underlying Common Stock.

SECTION 11. Preemptive Rights. The holders of the Series D Preferred Stock will have no preemptive rights whatsoever.

SECTION 12. Action by Consent. Any action required or permitted to be taken at any meeting of the holders of the Series D Preferred Stock may be taken without such a meeting if a consent or consents in writing, setting forth the

Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

actions so taken, is signed by the holders of two-thirds of the outstanding shares of Series D Preferred Stock.

A-19

IN WITNESS WHEREOF, Crimson Resources Inc. has caused this Certificate to be executed by a duly authorized officer this \_\_\_ day of \_\_\_\_\_, 2005.

CRIMSON RESOURCES INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

A-20

EXHIBIT B-2

CERTIFICATE OF DESIGNATION,  
PREFERENCES AND RIGHTS  
OF  
SERIES E PREFERRED STOCK

A-21

CRIMSON RESOURCES INC.  
CERTIFICATE OF DESIGNATION,  
PREFERENCES AND RIGHTS  
OF  
SERIES E CUMULATIVE CONVERTIBLE  
PREFERRED STOCK

\_\_\_\_\_  
Pursuant to Section 151 of the  
Delaware General Corporation Law  
\_\_\_\_\_

Crimson Resources Inc. (the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies that pursuant to the provisions of Section 151 of the Delaware General Corporation Law, its Board of Directors, at a duly noticed and convened meeting held on \_\_\_\_\_, 2005 adopted the following resolution, which resolution remains in full force and effect as of the date hereof:

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions stated in the Certificate of Incorporation, to fix by resolution or resolutions the designation of preferred stock and the powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets,

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

conversion or exchange, and such other subjects or matters as may be fixed by resolution or resolutions of the Board of Directors under the Delaware General Corporation Law; and

WHEREAS, it is the desire of the Board of Directors of the Company, pursuant to its authority as aforesaid, to authorize and fix the terms of the preferred stock to be designated the Cumulative Convertible Preferred Stock, Series E, of the Company and the number of shares constituting such preferred stock;

NOW, THEREFORE, BE IT RESOLVED, that there is hereby authorized the Cumulative Convertible Preferred Stock, Series E, on the terms and with the provisions herein set forth:

A-22

### DESIGNATION, PREFERENCES AND RIGHTS

of

### SERIES E CUMULATIVE CONVERTIBLE PREFERRED STOCK

of

CRIMSON RESOURCES INC.

The relative rights, preferences, powers, qualifications, limitations and restrictions granted to or imposed upon the Cumulative Convertible Preferred Stock, Series E, or the holders thereof are as follows:

1. Designation. The designation of the Series of Preferred Stock authorized hereby shall be "Cumulative Convertible Preferred Stock, Series E" ("Series E Preferred Stock"), with a par value of \$.01 per share.

2. Number of Shares. The number of shares of Series E Preferred Stock shall be 9,000.

#### 3. Dividends

(a) The rate of dividends per share shall be expressed as a percentage of the Preferred Liquidation Preference in effect at the relevant time ("Dividend Rate") and shall be 6% per annum. Cash dividends at such rate shall be payable in quarterly installments, on each March 31, June 30, September 30, and December 31 (each a "Dividend Payment Date") to holders of record of the Series E Preferred Stock as they appear on the Company's stock records as of the day immediately prior to the Dividend Payment Date. Such dividends shall be cumulative from February 28, 2005 as if the Series E Preferred Stock were issued by the Company on such date (the "Original Issue Date"), whether or not in any period the Company or its predecessor GulfWest Energy Inc., a Texas corporation ("GulfWest"), shall be (or was) legally permitted to make the payment of such dividends and whether or not such dividends are (or were) declared. The Series E Preferred Stock shall rank as to dividends (i) senior to the Common Stock (as defined herein) and any other class or series of capital stock that by its express terms provides that it ranks junior to the Series E Preferred Stock as to dividends or upon any voluntary or involuntary liquidation, dissolution or winding up of the Company (a "Liquidation") or that does not expressly provide for any ranking as to dividends or upon Liquidation ("Junior Securities"), (ii) on parity with any other class or series of capital stock that by its express terms provides it ranks on a parity with other classes of preferred stock of the Company as to payments of dividends or upon Liquidation ("Parity Securities"), and (iii) junior to the Company's Series G Convertible Preferred Stock, Series H

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

Convertible Preferred Stock and any other class or series of capital stock that by its express terms provides it ranks senior to the Series E Preferred Stock as to dividends or upon Liquidation ("Senior Securities"). Such dividends shall first be payable to the holders of the Series E Preferred Stock in preference and priority of any payment of any cash dividend on any stock ranking junior to the Series E Preferred Stock, including the shares of the Company's Common Stock, par value \$.001 per share (the "Common Stock"), but after and subject to the payment in full of all amounts required to be distributed to the holders of Senior Securities.

A-23

(b) Notwithstanding provisions in Section 3(a) to the contrary, unless the Company's Board of Directors so elects, dividends shall accrue from the Original Issue Date as if issued on such date but shall not be paid until the dividend owing on March 31, 2009 is required to be paid ("Deferred Dividends"); provided, however, that if the Company elects to pay dividends for any quarter on the Series G Convertible Preferred Stock in cash before March 31, 2009, then the Company shall pay dividends for such quarter in cash to the holders of Series E Preferred Stock as well. "Accrued and unpaid dividends" in all instances in this Certificate of Designation shall include Deferred Dividends. Deferral of Deferred Dividends shall not be deemed a default on the payment of dividends under Section 6(i). Beginning with the dividend required to be paid in cash on March 31, 2009, the Company shall pay dividends in cash to the holders of the Series E Preferred Stock in accordance with Section 3(a). Accrued and unpaid Deferred Dividends from the Original Issue Date shall be paid on the date of payment of amounts payable to holders of the Series E Preferred Stock upon a liquidation, dissolution or winding up of the affairs of the Company under Section 10 or, at the Company's option, with the consent of the Holders affected, at any time. To the extent dividends are accrued but are not convertible under Section 11.1 because they pertain to a partial quarter, such dividends shall be paid in cash upon conversion of the applicable shares.

4. Preference. Except with respect to the Senior Securities, the rights of the Series E Preferred Stock are of equal preference to all other outstanding preferred stock of the Company regarding payment of dividends and liquidation. No distribution shall be declared or paid or set apart for payment on any Junior Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid on the Series E Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of the distribution on such junior stock; provided that the foregoing restriction shall not be applicable to dividends payable in additional shares of Common Stock to the holders of (i) Common Stock in connection with any stock split or (ii) any class of preferred stock as dividends thereon.

5. Retirement of Shares. Shares of Series E Preferred Stock that have been issued and have been redeemed, repurchased or reacquired in any manner by the Company shall be retired and not reissued and shall resume the status of authorized but unissued and non-designated shares of preferred stock of the Company.

6. Voting. The holders of Series E Preferred Stock shall have no voting rights except as otherwise expressly required by Delaware law. Notwithstanding the foregoing, if at any time (i) two or more quarterly dividends, whether or not consecutive, on the Series E Preferred Stock are in default, in whole or in part; or (ii) the Company (a) files a voluntary petition in bankruptcy, (b) is adjudicated as a bankrupt, (c) files any petition or other pleading in any action seeking reorganization, rearrangement, adjustment, or composition of, or in respect of the Company under the United States Bankruptcy Code or any other similar state or federal law dealing with creditors' rights generally, unless within 60 days after such filing such proceeding is discharged, or (d) has a

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

receiver, trustee or other similar official appointed for the Company; then the number of directors then constituting the Company's Board of Directors shall be increased by two and the holders of shares of Series E Preferred Stock shall be entitled to appoint the two additional directors to serve on the Board of Directors by written consent executed by the holders of Series E Preferred Stock in accordance with Section 12 hereof or by special meeting of holders of Series E Preferred Stock called as hereinafter provided. Whenever all arrears in accrued dividends on the Series E Preferred Stock shall have been paid or, as applicable, the default specified in clause (ii) of the foregoing sentence has been cured, then the right of the holders of the Series E Preferred Stock to appoint such additional directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any future defaults specified in clauses (i) or (ii) of the second sentence of this Section), and the terms of office of any person appointed as a director by the holders of the Series E Preferred Stock shall immediately terminate and the number of the Board of Directors shall be reduced accordingly.

A-24

At any time after such voting rights shall have been vested in the holders of the Series E Preferred Stock, the Secretary of the Company may, and upon the written request of the record holders of at least 10% of the outstanding Series E Preferred Stock (addressed to the Secretary at the principal office of the Company) shall, call a special meeting of the holders of the Series E Preferred Stock for the election of the two additional directors to be appointed by them as herein provided, such call to be made by notice similar to that provided in the bylaws of the Company for a special meeting of the stockholders. If any such special meeting to be called as above provided shall not be called by the Secretary within 20 days after receipt of any such request, then the record holders of at least 10% of the outstanding Series E Preferred Stock may in writing designate one among them to call the meeting, and for that purpose shall have access to the stock books and stockholder lists of the Company. If such office shall not have previously terminated as above provided, the directors previously elected at any such special meeting of the holders of the Series E Preferred Stock shall continue to hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, at which meeting the holders of the Series E Preferred Stock shall be entitled to reelect the same directors or to elect two new directors as provided hereunder.

7. Board of Directors Advisory Membership. The Company will offer a position as an advisory member of the Board of Directors to Mr. Leonard C. Tallerine, Jr. to be held as long as he holds any shares of the Series E Preferred Stock. The Company will offer a position as an advisory member of the Board of Directors to Millennium's designee in the event that Millennium continues to hold any shares of Series E Preferred Stock and Tallerine no longer holds any shares of Series E Preferred Stock. Such advisory member position shall have no voting rights as a director.

8. Other Rights and Amendments. Except as otherwise provided by law, without the written consent of the holders of a majority of the Series E Preferred Stock, the Company will not (i) increase the authorized number of shares of Series E Preferred Stock; (ii) amend, alter, repeal or waive any provision of the bylaws, the Certificate of Incorporation or this Certificate of Designation so as to adversely affect the preferences, rights and powers of the Series E Preferred Stock; or (iii) increase the number of directors, excluding the two additional directorship positions that may be elected by the Series E Preferred Stock pursuant to Section 6 hereof, to a number greater than nine (9).

A-25

## Edgar Filing: GULFWEST ENERGY INC - Form PRE 14A

9. Redemption Rights. The Series E Preferred Stock is redeemable in whole or in part at any time, at the option of the Company, at a price of \$500 per share, plus all accrued and undeclared or unpaid dividends from the Original Issue Date; except that prior to redemption by the Company the holders of record shall be given a 60-day written notice of the Company's intent to redeem and the opportunity to convert the Series E Preferred Stock to Common Stock, in accordance with Section 11 hereof, during the 60-day period. The shares to be redeemed hereunder shall be redeemed from the holders of the Series E Preferred Stock on a pro rata basis by the Company. The written notice (the "Redemption Notice") for any such call of redemption by the Company shall specify the effective date of such redemption (the "Redemption Effective Date"); provided, however, that the Redemption Effective Date shall be no less than 60 days and no more than 90 days following the Redemption Notice. Following the Redemption Effective Date, all shares called for redemption shall thereafter cease to exist except to the ext