

TETON PETROLEUM CO
Form DEFR14A
May 20, 2005

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (As Permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

TETON PETROLEUM COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.

Edgar Filing: TETON PETROLEUM CO - Form DEFR14A

[Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for]
] which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EXPLANATORY NOTE: The sole purpose of this amendment to the original Definitive Proxy Statement filed May 9, 2005 is to amend the date of the Registrant's Annual Meeting from June 2, 2005 to June 28, 2005 and to amend the mail date from May 11, 2005 to June 2, 2005. There are no other revisions or amendments to the Definitive Proxy Statement previously filed by the Registrant.

TETON PETROLEUM COMPANY

1600 Broadway, Suite 2400
Denver, Colorado 80202-4921
(303) 542-1878

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD June 28, 2005**

TO THE STOCKHOLDERS OF TETON PETROLEUM COMPANY:

You are cordially invited to attend the annual meeting of stockholders (the "Annual Meeting") of Teton Petroleum Company to be held at Colorado State Bank, Fifth Floor Conference Room, 1600 Broadway, Denver, Colorado 80202 on June 28, 2005, at 9:30 AM (local time). At the Annual Meeting, you will be asked to vote on the following:

1. To elect five Directors to the Company's Board, to hold office until his successor is elected and qualified or until his earlier resignation or removal (Proposal No. 1);
2. To consider and act upon a proposal to ratify the Board's selection of Ehrhardt Keefe Steiner & Hottman PC as the Company's independent auditors for the fiscal year ending December 31, 2005 (Proposal No. 2);
3. To approve the change in the Company's name from Teton Petroleum Company to Teton Energy Corporation. (Proposal No. 3);
4. To approve an increase in the number of authorized shares available for issuance under the 2003 Employee Stock Compensation Plan from 2,083,333 to 3,000,000 shares, an increase of 916,667 shares (Proposal No. 4);
5. To approve the adoption of the Teton Petroleum Company 2005 Long Term Incentive Plan (Proposal No. 5); and
6. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

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

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

The Board has fixed the close of business on May 2, 2005 as the Record Date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

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

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

Edgar Filing: TETON PETROLEUM CO - Form DEFR14A

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

The Annual Report to stockholders for the Company's fiscal year ended December 31, 2004, has been mailed with or prior to this Proxy Statement. This Proxy Statement and the enclosed proxy are expected to be mailed to stockholders on or about June 2, 2005.

By Order of the Board of Directors,

/s/ James J. Woodcock
Chairman

IMPORTANT

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

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS	1
WHO CAN HELP ANSWER YOUR QUESTIONS?	4
CORPORATE GOVERNANCE	4
BOARD COMMITTEES	5
ELECTION OF DIRECTORS	8
DIRECTOR COMPENSATION	10
INFORMATION ABOUT STOCK OWNERSHIP	11
INFORMATION ABOUT EXECUTIVE OFFICERS	13
EXECUTIVE COMPENSATION TABLES	14
COMPENSATION COMMITTEE REPORT	16
AUDIT COMMITTEE REPORT	18
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS	22
RATIFICATION OF CHANGE IN COMPANY'S NAME	23
APPROVAL OF AN INCREASE IN THE NUMBER OF AUTHORIZED SHARES AVAILABLE FOR ISSUANCE UNDER THE 2003 EMPLOYEE STOCK COMPENSATION PLAN	24
APPROVAL OF THE 2005 LONG TERM INCENTIVE PLAN	26

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

TETON PETROLEUM COMPANY

1600 Broadway, Suite 2400
Denver, Colorado 80202-4921

**PROXY STATEMENT
FOR
2005 ANNUAL MEETING OF STOCKHOLDERS**

INFORMATION CONCERNING THE PROXY MATERIALS AND THE ANNUAL MEETING

Our Board of Directors is soliciting proxies to be voted at the 2005 Annual Meeting of Stockholders to be held on June 28, 2005. Your vote is very important. For this reason, our Board of Directors is requesting that you permit your common stock to be represented at the meeting by the proxies named on the enclosed proxy card. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Voting materials, which include this proxy statement, the proxy card and our annual report on Form 10-K for the fiscal year ended December 31, 2004, were mailed to stockholders beginning June 2, 2005. Teton's principal executive offices are located at 1600 Broadway, Suite 2400, Denver, Colorado 80202. Teton's main telephone number is (303) 542-1878. In this proxy statement, Teton Petroleum Company is referred to as "the Company," "Teton" and "we."

Questions and Answers

Q: Who may vote at the meeting?

A: You may vote your Teton stock if our records show that you owned your shares on May 2, 2005, which is referred to as the Record Date. At the close of business on the Record Date, 10,022,996 shares of Teton common stock were outstanding and eligible to vote. You may cast one vote for each share of common stock held by you on all matters presented, except for the election of the directors. Please see "Vote required" at the end of "Proposal 1 — Election of Directors" below for further explanation.

Q: What proposals will be voted on at the annual meeting?

A: There are five proposals scheduled to be voted on at the annual meeting:

- Election of five members of the Board; and
- Ratification of the appointment of Ehrhardt Keefe Steiner & Hottman PC as our independent registered public accounting firm for the fiscal year ending December 31, 2005.
- To approve the change in the Company's name from Teton Petroleum Company to Teton Energy Corporation.
- To approve an increase in the number of authorized shares for the 2003 Employee Stock Option Plan.
- To approve the 2005 Long Term Incentive Plan.

We will also consider other business that properly comes before the meeting.

Q: How does the Board recommend that I vote?

A: Our Board recommends that you vote:

- “FOR” each of the nominees to the Board;
- “FOR” ratification of the appointment of Ehrhardt Keefe Steiner & Hottman PC as our independent registered public accounting firm for the fiscal year ending December 31, 2005;
- “FOR” the change in the Company’s name;
- “FOR” the increase in the number of authorized shares for the 2003 Employee Stock Option Plan; and
- “FOR” the approval of the 2005 Long Term Incentive Plan.

Q: How can I vote my shares in person at the annual meeting?

A: If your shares are registered directly in your name with our transfer agent, Computershare, you are considered the stockholder of record with respect to those shares and the proxy materials and proxy card are being sent directly to you by Teton. As the stockholder of record, you have the right to vote in person at the meeting. If you choose to do so, you can bring the enclosed proxy card or vote using the ballot provided at the meeting. Even if you plan to attend the annual meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the annual meeting.

Most stockholders of Teton hold their shares in street name through a stockbroker, bank or other nominee rather than directly in their own name. In that case, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the annual meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. You will need to contact your broker, trustee or nominee to obtain a legal proxy, and you will need to bring it to the meeting in order to vote in person.

Q: How can I vote my shares without attending the annual meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the annual meeting by Internet, telephone or completing and mailing your proxy card or voting instruction card in the enclosed pre-paid envelope. Please refer to the enclosed materials for details.

Q: What happens if additional matters are presented at the annual meeting?

A: Other than the five items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the person named as proxy holder, Karl Arleth, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

Q: What happens if I do not give specific voting instructions?

A: If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board on all matters and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote before the meeting. If you hold your shares through a broker, bank or other nominee and you do not provide instructions on how to vote, your broker or other nominee will have authority to vote your shares on all matters to be considered at the meeting.

Q: What is the quorum requirement for the annual meeting?

A: A majority of Teton’s outstanding shares as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the meeting, if you:

- are present and vote in person at the meeting; or
- have properly submitted a proxy card or voted by telephone or by using the Internet.

Q: How can I change my vote after I return my proxy card?

A: You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may do this by signing a new proxy card with a later date, voting on a later date by telephone or by using the Internet (only your latest telephone or Internet proxy submitted prior to the meeting will be counted), or by attending the meeting and voting in person. However, your attendance at the meeting will not automatically revoke your proxy unless you vote at the meeting or specifically request in writing that your prior proxy be revoked.

Q: Is my vote confidential?

A. Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Teton or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy card, which may be forwarded to Teton management.

Q: Where can I find the voting results of the annual meeting?

A: The preliminary voting results will be announced at the meeting. The final voting results will be tallied by our Transfer Agent and Inspector of Elections and published in our quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2005. We will also make the results available on our website, which is www.tetonpetroleum.com. We will identify a link to the results on our website's home page.

Q: How can I obtain a separate set of voting materials?

A: To reduce the expense of delivering duplicate voting materials to our stockholders who may have more than one Teton stock account, we are delivering only one set of the proxy statement and the annual report on Form 10-K for the fiscal year ended December 31, 2004 to certain stockholders who share an address, unless otherwise requested. A separate proxy card is included in the voting materials for each of these stockholders. If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request to receive a separate copy of these materials at no cost to you. Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write or call us at the address and phone number below to request delivery of a single copy of these materials. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by writing or calling us at:

Teton Petroleum Company, Inc.
Attn: Investor Relations
1600 Broadway, Suite 2400
Denver, CO, USA
80202
Phone: 1.303.542.1878

Q: Who pays for the cost of this proxy solicitation?

A: We will pay the costs of the solicitation of proxies. We may engage Georgeson Shareholder Communications Inc. as our proxy solicitor to help us solicit proxies from brokers, bank nominees and other institutions for a fee of approximately \$15,000, plus reasonable out-of-pocket expenses. We may also reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding the voting materials to their customers who are beneficial owners and obtaining their voting instructions. In addition to soliciting proxies by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone, or we may ask our proxy solicitor to solicit proxies on our behalf by telephone for a fee of \$5.00 per phone call, plus reasonable expenses. We are soliciting proxies electronically through the Internet from stockholders who are our employees or who previously requested to receive proxy materials electronically through the Internet.

Q: How can I obtain a copy of Teton's 10-K?

A: A copy of our 2004 Form 10-K is enclosed. You may obtain an additional copy of our 2004 Form 10-K by sending a written request to the address listed above under "How can I obtain a separate set of voting materials?" We will furnish the Form 10-K without exhibits at no charge. If you prefer a copy of the 2004 Form 10-K including exhibits, you will be charged a fee (which will be limited to our reasonable expenses in furnishing such exhibits). Our Form 10-K is available in PDF format through our Investor Relations website at <http://www.tetonpetroleum.com> and our Form 10-K with exhibits is available on the SEC website at <http://www.sec.gov>, which can be reached from our Investor Relations website.

Q: What is the voting requirement to approve each of the proposals?

A: In the election of directors, the five persons receiving the highest number of (or plurality) “FOR” votes at the annual meeting will be elected. Proposal 3 regarding the amendment to change the Company’s name requires a majority of the outstanding stock entitled to vote thereon. All other proposals require the affirmative “FOR” vote of a majority of those shares present in person or represented by proxy and entitled to vote on those proposals at the annual meeting. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute “broker non-votes.” Generally, broker non-votes occur when a beneficial owner fails to give voting instructions with respect to “non-routine” matters. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, although broker non-votes are counted for purposes of determining a quorum, broker non-votes will not otherwise affect the outcome of any matter being voted on at the meeting. The following matters at this meeting are considered “non-routine:” the change in the Company’s name (Proposal No. 3), the increase in the number of authorized shares available for issuance under the 2003 Employee Stock Compensation Plan (Proposal No. 3), and the adoption of the 2005 Long Term Incentive Plan (Proposal No. 5). Abstentions have the same effect as votes against the matter.

Q: How can I communicate with the non-employee directors on Teton’s Board?

A: The Board encourages stockholders who are interested in communicating directly with the non-employee directors as a group to do so by writing to the non-employee directors in care of the Secretary. Stockholders can send communications by mail to Secretary, Teton Petroleum Company, Inc., 1600 Broadway, Suite 2400, Denver, Colorado 80202. Correspondence received that is addressed to the non-employee directors will be reviewed by our general counsel or his designee, who will regularly forward to the non-employee directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our general counsel, deals with the functions of the board or committees thereof or that the general counsel otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by Teton that is addressed to the non-employee members of the board and request copies of any such correspondence.

WHO CAN HELP ANSWER YOUR QUESTIONS?

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

Ms. Gillian Kane
Tel. (303) 542-1878
gkane@tetonpetroleum.com

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

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

CORPORATE GOVERNANCE

Board of Directors

The Board oversees our business affairs and monitors the performance of management. In accordance with our corporate governance principles, the Board does not involve itself in day-to-day operations. The Directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials that we send them and by participating in Board and committee meetings. Our Directors hold office until their successors have been elected and duly qualified unless the director resigns or by reason of death or other cause is unable to serve in the capacity of director. Biographical information about our Directors is provided in “Election of Directors - Proposal No. 1” on page 8.

Director Independence

The Board has determined that all of the Directors and nominees who would serve after June 28, 2005 are independent except for Mr. Arleth, President, Chief Executive Officer of the Company and Mr. Cooper, the Company’s Founder and former executive chairman. The Board’s determinations of independence were made in accordance with Section 121A of the American Stock Exchange (“AMEX”) Company Guide. The Company was a small business issuer within the meaning of Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “1934 Act”) through December 31, 2003. On that date the Company ceased to be a small business issuer because its public float exceeded \$25 million at the end of two consecutive years. As a result, the Company ceased reporting as a small business issuer commencing

with the Form 10-Q filed for the quarter ended March 31, 2004. Small business issuers are not required to have a majority of independent directors until their first annual meeting of stockholders after July 1, 2005. However, as a result of its ceasing to be eligible to report as a small business issuer, the Company is now required to have a majority of independent directors within the meaning of Section 121A of the AMEX Company Guide. The Directors the Board has determined to be independent are Messrs. Woodcock, Connor, and Conroy.

Board Meetings and Attendance

During 2004, the Board held 15 physical and telephonic meetings. Except for two directors, each of whom could not attend one meeting, all other Directors attended 100% of the meetings of the Board and committees on which he served either in person or via telephone. The Board also approved certain actions by unanimous written consent.

Annual Meeting Attendance

It is the Company's policy that Directors should make every effort to attend the annual meeting of stockholders. In 2004, a family emergency prevented physical attendance by Mr. Woodcock. Mr. Woodcock, instead participated by telephone.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our Directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Business Conduct and Ethics is included as Appendix C to this Proxy Statement and is available on our website at <http://www.tetonpetroleum.com>. We will post on our website any amendment to the Company's Code of Business Conduct and Ethics or waivers of the Company's Code of Business Conduct and Ethics for directors and executive officers.

Complaints Regarding Accounting Matters

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

Communications with Directors

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

Written correspondence should be addressed to the Director or Directors in care of Secretary of the Company at the Company's primary address. All correspondence will be forwarded directly to the intended recipient.

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

BOARD COMMITTEES

The Board has standing Audit, Compensation, and Governance and Nominating committees. Each committee has a written charter. The charters are included as appendices to this Proxy Statement and available on the Company's website at <http://www.tetonpetroleum.com>. Information concerning the membership and function of each committee is as follows:

	Board Committee Membership		Governance and
Name	Audit Committee	Compensation Committee	Nominating Committee

Mr. Arleth			
Mr. Connor	X ⁽¹⁾		
Mr. Conroy	X	X	X ⁽¹⁾
Mr. Cooper			
Mr. Woodcock	X	X ⁽¹⁾	X

⁽¹⁾ Chairman.

Audit Committee

The Audit Committee is responsible for determining the adequacy of the Company's internal accounting and financial controls, reviewing the results of the audit of the Company performed by the independent public accountants, and recommending the selection of independent public accountants. The functions of the Audit Committee and its activities during 2004 are described in more detail under "Report of the Audit Committee" on page 18 as well as in the Committee's charter included as Appendix A to this Proxy Statement. During the year, the Board examined the composition of the Audit Committee in light of the adoption by the AMEX of new listing standards governing audit committees. Based upon this examination, the Board has determined that each of the members of the Audit Committee is unrelated, is an outside member with no other current affiliation with the Company, and is independent as defined by AMEX listing standards. The Board has determined that Mr. John Connor is an "audit committee financial expert" as that term is defined by the SEC and AMEX, and is "independent" from the Company's management as that term is defined in Item 7(d)(3)(iv) of Regulation 14A promulgated under the 1934 Act. During 2004, the Audit Committee held three meetings by teleconference.

During the year, the Board examined the composition of the Audit Committee in light of the adoption by AMEX of new listing standards governing audit committees. Based upon this examination, the Board has determined that Mr. Connor and Mr. Woodcock are unrelated, are outside members with no other current affiliation with the Company, and are independent as defined by AMEX listing standards. Mr. Conroy was appointed to the Audit Committee in June 2004 as the third member of the Committee pursuant to the Board's determination that he does not have a material relationship with the Company that would interfere with the exercise of his independent judgment. As previously noted the Board believes that notwithstanding Mr. Conroy's tenure as interim CFO for the Company in 2002 and part of 2003, he nevertheless qualifies as independent under the applicable AMEX listing standards, because he did not meet the test of having an material relationship with the Company that would interfere with the exercise of his independent judgment.

Compensation Committee

The Compensation Committee determines matters pertaining to the compensation of certain executive officers of the Company and administers the Company's stock option and incentive compensation. During 2004, the Compensation Committee held three meetings by teleconference. The Committee's report starts on page 16. The Committee's charter is included as Appendix B to this Proxy Statement.

Governance and Nominating Committee

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

Nomination of Directors

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

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

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

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

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

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

- the recommendation must be made in writing to the attention of the Company's Corporate Secretary, Patrick A. Quinn;
- the recommendation must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the recommending person's ownership of the Company's Common Stock;
- the recommendation shall also contain a statement from the recommending stockholder in support of the candidate; professional references, particularly within the context of those relevant to Board membership, including issues of character, judgment, diversity, age, independence, expertise, corporate experience, length of service, other commitments; and personal references; and
- a statement from the stockholder nominee indicating that such nominee wants to serve on the Board and could be considered independent under SEC rules and AMEX listing standards, as in effect at that time.

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

ELECTION OF DIRECTORS**PROPOSAL NO. 1**

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

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

Name	Biographical Information and Current Directorships	Age
James J. Woodcock	James J. Woodcock has been a Director since 2002 and Chairman of the Company since February 2005. Mr. Woodcock also chairs the Company's Compensation Committee. Since 1981, Mr. Woodcock has been the owner and CEO of Hy-Bon Engineering Company, based in Midland, Texas. Hy-Bon is an engineering firm and manufacturer of vapor recovery, gas boosters, and casing pressure reduction systems for the oil industry. From 1997 to 2002, Mr. Woodcock was the Chairman of Transrepublic Resources, a private oil and gas exploration firm located in Midland Texas. Since 1996, Mr. Woodcock has been a board member of Renovar Energy, a private waste to energy firm located in Midland Texas and was its Chairman of the Board from 1996 until 2003.	66
Karl F. Arleth	Karl F. Arleth has been our President and Chief Executive Officer since May 2003 and a Director since 2002. From 2002 to 2003, Mr. Arleth was the Chief Operating Officer and a Board member of Sefton Resources, Inc., an oil and gas exploration and production company. Between 1999 and 2001, he served as Chairman and CEO of Eurogas, Inc in London. Ending in 1999, Mr. Arleth spent 21 years with Amoco and BP-Amoco. In 1998 he chaired the Board of the Azerbaijan International Operating Company (AIOC) for BP-Amoco in Baku, Azerbaijan. Concurrently in 1997-1998, he was also President of Amoco Caspian Sea Petroleum Ltd. in Azerbaijan. In 1997, he served as Director of Strategic Planning for Amoco Corporations Worldwide Exploration and Production Sector in Chicago. From 1992 to 1996 Mr. Arleth was President of Amoco Poland Ltd. in Warsaw, Poland. Between 1977 and 1992, Mr. Arleth held positions with Amoco as an exploration and development geologist, project supervisor, manager and executive in the Exploration and Production sector in Denver, Tulsa, Chicago	56

and Houston. In North America, he has significant exploration and production experience in the Rocky Mountains, mid-continent, the western U.S. and Alaska.

John T. Connor, Jr. John T. Connor, Jr. has been a Director since 2003 and chairs the Board's audit committee. He is the Founder and Portfolio Manager of the Third Millennium Russia Fund, a US based mutual fund specializing in the equities of Russian public companies, which he founded in 1998. Mr. Connor is a member of the Council on Foreign Relations and the American Law Institute. He is a Director of Port.ru., Inc., a Delaware corporation, which operates the leading internet portal in Russia, mail.ru. and is also a member of the board of directors of Swissfone Ltd., based in Washington, D.C., an Irish company which is a telecom wholesaler. 64

Name	Biographical Information and Current Directorships	Age
Thomas F. Conroy	Thomas F. Conroy was our interim Chief Financial Officer and Corporate Secretary from March 2002 until May 1, 2003, and a Director since 2002. Since 2002, Mr. Conroy has been a principal member of Mann-Conroy-Eisenberg & Assoc. LLC, a life insurance and reinsurance consulting firm, and since 2001, has been a managing principal of Strategic Reinsurance Consultants International LLC, a life reinsurance consulting and brokerage firm. Ending in 2001, Mr. Conroy, spent 27 years with ING and its predecessor organizations, serving in various financial positions and leading two of its strategic business units as President. As President of ING Reinsurance, he established ING's international presence, setting up facilities in The Netherlands, Bermuda, Ireland and Japan. He also served as an Officer and Board Member of Security Life of Denver Insurance Company and its subsidiaries. Mr. Conroy is a Certified Public Accountant.	67
H. Howard Cooper	H. Howard Cooper was our Chairman from 1996 until February 2005. Mr. Cooper was our President and CEO from 1996 until May 2003. Mr. Cooper founded American Tyumen in November 1996. He served as a Director and President of American Tyumen until the merger with the Company. In 1994, he was a Principal with Central Asian Petroleum, an oil and gas company with its primary operations in Kazakhstan, located in Denver, Colorado. From 1992 to 1994 Mr. Cooper served with AIG, an insurance group in New York. Prior to founding Teton, from 1981-1991, Mr. Cooper was an independent landman developing oil and gas opportunities in the U.S. Rocky Mountain Region.	48

All officers hold office until the first meeting of the Board after the annual meeting of stockholders next following his election or until his successor is elected and qualified. A director or officer may also resign at any time. Messrs. Connor, Conroy, and Woodcock have been determined by the Board to be Independent Directors within the meaning of Section 121A of the AMEX Company Guide. The Board believes that notwithstanding Mr. Conroy's tenure as interim CFO for the Company in 2002 and part of 2003, he nevertheless qualifies as independent under that provision, because he did not meet the test of having an employee relationship with the Company within the last three years since, among other things, he did not receive cash compensation or employee benefits. There are no family relationships among directors or executive officers of Teton.

The five nominees receiving the highest number of votes of the shares of the Company cast at the Annual Meeting in person or by proxy and entitled to vote shall be elected as directors.

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Transactions Involving Mr. Howard Cooper

Mr. Cooper and Teton have entered into a consulting agreement. The consulting agreement is for an initial term of one year and will continue for additional one year terms unless 60 days prior to the anniversary date either party gives notice of termination. Mr. Cooper will receive bi-monthly payments of \$8,333 each. Under the terms of the agreement, if Mr. Cooper is terminated without cause, he is entitled to 12 months of severance pay, payable in bi-monthly installments over 12 months, from the date of termination. The Company may discontinue the severance payments if Mr. Cooper violates the confidentiality, noncompetition, or nonsolicitation provisions of his employment agreement.

Transactions Involving Mr. Arleth

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

DIRECTOR COMPENSATION

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

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

During 2004, the Directors received the following compensation based on retainers and attendance at each meeting: \$18,000 in cash compensation in respect of quarterly retainers for the first, second, and third quarters of 2004, and \$19,500 in respect of stock-based compensation associated with board meetings attended. Cash compensation of \$6,000 in respect of the quarterly retainer for the fourth quarter of 2004 was paid in January 2004.

INFORMATION ABOUT STOCK OWNERSHIP

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

5% BENEFICIAL OWNERS

NAME OF BENEFICIAL OWNER	Common Stock Beneficially Owned	Percent of Class
H. Howard Cooper (1)	1,607,481	14.35%
Karl F. Arleth (2)	908,412	8.59%
James J. Woodcock (3)	774,684	7.44%
John T. Connor (4)	536,896	5.32%

(1) Includes (i) 145,857 shares of Common Stock, (ii) 458,335 shares underlying warrants, with exercise prices ranging from \$3.24 to \$12.00, (iii) 603,289 shares underlying options exercisable at \$3.48 per share, and (iv) 400,000 shares underlying options exercisable at \$3.60 per share.

(2) Includes (i) 75,850 shares of common stock, (ii) 122,224 shares underlying warrants, with exercise prices ranging from \$3.24 to \$6.00 per share, (iii) 410,338 shares underlying options exercisable at \$3.48 per share, and (iv) 300,000 shares underlying options exercisable at \$3.60 per share.

(3) Includes (i) 105,279 shares of common stock, (ii) 259,257 shares underlying warrants, with exercise prices ranging from \$3.24 to \$6.00 per share, (iii) 210,148 shares underlying options exercisable between \$3.48 per share, and (iv) 200,000 shares underlying options exercisable at \$3.60 per share.

(4) Includes (i) 183,554 shares of common stock owned indirectly, (ii) 11,675 shares of common stock owned directly, (iii) 166,667 shares of common stock underlying warrants, exercisable at \$6.00 per share, which are owned indirectly, (iv) 100,000 shares of common stock underlying options exercisable at \$3.71 per share and (v) 75,000 shares of common stock underlying options exercisable at \$3.60 per share.

DIRECTORS AND OFFICERS

NAME AND ADDRESS OF BENEFICIAL OWNER	Common Stock Beneficially Owned	Percent of Class
H. Howard Cooper (1)	1,607,481	14.35%
Karl F. Arleth (2)	908,412	8.59%
James J. Woodcock (3)	774,684	7.44%
John T. Connor (4)	536,896	5.32%
Thomas F. Conroy (5)	160,751	1.63%
Directors and Executive Officers as a Group	3,988,224	30.26%

1) Includes (i) 145,857 shares of Common Stock, (ii) 458,335 shares underlying warrants, with exercise prices ranging from \$3.24 to \$12.00, (iii) 603,289 shares underlying options exercisable at \$3.48 per share, and (iv) 400,000 shares underlying options exercisable at \$3.60 per share.

(2) Includes (i) 75,850 shares of common stock, (ii) 122,224 shares underlying warrants, with exercise prices ranging from \$3.24 to \$6.00 per share, (iii) 410,338 shares underlying options exercisable at \$3.48 per share, and (iv) 300,000 shares underlying options exercisable at \$3.60 per share.

(3) Includes (i) 105,279 shares of common stock, (ii) 259,257 shares underlying warrants, with exercise prices ranging from \$3.24 to \$6.00 per share, (iii) 210,148 shares underlying options exercisable between \$3.48 per share and (iv) 200,000 shares underlying options exercisable at \$3.60 per share.

(4) Includes (i) 183,554 shares of common stock owned indirectly, (ii) 11,675 shares of common stock owned directly, (iii) 166,667 shares of common stock underlying warrants, exercisable at \$6.00 per share, which are owned indirectly, (iv) 100,000 shares of common stock underlying options exercisable at \$3.71 per share and (v) 75,000 shares of common stock underlying options exercisable at \$3.60 per share.

(5) Includes (i) 27,647 shares of common stock, (ii) 29,446 shares underlying warrants, with exercise prices ranging from \$3.24 to \$6.00, (iii) 28,658 shares underlying options exercisable at \$3.48 per share, and (iv) 75,000 shares underlying options exercisable at \$3.60 per share.

INFORMATION ABOUT EXECUTIVE OFFICERS

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

The current executive officers of the Company are as follows:

Name	Age	Position
Karl F. Arleth	56	Chief Executive Officer, President, and Director
Patrick A. Quinn	51	Chief Financial Officer & Secretary

Karl F. Arleth has been our President and Chief Executive Officer since May 2003 and a Director since 2002. From 2002 to 2003, Mr. Arleth was the Chief Operating Officer and a Board member of Sefton Resources, Inc., an oil and gas exploration and production company. Between 1999 and 2001, he served as Chairman and CEO of Eurogas, Inc. in London. Ending in 1999, Mr. Arleth spent 21 years with Amoco and BP-Amoco. In 1998 he chaired the Board of the Azerbaijan International Operating Company (AIOC) for BP-Amoco in Baku, Azerbaijan. Concurrently in 1997-1998, he was also President of Amoco Caspian Sea Petroleum Ltd. in Azerbaijan. In 1997, he served as Director of Strategic Planning for Amoco Corporations Worldwide Exploration and Production Sector in Chicago. From 1992 to 1996 Mr. Arleth was President of Amoco Poland Ltd. in Warsaw, Poland. Between 1977 and 1992, Mr. Arleth held positions with Amoco as an exploration and development geologist, project supervisor, manager and executive in the Exploration and Production sector in Denver, Tulsa, Chicago and Houston. In North America, he has significant exploration and production experience in the Rocky Mountains, mid-continent, the western U.S. and Alaska.

Patrick A. Quinn, CPA, CVA. Mr. Quinn joined Teton in February 2004 to serve as the Company's Chief Financial Officer on a contract basis. For the past 15 years, Mr. Quinn has been the CEO of Quinn & Associates, P.C. Mr. Quinn provides accounting, tax, and auditing services primarily to the oil and gas industry. As a result, Mr. Quinn has extensive experience in U.S. oil and gas operations, including the Rocky Mountain, Mid-Continent and Gulf Coast regions. He has provided accounting and tax services to Teton since its inception. In addition, Mr. Quinn has extensive experience in international oil and gas operations including serving as the Controller of Hamilton Oil Corporation from 1978 through 1986, which was the first company to produce oil in the U.K. sector of the North Sea.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information about the total compensation for services in all capacities to the Company or its subsidiary for the Chief Executive Officer and the other most highly compensated executive officers of the Company whose total annual salary and bonus exceeded \$100,000 (collectively, the “named executive officers”). See the Compensation Committee Report beginning on page 16 for an explanation of our compensation philosophy.

Name & Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compen- sation (\$)	Awards Restricted Stock awards	Securities Underlying Options SARs (#)	Payouts LTIP Payouts (\$)	All Other Compen- sation
H. Howard	2004	200,000	160,000*	8,200	0	400,000	0	0
Cooper, Chairman	2003	160,000	0	0	0	603,289	0	0
CEO (until May 2003)	2002	160,000	50,000	0	0	375,000	0	0
Karl F. Arleth	2004	180,000	80,000*	16,800	0	300,000	0	0
CEO	2003	85,000	0	0	0	410,338	0	0

*Bonus paid for 2003 performance.

Stock Options

Options/SARs Grants During Last Fiscal Year

The following table provides information related to options granted to our named executive officers during the fiscal year ended December 31, 2004.

Name	Number of Securities Underlying Options Granted	% of Total Options Granted in Fiscal 2004 (1)	Exercise Price Per Share	Expiration Date	Grant Date Present Value (2)
Howard Cooper	400,000	28.3%	\$3.60	03/30/14	\$ 992,000
Karl F. Arleth					