

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

TRANS ENERGY INC
Form 10KSB/A
May 21, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM 10-KSB/A

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Commission File Number 0-23530

TRANS ENERGY, INC.

(Name of small business issuer in its charter)

Nevada

93-0997412

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

210 Second Street, P.O. Box 393, St. Marys, West Virginia 26170

(Address of principal executive offices) (Zip Code)

Issuer's telephone no.: (304) 684-7053

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common

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

Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State the issuer's revenues for its most recent fiscal year.
\$ 2,015,012

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock as of a specified date within 60 days. \$2,102,996 (Based on price of \$0.008 per share on March 30, 2004)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Class	Outstanding as of December 31, 2003
----- Common Stock, Par Value \$.001 per share	----- 269,010,438

DOCUMENTS INCORPORATED BY REFERENCE

A description of "Documents Incorporated by Reference" is contained in Part III, Item 13.

Transitional Small Business Disclosure Format. Yes [] No [X]

The purpose of this first amendment to the Company's Annual Report on Form 10-KSB is to correct an error to the audited financial statements for the period ended December 31, 2003. The change was made to properly reflect the ending balance of accounts receivable as of December 31, 2003 and revenues for the year ended December 31, 2003. Amended financial statements are attached hereto.

TRANS ENERGY, INC.

TABLE OF CONTENTS

PART I

Item 1.	Description of Business
Item 2.	Description of Property.....
Item 3.	Legal Proceedings.....
Item 4.	Submission of Matter to a Vote of Security Holders.....

PART II

Item 5.	Market for Common Equity and Related Stockholder Matters.....
Item 6.	Management's Discussion and Analysis or Plan of Operation.....
Item 7.	Financial Statements.....
Item 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....
Item 8A.	Controls and Procedures.....

PART III

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Item 9. Directors, Executive Officers, Promoters and Control persons; Compliance with Section 16(a) of the Exchange Act.....

Item 10. Executive Compensation.....

Item 11. Security Ownership of Certain Beneficial Owners and Management.....

Item 12. Certain Relationships and Related Transactions.....

Item 13. Exhibits and Reports on Form 8-K.....

Item 14. Principal Accountant Fees and Services.....

Signatures.....

-2-

PART I

Item 1. Description of Business

History

Trans Energy, Inc. is engaged in the transportation, marketing and production of natural gas and oil, and certain exploration and development activities. We own interests in seven oil and gas wells in West Virginia and an interest in seven oil wells in Wyoming that we do not operate. We also own and operate an aggregate of over 100 miles of three-inch, 4-inch and 6-inch gas transmission lines located within West Virginia in the Counties of Ritchie, Tyler and Pleasants. This pipeline system gathers the natural gas produced from these wells and from wells owned by third parties. We also have approximately 14,000 gross acres under lease in the Powder River Basin in Campbell, Crook and Weston Counties, Wyoming.

In 1998, we purchased from GCRL Energy, Ltd. all of its interest in the Powder River Basin in Campbell and Crook Counties, Wyoming, consisting of interests in five (5) wells, four (4) of which are producing, interests in 30,000 leasehold acres, and interests in approximately seventy-three miles of 3-D seismic data. The properties include three producing fields from Minnelusa Sandstone and were discovered on 3-D seismic. During 1999, the Sagebrush 3 well was drilled in the Sagebrush field in Campbell County Wyoming. It will be used as a water disposal well for the Sagebrush #1 and #2. It is anticipated that the Sagebrush #3 will be put into operation as an injection well for the water flood during the summer of 2004.

Our principal executive offices are located at 210 Second Street, P.O. Box 393, St. Marys, West Virginia 26170, and our telephone number is (304) 684-7053.

Business Development

In 2001, we continued our interest in the Trenton - Black River deep gas field in the Appalachian Basin in West Virginia. We believes that this area may become active in the counties in which we operate. We continue to focus much of our efforts in this area to take advantage of the situation if the opportunity becomes available. In 1999, we sold many of our Appalachian Basin assets and purchased 51% of a producing well in the Powder River Basin in Wyoming. We then focused our attention toward developing our acreage in the Powder River Basin in Wyoming and drilling for deep gas in the Trenton-Black River area.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Our business strategy is to economically increase reserves, production and the sale of gas and oil from existing and acquired properties in the Powder River Basin, Appalachian Basin and elsewhere, in order to maximize shareholders' return over the long term. Our strategic location in West Virginia enables us to actively pursue the acquisition and development of producing properties in that area that will enhance our revenue base without proportional increases in overhead costs.

On December 31, 2003, we sold our 75% working interest ownership in five oil and gas wells located in Tyler County, West Virginia to Ultra-Light Investments for \$380,000. Of the total proceeds, \$30,000 was used to pay off existing debt on the wells. The balance of \$350,000 was used to settle an ongoing dispute with Baker Hughes Oilfield Operations, Inc. d/b/a/ Baker Hughes Inteq, Western Geophysical, a division of Western Atlas International, Inc. The \$350,000 was considered as payment in full and we were given a release of all judgments and liens against us in the matter.

-3-

The following is a summary of our oil and gas assets including wells and pipelines that we acquired in September 1993:

Tyler Construction Company, Inc.

We acquired an interest equal to 65% of the total outstanding shares of Tyler Construction Company from Loren E. Bagley and William F. Woodburn, both of whom are directors of Trans Energy. Tyler Construction owns and operates a natural gas gathering pipeline system serving the industrialized Ohio Valley, initially consisting of approximately 27 miles of 6-inch pipeline and 10 miles of 4-inch pipeline.

Tyler Construction's trunk line system consists of 6-inch pipeline that begins at the town of St. Marys, West Virginia, located on the Ohio River in the County of Pleasants in western West Virginia, and proceeds twenty-seven miles due east to Bradden Station, West Virginia. Near Bradden Station, the pipeline intercepts major transmission lines of Equitable Natural Gas, Dominion Transmission, Inc. and Eastern American Energy. An intercepting line consisting of ten miles of 4-inch pipeline begins at a point eight miles east of St. Marys and proceeds north 10 miles to an industrial park located seven miles south of Sistersville, West Virginia. At this point, gas is delivered to OSI Specialties (formerly Union Carbide) and Consolidated Aluminum Corporation of America under a marketing agreement with Sancho. Pursuant to our agreement with Sancho, we have the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas, Inc. in 1988. This agreement is a flexible volume supply agreement whereby we receive the full price which Sancho receives less a \$.05 per Mcf marketing fee paid to Sancho. The price of the natural gas is based upon the residential gas index and the Inside F.E.R.C. CNG Index.

On February 28, 2003, we sold 7.6 miles of the 6-inch pipeline to PC Pipeline, Inc., located in Morgantown, West Virginia. In consideration for the sale, we received 35% of the outstanding stock of Tyler Construction from Ecological Energy, Inc., an affiliate of PC Pipeline. As a result of the transaction, we now own 100% of the capital stock of Tyler Construction.

Also on February 28, 2003, we sold 10 miles of the 4-inch pipeline to Triad Energy Corporation, located in Marietta, Ohio, for the cash consideration of \$270,000. Proceeds from the sale were used to pay down existing short and long-term debt.

On March 17, 2004, Tyler Construction sold 16,000 feet of 6-inch pipeline

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

located in Pleasants and Tyler Counties, West Virginia for \$70,000. Tyler Construction also sold 30,096 feet of 4-inch pipeline located in Pleasants and Ritchie Counties, West Virginia for \$130,000. The buyer in both instances was Triad Energy Corporation of Reno, Ohio. Of the total proceeds, \$161,391 was used to pay off the bank debt of the pipelines and the balance was used as operating capital. Following the sale, we retain approximately 16.3 miles of 6-inch pipeline in Tyler County.

Spencer Wells

We acquired all rights, title and interest to six producing oil and gas wells located in West Virginia, in exchange for shares of Trans Energy common stock. Five of the wells identified as "Fowler," "Goff," "Locke," "McGill" and "Workman" are situated in Ritchie County in a proven reservoir field. The remaining well identified as "Spencer," is located in Tyler County. All six wells were completed in 1991 and have been producing oil and gas through the date hereof. In 1999, five of these wells were sold to an unaffiliated third party and in 2000, the sixth well was sold to an unaffiliated third party.

-4-

The Pipeline, Ltd.

We acquired from Tyler Pipeline, Inc. all rights, title and interest in the natural gas gathering pipeline system known as The Pipeline, Ltd. (the name of the pipeline, not a legal entity), a 4-inch pipeline that begins at Twiggs, West Virginia, nine miles east of St. Marys, West Virginia where it intercepts Tyler Construction's trunk line system and proceeds due south for a distance of six miles. The Pipeline, Ltd. system is used for purchasing gas from third party producers. Mr. Woodburn, our Secretary / Treasurer and a director, is also President and owns 50% of Tyler Pipeline. Mr. Bagley, our Vice President and a director, also owns 50% of Tyler Pipeline.

Ritchie County Gathering Systems, Inc.

We acquired all the issued and outstanding capital stock of Ritchie County Gathering Systems, Inc., a West Virginia corporation. Ritchie County Gathering owns and operates a 4-inch natural gas gathering line which begins five miles south of Cairo, West Virginia at Rutherford, and proceeds due south for 4.6 miles, crossing Mellon Ridge and ending at Macfarlan Creek approximately 1/2 mile north of the South Fork of the Hughes River. The Ritchie County Gathering pipeline is used for purchasing gas from third party producers and delivering such gas to Hope Gas.

Powder River Basin Wyoming

On March 6, 1998, we entered into an agreement to purchase from GCRL Energy, Ltd. all of its interest in the Powder River Basin in Campbell and Crook Counties, Wyoming, consisting of interests in five (5) wells, four (4) of which are producing, interests in 30,000 leasehold acres, and interests in approximately seventy-three miles of 3-D seismic data. The properties include three producing fields from Minnelusa Sandstone and were discovered on 3-D seismic. We made an initial payment for the properties of \$50,000 and the balance of \$2,987,962 was paid for with proceeds from the sale of debentures.

The following table sets forth information concerning the existing oil production per day of the producing wells located on the GCRL property.

Gross Ebls.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Name of Well -----	Oil Per Day -----	Net % to TSRGNet -----	Bbls. to -----
Sagebrush Fed #1	47	48.8%	23
Sagebrush Fed #2	0	47.5%	0
Pinon Fee #1	16	51.2%	8
Swartz Draw	34	15.4%	5
	-----		-----
Total	97		36

Current Business Activities

We operate our oil and natural gas properties and transports and markets natural gas through our transmission systems in West Virginia. Although management desires to acquire additional oil and natural gas properties and to become more involved in exploration and development, this can only be accomplished if we can secure future funding. Management intends to continue to develop and increase the production from the oil and natural gas properties that it currently owns.

-5-

Although we will continue to transport and market natural gas through our various pipelines, there are no current plans to acquire or to lay any additional pipeline systems in 2003. Apart from one well drilled in the Powder River basin in Wyoming (Sagebrush #3) and the seven re-entry Benson wells drilled in West Virginia, we have not participated in any new wells in the last four years.

Powder River Basin Wyoming - Prima

On December 28, 1996, we purchased 420 acres in the Powder River basin in Wyoming for \$50,000 from an unaffiliated third party. Included in the purchase price was a condition that the previous owners would provide all of the geologic and geophysical work as part of the purchase price. On February 3, 1997 we leased an additional 480 acres that joined with our acreage position. The target formation is the Minnelusa "B1" sand. There presently are no producing wells on such acreage and no proved reserves located on the acreage owned by us.

Five two-dimensional ("2-D") seismic lines and a 6-square mile three-dimensional ("3-D") seismic program have been shot across the acreage now held by us. Unlike 2-D seismic testing which provides a cross-sectional view of the subsurface of the Earth, 3-D testing provided a full, three-dimensional view of the subsurface. Such views allow for greater precision in the location of potential drilling sites. 3-D testing allows potential drillers to obtain accurate estimates of the size of oil and gas bearing structures and the profile of the structure. 2-D testing only informs the driller that an oil and gas bearing structure is in a particular area, without giving information as to size and shape. Without an accurate estimate of the size of the oil and gas bearing structures, it is difficult to accurately estimate the reserves in the structure, and, thus, the economic viability of drilling into a particular structure. Without an accurate profile of the structure, a driller may not hit the most economic portion of the structure.

Water pressure primarily is responsible for the movement of oil within the area of our acreage. Where water pressure is the cause of oil movement, finding the apex of the oil bearing structure is critical. Drilling into the apex of such a structure usually assures that a maximum amount of oil, and a minimal amount of water, will be recovered from a well. Hitting such a zone elsewhere than at the apex will result in a lower proportion of oil to water and reduced

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

rates of recovery.

We completed drilling the Fowler 22-8 in January 1998 and determined the well to be a dry hole and was plugged. We have not done further drilling on the acreage.

Powder River Basin Wyoming - Wolfe Prospect

In 1997, we purchased a 30% working interest in the Wolfe Prospect in the Powder River Basin in Campbell County, Wyoming for \$65,000 from an unaffiliated third party. Included in the purchase price was a 30% working interest in the Wolfe #1-35 well and 30% interest in 240 acres. In October 1997, we participated in our share of the drilling of the Horizon 32-35 well. The target formation was the Minnelusa "B1" sand. The well was determined to be a dry hole and plugged. On November 15, 1999, we purchased for \$16,000 an additional 51% working interest in the Wolfe 1-35 well from Renor Exploration Limited. In September 2002, we transferred this well to an unaffiliated third party in settlement of a lawsuit.

-6-

Sistersville

In 1995, we purchased approximately 2,200 acres in a known producing field located near Sistersville, West Virginia for \$100,000. The Sistersville field has been in operation since the 1890's, although at a very low level for the past several years. To date the field has produced over 13 million barrels of oil. The field contains portions of the Big Injun and Keener sands formations, both well known oil and gas bearing formations, which are the zones we intend to explore. These formations are approximately 1,700 feet deep. Recoverable reserves of oil in the field are estimated at several million barrels. We drilled a well on the Sistersville acreage in April 1997. In 1999, we sold the Sistersville field for \$125,000 to an unaffiliated third party.

Research and Development

We have not allocated funds for conducting research and development activities and, due to the nature of our business. We do not anticipate allocating funds for research and development in the immediate future.

Marketing

We operate exclusively in the oil and gas industry. Natural gas production from wells owned by us is generally sold to various intrastate and interstate pipeline companies and natural gas marketing companies. Sales are generally made on the spot market or under short-term contracts (one year or less) providing for variable or market sensitive prices. These prices often are tied to natural gas futures contracts as posted in national publications.

Natural gas delivered through our pipeline network is sold through the Sancho Oil and Gas Corporation contract to the industrial facilities near Sistersville, West Virginia, or to Hope Gas, a local utility. Some of the gas is sold at a fixed price on a year long basis and some at a variable price per month per Mcf. Under our contract with Sancho, we have the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas in 1988. This agreement is a flexible volume supply agreement whereby we receive the full price which Sancho charges the end user less a \$.05 per Mcf marketing fee paid to Sancho. The price of the natural gas is based upon the greater of the residential gas commodity index and published Inside F.E.R.C. Index, at our option, for the first 1,500 Mcf purchased per day by Hope Gas and thereafter the price is the Inside F.E.R.C.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Index. The residential gas commodity index does not directly fluctuate with the overall price of natural gas. The Inside F.E.R.C. Index fluctuates monthly with the change in the price of natural gas. While such option provides certain price protection for us, there can be no assurance that prices paid by us to suppliers will be lower than the price which we would receive under the Hope Gas arrangement. Prior to June 1, 1996, the price was the residential gas commodity index and when the market price of gas rose above such index, our ability to purchase gas from third parties was adversely effected.

We sell our oil production to third party purchasers under agreements at posted field prices. These third parties purchase the oil at the various locations where the oil is produced.

Although management believes that we are not dependent upon any one customer, our marketing arrangement with Sancho accounted for approximately 82% of our revenue for the year ended December 31, 2003, and approximately 26% for the year ended December 31, 2002. This marketing agreement is in effect until September 1, 2008.

In addition to the natural gas produced by our wells, we also purchased approximately 500 Mcf of natural gas per day in 2003.

-7-

Competition

We are in direct competition with numerous oil and natural gas companies, drilling and income programs and partnerships exploring various areas of the Appalachian and Powder River Basins and elsewhere, and competing for customers. Many competitors are large, well-known oil and gas and/or energy companies, although no single entity dominates the industry. Many of our competitors possess greater financial and personnel resources enabling them to identify and acquire more economically desirable energy producing properties and drilling prospects than us. Additionally, there is competition from other fuel choices to supply the energy needs of consumers and industry. Management believes that there exists a viable market place for smaller producers of natural gas and oil and for operators of smaller natural gas transmission systems.

Under our contract with Sancho, we have the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas in 1988. This agreement is a flexible volume supply agreement whereby we receive the full price which Sancho receives less a \$.05 per Mcf marketing fee paid to Sancho. The price of the natural gas is based upon indices that include the residential gas commodity charge of Hope Gas and the Inside F.E.R.C. CNG Index. Were it not for the relationship between Hope Gas and Sancho, Hope Gas would compete directly with us for the sale of gas to certain customers, specifically OSI Specialities, Inc. and Ormet Aluminum Company.

Government Regulation

The oil and gas industry is extensively regulated by federal, state and local authorities. The scope and applicability of legislation is constantly monitored for change and expansion. Numerous agencies, both federal and state, have issued rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for noncompliance. To date, these mandates have had no material effect on our capital expenditures, earnings or competitive position.

Legislation and implementing regulations adopted or proposed to be adopted by the Environmental Protection Agency ("EPA") and by comparable state agencies,

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

directly and indirectly affect our operations. We are required to operate in compliance with certain air quality standards, water pollution limitations, solid waste regulations and other controls related to the discharging of materials into, and otherwise protecting the environment. These regulations also relate to the rights of adjoining property owners and to the drilling and production operations and activities in connection with the storage and transportation of natural gas and oil.

We may be required to prepare and present to federal, state or local authorities data pertaining to the effect or impact that any proposed operations may have upon the environment. Requirements imposed by such authorities could be costly, time-consuming and could delay continuation of production or exploration activities. Further, the cooperation of other persons or entities may be required for us to comply with all environmental regulations. It is conceivable that future legislation or regulations may significantly increase environmental protection requirements and, as a consequence, our activities may be more closely regulated which could significantly increase operating costs. However, management is unable to predict the cost of future compliance with environmental legislation. As of the date hereof, management believes that we are in compliance with all present environmental regulations. Further, we believe that our oil and gas explorations do not pose a threat of introducing hazardous substances into the environment. If such event should occur, we could be liable under certain environmental protection statutes and laws. We presently carry insurance for environmental liability.

-8-

Our exploration and development operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes the requirement of permits for the drilling of wells, the regulation of the location and density of wells, limitations on the methods of casing wells, requirements for surface use and restoration of properties upon which wells are drilled, and governing the abandonment and plugging of wells. Exploration and production are also subject to property rights and other laws governing the correlative rights of surface and subsurface owners.

We are subject to the requirements of the Occupational Safety and Health Act, as well as other state and local labor laws, rules and regulations. The cost of compliance with the health and safety requirements is not expected to have a material impact on our aggregate production expenses. Nevertheless, we are unable to predict the ultimate cost of compliance.

Although past sales of natural gas and oil were subject to maximum price controls, such controls are no longer in effect. Other federal, state and local legislation, while not directly applicable to us, may have an indirect effect on the cost of, or the demand for, natural gas and oil.

Employees

As of the date hereof we employ eight people full-time, consisting of three executives, two marketing and clerical persons, and three production persons. Management presently anticipates hiring additional employees as business conditions warrant and as funds are available.

Facilities

We currently occupy approximately 4,000 square feet of office space in St. Marys, West Virginia, which we share with our subsidiaries, Tyler Construction Company and Ritchie County Gathering Systems. We lease an aggregate of approximately 4,000 square feet from an unaffiliated third party under a verbal arrangement for \$1,400 per month, inclusive of utilities. Management believes

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

that our present office facilities are adequate for our current business operations.

Industry Segments

No information is presented as to industry segments. We are presently engaged in the principal business of the exploration, development, production, transportation and marketing of natural gas and oil. Reference is made to the statements of operations contained in the financial statements included herewith for a statement of our revenues and operating loss for the past two fiscal years.

Risk Factors

You should carefully consider the risks and uncertainties described below and other information in this report. If any of the following risks or uncertainties actually occur, our business, financial condition and operating results, would likely suffer. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or operating results.

We have a history of losses and anticipate future losses

Although our revenues increased approximately 126% during the fiscal year ended December 31, 2003, and we may not achieve, or subsequently maintain profitability if anticipated revenues do not increase in the future. We have

-9-

experienced operating losses, negative cash flow from operations and net losses in each quarterly and annual period for the past several years. As of December 31, 2003, our net operating loss carryforward was approximately \$19.7 million and our accumulated deficit was approximately \$28.8 million. We expect to continue to incur significant expenses in connection with

- * exploration and development of new and existing properties;
- * costs of sales and marketing efforts;
- * additional personnel; and
- * increased general and administrative expenses.

Accordingly, we will need to generate significant revenues to achieve and attain, and eventually sustain profitability. If revenues do not increase, we may be unable to attain or sustain profitability on a quarterly or annual basis. Any of these factors could cause the price of our stock to decline.

There are many competitors in the oil and gas industry

We encounter many competitors in the oil and gas industry, both in the exploration and development of properties and in the sale of oil and gas. Management expects competition to continue and intensify in the future. If we are unable to successfully compete with other oil and gas companies, our business will be adversely affected.

Our operating results are likely to fluctuate significantly and cause our stock price to be volatile which could cause the value of your investment in our shares to decline

Quarterly and annual operating results are likely to fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. If operating results do not meet the expectations of

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

securities analysts and investors, the trading price of our common stock could significantly decline which may cause the value of your investment to decline. Some of the factors that could affect quarterly or annual operating results or impact the market price of our common stock include:

- * our ability to develop properties and to market our oil and gas;
- * the timing and amount of, or cancellation or rescheduling of, orders for our oil and gas;
- * our ability to retain key management, sales and marketing and engineering personnel;
- * a decrease in the prices of oil and gas; and
- * changes in costs of exploration or marketing oil and gas.

Due to these and other factors, quarterly and annual revenues, expenses and results of operations could vary significantly in the future, and period-to-period comparisons should not be relied upon as indications of future performance.

Additional share issuances could be dilutive

If we do not generate necessary cash from our operations to finance future business, we may need to raise additional funds through public or private financing opportunities. Selling additional stock could dilute the equity interests of existing stockholders. If we borrow more money, we will have to pay interest and may also have to agree to restrictions that limit operating flexibility. We may not be able to obtain funds needed to finance operations at all, or may be able to obtain funds only on very unattractive terms. Management may also explore other alternatives such as a joint venture with other oil and gas companies. There can be no assurances, however, that we will conclude any such transaction.

-10-

Outside factors may influence our business development

We expect to experience significant fluctuations in future results of operations due to a variety of factors, many of which are outside of our control, including:

- * demand for oil and gas;
- * attempts to expand into new markets;
- * competitive factors that affect pricing;
- * the timing and magnitude of capital expenditures, including costs relating to the expansion of operations;
- * hiring and retention of key personnel;
- * changes in generally accepted accounting policies, especially those related to the oil and gas industry; and
- * new government legislation or regulation.

Any of the above factors could have a negative effect on our business and on the price of our common stock.

If we lose key personnel, we may be unable to successfully operate

We depend on the continued contributions of our executive officers and other technical and marketing personnel to work effectively as a team, to execute our business strategy and to manage our business. The loss of key personnel or their failure to work effectively could have a material adverse effect on our business, financial condition and results of operations.

Going concern issue

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Our independent auditors have expressed a going concern issue. Our ability to continue as a going concern is dependant upon our ability to achieve a profitable level of operations. Management will need, among other things, additional capital resources which it may seek through loans from shareholders. We expect that we will need approximately \$300,000 to cover our negative cash flow through fiscal 2004. However, management cannot provide any assurances that we will be successful in accomplishing any of our plans.

Risks relating to ownership of our common stock

The price of our common stock is extremely volatile and investors may not be able to sell their shares at or above their purchase price, or at all.

Our common stock is presently traded on the OTC Bulletin Board, although there is no assurance that a viable market will continue. The price of our shares in the public market is highly volatile and may fluctuate substantially because of:

- * actual or anticipated fluctuations in our operating results;
- * changes in or failure to meet market expectations;
- * conditions and trends in the oil and gas industry; and
- * fluctuations in stock market price and volume, which are particularly common among securities of small capitalization companies.

We do not intend to pay dividends

To date, we have never declared or paid a cash dividend on shares of our common stock. We currently intend to retain any future earnings for growth and development of business and, therefore, do not anticipate paying any dividends in the foreseeable future.

-11-

Possible "Penny Stock" Regulation

Trading of our common stock on the OTC Bulletin Board may be subject to certain provisions of the Securities Exchange Act of 1934, commonly referred to as the "penny stock" rule. A penny stock is generally defined to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. If our stock is deemed to be a penny stock, trading in our stock will be subject to additional sales practice requirements on broker-dealers. These may require a broker dealer to:

- * make a special suitability determination for purchasers of penny stocks;
- * receive the purchaser's written consent to the transaction prior to the purchase; and
- * deliver to a prospective purchaser of a penny stock, prior to the first transaction, a risk disclosure document relating to the penny stock market.

Consequently, penny stock rules may restrict the ability of broker-dealers to trade and/or maintain a market in our common stock. Also, many prospective investors may not want to get involved with the additional administrative requirements, which may have a material adverse effect on the trading of our shares.

Item 2. Description of Property

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Our properties consist essentially of working and royalty interests owned by us in various oil and gas wells and leases located in West Virginia. On December 31, 2003, we sold our 75% working interest ownership in five oil and gas wells located in Tyler County, West Virginia to Ultra-Light Investments for \$380,000. The wells included Eastlack #1, Nolan #2, Nolan #3, Nolan #4 and Nolan #5. Our proved reserves for the years ended December 31, 2003, 2002 and 2001 are set forth below:

	December 31,		
	2003	2002	2001
Natural Gas (MMcf)			
Developed	--	1,131,415	1,133,839
Undeveloped	--	--	--
Total Proved	--	1,131,415	1,133,839
Crude Oil (MBbl)			
Developed	99,880	113,406	147,876
Undeveloped	--	--	--
Total Proved	99,880	113,406	147,876

These estimates are based primarily on the reports of Robert L. Richards, Geologist and presently an officer and director of Trans Energy. Such reports are, by their very nature, inexact and subject to changes and revisions. Proved developed reserves are reserves expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which existence and recoverability of such reserves can be estimated with reasonable certainty, or from existing wells where a relatively major expenditure is required to establish production. No estimates of reserves have been included in any reports to any federal agency other than the SEC. See SFAS 69 Supplemental Disclosures included as part of our consolidated financial statements.

-12-

Set forth in the following schedule is the average sales price per unit of oil, expressed in barrels ("bbl"), and of natural gas, expressed in thousand cubic feet ("mcf"), produced by us for the past three fiscal years.

	Years ended December 31,		
	2003	2002	2001
Average sales price:			
Gas (per mcf)	\$ 7.04	\$ 4.73	\$ 5.22
Oil (per bbl)	23.38	17.91	16.22
Average cost of production:			
Gas (per mcf)	-	-	-
Oil (per bbl)	4.58	5.03	4.05

We have not filed any estimates of total, proved net oil and gas reserves with any federal authority or agency since the beginning of our last fiscal year.

The following schedule sets forth the capitalized costs relating to oil and gas producing activities by us for the past three fiscal years.

Years ended December 31,		
2003	2002	2001
-----	-----	-----

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Proved oil and gas producing properties and related lease and well equipment	\$ 3,171,426	\$ 3,678,730	\$ 3,617,505
Unproved oil and gas properties	99,945	95,945	114,426
Accumulated depreciation and depletion	(2,555,878)	(1,839,295)	(1,009,429)
Net Capitalized Costs	\$ 715,493	\$ 1,935,380	\$ 2,722,502
	=====	=====	=====

The following schedule summarizes changes in the standardized measure of discounted future net cash flows relating to our proved oil and gas reserves.

	Years ended December 31,		
	2003	2002	2001
	-----	-----	-----
Standardized measure, beginning of year	\$ 4,314,941	\$ 3,649,994	\$ 4,425,778
Oil and gas sales, net of production costs	(2,411,293)	--	--
Sales of mineral in place	--	--	(1,039,658)
Purchases	--	--	--
Net change due to revisions in quantity estimates	(39,271)	664,947	263,874
	-----	-----	-----
Standardized measure, end of year	\$ 1,864,377	\$ 4,314,941	\$ 3,649,994
	=====	=====	=====

We do not anticipate investing in or purchasing assets and/or property for the purpose of capital gains. It is our intention to purchase assets and/or property for the purpose of enhancing our primary business operations. We are not limited as to the percentage amount of our assets we may use to purchase any additional assets or properties.

-13-

Item 3. Legal Proceedings

Certain material pending legal proceedings to which we are a party or to which any of our property is subject is set forth below.

(a) On February 7, 2001, the United States Bankruptcy Court, Southern District of Texas, entered an Order Granting Motion to Dismiss Chapter 7 Case in the action entitled In Re: Trans Energy, Inc., Case No. 00-39496-H4-7. The Order dismissed the involuntary bankruptcy action instituted against us on October 16, 2000. The sole petitioning creditor named in the Involuntary Petition was Western Atlas International, Inc. An Order for Relief Under Chapter 7 was entered by the Court on November 22, 2000.

On April 23, 2000, the 189th District Court of Harris County, Texas entered an Agreed Final Judgment in favor of Western against us in the amount of \$600,665.36, together with post judgment interest at 10% per annum. Following the judgment, we entered into settlement negotiations with Western concerning our satisfaction of the judgment through payments over a four to five month period, together with the pledge of collateral on certain unencumbered assets. Previously, on or about July 9, 1998, a

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

judgment had been entered in the 152nd District Court of Harris County, Texas against us in favor of Baker Hughes Oilfield Operations, Inc. d/b/a/ Baker Hughes Inteq. Western Geophysical ("Baker"), a division of Western Atlas International, Inc., in the amount of \$41,142.00, together with interest and attorney fees. This judgment was outstanding at the time of the filing of the Involuntary Petition.

During our negotiations with Western for settlement of the Judgment, we made a \$200,000 "good faith payment" to Western's counsel on October 23, 2000. On December 12, 2000, Joe Hill was named as the Chapter 7 Trustee. Subsequently, Western's counsel delivered the \$200,000 to the Trustee.

On January 19, 2001, we filed with the Bankruptcy Court the Motion to Dismiss Chapter 7 Case. The reasons cited in support of the Motion to Dismiss included, but were not limited to, (i) the Texas Court being an improper venue for the action, and (ii) we never receiving the Involuntary Petition and Summons notifying it of the action. In anticipation of the Bankruptcy Court dismissing the Involuntary Petition, on February 2, 2001, we entered into a Settlement Agreement with Baker Hughes Oilfield Operation, Inc., d/b/a/ Baker Hughes Inteq. Western Geophysical, a division of Western Atlas International, Inc. (the "Baker Entities"). In entering its order on February 7, 2001 to dismiss the action, the Court ordered the Trustee to retain \$17,694.80 for satisfaction of administrative fees and expenses, and to pay to Western and Baker the sum of \$182,736.66, on our behalf and pursuant to the terms of the Settlement Agreement.

The Settlement Agreement provided that, subject to the approval of the Bankruptcy Court, we agreed to pay to the Baker Entities \$759,664.31, plus interest at 10%. In addition to the \$200,000 payable from the escrow, we pledged as collateral certain properties, personal property and fixtures and two directors each pledged 750,000 shares of our common stock which they personally own. Subsequently, we assigned the income stream from the sale of oil in the Pinon Fee #1, Sagebrush #1 and Sagebrush #2 to the Baker Entities as payments toward the amounts owed.

The Baker Entities continue their proceedings to enforce a foreign judgment against us in Pleasants County, West Virginia. On December 23, 2003 we entered into a Settlement Agreement and Mutual Release with the Baker Entities whereby on January 5, 2004 we paid \$350,000 to the Baker Entities as payment in full for all monies owed and the Baker Entities gave us a release of all judgments and liens against us.

-14-

(b) On September 22, 2000, Tioga Lumber Company obtained a judgment of \$43,300 plus interest in the Circuit Court of Pleasants County, West Virginia, against Tyler Construction Company for breach of contract. On February 28, 2002, we reached a negotiated payment schedule with Tioga and made the initial payment. We believe that we have satisfied the balance owed to Tioga of \$26,233.58, although the judgment has not yet been released. We are proceeding to secure the release of the judgment.

(c) On April 16, 2001, Ross Forbus obtained a judgment of \$428,018 against us to satisfy a promissory note previously entered into with Mr. Forbus on April 8, 1996. We agreed to payment terms and has made several payments to Mr. Forbus. Mr. Forbus has made a demand upon for payment in full.

(d) In January 2002, a suit entitled Dennis L. Spencer vs. Trans Energy, Inc. and Messrs. Woodburn and Bagley was filed in the Circuit Court of Ritchie County, West Virginia (Civil Action No. 02-C-02). The complaint alleges that we sold certain assets which Mr. Spencer claims to be the

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

beneficial owner. The complaint seeks \$1,000,000 in damages. We have filed an answer to the complaint and the matter is still pending.

(e) On January 15, 2003, a suit against us entitled Lario Oil & Gas Company vs. Trans Energy, Inc. (Civil Action No. 24575) was initiated in the Sixth District Court of Campbell County, Wyoming. Lario's suit asks for \$50,692.10 which it claims we owe for operating fees on the Sagebrush #1 and #2 and the Pinon Fee #1 wells, operated by Lario and in which we have working interests. We are preparing an answer to the complaint and are asking for a complete accounting of all monies owed. Lario is retaining our share of monthly oil production monies and applying them to the amount owed. As of December 31, 2003, the amount due was \$51,371.

(f) On February 5, 2003, O.C. Smith obtained a judgment against us for \$6,000 in the Circuit Court of Ritchie County, West Virginia. Mr. Smith had brought suit against our predecessor Apple Corporation, for an accounting of all gas purchased by us as well as judgment for all amounts still owing. We acquired all of Apple Corporation's interest in this well and management determined that there was an unpaid balance still owing Mr. Smith. The \$6,000 was payable in three monthly installments beginning on April 25, 2003. The final installment was paid on February 23, 2004 and we consider the judgment paid in full.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our securities holders during the fourth quarter of the fiscal year ended December 31, 2003.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Our common stock is quoted on the OTC Bulletin Board under the symbol "TSRG." Set forth in the table below are the quarterly high and low prices of our common stock as obtained from the Nasdaq Small-Cap Market and the OTC Bulletin Board for the past two fiscal years.

	High	Low
	----	---
2003		
First Quarter	\$.004	\$.002
Second Quarter	\$.007	\$.002
Third Quarter	\$.006	\$.002
Fourth Quarter	\$.028	\$.003

-15-

2002		
First Quarter	\$.026	\$.005
Second Quarter	\$.019	\$.007
Third Quarter	\$.012	\$.002
Fourth Quarter	\$.009	\$.002

As of December 31, 2003, there were approximately 390 holders of record of our common stock, which figure does not take into account those shareholders whose certificates are held in the name of broker-dealers or other nominee accounts.

Dividend Policy

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

We have not declared or paid cash dividends or made distributions in the past, and we do not anticipate that we will pay cash dividends or make distributions in the foreseeable future. We currently intends to retain and reinvest future earnings to finance operations.

Recent Sales of Unregistered Securities

During 2002, we issued 60,835,938 shares of common stock for cash, services and conversion of debt at an average of \$.01 per share, or an aggregate of \$337,250.

During 2003, we issued 27,841,311 shares of common stock for the extinguishment of certain debts and related interest valued at \$75,116, or an average price of \$.0027 per share, and an additional 150,000 shares upon the conversion of convertible debt in the amount of \$5,250, or \$.035 per share. We also issued 3,500,000 shares in exchange for services valued at \$10,500, or \$.003 per share.

Shares issued for cash, services and extinguishment of debt, were issued in reliance upon the exemption from registration under the Securities Act of 1933, provided by Section 4(2) thereunder. Issuances of shares upon conversion of debentures or other debt were pursuant to the exemption provided by Section 3(a)(9) of said Act.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following information should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-KSB.

Results of Operations

The following table sets forth the percentage relationship to total revenues of principal items contained in the statements of operations of the consolidated financial statements included herewith for the two most recent fiscal years ended December 31, 2003, and 2002. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

-16-

	Fiscal Years Ended December 31,	
	2003	2002
	-----	-----
Total revenues.....	100%	100%
Total costs and expenses.....	162	257
Total other income (expenses).....	(15)	(62)
Loss before taxes and change in accounting principal	(77)	(219)
Income taxes.....	-	-
Change in accounting principal.....	(6)	-
Net (loss).....	(83)	(219)

For the Year Ended December 31, 2003 Compared to the Year Ended December 31,

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

2002

Total revenues of \$1,902,836 for the year ended December 31, 2003 ("2003") increased 114% when compared to \$889,764 for the year ended December 31, 2002 ("2002") due primarily to increased oil and gas prices and greater gas volume in our pipelines. In 2003, oil made up 28% of total revenues compared to 31% in 2002, and gas represented 72% of revenues in 2003 compared to 67% in 2002. The changes were considered minimal representing only a slight difference in percentage points.

We had an operating loss of \$1,187,448 for 2003 compared to a loss of \$1,399,549 in 2002. Total costs and expenses increased 35% in 2003 primarily due to the 132% increase in cost of oil and gas, attributed to higher oil and gas prices and increased pipeline costs. As a percentage of revenues, total costs and expenses decreased from 257% in 2002 to 162% in 2003, attributed to the significant increase in revenues from pipeline transmissions. Salaries and wages remained constant in 2003. Selling, general and administrative expenses decreased 35% in 2003 when compared to 2002, primarily due to a lower legal fees and settlement of prior legal issues. Depreciation, depletion and amortization increased 5% in 2003 due to increased oil production.

Interest expense in 2003 decreased 17% in 2003 due to lower interest rates, paying off certain debt with proceeds from the sale of assets, and settlement of the Baker Hughes judgment. We also realized a gain on disposition of assets of \$231,702 in 2003, compared to \$82,522 in 2002, which was offset by a loss on sale and valuation of assets in 2003 of \$266,496. We also recognized a charge of \$116,486 in 2003 due to a change in accounting principal.

Our net loss for 2003 was \$1,582,180 versus a net loss of \$1,946,959 for 2002. The decrease in net loss in 2003 is primarily attributed to increased revenues and recognized gains on disposition of assets and debt.

Net Operating Losses

We have accumulated approximately \$19.7 million of net operating loss carryforwards as of December 31, 2003, which may be offset against future taxable income through 2023. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. In the event of certain changes in control, there will be an annual limitation on the amount of net operating loss carryforwards which can be used. No tax benefit has been reported in the financial statements for the year ended December 31, 2003 because the potential tax benefits of the loss carryforward is offset by valuation allowance of the same amount.

-17-

Liquidity and Capital Resources

Historically, working capital needs have been satisfied through our operating revenues and from borrowed funds. Working capital at December 31, 2003 was a negative \$6,359,171 compared with a negative \$6,332,583 at December 31, 2002. We anticipate meeting working capital needs during the 2004 fiscal year with revenues from operations and possibly from capital raised through the sale of either equity or debt securities. We have no other current agreements or arrangements for additional funding and there can be no assurance such funding will be available to us, or if available, such funding will be on acceptable or favorable terms to us.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

As of December 31, 2003, we had total assets of \$1,292,875 and stockholders' deficit of \$5,430,033 compared to total assets of \$2,747,636 and total stockholders' deficit of \$3,938,719 at December 31, 2002.

In 1998, we issued \$4,625,400 face value of 8% Secured Convertible Debentures Due March 31, 1999. A portion of the proceeds were used to acquire the GCRL properties and interest in Wyoming. During 2000, all but one of the remaining outstanding debentures were converted into commons stock. At December 31, 2003, we owed \$331,462 in connection with the debentures consisting of \$50,000 for a debenture and \$281,462 in penalties and interest.

Because we have generated significant losses from operations through December 31, 2003, and has a working capital deficit at December 31, 2003, there exists substantial doubt about our ability to continue as a going concern. Revenues have not been sufficient to cover operating costs and to allow us to continue as a going concern. Potential proceeds from the future sale of common stock, other contemplated debt and equity financing, and increases in operating revenues from new development would enable us to continue as a going concern. There can be no assurance that we can or will be able to complete any debt or equity financing.

In the opinion of management, inflation has not had a material effect on the operations of Trans Energy.

Forward-Looking and Cautionary Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, operating results, and financial position. We caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other matters expressed in forward-looking statements. These risks and uncertainties, many of which are beyond our control, include:

- * the sufficiency of existing capital resources and our ability to raise additional capital to fund cash requirements for future operations;
- * uncertainties involved in the rate of growth of our business and acceptance of any products or services;
- * volatility of the stock market, particularly within the technology sector; and
- * general economic conditions.

Although we believe the expectations reflected in these forward-looking statements are reasonable, such expectations cannot guarantee future results, levels of activity, performance or achievements.

-18-

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards (SFAS) SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

effective for fiscal years beginning after June 15, 2002. We recorded an environmental remediation accrual of \$200,000. A change in accounting principal of \$116,486 was recognized in the year ended December 31, 2003.

On April 30, 2002, the FASB issued FASB Statement No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 rescinds both FASB Statement No. 4 (SFAS 4), "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS 4, FASB Statement No. 64 (SFAS 64), "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Through this rescission, SFAS 145 eliminates the requirement (in both SFAS 4 and SFAS 64) that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. However, an entity is not prohibited from classifying such gains and losses as extraordinary items, so long as it meets the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Further, SFAS 145 amends paragraph 14(a) of FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The amendment requires that a lease modification (1) results in recognition of the gain or loss in the 9 financial statements, (2) is subject to FASB Statement No. 66, "Accounting for Sales of Real Estate," if the leased asset is real estate (including integral equipment), and (3) is subject (in its entirety) to the sale-leaseback rules of FASB Statement No. 98, "Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases." Generally, FAS 145 is effective for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not have a material effect on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The scope of SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002 and early application is encouraged. The provisions of EITF No. 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF No. 94-3 prior to the adoption of SFAS 146. The effect on adoption of SFAS 146 will change on a prospective basis the timing of when the restructuring charges are recorded from a commitment date approach to when the liability is incurred. The adoption of SFAS 146 did not have a material effect on our financial statements.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions" which is effective for acquisitions on or after October 1, 2002. This statement provides interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for

transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS 72 and

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." The adoption of SFAS No. 147 did not have a material effect on our financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" which is effective for financial statements issued for fiscal years ending after December 15, 2002. This Statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 did not have a material effect on our financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" which is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and hedging activities under SFAS 133. The adoption of SFAS No. 149 did not have a material effect on our financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. The adoption of SFAS No. 150 did not have a material effect on our financial statements.

FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an Interpretation of FASB Statements No. 5, 57 and 107". The initial recognition and initial measurement provisions of this Interpretation are to be applied prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in the Interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FASB Interpretation No. 45 did not have a material effect on our financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material impact on our financial statements.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

During the year ended December 31, 2003, we adopted the following Emerging Issues Task Force Consensuses: EITF Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables," EITF Issue No. 01 -8 "Determining Whether an Arrangement Contains a Lease," EITF Issue No. 02-3 "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities," EITF Issue No. 02-9 "Accounting by a Reseller for Certain Consideration Received from a Vendor," EITF Issue No. 02-17, "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination," EITF Issue No. 02-18 "Accounting for Subsequent Investments in an Investee after Suspension of Equity Method Loss Recognition," EITF Issue No. 03-1, "The Meaning of Other Than Temporary and its Application to Certain Instruments," EITF Issue No. 03-5, "Applicability of AICPA Statement of Position 9702, 'Software Revenue Recognition' to Non-Software Deliverables in an Arrangement Containing More Than Incidental Software," EITF Issue No. 03-7, "Accounting for the Settlement of the Equity Settled Portion of a Convertible Debt Instrument That Permits or Requires the Conversion Spread to be Settled in Stock," EITF Issue No. 03-10, "Application of EITF Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers."

Item 7. Financial Statements

Our restated financial statements as of and for the fiscal years ended December 31, 2003 and 2002 have been examined to the extent indicated in their report by H J & Associates, LLC, independent certified public accountants, and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-B as promulgated by the SEC. The aforementioned financial statements are included herein starting with page F-1.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

This Item is not Applicable.

Item 8A. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to cause the material information required to be disclosed by us in the reports that we file or submit under the Exchange Act to be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors which could significantly affect internal controls subsequent to the date we carried out our evaluation.

-21-

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The following table sets forth the names, ages, and offices held by our directors and executive officers:

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Name ----	Position -----	Director Since -----	Age ---
Robert L. Richards	President, C.E.O. and Director	September 2001	58
Loren E. Bagley	Vice President and Director	August 1991	61
William F. Woodburn	Secretary / Treasurer and Director	August 1991	62
John B. Sims	Director	January 1988	78

All directors hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified. There are no agreements with respect to the election of directors. We have not compensated our directors for service on the Board of Directors or any committee thereof, but directors are reimbursed for expenses incurred for attendance at meetings of the Board and any committee thereof. Executive officers are appointed annually by the Board and each executive officer serves at the discretion of the Board. The Executive Committee of the Board of Directors, to the extent permitted under Nevada law, exercises all of the power and authority of the Board in the management of the business and affairs of Trans Energy between meetings of the Board.

The business experience of each of the persons listed above during the past five years is as follows:

Robert L. Richards became a director and was appointed President and C.E.O. in September 2001. From 1982 to the present, he has been President of Robert L. Richards, Inc. as a consulting geologist with 27 years experience in the petroleum industry. He has also served as a geologist with Exxon, exploration geologist with Union Texas Petroleum, and regional exploration manager for Carbonit Exploration, Inc. From 2000 to the present, he has been President and C.E.O. of Derma - Rx, Inc., a formulator and marketer of skin care products. Also, from 1992 to August 2000, Mr. Richards was C.E.O. of Kaire Nutraceuticals, Inc., a developer and marketer of health and nutritional products. Mr. Richards served as Vice President of Continental Tax Corporation from March 1989 to August 1992. He has five and one-half years experience in the United States Air Force as an Instructor Pilot. Mr. Richards holds a B.S. degree in geology from Brigham Young University.

Loren E. Bagley served as our President and C.E.O. from September 1993 to September 2001, at which time he resigned as President and was appointed Vice President. From 1979 to the present, Mr. Bagley has been self-employed in the oil and gas industry as president, C.E.O. or vice president of various corporations which he has either started or purchased, including Ritchie County Gathering Systems, Inc. Mr. Bagley's experience in the oil and gas industry includes acting as a lease agent, funding and drilling of oil and gas wells, supervising production of over 175 existing wells, contract negotiations for purchasing and marketing of natural gas contracts, and owning a well logging company specializing in analysis of wells. Prior to becoming involved in the oil and gas industry, Mr. Bagley was employed by the United States government with the Agriculture Department. Mr. Bagley attended Ohio University and Salem College and earned a B.S. Degree.

-22-

William F. Woodburn has served as our Vice President from August 1991 to September 2001, at which time he resigned as Vice President and was appointed Secretary / Treasurer. Mr. Woodburn has been actively engaged in the oil and gas business in various capacities for the past twenty years. For several years prior to 1991, Mr. Woodburn supervised the production of oil and natural gas and managed the pipeline operations of Tyler Construction Company, Inc. and Tyler Pipeline, Inc. Mr. Woodburn is a stockholder and serves as President of Tyler

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Construction Company, Inc., and is also a stockholder of Tyler Pipeline, Inc. which owns and operates oil and gas wells in addition to natural gas pipelines, and Ohio Valley Welding, Inc. which owns a fleet of heavy equipment that services the oil and gas industry. Prior to his involvement in the oil and gas industry, Mr. Woodburn was employed by the United States Army Corps of Engineers for twenty four years and was Resident Engineer on several construction projects. Mr. Woodburn graduated from West Virginia University with a B.S. in civil engineering.

John B. Sims served as our President, C.E.O. and a director from 1988 to September, 1993 and currently is a director. Prior to joining Trans Energy and from 1984 to 1988, Mr. Sims was the General Partner of Ben's Run Oil Company which was acquired by the Company in January, 1988. Mr. Sims has also been the general partner for fourteen limited partnerships from 1977 to 1984 drilling a total of twenty eight wells. Prior to his involvement in the oil and gas business, Mr. Sims was a real estate developer for twenty years as well as an exclusive real estate broker for Ednam Forrest in Charlottesville, Virginia. During 1994, Mr. Sims voluntarily initiated a personal bankruptcy proceeding pursuant to Chapter 7 of the United States Bankruptcy Code. Pursuant to the terms of such proceeding, Mr. Sims was discharged of certain of his debts which were incurred as a consequence of his personal guarantees of certain business related debts, not related to Trans Energy, upon which the primary obligor defaulted.

Item 10. Executive Compensation

We do not have a bonus, profit sharing, or deferred compensation plan for the benefit of employees, officers or directors, nor have we entered into employment contracts with any of the aforementioned persons.

Cash Compensation

For the past three fiscal years ended December 31, 2003, we have not paid any cash compensation for services rendered by our executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, to the best of our knowledge as December 31, 2003, with respect to each person known by us to own beneficially more than 5% of our outstanding common stock, each director and all directors and officers as a group.

-23-

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----	Percent of Class(1) -----
Robert L. Richards 210 Second Street St. Marys, WV 26170	1,691,287 (2)	0.6%
Loren E. Bagley * 210 Second Street St. Marys, WV 26170	2,074,527 (3)	0.7%
William F. Woodburn * 210 Second Street St. Marys, WV 26170	2,067,394 (4)	0.8%
John B. Sims * 210 Second Street St. Marys, WV 26170	302,614 (5)	0.1%
All directors and executive officers as a group	6,135,822 (6)	2.3%

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

(4 persons in group)

* Director and/or executive officer

Note: Unless otherwise indicated in the footnotes below, we have been advised that each person above has sole voting power over the shares indicated above.

- (1) Based upon 269,010,438 shares of common stock outstanding on December 31, 2003, but does not take into consideration stock options owned by certain officers and directors entitling the holders to purchase an aggregate of 650,000 shares of common stock and which are currently exercisable. Therefore, for purposes of the table above, 238,169,127 shares of common stock are deemed to be issued and outstanding in accordance with Rule 13d-3 adopted by the SEC under the Securities Exchange Act of 1934, as amended. Percentage ownership is calculated separately for each person on the basis of the actual number of outstanding shares as of December 31, 2003 and assumes the exercise of stock options held by such person (but not by anyone else) exercisable within sixty days.
- (2) Includes 1,012,670 shares held in the name of Argene Richards, wife of Mr. Richards.
- (3) Includes 312,500 shares that may be acquired by Mr. Bagley pursuant to stock options exercisable at \$.50 per share and 50,000 shares of common stock held in the name of Carolyn S. Bagley, wife of Mr. Bagley, over which Ms. Bagley retains voting power.
- (4) Includes 312,500 shares that may be acquired by Mr. Woodburn pursuant to stock options exercisable at \$.50 per share and 31,250 shares of common stock in the name of Janet L. Woodburn, wife of Mr. Woodburn, over which shares Ms. Woodburn retains voting power.
- (5) Includes 25,000 shares that may be acquired by Mr. Sims pursuant to stock options exercisable at \$.50 per share and 13,807 shares of common stock held jointly with Virginia Sims, wife of Mr. Sims.
- (6) Includes 650,000 shares that may be acquired by certain directors pursuant to stock options exercisable at \$.50 per share.

Item 12. Certain Relationships and Related Transactions

During the past two fiscal years, there have been no transactions between us and any officer, director, nominee for election as director, or any shareholder owning greater than five percent (5%) of our outstanding shares, nor any member of the above referenced individuals' immediate family, except as set forth below.

-24-

(a) Loren E. Bagley is President of Sancho, a principal purchaser of our natural gas. Mr. Bagley's wife, Carolyn S. Bagley is a director and owner of 33% of the outstanding capital stock of Sancho. Under our contract with Sancho, we have the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas in 1988. This agreement is a flexible volume supply agreement whereby we receive the full price which Sancho receives less a \$.05 per Mcf marketing fee paid to Sancho. The price of the natural gas is based upon the greater of the residential gas commodity index or the published Inside F.E.R.C. Index, at our option, for the first 1,500 Mcf purchased per day by Hope Gas and thereafter the price is the Inside F.E.R.C. Index. The residential gas commodity index does not directly fluctuate with the overall price of natural gas. The Inside F.E.R.C. Index fluctuates monthly with the change in the price of natural gas. While such option provides certain price protection for us there can be no assurance that prices paid by us to suppliers will be lower than the price which we would receive under the Hope Gas arrangement. During 2003, we paid Sancho an aggregate

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

of approximately \$11,000 pursuant to such contract.

(b) On May 7, 1996, we borrowed \$100,000 from William Stevenson. Such amount is repayable in one installment of principal and interest of \$110,000 on November 7, 1996. Messrs. Bagley, William F. Woodburn and John B. Sims are jointly and severally liable with us for the repayment of such obligation. Such obligation is secured by the pledge of 50,000 shares of common stock owned by Mr. Woodburn's wife, Janet L. Woodburn. The loan remains outstanding.

We occupy approximately 4,000 square feet of office space in St. Marys, West Virginia, which we share with Tyler Construction and Ritchie County Gathering Systems. Prior to 1997, the office space was paid for by Sancho and we used the office space rent free. We believe that the foregoing transactions with Sancho were made on terms no less favorable to us than those available from unaffiliated third parties.

It is our policy that any future material transactions between us and members of management or their affiliates shall be on terms no less favorable than those available from unaffiliated third parties.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Exhibit Name
-----	-----
2.1(1)	Stock Acquisition Agreement between Trans Energy and Loren E. Bagley and William F. Woodburn
2.2(1)	Asset Acquisition Agreement between Trans Energy and Dennis L. Spencer
2.3(1)	Asset Acquisition Agreement between Trans Energy and Tyler Pipeline, Inc.
2.4(1)	Stock Exchange Agreement between Trans Energy and Ritchie County Gathering Systems, Inc.
2.5(1)	Plan and Agreement of Merger between Trans Energy, Inc. (Nevada) and Apple Corp. (Idaho), to facilitate the change of our corporate domicile to Nevada
2.6(2)	Agreements related to acquisition of Vulcan Energy Corporation
3.1(1)	Articles of Incorporation and all amendments pertaining thereto, for Apple Corp., an Idaho corporation
3.2(1)	Articles of Incorporation for Trans Energy, Inc., a Nevada corporation
3.3(1)	Articles of Merger for the States of Nevada and Idaho
4.1(1)	Specimen Stock Certificate
10.1(1)	Marketing Agreement with Sancho Oil and Gas Corporation
10.2(1)	Gas Purchase Agreement with Central Trading Company
	3.4(1) By-Laws

-25-

(a) Exhibits (continued)

Exhibit No.	Exhibit Name
-----	-----
10.3(1)	Price Agreement with Key Oil Company
10.4(3)	Settlement Agreement and Mutual Release
21.1(1)	Subsidiaries Schedule
31.1	Certification of C.E.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

- 32.1 Certification of C.E.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.1(1) Reserve Estimate and Evaluation of oil and gas properties
- 99.2(1) Reserve Estimate and Evaluation for Dennis L. Spencer wells

(1) Previously filed as exhibit to Form 10-SB. (2) Previously filed as exhibit to Form 8-K dated August 7, 1995. (3) Previously filed as exhibit to Form 8-K file January 23, 2004

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K on January 15, 2004 and an amended report on January 23, 2004 reporting under Items 2 and 5 the sale of certain working interests in five oil and gas wells and the use of a portion of the proceeds to settle an ongoing lawsuit.

Item 14. Principal Accountants Fees and Services

We do not have an audit committee and as a result our entire board of directors performs the duties of an audit committee. Our board of directors will approve in advance the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. As a result, we do not rely on pre-approval policies and procedures.

Audit Fees

The aggregate fees billed by our independent auditors, H J & Associates, for professional services rendered for the audit of our annual financial statements included in our Annual Reports on Form 10-KSB for the years ended December 31, 2003 and 2002, and for the review of quarterly financial statements included in our Quarterly Reports on Form 10-QSB for the quarters ending April 30, June 30 and September 30, 2003 and 2002, were \$30,250 for 2003 and \$33,500 for 2002.

Audit Related Fees

For the years ended December 31, 2003 and 2002, there were no fees billed for assurance and related services by H J & Associates relating to the performance of the audit of our financial statements which are not reported under the caption "Audit Fees" above.

Tax Fees

For the years ended December 31, 2003 and 2002, fees billed by H J & Associates for tax compliance, tax advice and tax planning were \$1,250 and \$1,000, respectively.

-26-

We do not use H J & Associates for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We do not engage H J & Associates to provide compliance outsourcing services.

The board of directors has considered the nature and amount of fees billed by H J & Associates and believes that the provision of services for activities unrelated to the audit is compatible with maintaining H J & Associates'

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

independence.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANS ENERGY, INC.

BY: /S/ ROBERT L. RICHARDS

Robert L. Richards,
President and C.E.O.

Dated: May 21, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/S/ ROBERT L. RICHARDS ----- Robert L. Richards	President, C.E.O. and Director	May 21, 2004
/S/ LOREN E. BAGLEY ----- Loren E. Bagley	Vice President and Director Principal Financial Officer	May 21, 2004
/S/ WILLIAM F. WOODBURN ----- William F. Woodburn	Secretary Treasurer/Treasurer and Director Chief Accounting Officer	May 21, 2004
/S/ JOHN B. SIMS ----- John B. Sims	Director	May 21, 2004

-27-

TRANS ENERGY, INC.
AND SUBSIDIARIES

RESTATED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

C O N T E N T S

Independent Auditors' Report	F-3
Restated Consolidated Balance Sheet	F-4
Restated Consolidated Statements of Operations	F-6
Restated Consolidated Statements of Stockholders' Equity (Deficit).....	F-7
Restated Consolidated Statements of Cash Flows	F-8
Notes to the Restated Consolidated Financial Statements	F-10

INDEPENDENT AUDITORS' REPORT

Board of Directors
Trans Energy, Inc. and Subsidiaries
St. Marys, West Virginia

We have audited the accompanying consolidated balance sheet of Trans Energy, Inc. and Subsidiaries as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trans Energy, Inc. and Subsidiaries as of December 31, 2003 and the consolidated

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

results of their operations and their cash flows for the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 8 to the consolidated financial statements, the Company has generated significant losses from operations, has an accumulated deficit of \$28,804,202 and has a working capital deficit of \$6,359,171 at December 31, 2003, which together raises substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 8. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ & Associates, LLC

Salt Lake City, Utah

March 17, 2004 except for Note 11, for which the date is May 12, 2004

F-3

TRANS ENERGY, INC. AND SUBSIDIARIES Restated Consolidated Balance Sheet

ASSETS

	December 31, 2003

CURRENT ASSETS	
Cash	\$ 183
Accounts receivable, net (Note 1)	198,691
Other receivables	58,452
Prepaid expenses	990

Total Current Assets	258,316

PROPERTY AND EQUIPMENT (Note 2)	
Vehicles	77,118
Machinery and equipment	10,092
Pipelines	1,739,287
Well equipment	49,155
Wells	3,079,481
Leasehold acreage	95,945
Accumulated depreciation	(4,021,605)

Total Fixed Assets	1,029,473

OTHER ASSETS	
Cash surrender value - life insurance (net)	5,086

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Total Other Assets	5,086

TOTAL ASSETS	\$ 1,292,875
	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-4

TRANS ENERGY, INC. AND SUBSIDIARIES
Restated Consolidated Balance Sheet (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	December 31, 2003

CURRENT LIABILITIES	
Bank overdraft	\$ 49,120
Accounts payable - trade	786,191
Notes payable - convertible (Note 12)	36,325
Accrued expenses	954,749
Salaries payable	1,266,479
Notes payable - current portion (Note 3)	1,221,083
Judgments payable (Note 7)	500,397
Related party payables (Note 4)	1,271,681
Debentures payable (Note 9)	331,462
Environmental remediation (Note 1)	200,000

Total Current Liabilities	6,617,487

LONG-TERM LIABILITIES	
Notes payable (Note 3)	105,421

Total Long-Term Liabilities	105,421

Total Liabilities	6,722,908

COMMITMENTS AND CONTINGENCIES (Note 7)	
STOCKHOLDERS' EQUITY (DEFICIT) (Note 6)	
Preferred stock; 10,000,000 shares authorized at \$0.001 par value; -0- shares issued and outstanding	--
Common stock; 500,000,000 shares authorized at \$0.001 par value; 269,010,438 shares issued and outstanding	269,010
Capital in excess of par value	23,105,159
Accumulated deficit	(28,804,202)

Total Stockholders' Equity (Deficit)	(5,430,033)

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) \$ 1,292,875
=====

The accompanying notes are an integral part
of these consolidated financial statements.

F-5

TRANS ENERGY, INC. AND SUBSIDIARIES Restated Consolidated Statements of Operations

	For the Years Ended December 31,	
	2003	2002
REVENUES	\$ 2,015,012	\$ 889,764
COSTS AND EXPENSES		
Cost of oil and gas	1,536,434	662,958
Salaries and wages	381,743	382,117
Depreciation, depletion and amortization	961,181	919,364
Selling, general and administrative	210,926	324,874
	3,090,284	2,289,313
Total Costs and Expenses	3,090,284	2,289,313
LOSS FROM OPERATIONS	(1,187,448)	(1,399,549)
OTHER INCOME (EXPENSE)		
Other income	--	22,537
Gain on disposition of debt	231,702	82,522
Interest expense	(404,336)	(488,877)
Loss on sale and valuation of assets, net (Note 1 and 2)	(266,496)	(105,753)
Loss on extinguishments of debt	(11,268)	--
Gain on disposition of assets	172,152	2,650
Settlement expense	--	(60,489)
	(278,246)	(547,410)
Total Other Income (Expense)	(278,246)	(547,410)
LOSS BEFORE INCOME TAXES, AND CHANGE IN ACCOUNTING PRINCIPAL	(1,465,694)	(1,946,959)
INCOME TAXES (Note 1)	--	--
CHANGE IN ACCOUNTING PRINCIPAL (Note 1)	(116,486)	--
NET LOSS - attributed to common shareholders	\$ (1,582,180)	\$ (1,946,959)
BASIC LOSS PER SHARE (Note 1)		
Operations	\$ (0.01)	\$ (0.01)

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Change in accounting principal	(0.00)	(0.00)
	-----	-----
Total Basic Loss Per Share	\$ (0.01)	\$ (0.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	253,125,570	207,824,349
	=====	=====

The accompanying notes are an integral part
of these consolidated financial statements.

F-6

TRANS ENERGY, INC. AND SUBSIDIARIES
Restated Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
	-----	-----	-----	-----
Balance, December 31, 2001	300	\$ --	176,683,189	\$ 176,682
Conversion of preferred stock and preferred dividends to common stock	(300)	--	16,835,938	16,836
Conversion of notes payable to common stock	--	--	5,000,000	5,000
Common stock issued for services	--	--	1,000,000	1,000
Conversion of notes payable to common stock	--	--	4,166,667	4,167
Common stock issued for cash	--	--	33,333,333	33,333
Common stock issued for services	--	--	500,000	500
Net loss for the year ended December 31, 2002	--	--	--	--
	-----	-----	-----	-----
Balance, December 31, 2002	--	--	237,519,127	237,518
Common stock issued for services	--	--	3,500,000	3,500
Common stock issued for conversion of convertible debt	--	--	150,000	150
Common stock issued for extinguishments of related party debt	--	--	22,833,163	22,834
Common stock issued for extinguishments of debt	--	--	5,008,148	5,008

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Net loss for the year ended December 31, 2003	--	--	--	--
	-----	-----	-----	-----
Balance, December 31, 2003	--	\$ --	269,010,438	\$ 269,010
	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-7

TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years December 2003	
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,582,180)	\$ (
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation, depletion and amortization	961,181	
Loss on sale and valuation of assets	266,496	
Loss on extinguishments of debt	11,268	
Gain on disposition of assets	(172,152)	
Common stock issued for services and beneficial conversion features	10,500	
Gain on disposition of debt	(231,702)	
Settlement expense	--	
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(60,070)	
(Increase) decrease in prepaid and other current assets	(62,078)	
Increase in accounts payable and accrued expenses	682,320	
Decrease in judgments payable	(385,697)	
Increase in environmental remediation	200,000	
	-----	-----
Net Cash Used by Operating Activities	(362,114)	
	=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	670,000	
Expenditures for property and equipment	(152,848)	
	-----	-----
Net Cash Provided (Used) by Investing Activities	517,152	
	=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in cash overdraft	49,120	
Common stock issued for cash	--	
Principal payments to related parties	(249,161)	

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Proceeds from related parties	233,650	
Principal payments on notes payable	(217,980)	
Proceeds from notes payable	17,289	
	-----	---
Net Cash Provided (Used) by Financing Activities	\$ (167,082)	\$
	=====	==

The accompanying notes are an integral part of these consolidated financial statements.

F-8

TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Continued)

	For the Years December 31	
	2003	2002
	-----	---
NET INCREASE (DECREASE) IN CASH	\$ (12,044)	\$ 1,000
CASH, BEGINNING OF YEAR	12,227	-----
CASH, END OF YEAR	\$ 183	\$ 1,000
	=====	=====
CASH PAID FOR:		
Interest	\$ 295,947	\$ 28,000
Income taxes	\$ --	\$ --
NON-CASH FINANCING ACTIVITIES:		
Common stock issued for services and beneficial conversion features	\$ 10,500	\$ 3,000
Common stock issued for conversion of debt and interest	\$ 80,366	\$ 7,000
Common stock issued for conversion of preferred stock and dividends	--	\$ 23,000

F-9

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Company was originally incorporated in the State of Idaho on

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

January 16, 1964. On January 11, 1988, the Company changed its name to Apple Corporation. In 1988, the Company acquired oil and gas leases and other assets from Ben's Run Oil Company (a Virginia limited partnership) and has since engaged in the business of oil and gas production.

On November 5, 1993, the Board of Directors caused to be incorporated in the State of Nevada, a new corporation by the name of Trans Energy, Inc., with the specific intent of effecting a merger between Trans Energy, Inc. of Nevada and Apple Corp. of Idaho, for the sole purpose of changing the domicile of the Company to the State of Nevada. On November 15, 1993, Apple Corp. and the newly formed Trans Energy, Inc. executed a merger agreement whereby the shareholders of Apple Corp. exchanged all of their issued and outstanding shares of common stock for an equal number of shares of Trans Energy, Inc. common stock. Trans Energy, Inc. was the surviving corporation and Apple Corp. was dissolved.

b. Accounting Method

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the unit-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually.

F-10

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

b. Accounting Method (Continued)

If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained. During the year ended December 31, 2002, the Company transferred 240 acres and one of its wells as settlement with George Hillyer for an expense of \$54,489. Also during 2002, the Company recognized an impairment loss of \$103,103 on one of its natural gas wells in West Virginia that was shut down. During the year ended December 31, 2003, the Company recognized an impairment loss of \$87,040 on one of its natural gas wells.

The Company has elected a December 31 year-end.

c. Basic Loss per Share of Common Stock

The basic loss per share of common stock is based on the weighted average number of shares issued and outstanding at the date of the consolidated financial statements. Fully diluted loss per share of common stock is not disclosed as the common stock equivalents are antidilutive in nature.

	For the Years Ended December 31,	
	2003	2002
	-----	-----
Numerator:		
Loss from operations	\$ (1,465,694)	\$ (1,946,959)
Change in accounting principal	(116,486)	--
	-----	-----
 Net Loss	 \$ (1,582,180)	 \$ (1,946,959)
	=====	=====
 Denominator - weighted average shares	 253,125,570	 207,824,349
	=====	=====
Net loss per share:		
Change in accounting principal	\$ (0.00)	\$ (0.00)
Loss from operations	(0.01)	(0.01)
	-----	-----
 Total Basic Loss Per Share	 \$ (0.01)	 \$ (0.01)
	=====	=====

F-11

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Provision for Taxes

Deferred taxes are provided on a liability method whereby deferred

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of December 31, 2003 and 2002:

	2003	2002
	-----	-----
Deferred tax assets:		
NOL Carryover\$	\$ 8,183,500	\$ 7,682,610
Deferred tax liabilities:		
Accrued Wages	(493,900)	(378,116)
Valuation allowance	(7,689,600)	(7,304,494)
	-----	-----
Net deferred tax asset	\$ --	\$ --
	=====	=====

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rates of 39% to pretax income from continuing operations for the years ended December 31, 2003 and 2002 due to the following:

	2003	2002
	-----	-----
Book income	\$(573,300)	\$(759,314)
Other	(16,830)	94
Penalties	5,370	64,620
Officer Insurance	6,645	4,610
Stock for Services	4,095	15,200
Accrued Wages	115,810	127,478
Impairment Loss	33,945	--
Accrued Interest/Payroll	424,265	--
Valuation allowance	--	547,312
	-----	-----
	\$ --	\$ --
	=====	=====

At December 31, 2003, the Company had net operating loss carryforwards of approximately \$19,700,000 that may be offset against future taxable income from the year 2003 through 2023. No tax benefit has been reported in the December 31, 2003 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

F-12

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Provision for Taxes (Continued)

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

e. Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiaries, Prima Oil Company, Inc., Ritchie County Gathering Systems, Inc. and its 100% owned subsidiary, Tyler Construction Company, Inc. All significant intercompany accounts and transactions have been eliminated.

f. Presentation

Certain 2002 balances have been reclassified to conform to the presentation of the 2003 consolidated financial statements.

g. Depreciation

Fixed assets are stated at cost. Depreciation on vehicles, machinery and equipment is provided using the straight line method over expected useful lives of five years. Depreciation on pipelines and well equipment is provided using the straight-line method over the expected useful lives of fifteen years. Wells are being depreciated using the units-of-production method on the basis of total estimated units of proved reserves.

h. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Long Lived Assets

The Company reviews long-lived assets and identifiable intangibles whenever events or circumstances indicate that the carrying amounts of such assets may not be fully recoverable. The Company evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted cash flows associated with these assets. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the assets' carrying value, the assets are adjusted to their fair values (based upon discounted cash flows).

F-13

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Newly Issued Accounting Pronouncements

During the year ended December 31, 2003, the Company adopted the following accounting pronouncements:

SFAS No. 143 -- In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was effective for fiscal years beginning after June 15, 2002. The Company recorded an environmental remediation accrual of \$200,000. A change in accounting principal of \$116,486 was recognized in the year ended December 31, 2003.

SFAS No. 145 -- On April 30, 2002, the FASB issued FASB Statement No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 rescinds both FASB Statement No. 4 (SFAS 4), "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS 4, FASB Statement No. 64 (SFAS 64), "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Through this rescission, SFAS 145 eliminates the requirement (in both SFAS 4 and SFAS 64) that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. However, an entity is not prohibited from classifying such gains and losses as extraordinary items, so long as it meets the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Further, SFAS 145 amends paragraph 14(a) of FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The amendment requires that a lease modification (1) results in recognition of the gain or loss in the 9 financial statements, (2) is subject to FASB Statement No. 66, "Accounting for Sales of Real Estate," if the leased asset is real estate (including integral equipment), and (3) is subject (in its entirety) to the sale-leaseback rules of FASB Statement No. 98, "Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases." Generally, FAS 145 is effective for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not have a material effect on the financial statements of the Company.

SFAS No. 146 -- In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Newly Issued Accounting Pronouncements (Continued)

Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The scope of SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002 and early application is encouraged. The provisions of EITF No. 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF No. 94-3 prior to the adoption of SFAS 146. The effect on adoption of SFAS 146 will change on a prospective basis the timing of when the restructuring charges are recorded from a commitment date approach to when the liability is incurred. The adoption of SFAS 146 did not have a material effect on the financial statements of the Company.

SFAS No. 147 -- In October 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 147, "Acquisitions of Certain Financial Institutions" which is effective for acquisitions on or after October 1, 2002. This statement provides interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". The adoption of SFAS No. 147 did not have a material effect on the financial statements of the Company.

SFAS No. 148 -- In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" which is effective for financial statements issued for fiscal years ending after December 15, 2002. This Statement amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 did not have a material effect on the financial statements of the Company.

F-15

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Newly Issued Accounting Pronouncements (Continued)

SFAS No. 149 -- In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" which is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and hedging activities under SFAS 133. The adoption of SFAS No. 149 did not have a material effect on the financial statements of the Company.

SFAS No. 150 -- In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. The adoption of SFAS No. 150 did not have a material effect on the financial statements of the Company.

FASB Interpretation No. 45 -- "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an Interpretation of FASB Statements No. 5, 57 and 107". The initial recognition and initial measurement provisions of this Interpretation are to be applied prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in the Interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FASB Interpretation No. 45 did not have a material effect on the financial statements of the Company.

FASB Interpretation No. 46 -- In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material impact on the Company's financial statements.

F-16

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Newly Issued Accounting Pronouncements (Continued)

During the year ended December 31, 2003, the Company adopted the following Emerging Issues Task Force Consensuses: EITF Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables", EITF Issue No. 01-8 "Determining Whether an Arrangement Contains a Lease", EITF Issue No. 02-3 "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities", EITF Issue No. 02-9 "Accounting by a Reseller for Certain Consideration Received from a Vendor", EITF Issue No. 02-17, "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination", EITF Issue No. 02-18 "Accounting for Subsequent Investments in an Investee after Suspension of Equity Method Loss Recognition", EITF Issue No. 03-1, "The Meaning of Other Than Temporary and its Application to Certain Instruments", EITF Issue No. 03-5, "Applicability of AICPA Statement of Position 9702, 'Software Revenue Recognition' to Non-Software Deliverables in an Arrangement Containing More Than Incidental Software", EITF Issue No. 03-7, "Accounting for the Settlement of the Equity Settled Portion of a Convertible Debt Instrument That Permits or Requires the Conversion Spread to be Settled in Stock", EITF Issue No. 03-10, "Application of EITF Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers.

k. Accounts Receivable

Accounts receivable are shown net of an allowance for bad debt of \$2,000 at December 31, 2003.

l. Preferred Stock

The Company has authorized 10,000,000 shares of \$0.001 par value preferred stock. The preferred stock shall have preference as to dividends and to liquidation of the Company. During the year ended December 31, 2002, the Company converted the preferred stock and accrued dividend payable into 16,835,938 shares of common stock. The common stock was valued at 80% of the closing price on August 31, 2001 which was the dividend declaration date.

NOTE 2 - OIL AND GAS PROPERTY

At December 31, 2003 the Company's proved properties consist of costs in the following areas net of accumulated depletion of \$2,555,872.

Wyoming	\$	523,603
		=====

Productive Gas Wells

The following summarizes the Company's productive oil and gas wells as of December 31, 2003. Productive wells are producing wells and wells capable of production. Gross wells are the total number of wells in which the Company has an interest. Net wells are the sum of the Company's fractional interests owned in the gross wells.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

F-17

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 2 - OIL AND GAS PROPERTY (Continued)

	Gross	Net
	-----	-----
Productive oil wells	6	1.93
	=====	=====

The Company does not operate any of these wells.

Oil and Gas Acreage

The following table sets forth the undeveloped leasehold acreage, by area, held by the Company as of December 31, 2003. Undeveloped acres are acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether or not such acreage contains proved reserves. Gross acres are the total number of acres in which the Company has a working interest. Net acres are the sum of the Company's fractional interests owned in the gross acres. In certain leases, the Company's ownership varies at different depths; therefore, the net acres in these leases are calculated using the lowest ownership interest at any depth.

	Gross	Net
	-----	-----
Wyoming	14,158	12,168
	=====	=====

During the year ended December 31, 2003, the Company sold its 75% working interest in the West Virginia gas wells for \$380,000. The proceeds were used to settle the Baker Hughes litigation.

F-18

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 3 - LONG-TERM DEBT

The Company had the following debt obligations at December 31, 2003:

First National Bank of St. Marys, \$9,244 payable monthly, prime plus 2% interest rate, secured by equipment and personal guarantee of officers.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Union Bank of Tyler County, \$332 due monthly, 10% interest rate, due November 20, 2005, secured by vehicle.

Union Bank of Tyler County, interest at 10% due quarterly, renewable, due on demand, unsecured

Union Bank of Tyler County, principal and interest payments of \$799 due monthly, interest rate of 14.4%, due September 25, 2004, secured by vehicle and personal guarantee of officers.

Wesbanco, interest payable quarterly, prime +1%, due on demand, secured by officers' personal assets.

Note payable to an individual, due on demand, bearing interest at NY prime +1%, interest payments due monthly, secured by equipment. 292,078

Union Bank of Tyler County, principal and interest payments of \$326 due monthly, interest at 5.0%, secured by vehicle of the Company.

Note due to a private individual, due on demand with interest at 20%, secured by personal guarantee of officers.

Note payable to Raven Group, interest imputed at 10%, due on demand, unsecured.

Total

Less Current Portion

Total Long-Term Debt

F-19

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 3 - LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

2004	\$	1,221,083
2005		95,100
2006		3,479
2007		3,656
2008		3,186
2009 and thereafter		-

Total	\$	1,326,504
		=====

At December 31, 2003, total interest accrued for these debt

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

obligations was \$171,942.

NOTE 4 - RELATED PARTY TRANSACTIONS

a. Marketing Agreement - Sancho

Natural gas delivered through the Company's pipeline network is sold either to Sancho Oil and Gas Corporation ("Sancho"), a company controlled by the Vice President of the Company, at the industrial facilities near Sistersville, West Virginia, or to Dominion Gas, a local utility, on an on-going basis at a variable price per month per Mcf.

Under its contract with Sancho, the Company has the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Dominion Gas in 1988. This agreement is a flexible volume supply agreement whereby the Company receives the full price which Sancho charges the end user less a \$0.05 per Mcf marketing fee paid to Sancho.

b. Well Drilling and Operating Agreement

In June 2000, the Company entered into a well drilling and operating agreement with Sancho Oil and Gas Corporation ("Sancho"), a company controlled by the Vice President of the Company, on an on-going basis. Sancho provided seven drill-down wells located in Tyler County, West Virginia and the Company was to pay 100% of the cost of drilling and completing the well including any topside equipment needed and other related equipment. The Company will receive 75% of the working interest in each of the wells completed.

c. Receivables and Payables

The Company has various receivables from and payables to the officers and companies of the officers. These amounts have been grouped together with a net payable of \$1,030,033 at December 31, 2003. The net payable bears interest at 10%, is due on demand and is unsecured. At December 31, 2003, total interest accrued in the net related party payable was \$241,648.

F-20

TRANS ENERGY, INC. AND SUBSIDIARIES Notes to the Restated Consolidated Financial Statements December 31, 2003 and 2002

NOTE 5 - ECONOMIC DEPENDENCE AND MAJOR CUSTOMERS

The Company's marketing arrangement with Sancho accounted for approximately 82% and 82% of the Company's revenue for the years ended December 31, 2003 and 2002, respectively in Tyler Construction Company. This marketing agreement is in effect until December 1, 2008. Another customer also generated sales of 99% and 99% of Ritchie County total sales in 2003 and 2002, respectively.

NOTE 6 - STOCKHOLDERS' EQUITY

In 2001, the Company issued 4,655,000 shares of common stock for services rendered. The shares were valued at an average price of \$0.03 per share for total consideration of \$141,305. The shares

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

were issued after the services were rendered and were valued at the closing price on the dates of issue.

During February 2002, the Company converted 300 shares of preferred stock and \$23,250 of cumulative preferred dividends into 16,835,938 shares of common stock. As a result of this conversion, the Company has -0- shares of preferred stock issued and outstanding at December 31, 2002.

During February 2002, the Company received \$200,000 for the purchase of 33,333,333 shares of common stock and was shown as a stock subscription deposit. During September 2002, the Company issued the 33,333,333 shares and at September 30, 2002 the stock subscription deposit was reduced to \$-0-.

During March 2002, the Company entered into a promissory note with an unrelated party for \$25,000. The note is payable upon demand and accrues interest at 10% per annum.

During September 2002, the Company issued 4,166,667 shares of its common stock for the conversion of notes payable for this amount.

During April 2002, the Company issued 5,000,000 shares of its common stock for the conversion of notes payable in the amount of \$50,000. The Company additionally issued 1,000,000 shares of its common stock for services rendered and valued at \$29,000.

During October 2002, the Company entered into an agreement for a proposed private offering of either its debt or equity securities with an investment banking firm. The Company was required to pay \$10,000 at the time of the agreement as an advance towards expenses. The advance may be paid using cash and/or the Company's common stock not to exceed 500,000 shares regardless of the market value of the stock at the time of issuance. During October 2002, the Company issued 500,000 shares of its common stock valued at \$10,000 as an advance in accordance with the agreement. The Company later decided not to proceed with the proposed private offering and forfeited the \$10,000 advance as per the terms of the agreement.

In January 2003, the Company issued 3,500,000 shares of common stock valued at \$0.003 per share for total cash consideration of \$10,500.

F-21

TRANS ENERGY, INC. AND SUBSIDIARIES Notes to the Restated Consolidated Financial Statements December 31, 2003 and 2002

NOTE 6 - STOCKHOLDERS' EQUITY (Continued)

In March 2003, the Company issued 150,000 shares of common stock valued at \$0.035 per share for the conversion of convertible debt of \$5,250.

In June 2003, the Company issued 22,833,163 shares of common stock for the extinguishment of related party debt valued at \$30,043.

In December 2003, the Company issued 5,008,148 shares of common stock for the extinguishment of debts valued at \$33,805.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 7 - JUDGMENTS PAYABLE

Tioga Lumber Company

A foreign judgment has been filed with the Circuit Court in Pleasants County, West Virginia for a judgment against the Company by Tioga Lumber Company (Tioga) rendered by the Circuit Court in Pleasants County, West Virginia for non-payment of an accounts payable. The judgment is for \$46,375 plus prejudgment interest at 10.00%.

On February 28, 2002, the Company and Tioga reached an agreement wherein the Company would pay Tioga \$10,000 by March 5, 2002 and \$8,000 per month thereafter. The court appointed a special commissioner to act as an arbitrator if the Company defaults. The special commissioner would attach a lien if property is found which does not have a lien attached. The first payment has been made, and at December 31, 2002, the balance due including interest to Tioga was \$26,092 and is included in judgments payable and is classified as a current liability. This judgment was paid in full in 2003, however the judgment has not yet been released.

Dennis L. Spencer

In January 2002, Dennis L. Spencer filed suit against the Company and William F. Woodburn and Loren E. Bagley in the Circuit Court of Ritchie County, West Virginia (Civil Action No. 02-C-02). The complaint alleges that the Company sold certain assets that Mr. Spencer claims to be the beneficial owner. The complaint seeks \$1,000,000 in damages. The Company has filed its answer to the allegations and feels that the Company has met its obligations in full to Mr. Spencer. Management also believes the suit is without merit and intends to vigorously defend the action. The Company has not accrued any amounts for these claims as of December 31, 2003 because the Company feels that based on its defenses against the claims that the Company will have no additional liability. Due to the early stage of litigation, it is not possible to evaluate the likelihood of an unfavorable outcome or estimate the extent of potential loss.

Ross O. Forbus

On April 16, 2001, Ross O. Forbus obtained a judgment against the Company for \$428,018 plus post judgment interest at 10.00% per annum. The judgment was obtained to satisfy a previous note payable. The Company has made several small payments to Mr. Forbus and is currently negotiating with him toward extending the payments until the judgment can be paid in full. Mr. Forbus has made a demand upon the Company for payment of the full obligation. The Company has accrued the balance of \$428,018 plus accrued interest of \$83,730 which is included in judgments payable and accrued expenses respectively.

F-22

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 7 -JUDGMENTS PAYABLE (Continued)

Core Laboratories, Inc.

On July 28, 1999, Core Laboratories, Inc. (Core) obtained a judgment against the Company for non-payment of an accounts payable. The judgment calls for monthly payments of \$351 and is bearing interest at 10.00% per annum. At December 31, 2003, the

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Company had accrued a balance of \$13,587 including interest of \$3,580 which is included in judgments payable and accrued expenses, respectively.

RR Donnelly

On July 1, 1998, RR Donnelly (RR) obtained a judgment against the Company for non-payment of accounts payable. The judgment calls for monthly payments of \$3,244 and is bearing interest at 10.00% per annum. At December 31, 2002, the Company has accrued a balance of \$56,792 including interest of \$20,736 which is included in judgment payable and accrued expenses, respectively.

Baker Hughes Entities

On February 7, 2001, the United States Bankruptcy Court, Southern District of Texas, entered an Order Granting Motion to Dismiss Chapter 7 Case in the action entitled In Re: Trans Energy, Inc., Case No. 00-39496-H4-7. The Order dismissed the involuntary bankruptcy action instituted against the Company on October 16, 2000. The sole petitioning creditor named in the Involuntary Petition was Western Atlas International, Inc. ("Western"). An Order for Relief Under Chapter 7 was entered by the Court on November 22, 2000.

On April 23, 2000, the 189th District Court of Harris County, Texas entered an Agreed Final Judgment in favor of Western against the Company in the amount of \$600,665, together with post judgment interest at 10% per annum. Following the judgment, Western and the Company entered into settlement negotiations concerning the Company's satisfaction of the judgment through payments over a four to five month period together with the pledge of collateral on certain unencumbered assets.

Previously, on or about July 9, 1998, a judgment had been entered in the 152nd District Court of Harris County, Texas against the Company in favor of Baker Hughes Oilfield Operations, Inc. d/b/a/ Baker Hughes Inteq. Western Geophysical ("Baker"), a division of Western Atlas International, Inc., in the amount of \$41,142, together with interest and attorney fees. This judgment was outstanding at the time of the filing of the Involuntary Petition.

During its negotiations with Western for settlement of the Judgment, the Company made a \$200,000 "good faith payment" to Western's counsel on October 23, 2000. On December 12, 2000, Joe Hill was named as the Chapter 7 Trustee. Subsequently, Western's counsel delivered the \$200,000 to the Trustee.

On January 19, 2001, the Company filed with the Bankruptcy Court the Motion to Dismiss Chapter 7 Case. The reasons cited by the Company in support of its Motion to Dismiss included, but were not limited to, (i) the Texas Court being an improper venue for the action, and (ii) the Company never receiving the Involuntary Petition and Summons notifying it of the action.

F-23

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 7 - JUDGMENTS PAYABLE (Continued)

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

Baker Hughes Entities (Continued)

In anticipation of the Bankruptcy Court dismissing the Involuntary Petition, on February 2, 2001, the Company entered into a Settlement Agreement with Baker Hughes Oilfield Operations, Inc. d/b/a/ Baker Hughes Inteq. Western Geophysical, a division of Western Atlas International, Inc. (the "Baker Entities"). In entering its order on February 7, 2001 to dismiss the action, the Court ordered the Trustee to retain \$17,695 for satisfaction of administrative fees and expenses, and to pay to Western and Baker the sum of \$182,737, on behalf of the Company and pursuant to the terms of the Settlement Agreement.

The Settlement Agreement provided that, subject to the approval of the Bankruptcy Court, the Company agreed to pay to the Baker Entities \$759,664, plus interest at 10%. In addition to the \$200,000 payable from the escrow, the Company agreed to pay to the Baker Entities an initial payment of \$117,261 within fifteen days from the date of the Dismissal Order (due February 21, 2001).

The Company also agreed to make additional payments of \$100,000 every thirty days following the initial payment, with the first payment due beginning no later than March 23, 2001, continuing until the total obligation plus interest is paid in full. Further, the Company pledged as collateral certain properties, personal property and fixtures and two directors each pledged 750,000 shares of the Company's common stock which they personally own.

During 2002, the Company assigned the income stream from the sale of oil from three of its wells (Pinon Fee #1, Sagebrush #1 and Sagebrush #2) to the Baker entities as payments towards the amounts owed. The Company believes that this payment will satisfy the Baker Entities until the Company has paid the full obligation. The Baker Entities continue its proceedings to enforce a foreign judgment against the Company in Pleasants County, West Virginia.

The Baker Entities continued its proceedings to enforce a foreign judgment against the Company in Pleasants County, West Virginia. Then on December 23, 2003, the Company and the Baker Entities entered into a Settlement Agreement and Mutual Release whereby the Company paid \$350,000 to the Baker Entities as payment in full for all monies owed and the Baker Entities gave the Company a release of all judgments and liens against.

Lario Oil & Gas Company

On January 15, 2003, Lario Oil & Gas Company ("Lario") filed a suit against the Company in the Sixth District Court of Campbell County, Wyoming (Civil Action No. 24575). Lario is asking for \$50,692, which it claims the Company owes for operating fees on the Pinon Fee #1, Sagebrush #1 and Sagebrush #2 wells, operated by Lario and in which the Company has working interests. The Company is preparing an answer to the complaint and is asking for a complete accounting of all monies owed. Lario is retaining a portion of the Company's share of the monthly oil production monies and applying them to the amount owed.

F-24

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 7 - JUDGMENTS PAYABLE (Continued)

O.C. Smith

On February 5, 2003, O.C. Smith obtained a judgment against the Company for \$6,000 as ordered by the Circuit Court of Ritchie County, West Virginia. Mr. Smith had brought suit against the Company, successor of Apple Corporation, for an accounting of all gas purchased by the Company as well as judgment for all amounts still owing. The Company had acquired all of Apple Corporation's interest in this gas and management determined that there was an unpaid balance still owing Mr. Smith. The \$6,000 is payable in three monthly installments beginning on April 25, 2003. At December 31, 2003, the Company had accrued the total amount of \$2,000 and has included it in judgments payable and has classified it as a current liability.

NOTE 8 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred cumulative operating losses through December 31, 2002 of \$28,692,026, and has a working capital deficit at December 31, 2002 of \$6,246,995.

Revenues have not been sufficient to cover its operating costs and to allow it to continue as a going concern. The potential proceeds from the sale of common stock, sale of drilling programs, and other contemplated debt and equity financing, and increases in operating revenues from new development would enable the Company to continue as a going concern. There can be no assurance that the Company can or will be able to complete any debt or equity financing. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 9 - CONVERTIBLE DEBENTURES

On September 10, 1998, the Company completed a debenture issue of \$4,625,400 face value of 8% Secured Convertible Debentures due March 31, 1999 (the "Debentures"). Interest shall accrue from the date of issuance until payment in full of the principal sum has been made or duly provided for. Holders of the Debentures shall have the option, at any time, until maturity, to convert the principal amount of their Debenture, or any portion of the principal amount which is at least \$10,000 into shares of the Company's Common Stock at a conversion price for each share equal to the lower of (a) seventy percent (70%) of the market price of the Company's Common Stock averaged over the five trading days prior to the date of conversion, or (b) the market price on the issuance date of the Debentures. Any accrued and unpaid interest shall be payable, at the option of the Company, in cash or in shares of the Company's Common Stock valued at the then effective conversion price.

F-25

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

NOTE 9 - CONVERTIBLE DEBENTURES (Continued)

Pursuant to the terms of the Debentures, the Company had agreed to file a registration statement with the Commission to register the shares of the Company's Common Stock into which the Debentures may be converted. Upon effectiveness of the registration statement, the shares of the Company's Common Stock underlying the Debentures, when issued, will be deemed registered securities and will not be restricted as to the resale of such securities.

If the Company failed to file its registration statement within forty-five (45) days from the closing of the Debenture offering, the Company would be obligated to increase by up to fifteen percent (15%) the number of shares issuable upon conversion to each holder.

The Company failed to obtain an effective registration statement.

The Company has accrued and fully amortized a discount on the Debentures of \$1,445,480 to compensate for the seventy percent (70%) market price conversion and contributed this amount to additional paid-in capital. The Company has also accrued an additional amount of \$963,653 as a penalty payable to compensate for the non-filing of the registration statement penalty of 15% and for the 5% discount on the conversion of the debentures penalty and have added these amounts to the debenture payable as of December 31, 1999. In 1999, the Company converted \$469,064 of the debenture and \$60,102 of the penalties and interest into 4,398,929 shares of common stock.

In 2000, the Company converted \$1,547,655 of interest and penalties and \$4,106,337 of the debentures payable into 151,930,606 shares of common stock. At December 31, 2003, the Company owed \$331,462 on the debentures consisting of \$50,000 for a debenture and \$281,462 in penalties.

NOTE 10 - BUSINESS SEGMENTS

The Company has adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." The Company conducts its operations principally as oil and gas sales with Trans Energy and Prima Oil and pipeline transmission with Ritchie County and Tyler Construction.

F-26

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 10 - BUSINESS SEGMENTS (Continued)

Certain financial information concerning the Company's operations in different industries is as follows:

For the

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

	Years Ended December 31,	Pipelines Sales	Corporate Transmission	Un
	-----	-----	-----	-----
Oil and gas revenue	2003	\$ 535,278	\$ 1,367,558	\$
	2002	454,288	435,476	
Operating loss applicable to industry segment	2003	994,005	193,443	
	2002	1,137,369	262,180	
General corporate expenses not allocated to industry segments	2003	--	--	
	2002	--	--	
Interest expense	2003	(344,923)	(59,413)	
	2002	(390,687)	(98,190)	
Other income (expenses)	2003	20,386	105,704	
	2002	19,669	2,868	
Assets (net of intercompany accounts)	2003	766,733	638,316	
	2002	2,250,407	497,229	
Depreciation and amortization	2003	870,537	90,644	
	2002	810,451	108,913	
Property and equipment acquisitions	2003	152,848	--	
	2002	--	10,249	

NOTE 11 - OUTSTANDING STOCK OPTIONS

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

F-27

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 11 - OUTSTANDING STOCK OPTIONS (Continued)

FASB Statement 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), requires the Company to provide proforma information regarding net income and net income per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

fair value of each stock award at the grant date by using the Black-Scholes option pricing model.

A summary of the status of the Company's stock option plans as of December 31, 2002 and changes during the year is presented below:

	Shares	Weighted Average Exercise Price
	-----	-----
Outstanding, December 31, 2002	795,057	\$ 0.50
Granted	--	--
Canceled/Expired	(795,057)	(0.50)
Exercised	--	--
	-----	-----
Outstanding, December 31, 2003	--	\$ --
	=====	=====
Exercisable, December 31, 2003	--	--
	=====	=====

NOTE 12 - NOTES PAYABLE - CONVERTIBLE

Nine (9) convertible debentures dated between February 21, 2001 and April 27, 2001 bearing interest at 10% with interest and principal due upon demand; unsecured; convertible into the Company's common stock at \$0.035 per share

	\$ 36,325

Less current portion	(36,325)

Long-term portion	\$ -
	=====

The Company recognized an additional expense of \$23,989 because of the additional beneficial feature offered to the debenture holders below the market value. This beneficial conversion feature was expensed during the year ended December 31, 2001 pursuant to the EITF 96-18 and has been included in the general and administrative expense in the accompanying consolidated statement of operations.

NOTE 13- SUBSEQUENT EVENTS

Subsequent to year end the Company's subsidiary Tyler Construction sold approximately 47,000 feet of pipeline to Triad Energy Corporation for \$200,000. The Company used \$161,391 of the proceeds to pay off the loan to the First National Bank of St. Marys.

Subsequent to year end, the Company issued 3,190,396 shares of common stock for the conversion of all convertible debentures and the associated accrued interest.

F-28

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002

NOTE 14 - RESTATEMENT

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

The accompanying financial statements have been restated to correct an error in the previously issued financial statements. The change was made to properly reflect the ending balance of accounts receivable as of December 31, 2003, and revenues for the year then ended.

As originally issued, the December 31, 2003 financial statements included amounts in the accounts receivable balance which had been collected during 2003. This overstatement of accounts receivable also resulted in the overstatement of revenues.

The balances have been adjusted to reflect the actual balances as of December 31, 2003 and for the year then ended. This adjustment decreased revenues by \$112,176 and decreased accounts receivable by \$112,176. The net loss was increased by \$112,176 and there was no change in the calculated net loss per share.

F-29

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002
(Unaudited)

S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES

(1) Capitalized Costs Relating to Oil
and Gas Producing Activities

	December 31, 2003	2002
	-----	-----
Proved oil and gas producing properties and related lease and well equipment	\$ 3,171,426	\$ 3,6
Unproved oil and gas properties	99,945	
Accumulated depreciation and depletion	(2,555,878)	(1,8
	-----	-----
Net Capitalized Costs	\$ 715,493	\$ 1,9
	=====	=====

(2) Costs Incurred in Oil and Gas Property
Acquisition, Exploration, and Development Activities

	For the Years Ended December 31,	
	2003	2002
	-----	-----
Acquisition of Properties		
Proved	\$ --	\$ --
Unproved	--	--
Exploration Costs	--	--
Development Costs	--	--

The Company does not have any investments accounted for by the equity method.

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

(3) Results of Operations for
Producing Activities

	For the Year Ended December 31,	
	2003	2002
Sales	\$ 535,278	\$ 454,288
Production costs	(299,851)	(277,125)
Depreciation and depletion	(841,250)	(801,776)
Income tax expenses	--	--
Results of operations for producing activities (excluding the activities of the pipeline transmission operations, corporate overhead and interest costs)	\$ (605,823)	\$ (624,613)

F-30

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002
(Unaudited)

(4) Reserve Quantity Information

	Oil BBL	Gas MCF
Proved developed and undeveloped reserves	113,406	1,131,415
End of the year 2002	17,454	--
Revisions of previous estimates		
Improved recovery	--	--
Purchases of minerals in place	--	--
Extensions and discoveries	--	--
Production	(30,980)	(45,055)
Sales of minerals in place	--	(1,086,360)
End of the year 2003	99,880	--
Proved developed reserves:		
	Oil BBL	Gas CF
End of the year 2002	113,406	1,131,415
End of the year 2003	99,880	--

During the years ended December 31, 2003 and 2002, the Company had

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

reserve studies and estimates prepared on its various properties. The difficulties and uncertainties involved in estimating proved oil and gas reserves makes comparisons between companies difficult. Estimation of reserve quantities is subject to wide fluctuations because it is dependent on judgmental interpretation of geological and geophysical data.

F-31

TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Restated Consolidated Financial Statements
December 31, 2003 and 2002
(Unaudited)

S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (CONTINUED)

(5) Standardized Measure of Discounted
Future Net Cash Flows Relating to
Proved Oil and Gas Reserves

At December 31, 2003

	Trans Energy and Subsidiaries -----
Future cash inflows	\$ 3,220,287
Future production and development costs	(740,666)
Future income tax expense	--

Future net cash flows	2,479,621
10% annual discount for estimated timing of cash flows	(615,244)

Standardized measure of discounted future net cash flows	\$ 4,769,701 =====

At December 31, 2002

	Trans Energy and Subsidiaries -----
Future cash inflows	\$ 8,063,052
Future production and development costs	(1,854,502)
Future income tax expense	--

Future net cash flows	6,208,550
10% annual discount for estimated timing of cash flows	(1,438,849)

Standardized measure of discounted future net cash flows	\$ 4,769,701 =====

Future income taxes were determined by applying the statutory income tax rate to future pre-tax net cash flow relating to proved reserves.

The following schedule summarizes changes in the standardized measure of discounted future net cash flow relating to proved oil and gas

Edgar Filing: TRANS ENERGY INC - Form 10KSB/A

reserves:

F-32

TRANS ENERGY, INC. AND SUBSIDIARIES
 Notes to the Restated Consolidated Financial Statements
 December 31, 2003 and 2002
 (Unaudited)

S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (CONTINUED)

	For the Years Ended December 31,	
	2003	2002
	-----	-----
Standardized measure, beginning of year \$	4,314,941	\$ 3,649,994
Oil and gas sales, net of production costs	--	--
Sales of mineral in place	(2,411,293)	--
Purchases	--	--
Net change due to revisions in quantity estimates	(39,271)	664,947
Accretion of discount items	--	--
	-----	-----
Standardized measure, end of year	\$ 1,864,377	\$ 4,314,941
	=====	=====

The above schedules relating to proved oil and gas reserves, standardized measure of discounted future net cash flows and changes in the standardized measure of discounted future net cash flows have their foundation in engineering estimates of future net revenues that are derived from proved reserves and prepared using the prevailing economic conditions. These reserve estimates are made from evaluations conducted by independent geologists, of such properties and will be periodically reviewed based upon updated geological and production data. Estimates of proved reserves are inherently imprecise. The above standardized measure does not include any restoration costs due to the fact the Company does not own the land.

Subsequent development and production of the Company's reserves will necessitate revising the present estimates. In addition, information provided in the above schedules does not provide definitive information as the results of any particular year but, rather, helps explain and demonstrate the impact of major factors affecting the Company's oil and gas producing activities. Therefore, the Company suggests that all of the aforementioned factors concerning assumptions and concepts should be taken into consideration when reviewing and analyzing this information.

F-33