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TRANS ENERGY INC
Form 10QSB
August 19, 2004

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

FORM 10-QSB

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

For the Quarter Ended June 30, 2004

OR

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

For the transition period from _____ to _____

Commission File Number 0-23530

TRANS ENERGY, INC.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

93-0997412
(I.R.S. Employer
Identification No.)

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

(Address of principal executive offices)

Registrant's telephone no., including area code: (304) 684-7053

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Class	Outstanding as of June 30, 2004
-----	-----
Common Stock, \$.001 par value	293,566,131

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PART I

Item 1. Financial Statements

The accompanying consolidated balance sheet of Trans Energy, Inc. at June 30, 2004 (unaudited) and December 31, 2003, related unaudited statements of operations, stockholders' equity (deficit) and cash flows for the three and six months ended June 30, 2004 and 2003, have been prepared by our management in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the consolidated results of operations and consolidated financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the quarter ended June 30, 2004, are not necessarily indicative of the results that can be expected for the fiscal year ending December 31, 2004.

TRANS ENERGY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and December 31, 2003

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TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

ASSETS

	June 30, 2004	December 31, 2003
	----- (Unaudited)	-----
CURRENT ASSETS		
Cash	\$ 4,516	\$ 183
Accounts receivable, net	384,010	198,691
Other receivables	11,758	58,452
Prepaid expenses	990	990
	-----	-----
Total Current Assets	401,274	258,316
	-----	-----
PROPERTY AND EQUIPMENT		
Vehicles	62,257	77,118
Machinery and equipment	10,532	10,092
Pipelines	1,592,675	1,739,287
Well equipment	49,155	49,155
Wells	3,079,481	3,079,481
Leasehold acreage	95,945	95,945
Accumulated depreciation	(4,358,079)	(4,021,605)
	-----	-----
Total Fixed Assets	536,966	1,029,473

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OTHER ASSETS

Cash surrender value - life insurance (net)	3,378	5,086
	-----	-----
Total Other Assets	3,378	5,086
	-----	-----
TOTAL ASSETS	\$ 941,618	\$ 1,292,875
	=====	=====

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	June 30, 2004	December 31, 2003
	-----	-----
		(Unaudited)
CURRENT LIABILITIES		
Bank overdraft	\$ --	\$ 49,120
Accounts payable - trade	1,101,934	786,191
Notes payable - convertible	--	36,325
Accrued expenses	577,499	954,749
Salaries payable	1,426,579	1,266,479
Notes payable - current portion	1,201,775	1,221,083
Judgments payable (Note 3)	498,397	500,397
Related party payables	1,537,915	1,271,681
Debentures payable	331,462	331,462
Environmental remediation	203,000	200,000
	-----	-----
Total Current Liabilities	6,878,561	6,617,487
	-----	-----
LONG-TERM LIABILITIES		
Notes payable	36,830	105,421
	-----	-----
Total Long-Term Liabilities	36,830	105,421
	-----	-----
Total Liabilities	6,915,391	6,722,908
COMMITMENTS AND CONTINGENCIES		

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STOCKHOLDERS' EQUITY (DEFICIT)

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; 293,566,131 and 269,010,438 shares issued and outstanding, respectively	293,565	269,010
Capital in excess of par value	23,401,295	23,105,159
Accumulated deficit	(29,668,633)	(28,804,202)
	-----	-----
Total Stockholders' Equity (Deficit)	(5,973,773)	(5,430,033)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 941,618	\$ 1,292,875
	=====	=====

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

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TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	200
	-----	-----	-----	-----
REVENUES	\$ 555,245	\$ 659,854	\$ 1,134,975	\$ 1,076,91
	-----	-----	-----	-----
COSTS AND EXPENSES				
Cost of oil and gas	448,850	574,980	1,068,371	898,97
Salaries and wages	85,107	96,253	180,022	192,14
Depreciation, depletion and amortization	128,168	201,752	467,857	454,98
Selling, general and administrative	74,784	112,959	112,158	169,18
	-----	-----	-----	-----
Total Costs and Expenses	736,909	985,944	1,828,408	1,715,28
	-----	-----	-----	-----
LOSS FROM OPERATIONS	(181,664)	(326,090)	(693,433)	(638,37
	-----	-----	-----	-----
OTHER INCOME (EXPENSE)				

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Loss on extinguishment of debt	--	--	(246,836)	--
Net gain on sale of assets	--	--	175,910	106,42
Other income	9,128	5,725	9,128	6,49
Interest expense	(58,982)	(102,180)	(109,200)	(204,37
	-----	-----	-----	-----
Total Other Income (Expense)	(49,854)	(96,455)	(170,998)	(91,45
	-----	-----	-----	-----
LOSS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	(231,518)	(422,545)	(864,431)	(729,82
	-----	-----	-----	-----
INCOME TAXES	--	--	--	--
	-----	-----	-----	-----
MINORITY INTERESTS	--	--	--	--
	-----	-----	-----	-----
NET LOSS	\$ (231,518)	\$ (422,545)	\$ (864,431)	\$ (729,82
	=====	=====	=====	=====
BASIC LOSS PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	293,566,131	244,702,549	279,755,988	242,036,75
	=====	=====	=====	=====

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

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

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
	-----	-----	-----	-----
Balance, December 31, 2003 (restated)	--	\$ --	269,010,438	\$ 269,010
Common stock issued for conversion of convertible debt (unaudited)	--	--	3,190,396	3,190
Common stock issued for extinguishment of related party debt (unaudited)				

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Net loss for the six months ended June 30, 2004 (unaudited)	--	--	21,365,297	21,365
Balance, June 30, 2004 (unaudited)	--	--	--	--
	-----	-----	-----	-----
	--	\$ --	293,566,131	\$ 293,565

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

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

	For the Six Months Ended June 30,	
	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (864,431)	\$ (729,820)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation, depletion and amortization	467,857	454,985
Net gain from sale of assets	(175,910)	(106,428)
Loss on extinguishment of debt	246,836	--
Changes in operating assets and liabilities:		
Increase in accounts receivable	(138,625)	(156,711)
Increase in prepaid and other current assets	--	(630)
Increase in accounts payable and current liabilities	113,124	362,772
	-----	-----
Net Cash Used by Operating Activities	(351,149)	(175,832)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	201,000	240,000
Borrowings against life insurance policy	1,708	--
Expenditures for property and equipment	(440)	--
	-----	-----
Net Cash Provided by Investing Activities	202,268	240,000
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in cash overdraft	(49,120)	--
Proceeds from related party payables	603,750	205,650
Payments on related party payables	(228,488)	(95,783)
Proceeds from notes payable	--	--
Payments on notes payable	(172,928)	(179,846)
	-----	-----

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Net Cash Provided (Used) by Financing Activities	153,214	(69,979)
	-----	-----
NET INCREASE (DECREASE) IN CASH	4,333	(5,811)
CASH, BEGINNING OF PERIOD	183	12,227
	-----	-----
CASH, END OF PERIOD	\$ 4,516	\$ 6,416
	=====	=====

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

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

CASH PAID FOR:

Interest	\$30,810	\$63,098
Income taxes	\$ --	\$ --

NON-CASH FINANCING ACTIVITIES:

Common stock issued for debt and related interest	\$47,856	\$45,793
Common stock issued for related party debt	\$26,000	\$ --

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such

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financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2003 Annual Report on Form 10-KSB. Operating results for the six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

NOTE 2 - GOING CONCERN

The Company's condensed consolidated financial statements are prepared using accounting principles generally accepted in the United States of America 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 June 30, 2004 of \$29,668,633, and has a working capital deficit at June 30, 2003 of \$6,413,034. 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, 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. If these are not successful, management is committed to meeting the operational cash flow needs of the Company.

NOTE 3 - 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%.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

NOTE 3 - JUDGMENTS PAYABLE (Continued)

Tioga Lumber Company (Continued)

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 during the second quarter of 2003, the remaining balance has been paid in full.

Dennis L. Spencer

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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 on July 7, 2004, the circuit court of Ritchie County signed an order to dismiss the action without prejudice.

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. At June 30, 2004, the total amount including interest of \$495,697 is included in judgments payable and is classified as a current liability. Subsequent to June 30, 2004, the Company and Mr. Forbus entered into an agreement to settle the full amount of the judgment. See Note 7.

Core Laboratories, Inc.

On July 28, 1999, Core Laboratories, Inc. (Core) obtained a judgment against the Company for non-payment of an account payable. The judgment calls for monthly payments of \$351 and is bearing interest at 10.00% per annum. At June 30, 2004, the Company had accrued a balance including interest of \$16,707, which is included in judgments payable.

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 June 30, 2003, the Company has accrued a balance including interest of \$71,399, which is included in judgment payable as a current liability.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

NOTE 3 - JUDGMENTS PAYABLE (Continued)

Baker Hughes Entities (Continued)

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

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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.

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.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

NOTE 3 - JUDGMENTS PAYABLE (Continued)

Baker Hughes Entities (Continued)

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).

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The Company also agreed to make additional payments of \$100,000 every thirty days following the initial payment, which is 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 (Pinion 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. At June 30, 2003, the Company has a remaining liability including interest of \$548,298 which is included in judgments payable as a current liability.

The Baker Entities continued their 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 it.

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 asks for \$50,692, which it claims the Company owes for operating fees on the Pinion 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. At June 30, 2004, the Company has accrued \$26,856, which is included in accounts payable as a current liability.

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

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

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O.C. Smith (Continued)

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 paid an amount of \$4,000 and included it in judgments payable and has classified it as a current liability at that date. During the three months ended March 31, 2004, the remaining balance was paid in full.

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NOTE 4 - BUSINESS SEGMENTS

The Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." Prior period amounts have been restated to conform to the requirements of this statement. 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.

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

	For the Six Months Ended June 30,	Oil and Gas Sales	Pipeline Transmission	Corpora Unalloca
	-----	-----	-----	-----
Oil and gas revenue	2004	\$ 150,737	\$ 984,238	\$
	2003	277,430	799,487	
Operating income (loss) applicable to industry segment	2004	(680,184)	(13,249)	
	2003	(514,992)	(123,378)	
General corporate expenses not allocated to industry segments	2004	--	--	
	2003	--	--	
Interest expense	2004	(91,505)	(17,695)	
	2003	(178,201)	(82,353)	
Other income (expenses)	2004	(198,812)	27,814	
	2003	(173,803)	82,353	
Assets (net of intercompany accounts)	2004	403,814	537,804	
	2003	1,881,043	373,449	
Depreciation and amortization	2004	430,695	37,162	
	2003	402,809	52,176	
Property and equipment Acquisitions (Deletions)	2004	(67,282)	(88,750)	
	2003	--	240,000	

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TRANS ENERGY, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

NOTE 5 - SIGNIFICANT EVENTS

The Company's subsidiary Tyler Construction sold approximately 47,000 feet of pipeline to Triad Energy Corporation for \$200,000. The Company recognized a gain of \$175,910 on the sale. The Company used \$161,391 of the proceeds to pay off the loan to the First National Bank of St. Mary's.

The Company issued 3,190,396 shares of common stock valued at \$64,308 for the conversion of all convertible debentures and the associated accrued interest valued at \$47,855 resulting in a loss on extinguishment of \$16,453.

The Company issued 21,365,297 shares of unrestricted common stock valued at \$256,383 as payment for related party debt of \$26,000 resulting in a loss on extinguishments of debt of \$230,383.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

During the three months ended March 31, 2004, a change was made to The Company's retained earnings. The change was made to reflect properly the ending balance of trade accounts receivable. As of December 31, 2003, the accounts receivable balance previously reported included amounts that had been collected during 2003. This overstatement of accounts receivable also resulted in the overstatement of revenues.

The adjustment decreased retained earnings 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.

NOTE 7 - SUBSEQUENT EVENTS

On July 16, 2004, the Company and Ross O. Forbus (see Note 3) entered into an agreement whereby Mr. Forbus will dismiss his judgment against the Company of \$428,018 in exchange for a cash payment of \$210,000 from the Company.

On July 7, 2004, the circuit court of Ritchie County West Virginia signed an order to dismiss the action filed against the Company by Dennis L. Spencer (see Note 3) without prejudice.

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Item 2. Management's Discussion and Analysis or Plan of Operations

The following table sets forth the percentage relationship to total

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revenues of principal items contained in the our consolidated statements of operations for the three and six month periods ended June 30, 2004 and 2003. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004 ----	2003 ----	2004 ----	2003 ----
	(Unaudited)		(Unaudited)	
Revenues.....	100%	100%	100%	100%
Total costs and expenses.....	133	149	161	159
Loss from operations.....	(33)	(49)	(61)	(59)
Other income (expense).....	(9)	(15)	(15)	(9)
Net loss.....	(42)	(64)	(76)	(68)

Revenues for the three months ("second quarter") ended June 30, 2004 decreased 16% compared to the second quarter of 2003, and increased 5% for the six months ("first half") ended June 30, 2004 versus the first half of 2003. These results are primarily attributed to lower gas sales during the second quarter of 2004, although sales during the first half of 2004 increased compared to the 2003 period. Our cost of oil and gas for the second of 2004 decreased 22% due to lower gas sales, and increased 19% for the first half of 2004 due to the comparative increase during the six month period.

Salaries and wages decreased 12% and 6% for the second quarter and first half of 2004, respectively, when compared to the 2003 periods, primarily due to a reduction in personnel. Selling, general and administrative expenses decreased 34% in both the second quarter and first half of 2004, attributed to paying off of significant interest accruing debt. Depreciation, depletion and amortization decreased 36% in the second quarter of 2004 and increased by 3% in the first half of 2004. These results are attributed to the sale of assets during the during the first quarter of 2004.

Our loss from operations for the second quarter of 2004 was \$181,664 compared to \$326,090 for the second quarter of 2003, and was \$693,433 for the first half of 2004 compared to \$638,370 for the first half of 2003. The decrease in loss for the second quarter of 2004 is primarily attributed to increased gas sales, while the increase in loss for the first half is attributed to overall decrease in gas sales during the period. We realized total other expenses of \$49,854 during the second quarter of 2004 compared to total other expenses of \$96,455 for the second quarter of 2003. The decrease in other expenses is attributed to the 42% decrease in interest expense due to the paying off of debt. For the first half of 2004, other expenses were \$170,998 compared to \$91,450 for the 2003 period. This increase was attributed primarily to a \$246,000 loss realized on the extinguishment of debt.

As a percentage of total revenues, total costs and expenses decreased from 149% in the second quarter of 2003 to 133% for the second quarter of 2004, but increased from 159% for the first half of 2003 to 161% for the first half of 2004. The decrease in the second quarter resulted from the loss realized on the extinguishment of debt during the quarter.

Our net loss for the second quarter of 2004 was \$231,518 compared to \$422,545 for the second quarter of 2003, and \$864,431 for the first half of 2004

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compared to \$729,820 for the 2003 period.

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For the remainder of fiscal year 2004, management expects selling, general and administrative expenses to remain at approximately the same rate as the first half of 2004. The cost of oil and gas produced is expected to fluctuate with the amount produced and with prices of oil and gas, and management anticipates that revenues are likely to increase during the remainder of 2004.

We have included a footnote to our financial statements for the periods ended June 30, 2004 stating that because of our continued losses, working capital deficit and need for additional funding, there is substantial doubt as to whether we can continue as a going concern. See Note 2 to the consolidated financial statements.

Liquidity and Capital Resources

Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At June 30, 2004, we had a working capital deficit of \$6,413,034 compared to a deficit of \$6,359,171 at December 31, 2003.

During the first half of 2004, operating activities used net cash of \$351,149 compared to net cash used of \$175,832 for the first half of 2003. These results are primarily attributed to amounts paid to Lario Oil & Gas as our share of joint interest billing for the Sagebrush waterflood. Net cash provided by investing activities, primarily due to a decrease in proceeds from the sale of assets, decreased to \$202,268 in the first half of 2004 compared to \$240,000 in the 2003 period.

During the first half of 2004, net cash provided by financing activities was \$153,214 compared to net cash used by financing activities of \$69,979 in the first half of 2003. These results are attributed to the significant increase in amounts borrowed.

We anticipate meeting our working capital needs during the remainder of the current fiscal year with revenues from operations, particularly from our Powder River Basin interests in Wyoming and New Benson gas wells drilled in West Virginia. In the event revenues are not sufficient to meet our working capital needs, we will explore the possibility of additional funding from either the sale of debt or equity securities. There can be no assurance such funding will be available to us or, if available, it will be on acceptable or favorable terms.

As of June 30, 2004, we had total assets of \$941,618 and total stockholders' deficit of \$5,973,773, compared to total assets of \$1,292,875 and total stockholders' deficit of \$5,430,033 at December 31, 2003.

In 1998, we issued \$4,625,400 face value of 8% secured convertible debentures due September 30, 1999. A portion of the proceeds were used to acquire the oil and gas properties and interest in Wyoming. During 2000, all but one of the remaining outstanding debentures were converted into common stock. At June 30, 2004, we owed \$331,462 in connection with the debentures consisting of \$50,000 for one debenture holder that we have been unable to contact, and the balance in penalties.

Inflation

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

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. Words such as "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend" and similar expressions are intended as predictions 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:

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

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

Item 3. 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 principal 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 principal 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.

PART II

Item 1. 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

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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.

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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 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.

(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

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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 made several payments to Mr. Forbus. On August 3, 2004, we settled the judgment with Mr. Forbus for \$210,000 in exchange for a full release of all judgments and liens against Trans Energy and Loren Bagley.

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(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 beneficial owner. The complaint seeks \$1,000,000 in damages. We have filed an answer to the complaint and on July 7, 2004, the Court signed an order to dismiss the action without prejudice.

(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. On August 11, 2004, we received notification from Lario that it will dismiss the action with prejudice.

(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 2. Changes In Securities and Use of Proceeds

This Item is not applicable.

Item 3. Defaults Upon Senior Securities

In 1998, we issued \$4,625,400 face value of 8% secured convertible debentures due September 30, 1999. Interest on the debentures accrued upon the date of issuance until payment in full of the principal sum was made or duly provided for. Holders of the debentures 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 our common stock at a conversion price for each share equal to the lower of (a) seventy percent (70%) of the market price of the our 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 our option, in cash or in shares of our common stock valued at the then effective conversion price. During 2000, all but one of the remaining outstanding debentures were converted into commons stock. At June 30, 2004, we

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owed \$331,462 in connection with the debentures consisting of \$50,000 to one debenture holder and \$281,462 in penalties.

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

This Item is not applicable.

Item 5. Other Information

On August 10, 2004 John B. Sims, a long-time director of Trans Energy, passed away. Mr. Sims served as a director since 1988 and was formerly our President and C.E.O. Our board of directors will meet in the near future to consider a possible replacement on the board.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- Exhibit 31.1 Certification of C.E.O. Pursuant to Section 302 of the Sarbanses-Oxley Act of 2002.
- Exhibit 31.2 Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanses-Oxley Act of 2002.
- Exhibit 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.
- Exhibit 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.

(b) Reports on Form 8-K

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANS ENERGY, INC.

Date: August 17, 2004

By /S/ ROBERT I. RICHARDS

ROBERT I. RICHARDS, President,
Chief Executive Officer and Director

Date: August 17, 2004

By /S/ WILLIAM F. WOODBURN

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WILLIAM F. WOODBURN
Secretary / Treasurer
(Principal Accounting Officer)

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