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TRANS ENERGY INC  
Form 10-Q  
August 14, 2008  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 2008

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 registrant as specified 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

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(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 (X) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] (Do not check if smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act.) Yes ( ) No (X)

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

<u>Class</u>	<u>Outstanding as of July 31, 2008</u>
Common Stock, \$.001 par value	10,442,565

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## Table of Contents

<u>Heading</u>	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Consolidated Balance Sheets – June 30, 2008 and December 31, 2007 (Unaudited)	3
Consolidated Statements of Operations – three and six months ended June 30, 2008 and 2007 (Unaudited)	5
Consolidated Statement of Stockholders’ Deficit - six months ended June 30, 2008 (Unaudited)	6
Consolidated Statements of Cash Flows – six months ended June 30, 2008 and 2007 (Unaudited)	7
Notes to Consolidated Financial Statements (Unaudited)	8
Item 2. Management’s Discussion and Analysis or Plan of Operation	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	15
Item 4. Controls and Procedures	15
PART II OTHER INFORMATION	

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Item 1.	Legal Proceedings	16
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	16
Item 3.	Defaults Upon Senior Securities	16
Item 4.	Submission of Matters to a Vote of Securities Holders	16
Item 5.	Other Information	16
Item 6.	Exhibits	16
	Signatures	18



**PART I****Item 1. Financial Statements****TRANS ENERGY, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)**

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,373,816	\$ 1,702,373
Accounts receivable	692,274	285,204
Accounts receivable – related parties	885,847	478,160
Accounts receivable due from non-operator, net	-	243,666
Deferred financing costs	167,429	167,429
Derivative – current	2,568	43,095
Prepaid expenses	-	8,000
Total Current Assets	3,121,934	2,927,927
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$239,394 and \$174,311, respectively	828,997	664,942
OIL AND GAS PROPERTIES, USING SUCCESSFUL EFFORTS ACCOUNTING		
Proved properties	16,998,859	10,764,411
Unproved properties	316,769	250,670
Pipelines	3,248,476	2,764,797
Accumulated depreciation, depletion and amortization	(2,091,167)	(1,801,262)
Oil and gas properties, net	18,472,937	11,978,616
OTHER ASSETS		
Deferred financing costs, net of amortization of \$202,590 and \$119,136, respectively	158,995	242,467
Derivative – non-current	32,507	135,369
Advances to operator	9,000	557,715
Other assets	58,782	58,334
Total Other Assets	259,284	993,885

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TOTAL ASSETS	\$ 22,683,152	\$ 16,565,370
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See notes to consolidated financial statements.

3

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**TRANS ENERGY, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets (continued)**  
**(Unaudited)**

	June 30, 2008	December 31, 2007
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade	\$ 1,639,838	\$ 2,318,852
Accounts payable – related party	243,392	248,364
Accrued expenses	454,715	929,288
Accrued expenses – related party	-	31,000
Advances from non-operator, net	554,045	-
Notes payable	81,976	86,972
<b>Total Current Liabilities</b>	<b>2,973,966</b>	<b>3,614,476</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of unamortized discount of \$630,385 and \$791,070, respectively	21,443,985	14,033,528
Asset retirement obligations	178,954	166,895
<b>Total Long-Term Liabilities</b>	<b>21,622,939</b>	<b>14,200,423</b>
<b>Total Liabilities</b>	<b>24,596,905</b>	<b>17,814,899</b>
<b>STOCKHOLDERS' DEFICIT</b>		
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; 10,442,565 and 9,530,065 shares issued, and 10,441,565 and 9,529,065 shares outstanding, respectively	10,443	9,530
Additional paid-in capital	34,964,102	34,117,443
Treasury stock, at cost, 1,000 shares	(750)	(750)
Accumulated deficit	(36,887,548)	(35,375,752)
<b>Total Stockholders' Deficit</b>	<b>(1,913,753)</b>	<b>(1,249,529)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 22,683,152</b>	<b>\$ 16,565,370</b>

See notes to consolidated financial statements.

4

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
REVENUES	\$ 1,229,074	\$ 417,152	\$ 1,656,720	\$ 702,672
COSTS AND EXPENSES				
Production costs	350,788	185,525	607,852	294,459
Exploration costs	-	20,355	-	159,105
Dry hole costs	94,216	-	94,216	-
Depreciation, depletion, amortization, and accretion	224,718	107,208	376,582	179,056
Selling, general and administrative	435,491	640,724	1,130,066	1,135,030
Gain on sale of assets	(3,152)	(775,139)	(1,866)	(775,139)
Total Costs and Expenses	1,102,061	178,673	2,206,850	992,511
INCOME (LOSS) FROM OPERATIONS	127,013	238,479	(550,130)	(289,839)
OTHER INCOME (EXPENSES)				
Interest income	2,651	3,009	10,042	3,009
Other income	92,396	-	92,396	45,783
Interest expense	(444,522)	(122,419)	(920,715)	(217,478)
Loss on derivative instruments	(75,624)	-	(143,389)	-
Total Other Income (Expenses)	(425,099)	(119,410)	(961,666)	(168,686)
NET INCOME (LOSS) BEFORE INCOME TAXES	(298,086)	119,069	(1,511,796)	(458,525)
INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	\$ (298,086)	\$ 119,069	\$ (1,511,796)	\$ (458,525)
INCOME (LOSS) PER SHARE - BASIC	\$ (0.03)	\$ 0.01	\$ (0.15)	\$ (0.05)
INCOME (LOSS) PER SHARE - DILUTED	\$ (0.03)	\$ 0.01	\$ (0.15)	\$ (0.05)
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	10,442,565	9,458,807	10,242,579	9,454,709
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	10,442,565	9,458,807	10,242,579	9,454,709

See notes to consolidated financial statements.

5

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**TRANS ENERGY, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Stockholders' Deficit**  
**For the Six Months Ended June 30, 2008**  
**(Unaudited)**

	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid in Capital</b>	<b>Stock</b>	<b>Deficit</b>	
Balance, December 31, 2007	9,530,065	\$ 9,530	\$ 34,117,443	\$ (750)	\$ (35,375,752)	\$ (1,249,529)
Fair value of options granted			78,972			78,972
Shares issued for stock compensation payable	630,000	630	515,970			516,600
Shares issued for services	282,500	283	251,717			252,000
Net loss for the six months ended June 30, 2008					(1,511,796)	(1,511,796)
Balance, June 30, 2008	10,442,565	\$ 10,443	\$ 34,964,102	\$ (750)	\$ (36,887,548)	\$ (1,913,753)

See notes to 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,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,511,796)	\$ (458,525)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation, depletion, amortization and accretion	376,582	179,056
Amortization of financing cost and debt discount	244,157	-
Share-based compensation	330,972	261,536
Gain on sale of assets	(1,866)	(775,139)
Unrealized loss on derivative contract	143,389	-
Changes in operating assets and liabilities:		
Accounts receivable	(407,071)	19,679
Accounts receivable – related parties	(407,687)	(5,500)
Advances from non-operator, net	797,711	-
Advances to operator, net	548,715	-
Prepaid and other assets	7,552	21,250
Accounts payable and accrued expenses	(636,987)	(126,180)
Accounts payable – related party	(35,972)	(13,105)
Net cash used in operating activities	(552,301)	(896,928)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of assets	5,000	1,442,139
Expenditures for oil and gas properties	(6,791,798)	(869,768)
Expenditures for property and equipment	(234,235)	(137,110)
Net cash (used) provided by investing activities	(7,021,033)	435,261
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable, net of financing costs and cash discount of \$0 and \$100, respectively	7,286,854	6,376,200
Payments on notes payable	(42,077)	(3,346,917)
Payments on related party debt	-	(499,739)
Net cash provided by financing activities	7,244,777	2,529,544
<b>NET CHANGE IN CASH</b>	<b>(328,557)</b>	<b>2,067,877</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>1,702,373</b>	<b>208,815</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 1,373,816</b>	<b>\$ 2,276,692</b>
<b>SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 648,828	\$ 217,478
Cash paid for income taxes	\$ -	\$ -
<b>Non-cash investing and financing activities:</b>		
Increase in asset retirement obligation	\$ 6,711	\$ -

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Revision of asset retirement obligation	\$ 14,282	\$ -
Common shares issued for stock compensation payable	\$ 516,600	\$ -
Discount on debt for net profits interest	\$ -	\$ 765,000
Conversion of related-party debt to common stock	\$ -	\$ 50,000

See notes to consolidated financial statements.

7

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**TRANS ENERGY, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

**NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION**

The accompanying unaudited interim consolidated financial statements have been prepared by Trans Energy, Inc. 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 omitted in accordance with such rules and regulations. The information furnished in the interim consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim consolidated financial statements be read in conjunction with Trans Energy's most recent audited consolidated financial statements and notes thereto included in its December 31, 2007 Annual Report on Form 10-KSB. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Certain reclassifications have been made to amounts in prior periods to conform with the current period presentation.

**NOTE 2 – GOING CONCERN**

Trans Energy's unaudited interim 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. Trans Energy has incurred cumulative operating losses through June 30, 2008 of \$36,887,548 and had a working capital surplus of \$147,967 at June 30, 2008. Revenues during the quarter ended June 30, 2008 were sufficient to cover its operating costs and we expect positive cash flow from existing wells and new drilling that will allow it to continue as a going concern. There can be no assurance that Trans Energy can or will be able to complete any debt or equity financing. Trans Energy's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**NOTE 3 – SIGNIFICANT EVENTS**

During the six months ended June 30, 2008, Trans Energy drilled nineteen new wells in Wetzel and Marion Counties, West Virginia to various formations, including the Gordon, Bayard and Fourth Sand, of which Trans Energy owns a 100% working interest in each well.

On February 23, 2008, Trans Energy completed the drilling of its second joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms of the joint venture contract.

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On May 22, 2008, Trans Energy completed the purchase of a building in Marion County, West Virginia. The building was purchased from United Petroleum Services Company for \$175,000 and is to be used as a field shop.

Drilling began on June 21, 2008 on a third joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate depth of 7,500 feet, with the primary target also being the

8

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Marcellus Shale. Republic Partners will pay for 100% of the cost of this well to earn a 50% working interest.

### NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

Trans Energy entered into derivative commodity price contracts to provide a measure of stability in the cash flows associated with Trans Energy's oil and gas production and to manage exposure to commodity price fluctuations. None of the derivative contracts Trans Energy entered into have been designated as cash flow hedges or fair value hedges. Trans Energy recorded a total unrealized loss of \$143,389 related to its derivative instruments for the six months ended June 30, 2008.

#### *Natural Gas Derivatives*

Trans Energy entered into participating commodity put options on natural gas whereby Trans Energy receives a floor price. The following table shows the monthly volumes and the floor price.

<u>Start</u> <u>Month</u>	<u>End</u> <u>Month</u>	<u>Volume</u> <u>MMBTU/Month</u>	<u>Average</u> <u>Floor</u> <u>\$/MMBTU</u>
Jul. '07	Dec. '07	8,241	\$ 7.350
Jan. '08	Dec. '08	6,915	\$ 7.350
Jan. '09	Dec. '09	6,370	\$ 7.350
Jan. '10	Dec. '10	5,560	\$ 7.350
Jan. '11	Dec. '11	5,244	\$ 7.350

#### *Oil Derivatives*

Trans Energy entered into participating commodity put and call options on crude oil as a costless collar. The following table shows the monthly volumes, the floor and ceiling prices.

<u>Start</u> <u>Month</u>	<u>End</u> <u>Month</u>	<u>Volume</u> <u>BBL/Month</u>	<u>Floor</u> <u>\$/BBL</u>	<u>Ceiling</u> <u>\$/BBL</u>
Jun. '08	Dec. 08	705	\$100	\$172
Jan. '09	Dec. '09	585	\$100	\$172
Jan. '10	Dec. '10	488	\$100	\$172
Jan. '11	Dec. '11	449	\$100	\$172

### NOTE 5 – NOTES PAYABLE

On June 22, 2007, Trans Energy finalized a financing agreement with CIT Capital USA Inc. Under the terms of the agreement, CIT will lend up to \$18,000,000 to Trans Energy in the form of a senior secured revolving credit facility. Trans Energy has the ability to increase the credit facility to \$30,000,000 in the future, with increases in its reserves. During the quarter ended June 30, 2008, CIT released an additional \$4,000,000 to Trans Energy. For the six months ended June 30, 2008, Trans Energy borrowed an additional \$7,286,854 from CIT which increased the total outstanding credit balance to \$22,000,000, leaving no unused available credit facility. The weighted average interest rate on this credit facility on June 30, 2008 was 5.97%.





**NOTE 6 – EQUITY**

During the six months ended June 30, 2008, Trans Energy issued 630,000 shares of common stock for the December 31, 2007 stock compensation payable of \$516,600 related to the 2007 Long-Term Incentive and Bonus Program.

On January 1, 2008, Trans Energy granted 450,000 common stock options to an officer and an employee as part of their two year employment agreements. The options vest quarterly over two years and have a five year term. The stock options were granted at an exercise price of \$0.80 per common share, which was equal to the fair market value of the common stock at the date of grant and were valued at \$315,886 using the Black Scholes valuation model. The options are being amortized to share-based compensation expense quarterly over the vesting period, for which \$78,972 of share-based compensation expense was recorded during the six months ended June 30, 2008. The following are the assumptions made in computing the option fair value:

Average risk-free interest rate	3.3%
Dividend yield	0%
Expected term	5 years
Average expected volatility	126.19%

On January 1, 2008, Trans Energy granted 250,000 common shares to one officer under the terms of his employment agreement. The 250,000 shares vested immediately and were valued at \$200,000 using the fair market value of the common stock at the date of grant. During the six months ended June 30, 2008 the \$200,000 was recorded as share-based compensation expense.

On January 1, 2008, Trans Energy granted 260,000 shares of common stock to three employees under employment agreements. The 260,000 shares are not performance based and vest quarterly over two years, subject to ongoing employment. These shares were valued at \$208,000 using the fair market value of the common stock at the date of grant and will be amortized to compensation expense quarterly over two years. During the six months ended June 30, 2008, we recorded \$52,000 of share-based compensation related to these shares.

As a result of the above stock and option transactions, Trans Energy recorded total share-based compensation of \$330,972 for the six months ended June 30, 2008.

**NOTE 7 – BUSINESS SEGMENTS**

Trans Energy’s principal operations consist of oil and gas sales with Trans Energy and Prima Oil Company, and pipeline transmission with Ritchie County Gathering Systems and Tyler Construction Company.



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Certain financial information concerning Trans Energy's operations in different segments is as follows:

	For the Six Months Ended		Pipeline		<u>Corporate</u>	<u>Total</u>
	<u>June 30,</u>	Oil and Gas	<u>Sales</u>	<u>Transmission</u>		
Revenue	2008	\$ 1,397,921	\$ 233,305		\$ 25,488	\$ 1,656,720
	2007	509,472	130,991		62,209	702,672
Income (loss) from operations	2008	643,485	(108,171)		(1,085,444)	(550,130)
	2007	630,520	106,637		(1,026,996)	(289,839)
Interest expense	2008	920,715	--		--	920,715
	2007	217,478	--		--	217,478
Depreciation, depletion, amortization and accretion	2008	334,908	41,674		--	376,582
	2007	166,029	13,027		--	179,056
Property and equipment acquisitions, including oil and gas properties	2008	6,542,354	483,679		--	7,026,033
	2007	1,006,878	--		--	1,006,878
Total assets, net of intercompany accounts:						
June 30, 2008		\$19,779,380	\$ 2,903,772		\$ --	\$22,683,152
December 31, 2007		14,502,036	2,063,334		--	16,565,370

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

#### *Results of Operations*

#### **Three months ended June 30, 2008 compared to June 30, 2007**

The following table sets forth the percentage relationship to total revenues of principal items contained in our unaudited consolidated statements of operations for the three months ended June 30, 2008 and 2007. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Three Months Ended June 30,	
	<u>2008</u>	<u>2007</u>
Total revenues	100%	100%

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Total costs and expenses	(90%)	(43%)
Income from operations	10%	57%
Other income (expense)	(35%)	(29%)
Net income (loss)	(25%)	28%

Total revenues of \$1,229,074 for the three months ended June 30, 2008 increased 195% compared to \$417,152 for the three months ended June 30, 2007, primarily due to new drilling, acquisitions, and increased

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production from the efforts of the workover program, as well as an overall increase in prices. We focused our efforts during the second quarter of 2008 on the implementation of our drilling program in Wetzel County and on a workover program on our wells located in Wetzel and Marion Counties, West Virginia. We expect production increases from the drilling program, the workover program and from new pipeline connections throughout 2008.

Production costs increased 89% in the three months ended June 30, 2008 as compared to the same period for 2007, primarily due to expenses associated with our field production from the addition of oil and gas properties.

Depreciation, depletion, amortization and accretion expense increased 109% in the three months ended June 30, 2008 as compared to the same period for 2007, due to the increase in production and additions of oil and gas properties.

Interest expense increased 263% in the three months ended June 30, 2008 as compared to the same period for 2007, primarily due to increased borrowings for our drilling program.

Our net loss for the second quarter of 2008 was \$298,086 compared to net income of \$119,069 for the second quarter of 2007. This decrease in net income is primarily due to an increase in interest expense associated with increased borrowings for our drilling program as well as the decrease in the gain from the sale of oil and gas properties during second quarter of 2008 as compared to 2007.

### Six months ended June 30, 2008 compared to June 30, 2007

The following table sets forth the percentage relationship to total revenues of principal items contained in our unaudited consolidated statements of operations for the six months ended June 30, 2008 and 2007. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Six Months Ended June 30,	
	<u>2008</u>	<u>2007</u>
Total revenues	100%	100%
Total costs and expenses	(134%)	(141%)
Loss from operations	(34%)	(41%)
Other expense	(58%)	(24%)
Net loss	(92%)	(65%)

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Total revenues of \$1,656,720 for the six months ended June 30, 2008 increased 136% compared to \$702,672 for the six months ended June 30, 2007, primarily due to new drilling, acquisitions, and increased production from the efforts of the work over program, as well as an overall increase in prices. We focused our efforts during the first six months of 2008 on the implementation of our drilling program in Wetzel County and on a work over program on our wells located in Wetzel and Marion Counties, West Virginia. We expect production increases from the drilling program, the work over program and from new pipeline connections throughout 2008.

Production costs increased 107% in the six months ended June 30, 2008 as compared to the same period for 2007, primarily due to expenses associated with our field production from the addition of oil and gas properties.

Depreciation, depletion, amortization and accretion expense increased 110% in the six months ended June 30, 2008 as compared to the same period for 2007, due to the increase in production and additions of oil and gas properties.





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Interest expense increased 323% in the six months ended June 30, 2008 as compared to the same period for 2007, primarily due to increased borrowings for our drilling program.

Our net loss for the first six months of 2008 was \$1,511,796 compared to a net loss of \$458,525 for the first six months of 2007. This increase is primarily due to an increase in interest expense associated with increased borrowings for our drilling program as well as the decrease in the gain from the sale of oil and gas properties during second quarter of 2008 as compared to 2007.

### *Liquidity and Capital Resources*

Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At June 30, 2008, we had a working capital surplus of \$147,967 compared to a deficit of \$686,549 at December 31, 2007. This increase in working capital is primarily attributed to the positive results of the drilling program and the completion of the pipeline construction.

During the first six months of 2008, net cash used by operating activities was \$552,301 compared to \$896,928 for the same period of 2007. This decrease in negative cash flow from operating activities is due to an increase in both oil and gas production and prices.

We expect our cash flow provided by operations for 2008 to increase because of higher projected production from the drilling program, workovers and acquisitions, combined with oil and gas prices consistent with 2007 and steady operating, general and administrative, interest and financing costs.

Excluding the effects of significant unforeseen expenses or other income, our cash flow from operations fluctuates primarily because of variations in oil and gas production and prices (subject to price hedges), or changes in working capital accounts and actual well performance. In addition, our oil and gas production may be curtailed due to factors beyond our control, such as downstream activities on major pipelines causing us to shut-in production for various lengths of time.

During the first six months of 2008, net cash used by investing activities was \$7,021,033 compared to net cash provided of \$435,261 in 2007. We used \$6,791,798 for the purchase of oil and gas properties and \$234,235 to purchase property and equipment for the six month period ended June 30, 2008 compared to \$869,768 for the purchase of oil and gas properties and \$137,110 to purchase property and equipment for the six month period ended June 30, 2007.

During the first six months of 2008, net cash provided by financing activities was \$7,244,777 compared to \$2,529,544 in the same period of 2007. During the six months ended June 30, 2008, we borrowed \$7,286,854, net of financing cost and cash discount, and repaid \$42,077 in notes payable.

We anticipate meeting our working capital needs with revenues from our ongoing operations, particularly from our wells in Wetzel, Marion and Doddridge Counties, West Virginia and new transportation of gas for third parties on our 6-inch pipeline located in West Virginia. In the event

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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 or through an increase in the available credit facility with CIT Capital. There can be no assurance such funding will be available to us or, if available, it will be on acceptable or favorable terms.

Because of our continued losses, limited working capital, and need for additional funding, there is substantial doubt about our ability to continue as a going concern. Historically, our revenues have not been sufficient to cover operating costs. We will need to rely on increased operating revenues from new development or proceeds from debt or equity financings to allow 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.

***Inflation***

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

***Recent Events***

During the six months ended June 30, 2008, we drilled nineteen new wells in Wetzel and Marion Counties, West Virginia to various formations, including the Gordon, Bayard and Fourth Sand, of which we own a 100% working interest in each well.

On February 23, 2008, Trans Energy completed the drilling of its second joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms in the joint venture contract. The Hart 20 well was successfully completed on June 12, 2008 and put into production on June 18, 2008. The Dewhurst 50 well, which was the first joint venture well with Republic Partners, was successfully completed on July 17, 2008.

Drilling began on June 21, 2008 on a third joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate depth of 7,500 feet, with the primary target also being the Marcellus Shale. Republic Partners will pay for 100% of the cost of this well to earn a 50% working interest.

***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 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;

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- success of our drilling activities;
- volatility of the stock market, particularly within the energy sector; and
- general economic conditions.

14

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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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Trans Energy is exposed to market risk, including adverse changes in commodity prices. Trans Energy produces and sells natural gas and crude oil. As a result, Trans Energy's financial results can be significantly affected if these commodity prices fluctuate widely in response to changing market forces.

Trans Energy uses derivative contracts to minimize the risk of commodity prices. These contracts are entered into with a major financial institution.

### **Item 4. Controls and Procedures**

We maintain disclosure controls and procedures that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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 Exchange Act. Based upon that evaluation, management concluded that our disclosure controls and procedures were not effective to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

In our December 31, 2007 10-KSB, we disclosed certain material weaknesses in our internal control over financial reporting. These weaknesses included deficiencies in the Company's entity level controls, in segregation of duties, and in the documentation and consistent performance of controls surrounding account balances. We also disclosed certain remediation measures that we planned to implement during fiscal year 2008 to address those material weaknesses.

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The Company's remediation plans included complete implementation and execution of controls and procedures identified in management's assessment of the entity level, financial reporting and other process level controls. As of June 30, 2008, some of these controls have been implemented, however these controls have not been executed a sufficient number of times for management to fully assess their

15

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effectiveness. Management will continue its efforts to implement and assess all of these measures and will monitor and evaluate them for effectiveness.

There was no change in our internal controls over financial reporting identified in connection with the requisite evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **PART II**

#### **Item 1. Legal Proceedings**

Information concerning certain material pending legal proceedings to which we are a party, or to which any of our property is subject, is set forth below:

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, although the judgment has not yet been released. We are proceeding to secure the release of the judgment.

We may be engaged in various other lawsuits and claims, either as plaintiff or defendant, in the normal course of business. In the opinion of management, based upon advice of counsel, the ultimate outcome of these lawsuits will not have a material impact on our financial position or results of operations.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

#### **Item 3. Defaults Upon Senior Securities**

None.

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

No matters were submitted to a vote of our securities holders during the first six months ended June 30, 2008.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit 31.1 Certification of C.E.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

16

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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

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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 14, 2008

By /S/ JAMES K. ABCOUWER  
JAMES K. ABCOUWER  
Chief Executive Officer and Director

Date: August 14, 2008

By /S/ LISA A. CORBITT  
LISA A. CORBITT  
Controller, Principal Financial Officer  
(Principal Accounting Officer)



