

Edgar Filing: TRANS ENERGY INC - Form 10QSB

TRANS ENERGY INC
Form 10QSB
May 16, 2003

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 March 31, 2003

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

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)

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 May 15, 2003
----- Common Stock, \$.001 par value	----- 241,019,127

Edgar Filing: TRANS ENERGY INC - Form 10QSB

TABLE OF CONTENTS

Heading

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.....

Consolidated Balance Sheets - March 31, 2003 (Unaudited) and
December 31, 2002.....

Consolidated Statements of Operations - three months ended
March 31, 2003 and 2002 (Unaudited).....

Consolidated Statements of Stockholders' Equity (Deficit).....

Consolidated Statements of Cash Flows - three months ended
March 31, 2003 and 2002 (Unaudited).....

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis and Results of Operations.....

Item 3. Controls and Procedures.....

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....

Item 2. Changes In Securities and Use of Proceeds.....

Item 3. Defaults Upon Senior Securities.....

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

Item 5. Other Information.....

Item 6. Exhibits and Reports on Form 8-K.....

Signatures.....

Certifications.....

-2-

PART I

Item 1. Financial Statements

The accompanying balance sheets of Trans Energy, Inc. at March 31, 2003 and December 31, 2002, related statements of operations, stockholders' equity (deficit) and cash flows for the three months ended March 31, 2003 and 2002, have been prepared by our management in conformity with accounting principles generally accepted in the United States. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of

Edgar Filing: TRANS ENERGY INC - Form 10QSB

operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the quarter ended March 31, 2003, are not necessarily indicative of the results that can be expected for the fiscal year ending December 31, 2003.

TRANS ENERGY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003 and December 31, 2002

-3-

TRANS ENERGY, INC. AND SUBSIDIARIES Consolidated Balance Sheets

ASSETS

	March 31, 2003 ----- (Unaudited)	December 31, 2002 -----
CURRENT ASSETS		
Cash	\$ 6,648	\$ 12,227
Accounts receivable, net	239,469	128,621
Other receivable	30,000	--
Prepaid expenses	990	360
	-----	-----
Total Current Assets	276,107	151,208

PROPERTY AND EQUIPMENT

Edgar Filing: TRANS ENERGY INC - Form 10QSB

Vehicles	59,830	59,830
Machinery and equipment	10,092	10,092
Pipelines	1,745,217	2,254,908
Well equipment	49,155	49,155
Wells	3,620,868	3,620,868
Leasehold acreage	95,945	95,945
Accumulated depreciation	(3,403,574)	(3,496,460)
	-----	-----
Total Fixed Assets	2,177,533	2,594,338
OTHER ASSETS		
Cash surrender value - life insurance (net)	2,090	2,090
	-----	-----
Total Other Assets	2,090	2,090
	-----	-----
TOTAL ASSETS	\$ 2,455,730	\$ 2,747,636
	=====	=====

The accompanying notes are an integral part of the financial statements.

-4-

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2003	December 31, 2002
	(Unaudited)	
CURRENT LIABILITIES		
Accounts payable - trade	\$ 866,779	\$ 701,791
Notes payable - convertible	41,575	41,575
Accrued expenses	960,980	921,420
Salaries payable	1,041,829	969,529
Notes payable - current portion	1,356,215	1,327,333
Judgments payable (Note 5)	1,140,636	1,115,094
Related party payables	951,748	1,075,587
Debentures payable	331,462	331,462
	-----	-----
Total Current Liabilities	6,691,224	6,483,791
	-----	-----
LONG-TERM LIABILITIES		
Judgments payable (Note 5)	--	2,702
Notes payable	--	199,862
	-----	-----
Total Long-Term Liabilities	--	202,564

Edgar Filing: TRANS ENERGY INC - Form 10QSB

Total Liabilities	6,691,224	6,686,355
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock; 10,000,000 shares authorized at \$0.001 par value; -0- and 300 shares issued and outstanding, respectively	--	--
Common stock; 500,000,000 shares authorized at \$0.001 par value; 241,019,127 and 237,519,127 shares issued and outstanding, respectively	241,018	237,518
Capital in excess of par value	23,052,785	23,045,785
Accumulated deficit	(27,529,297)	(27,222,022)
Total Stockholders' Equity (Deficit)	(4,235,494)	(3,938,719)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,455,730	\$ 2,747,636
	=====	=====

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

-5-

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

	For the Three Months Ended March 31,	
	2003	2002
	-----	-----
REVENUES	\$ 417,063	\$ 169,489
	-----	-----
COSTS AND EXPENSES		
Cost of oil and gas	323,992	272,198
Salaries and wages	95,893	83,765
Depreciation, depletion and amortization	253,233	53,789
Selling, general and administrative	56,225	73,960
	-----	-----
Total Costs and Expenses	729,343	483,712
	-----	-----
LOSS FROM OPERATIONS	(312,280)	(314,223)
	-----	-----

Edgar Filing: TRANS ENERGY INC - Form 10QSB

OTHER INCOME (EXPENSE)

Gain on disposal of asset	112,235	--
Loss on sale of asset	(5,807)	--
Other income	773	3,329
Interest expense	(102,196)	(134,640)
	-----	-----
Total Other Income (Expense)	5,005	(131,311)
	-----	-----
LOSS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	(307,275)	(445,534)
	-----	-----
INCOME TAXES	--	--
	-----	-----
MINORITY INTERESTS	--	--
	-----	-----
NET LOSS	\$ (307,275)	\$ (445,534)
	=====	=====
BASIC LOSS PER SHARE	\$ (0.00)	\$ (0.00)
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	239,308,016	186,784,752
	=====	=====

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

-6-

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

	Preferred Stock		Common Stock		Ca E P
	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	

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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	--	--	600,000	500	
Net loss for the year ended December 31, 2002	--	--	--	--	
Balance, December 31, 2002	--	--	237,519,127	\$ 237,518	\$
Common stock issued for conversion of debt to equity (unaudited)	--	--	3,500,000	3,500	
Net loss for the three months ended March 31, 2003 (unaudited)	--	--	--	--	
Balance, March 31, 2003 (unaudited)	--	\$ --	241,019,127	\$ 241,018	\$

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

-7-

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

	For the Three Months Ended March 31,	
	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (307,275)	\$ (445,534)
Adjustments to reconcile net loss to net cash (used) by perating activities:		
Depreciation, depletion and amortization	253,233	53,789
Net gain from sale of assets	(106,428)	--
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(100,849)	42,174
(Increase) in prepaid and other current assets	(630)	--
Increase (decrease) in accounts payable and current liabilities	315,992	(175,237)
	-----	-----
Net Cash Provided (Used) by Operating Activities	54,043	(524,808)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		

Edgar Filing: TRANS ENERGY INC - Form 10QSB

Proceeds from sale of assets	240,000	--
Expenditures for property and equipment	--	(18,926)
	-----	-----
Net Cash Provided (Used) by Investing Activities	240,000	(18,926)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on related party payables	(123,838)	--
Stock subscription deposit	--	200,000
Proceeds from related party notes	--	87,196
Proceeds from notes payable	--	268,714
Principal payments on notes payable	(176,784)	--
	-----	-----
Net Cash Provided (Used) by Financing Activities	(300,622)	555,910
	-----	-----
NET INCREASE (DECREASE) IN CASH	(6,579)	12,176
CASH, BEGINNING OF PERIOD	12,227	1,491
	-----	-----
CASH, END OF PERIOD	\$ 5,648	\$ 13,667
	=====	=====

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

-8-

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

	For the Three Months Ended March 31,	
	2003	2002
	-----	-----
CASH PAID FOR:		
Interest	\$56,527	\$76,043
Income taxes	\$ --	\$ --
NON-CASH FINANCING ACTIVITIES:		
Common stock issued for debt	\$10,500	\$ --
Common stock issued for preferred stock and preferred dividends	\$ --	\$23,250

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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

-9-

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

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 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, 2002 Annual Report on Form 10-KSB. Operating results for the three months ended March 31, 2003 and 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

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 March 31, 2002 of \$27,529,297, and has a working capital deficit at March 31, 2002 of \$6,415,117. 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 - RECLASSIFICATIONS

Certain 2002 amounts have been reclassified to conform to the 2003 presentations.

NOTE 4 - MATERIAL EVENTS

Edgar Filing: TRANS ENERGY INC - Form 10QSB

On January 31, 2003, the Company entered into an Agreement of Sale and Exchange with PC Pipeline, Inc. ("Purchaser") for 7.6 miles of Tyler Construction's six-inch natural gas pipeline in Pleasants County, West Virginia in exchange for the remaining 35% of the outstanding common stock of Tyler Construction Company. This now makes Tyler Construction Company a wholly-owned subsidiary of the Company.

-10-

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

NOTE 4 - MATERIAL EVENTS (Continued)

On February 27, 2003, the Company entered into an Asset Purchase Agreement with Triad Energy Corporation ("Triad") and Sancho Oil & Gas Corporation ("Sancho") whereby Tyler Construction Company ("Tyler") sold 55,000 feet of gas pipeline located in Tyler and Pleasants County, West Virginia for \$270,000. \$240,000 was paid at the time of closing and the remaining \$30,000 was payable 60 days from closing. As part of the Agreement, Tyler assigned its right-of-ways and its gas purchase contract with Sancho, along with an agreement for Triad to use Tyler's right to transport gas which right is not assignable.

During February 2003, the Company filed Form S-8 with the Securities and Exchange Commission for the registration of 3,500,000 shares of the Company's common stock to be issued to A. Thomas Crompton for consulting services that were performed during the fourth quarter of 2002. The shares were valued at \$0.003, which was the trading price at the time the shares were registered, for a total value of \$10,500.

NOTE 5 - 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 March 31, 2003, the balance due including interest to Tioga was \$26,092 and is included in judgments payable and is classified as a current liability.

Dennis L. Spencer

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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 March 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.

-11-

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

NOTE 5 - JUDGMENTS PAYABLE (Continued)

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 March 31, 2003, the total amount including interest of \$487,641 is included in judgments payable and is classified as a current liability.

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 March 31, 2003, the Company had accrued a balance including interest of \$16,637 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 March 31, 2003, the Company has accrued a balance including interest of \$69,979 which is included in judgment payable as a current liability.

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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.

-12-

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

NOTE 5 - JUDGMENTS PAYABLE (Continued)

Baker Hughes Entities (Continued)

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

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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.

-13-

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

NOTE 5 - JUDGMENTS PAYABLE (Continued)

Baker Hughes Entities (Continued)

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. At March 31, 2003, the Company has a remaining liability including interest of \$534,287 which is included in judgments payable as a current liability.

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 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

Edgar Filing: TRANS ENERGY INC - Form 10QSB

them to the amount owed. At December 31, 2002, the Company has accrued \$50,692, 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 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, 2002, the Company had accrued the total amount of \$6,000 and has included it in judgments payable and has classified it as a current liability.

-14-

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

NOTE 6 - 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.

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 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 March 31, 2003 and changes during the year is presented below:

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

Edgar Filing: TRANS ENERGY INC - Form 10QSB

Operating loss applicable to industry segment	2003	(272,457)	(39,823)
	2002	(282,936)	(31,287)
General corporate expenses not allocated to industry segments	2003	--	--
	2002	--	--
Interest expense	2003	(88,471)	(13,725)
	2002	(116,022)	(18,618)
Other income (expenses)	2003	773	--
	2002	(112,693)	(18,618)
Assets (net of intercompany accounts)	2003	--	--
	2002	3,164,031	437,520
Depreciation and amortization	2003	227,145	26,088
		2002	26,604
Property and equipment Acquisitions (Deletions)	2003	(240,000)	--
	2002	18,926	--

-16-

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

The following table sets forth the percentage relationship to total revenues of principal items contained in the our consolidated statements of operations for the three month periods ended March 31, 2003 and 2002. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Total revenues.....	100%	100%
Total costs and expenses.....	175	285
Loss from operations.....	75	(185)
Other income (expense).....	1	(78)
Net loss.....	(74)	(263)

Total revenues for the three months ("first quarter") ended March 31, 2003 increased 146%, when compared with the first quarter of 2002, due primarily to increased gas prices and additional production into our pipeline system. Our cost of oil and gas for the first quarter of 2003 increased 19% from the 2002 period due to increased land lease and royalties expenses. Also during the first quarter of 2003, salaries and wages increased 14% compared to the 2002 period

Edgar Filing: TRANS ENERGY INC - Form 10QSB

due to reclassification of compensation previously paid as consulting fees into salary to officers. Selling, general and administrative expenses for the first quarter of 2003 decreased 24% due to decreased travel, legal, consulting and office expenses. Depreciation, depletion and amortization increased in the first quarter of 2003 by 371%, attributed to an increased depletion rate due to a reevaluation of reserves at the year-end audit.

Our loss from operations for the first quarter of 2003 was \$312,280, slightly less than the \$314,223 for the first quarter of 2002. We realized total other income of \$5,005 during the first quarter of 2003 compared to total other expenses of \$131,311 for the first quarter of 2002. This change was due primarily to the 24% decrease in interest expense and the gain on disposal of assets of \$112,235 during the first quarter of 2003.

As a percentage of total revenues, total costs and expenses decreased from 285% in the first quarter of 2002 to 175% for the first quarter of 2003. Actual total costs and expenses increased 51% for the first quarter 2003, primarily attributed to the increases in cost of oil and gas and increase in depreciation, depletion and amortization in the 2003 period.

Our net loss for the first quarter of 2003 was \$307,275 compared to \$445,534 for the first quarter of 2002.

For the remainder of fiscal year 2003, management expects selling, general and administrative expenses to remain at approximately the same rate as the first quarter of 2003. 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 2003.

We have included a footnote to our financial statements for the periods ended March 31, 2003 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.

-17-

Liquidity and Capital Resources

Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At March 31, 2003, we had a working capital deficit of \$6,415,117 compared to a deficit of \$6,332,582 at December 31, 2002. This nominal 1% increase in working capital deficit is primarily attributed to use of cash from the sale of property to reduce loan balances.

During the first quarter of 2003, operating activities provided net cash of \$54,043 compared to net cash used of \$524,808 in the first quarter of 2002. These results are primarily attributed to our decreased net loss for the period, increased depreciation, depletion and amortization expenses and the increase in accounts payable and current liabilities. Net cash provided by investing activities in the first quarter of 2003 was \$249,000, compared to net cash used by investing activities of \$18,926 in the 2002 period. The increase is due to proceeds realized from the sale of assets in the 2003 period. During the first quarter of 2003, we used net cash of \$300,662 by financing activities compared to net cash realized of \$555,910 in the first quarter of 2002. During 2002, net cash was realized primarily from proceeds from stock subscription deposits and from notes payable. During the 2003 period, cash was used primarily as payments on related party payables and principal payments on notes payable.

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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 March 31, 2003, we had total assets of \$2,455,730 and total stockholders' deficit of \$4,235,494, 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 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 March 31, 2003, we owed \$346,462 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 and interest.

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.

-18-

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,

Edgar Filing: TRANS ENERGY INC - Form 10QSB

levels of activity, performance or achievements.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Based on their evaluation, as of a date within 90 days prior to the date of the filing of this Form 10-QSB, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, the principal executive officer and the principal financial officer of the Company have each concluded that such disclosure controls and procedures are effective and sufficient to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Changes in Internal Controls. Subsequent to the date of their evaluation, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

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 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

-19-

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

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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. At March 31, 2003, we had a remaining liability, including interest, of \$534,287. The Baker Entities continue their proceedings to enforce a foreign judgment against us in Pleasants County, West Virginia. A hearing with a special commission of the court has been scheduled for May 29, 2003 in Pleasant County.

(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. The current balance owed to Tioga is \$26,092, which we expect to pay in May 2003.

(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 have made several payments to Mr. Forbus. Mr. Forbus has made a demand upon for payment in full. We are not currently making payments.

(d) On December 26, 2001, George Hillyer filed a suit against Trans Energy and William F. Woodburn and Loren E. Bagley individually. The action seeks \$250,750 in connection with certain services performed for us. On September 3, 2002, we entered into a Mutual Settlement Agreement and Release of All Claims whereby we conveyed a 240-acre lease and a well located in Campbell County Wyoming in release of all claims and dismissal of the suit by Mr. Hillyer. The Court dismissed the case on September 20, 2002.

-20-

(e) In January 2002, a suit entitled Dennis L. Spencer vs. Trans Energy, Inc. and Messrs. Woodburn and Bagley was filed in the Circuit

Edgar Filing: TRANS ENERGY INC - Form 10QSB

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 the matter is still pending.

(f) 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.

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 June 30, 1999. Interest on the debentures accrued upon the date of issuance until payment in full of the principal sum was been 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 March 31, 2003, we owed \$331,462 in connection with the debentures consisting of \$50,000 to one debenture holder and \$281,462 in penalties and interest.

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

This Item is not applicable.

Item 5. Other Information

This Item is not applicable.

-21-

Item 6. Exhibits and Reports on Form 8-K

Edgar Filing: TRANS ENERGY INC - Form 10QSB

(a) Exhibits

Exhibit 99.1 Certification of C.E.O. Pursuant to 18 U.S.C. Section 1350, a Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.2 Certification of Principal Accounting Officer Pursuant to 18 Section 1350, as Adopted Pursuant to Section 906 of the Sarba Act of 2002

(b) Reports on Form 8-K

There were no current reports filed on Form 8-K for the three month period ended March 31, 2003.

-22-

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: May 15, 2003

By /S/ ROBERT I. RICHARDS

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

Date: May 15, 2003

By /S/ WILLIAM F. WOODBURN

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

-23-

Certifications

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Edgar Filing: TRANS ENERGY INC - Form 10QSB

I, Robert I. Richards, Chief Executive Officer of the Trans Energy, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Trans Energy, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

Edgar Filing: TRANS ENERGY INC - Form 10QSB

/s/ ROBERT I. RICHARDS

Robert I. Richards
Chief Executive Officer

-24-

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William F. Woodburn, Principal Accounting Officer of the Trans Energy, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Trans Energy, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have

Edgar Filing: TRANS ENERGY INC - Form 10QSB

identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ WILLIAM F. WOODBURN

William F. Woodburn
Principal Accounting Officer