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TRANS ENERGY INC
Form 10KSB
April 15, 2008

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

FORM 10-KSB

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

For the Fiscal Year Ended December 31, 2007

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

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 (X) No ()

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. (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 issuer's revenues for its most recent fiscal year. \$1,519,377

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock as of a specified date within 60 days. \$3,804,818 (Based on price of \$.80 per share on March 31, 2007)

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 March 31, 2008
----- Common Stock, \$.001 par value	----- 10,160,065

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Transitional Small Business Disclosure Format (Check one): Yes () No (X)

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PART 1

Item 1. Description of Business

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History

Trans Energy, Inc. is engaged in the exploration, development and production of natural gas and oil, and, to a lesser extent, the marketing and transportation of natural gas. We own interests in and operate approximately 271 oil and gas wells in West Virginia. We also own and operate an aggregate of over 24 miles of 4-inch, 6-inch, and 8-inch gas transmission lines located within West Virginia in the counties of Marion, Doddridge, Ritchie, Wetzel and Tyler. We also have approximately 25,638 gross acres under lease in West Virginia primarily in the counties of Wetzel, Marion, and Doddridge.

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

Recent Events

Trans Energy began drilling its first of three exploratory joint venture wells located in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. The total cost per well is estimated to be \$850,000 to \$1,000,000, of which Republic Partners will pay for 100% of the cost of one exploratory well in 2007 and two exploratory wells in 2008 to earn a 50% working interest. Drilling began on October 15, 2007 and was completed on November 14, 2007 on the first well. Also, drilling began on a second 2007 well in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target also being the Marcellus Shale, on November 29, 2007 and was completed on February 23, 2008. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms in the joint venture contract. The two 2007 exploration wells are expected to be completed and begin flow in May 2008.

During 2007, we drilled seven new wells in Doddridge County, West Virginia to the Gordon formation of which we own a 100% working interest in each well. In addition, we drilled eleven new wells in Wetzel County, West Virginia to various formations, including the Gordon and Fourth Sand, of which we own a 100% working interest in each well.

Trans Energy began the construction of an 8 inch pipeline located in Wetzel County, West Virginia which will transport gas from the new wells drilled during the year ended December 31, 2007, in addition to transporting gas for third parties. The pipeline was completed on December 28, 2007 at a cost of \$1,372,149.

Business History

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

The Company has been an oil and gas developer for more than twenty years, but began a more aggressive focus on development and growth in early 2006. At that time, the Company reorganized with a new CEO and installed a new controller. In addition, we began an effort to leverage the company's acreage and reserves to fund development, and have since drilled more than 30 wells since early 2006 and significantly increased production and reserves. Management

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intends to continue to develop and increase the production from oil and natural gas properties that we currently own. We will continue to transport and market natural gas through our pipelines.

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Current Business Activities

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

We will continue to transport and market natural gas through our various pipelines in 2008.

Marketing

We operate exclusively in the oil and gas industry. Natural gas production from wells owned by us is generally sold to various intrastate and interstate pipeline companies and natural gas marketing companies. Sales are made under short-term delivery contracts at market prices. These prices fluctuate with natural gas contracts as posted in national publications and on the New York Mercantile Exchange.

Natural gas delivered through our pipeline network is transported for third party producers through a contract with Sancho Oil and Gas Corporation to Dominion Hope Gas, a local utility. Under our contract with Sancho, we have the right to transport natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas in 1988. This agreement is a flexible volume supply agreement whereby we receive a transportation fee less a \$.05 per Mcf marketing fee paid to Sancho.

The natural gas from our Wetzell County wells is sold to East Resources or Equitable Gas. The gas from our Doddridge County wells is sold to Dominion Hope.

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

Management believes that we are not dependent upon any one customer due to the fact that we have multiple marketing agreements with many third party purchasers.

Competition

We are in direct competition with numerous oil and natural gas companies, drilling and income programs and partnerships exploring various areas of the Appalachian Basin and elsewhere competing for customers. Many competitors are large, well-known oil and gas and/or energy companies, although no single entity dominates the industry. Many of our competitors possess greater financial and personnel resources, sometimes enabling them to identify and acquire more

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economically desirable energy producing properties and drilling prospects than us. We are more of a regional operator, and have the traditional competitive strengths of one, including long established contacts and in-depth knowledge of the local geography. Additionally, there is increasing competition from other fuel choices to supply the energy needs of consumers and industry. Management believes that there exists a viable market place for smaller producers of natural gas and oil and for operators of smaller natural gas transmission systems. If that situation were to change, management believes the Company would command a competitive price if it became part of a larger company.

Government Regulation

The oil and gas industry is extensively regulated by federal, state and local authorities. The scope and applicability of legislation is constantly monitored for change and expansion. Numerous agencies, both federal and state, have issued rules and regulations binding on the oil and gas industry and its

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individual members, some of which carry substantial penalties for noncompliance. To date, these mandates have had no material effect on our capital expenditures, earnings or competitive position.

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

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

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

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

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

Employees

As of the end of our fiscal year on December 31, 2007, we employed twenty-five full-time employees, consisting of five executives and managers, six marketing, lease acquisition and clerical persons, and fourteen field operations employees.

None of our employees are members of any union, nor have they entered into any collective bargaining agreements. We believe that our relationship with our employees is good. With the successful implementation of our business plan, we may seek additional employees in the next year to handle anticipated potential growth.

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Facilities

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

In addition, we currently occupy approximately 2,000 square feet of office space in Parkersburg, West Virginia, which we share with our subsidiaries, Tyler Construction Company and Ritchie County Gathering Systems. This office is dedicated to our financial operations. We lease an aggregate of approximately 2,000 square feet from an unaffiliated third party under a written lease agreement for \$1,450 per month, inclusive of utilities.

Industry Segments

We are presently engaged in the principal business of the exploration, development and, production of natural gas and oil. We are also involved in pipeline transportation and marketing of natural gas and oil. Reference is made to the statements of operations contained in the financial statements included herewith for a statement of our revenues and operating loss for the past two fiscal years.

Risk Factors

You should carefully consider the risks and uncertainties described below and other information in this report. If any of the following risks or uncertainties actually occur, our business, financial condition and operating results, would likely suffer. Additional risks and uncertainties, including

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those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or operating results.

We have a history of losses and may realize future losses.

Since our revenues only increased approximately 7% during the fiscal year ended December 31, 2007, we may not achieve, or subsequently maintain profitability if anticipated revenues do not increase in the future. We have experienced operating losses, negative cash flow from operations and net losses in each quarterly and annual period for the past several years. As of December 31, 2007, our net operating loss carryforward was approximately \$27 million and our accumulated deficit was approximately \$35 million. We expect to continue to incur significant expenses in connection with

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

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

We have a significant working capital deficit that makes it more difficult to obtain capital necessary for our operations and which may have an adverse effect on our future business.

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As of December 31, 2007, we had a working capital deficit of \$686,549. If our business does not produce positive working capital in the future, our business and financial condition would most likely be materially and negatively impacted.

It may be necessary for us to seek additional funding, which may not be available on terms favorable to us, or at all.

Management believes that we may need to seek additional funding in the future to provide sufficient working capital and funds for capital expenditures. If we cannot meet future capital requirements through realized revenues from our ongoing business, we may have to raise additional capital by borrowing or by selling equity or equity-linked securities, which would dilute the ownership percentage of our existing stockholders. Also, these securities could also have rights, preferences or privileges senior to those of our common stock. Similarly, if we raise additional capital by issuing debt securities, those securities may contain covenants that restrict us in terms of how we operate our business, which could also affect the value of our common stock. If we borrow more money, we will have to pay interest and may also have to agree to restrictions that limit operating flexibility. We may not be able to obtain funds needed to finance operations at all, or may be able to obtain funds only on very unattractive terms. Management may also explore other alternatives such as a joint venture with other oil and gas companies. There can be no assurances, however, that we will conclude any such transaction.

There are many competitors in the oil and gas industry.

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We encounter many competitors in the oil and gas industry including in the exploration and development of properties and the sale of oil and gas. Management expects competition to continue to intensify in the future. Many existing and potential competitors have greater financial resources, larger market share and more customers than us, which may enable them to establish a stronger competitive position than we have. If we fail to address competitive developments quickly and effectively, we will not be able to grow and our business will be adversely affected.

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

Quarterly and annual operating results are likely to fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. If operating results do not meet the expectations of securities analysts and investors, the trading price of our common stock could significantly decline which may cause the value of your investment to decline. Some of the factors that could affect quarterly or annual operating results or impact the market price of our common stock include:

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

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

Our business could be adversely affected by any adverse economic developments in the oil and gas industry and/or the economy in general.

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The oil and gas industry is susceptible to significant change that may influence our business development due to a variety of factors, many of which are outside our control. Some of these factors include:

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

Any of the above factors or a significant downturn in the oil and gas industry or with economic conditions generally, could have a negative effect on our business and on the price of our common stock.

Our future success depends on retaining existing key employees and hiring and assimilating new key employees. The loss of key employees or the inability to attract new key employees could limit our ability to execute our

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growth strategy, resulting in lost profitability and a slower rate of growth.

Our future success depends, in part, on the ability to retain our key employees including executive officers. Also, we do not carry, nor do we anticipate obtaining, "key man" insurance on our executives. It would be difficult for us to replace any one of these individuals. In addition, as we grow we may need to hire additional key personnel. We may not be able to identify and attract high quality employees or successfully assimilate new employees into our existing management structure.

If we are unable to manage our growth effectively, our operations and financial performance could be adversely affected.

The ability to manage and operate our business as we execute our anticipated growth will require effective planning. Significant future growth could strain our internal resources, leading to a lower quality of service and other problems that could adversely affect our financial performance. Our ability to manage future growth effectively will also require us to successfully attract, train, motivate, retain and manage new employees and continue to update and improve our operational, financial and management controls and procedures. If we do not manage our growth effectively, our operations could be adversely affected, resulting in slower growth and a failure to achieve or sustain profitability.

Going concern issue

Our ability to continue as a going concern is dependent upon our ability to achieve a profitable level of operations. We may need, among other things, additional capital resources which we will seek through loans from banks or other forms of financing.

Risks relating to ownership of our common stock

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

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

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

Future sales or the potential for sale of a substantial number of shares of our common stock could cause the market value to decline and could impair our ability to raise capital through subsequent equity offerings.

If we do not generate necessary cash from our operations to finance future business, we may need to raise additional funds through public or private financing opportunities. The issuance of a substantial number of our common shares to individuals or in the public markets, or the perception that these sales may occur, could cause the market price of our common stock to decline and

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could materially impair our ability to raise capital through the sale of additional equity securities. Any such issuances would dilute the equity interests of existing stockholders.

We do not intend to pay dividends

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

Possible "Penny Stock" Regulation

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

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

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

Item 2. Description of Property

Our properties consist of working and royalty interests owned by us in various oil and gas wells and leases located in West Virginia. Our proved reserves as of December 31, 2007 and 2006 are set forth below:

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As of December 31,

	2007		2006	
	Oil (BBL)	Natural Gas (MCF)	Oil (BBL)	Natural Gas (MCF)
Developed Producing	182,056	4,531,463	56,567	2,340,352
Developed Non-Producing	433,232	2,602,236	274,003	969,809
Proved Undeveloped	1,566,305	16,158,889	1,010,394	9,851,193

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Total Proved	2,181,593	23,292,588	1,340,964	13,161,354
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Productive Gas Wells

The following table summarizes the total number of wells and undrilled locations to which proved developed reserves and proved undeveloped reserves, respectively, are attributed. Wells are shown on a gross basis.

	As of December 31,			
	2007		2006	
	Oil	Natural Gas	Oil	Natural Gas
Producing Wells	3	130	14	90
Non-Producing Wells	1	137	1	140
Undrilled Well Locations	--	141	--	92
Total Wells and Well Locations	4	408	15	322

The following table summarizes the Company's productive oil and gas wells in which we owned an interest as of December 31, 2007 and 2006. Productive wells are wells that are capable of producing natural gas or oil.

	Productive Wells (a)		Drilling Wells (b)
	Oil	Gas	
2007			
Gross	4	267	2
Net	4	267	1
2006			
Gross	15	230	--
Net	15	230	--

a) Includes active wells and wells temporarily shut-in.

b) Consists of exploratory and development wells.

Oil and Gas Acreage

The following table summarizes our gross and net developed and undeveloped oil and gas acreage under lease as of December 31, 2007 and 2006.

	Developed Acres		Undeveloped Acres		Total	
	Gross	Net	Gross	Net	Gross	Net
West Virginia:						
2007	20,243	20,243	5,395	5,395	25,638	25,638
2006	19,800	19,800	200	200	20,000	20,000

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Kansas: 2007 -- -- 3,120 1,755 3,120 1,755

The estimates for 2006 and 2007 are based upon the reports of Schlumberger Technology Corporation, independent petroleum consultants.

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

The following table sets forth certain information regarding production volumes, revenue, average prices received and average production costs associated with our sales of oil and natural gas for the periods noted.

	Year Ended December 31,	
	2007	2006
Net Production:		
Oil (Bbl)	4,022	5,758
Natural Gas (Mcf)	161,281	124,302
Natural Gas Equivalent (Mcfe)	185,413	158,850
Oil and Natural Gas Sales:		
Oil	\$ 281,908	\$ 297,928
Natural Gas	925,325	894,155
Total	\$1,207,233	\$1,192,083
Average Sales Price:		
Oil (\$ per Bbl)	\$ 70.09	\$ 51.74
Natural Gas (\$ per Mcf)	5.74	7.19
Natural Gas Equivalent (\$ per Mcfe)	\$ 6.51	\$ 7.50
Oil and Natural Gas Costs:		
Lease operating expenses	\$ 929,224	\$ 534,065
Average production cost per Mcfe	\$ 5.01	\$ 3.36

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

Item 3. Legal Proceedings

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

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

On July 28, 1999, Core Laboratories, Inc. obtained a judgment against the Company for non-payment of an account payable. The judgment called for monthly payments of \$351 and accrued interest at 10.00% per annum. The balance

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due on this judgment including the related interest in the amount of \$21,312 was paid in full on February 28, 2007.

On July 1, 1998, RR Donnelly obtained a judgment against the Company for non-payment of accounts payable. The judgment called for monthly payments of \$3,244 and accrued interest at 10.00% per annum. The balance due on this judgment including the related interest in the amount of \$96,734 was paid in full on February 28, 2007.

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 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our securities holders during the fourth quarter of the fiscal year ended December 31, 2007.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Our common stock is quoted on the Pink Sheets under the symbol TENG. Prior to the effectiveness of our delisting on April 27, 2007, our stock traded on the OTC Bulletin Board under the symbol of TENG. Set forth in the table below are the quarterly high and low prices of our common stock as obtained from the Pink Sheets and the OTC Bulletin Board for the past two fiscal years.

		High	Low
		-----	-----
2007	First Quarter	\$ 1.90	\$ 0.72
	Second Quarter	\$ 1.62	\$ 0.70
	Third Quarter	\$ 1.15	\$ 0.70
	Fourth Quarter	\$ 1.05	\$ 0.70
2006	First Quarter	\$ 0.90	\$ 0.58
	Second Quarter	\$ 0.70	\$ 0.50
	Third Quarter	\$ 0.85	\$ 0.51
	Fourth Quarter	\$ 1.00	\$ 0.66

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As of March 31, 2008, there were approximately 388 holders of record of our common stock, which figure does not take into account those shareholders whose certificates are held in the name of broker-dealers or other nominee accounts. We estimate there to be approximately 2,000 such shareholders.

Dividend Policy

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

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Item 6. Management's Discussion and Analysis

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

Business Strategy

Trans Energy is an independent energy company engaged in the exploration, development, and acquisition of natural gas and crude oil properties, with interests in West Virginia. The Company completed a major financing and executed a major increase in development activity and leasehold acquisition during the year ended December 31, 2007. In addition, we had good success on the shallow drilling program, adding both natural gas and crude oil reserves to the Company's proved reserve base. Furthermore, the Company established major interconnects with interstate pipelines to allow increased access to the market. The Company's significant overall increase in reserves combined with a strengthening pricing environment has greatly increased the present value of our forecasted cash flows.

We intend to focus our development and exploration efforts in our West Virginia properties and utilize low risk drilling in the shallow zones such as the Gordon and the Fourth Sand. We believe that our extensive acreage position will allow us to grow through low risk drilling in the near term. We have attractive opportunities to expand our reserve base through continuing to drill higher risk/higher reward exploratory drilling to the Marcellus Shale for 2008 and beyond. We will evaluate our properties on a continuous basis in order to optimize our existing asset base. We plan to employ the latest drilling, completion and fracturing technology in all of our wells to enhance recoverability and accelerate cash flows associated with these wells.

In summary, our strategy is to increase our oil and gas reserves and production while keeping our development costs and operating costs as low as possible. We will implement this strategy through drilling exploratory and development wells from our inventory of available prospects that we have evaluated for geologic and mechanical risk and future reserve or resource potential. Success of this strategy is contingent on various risk factors, as discussed elsewhere in this 10-KSB.

The implementation of our strategy requires that we continually incur significant capital expenditures in order to replace current production and find

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and develop new oil and gas reserves. In order to finance our capital and exploration program, we depend on cash flow from operations or bank debt and equity offerings as discussed below in Liquidity and Capital Resources.

Results of Operations

The following table sets forth the percentage relationship to total revenues of principal items contained in our consolidated statements of operations for the two most recent fiscal years ended December 31, 2007 and 2006. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Fiscal Years Ended	
	December 31,	
	2007	2006
	-----	-----
Total revenues	100%	100%
Total costs and expenses	(1965%)	(220%)
Loss from operations	(96%)	(120%)
Discontinued operations	--	(96%)
Other income (expense)	(59%)	8%
Net income (loss).....	(155%)	(208%)

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Total revenues of \$1,519,377 for the year ended December 31, 2007 ("2007") increased 7% compared to \$1,420,802 for the year ended December 31, 2006 ("2006"), primarily due to new drilling, acquisitions, and increased production from the efforts of the workover program. We focused our efforts during 2007 on the implementation of our drilling program in Doddridge, Wetzel and Marion Counties and on a workover program on our wells located in Wetzel and Marion Counties, West Virginia. We expect more aggressive production increases from the drilling program, the workover program and from new pipeline connections throughout 2008.

Production costs increased 74% for 2007 as compared to 2006, primarily due to expenses associated with our field production.

Depreciation, depletion and amortization expense increased 10% for 2007 as compared to the 2006, due to the increase in production and additions of oil and gas properties.

Interest expense increased 327% for 2007 as compared to 2006, primarily due to increased borrowings for our drilling field production.

Our loss from operations for 2007 was \$1,455,098 compared to a loss from operations of \$1,699,442 for 2006. This decrease is primarily due to a decrease in selling, general and administrative expenses. This decrease in selling, general and administrative expenses is related to the value of shares issued as part of the Company's Long-term Incentive Bonus Program for the Company's officers and directors during 2006.

We recorded a loss from disposal of discontinued operations in 2006 of \$1,541,142 due to the disposal of Arvilla Oilfield Services, LLC. Our net loss for 2007 was \$2,349,017 compared to a net loss of \$2,948,528 for 2006.

We have accumulated approximately \$27 million of net operating loss carryforwards as of December 31, 2007, which may be offset against future tax obligations through 2027. The use of these losses to reduce future income taxes

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will depend on the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. In the event of certain changes in control, there would be an annual limitation on the amount of net operating loss carryforwards which can be used. No tax benefit has been reported in the financial statements for the year ended December 31, 2007 because the potential tax benefit of the loss carryforward is offset by a valuation allowance of the same amount.

Liquidity and Capital Resources

Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At December 31, 2007, we had a working capital deficit of \$686,549 compared to a working capital deficit of \$2,610,953 at December 31, 2006. This decrease in working capital deficit is primarily attributed to the sale of wells in Marion County from which we realized net cash proceeds of \$1,444,639, increased efforts from our work over program, as well as cash borrowed as part of our long-term debt financing, a portion of which was used to pay short-term obligations.

During 2007, net cash used by operating activities was \$972,781 compared to \$834,422 in 2006. This increased negative cash flow from operating activities is primarily attributable to our decision to pay off the outstanding payables, as well as increased expenses related to the workover program and the exploration in Kansas.

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 per Mcfe.

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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, 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 2007, net cash used by investing activities was \$8,011,832 compared to net cash used of \$2,183,855 in 2006. We used \$9,123,872 for the purchase of oil and gas properties and \$282,599 to purchase property and equipment and \$1,444,639 was received from the sale of wells during 2007 compared to \$2,624,488 for the purchase of oil and gas properties and \$511,091 to purchase property and equipment and \$951,724 was received from the sale of wells during 2006.

During 2007, net cash provided by financing activities was \$10,478,171 compared to \$2,787,834 in 2006. In 2007, we borrowed \$14,666,800, net of financing cost and cash discount, and repaid \$3,378,140 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 in our 6-inch pipeline 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. In addition, we have an available credit facility of \$3,286,854 which we plan to use to fund our drilling program in Wetzel, Marion,

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and Doddridge Counties, West Virginia.

Because of our continued losses, working capital deficit, and need for additional funding, there exists 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

Trans Energy began drilling its first of three exploratory joint venture wells located in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. The total cost per well is estimated to be \$850,000 to \$1,000,000, of which Republic Partners will pay for 100% of the cost of one exploratory well in 2007 and two exploratory wells in 2008 to earn a 50% working interest. Drilling began on October 15, 2007 and was completed on November 14, 2007 on the first well. Also, drilling began on a second 2007 well in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target also being the Marcellus Shale, on November 29, 2007 and was completed on February 23, 2008. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms in the joint venture contract. The two 2007 exploration wells are expected to be completed and begin flow in May 2008.

Trans Energy has constructed an 8-inch pipeline located in Wetzel County, West Virginia, which will transport gas from the new Wetzel County Wells drilled during the year ended December 31, 2007, in addition to transporting gas for third parties. The pipeline was completed on December 28, 2007 at a cost of \$1,372,149.

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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:

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

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

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Where applicable, SFAS No. 157 simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is encouraged. The Company does not expect the adoption of SFAS No. 157 to have a significant effect on its financial position or results of operation.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109", which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 had no material impact to the Company's consolidated financial statements. The Company files tax returns in the United States and states in which it has operations and is subject to taxation. Tax years subsequent to 2004 remain open to examination by U.S. federal and state tax jurisdictions.

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Item 7. Financial Statements

Our consolidated financial statements as of December 31, 2007 and for the fiscal years ended December 31, 2007 and 2006 have been audited to the extent indicated in their report by GBH CPAs, PC, independent registered public accounting firm, and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-B as promulgated by the SEC. The aforementioned financial statements are included herein starting with page F-1.

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

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Financial Disclosure

On September 8, 2006, HJ & Associates, LLC was terminated as the certifying accountant. HJ & Associates, LLC has served from the inception of the Company as the certifying accountant. From the date on which HJ & Associates LLC was engaged until the date HJ & Associates, LLC was terminated, there were no disagreements with HJ & Associates, LLC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of HJ & Associates, LLC would have caused HJ & Associates, LLC to make reference to the subject matter of the disagreements in connection with any reports it would have issued, and there were no "reportable events" as that term is defined in Item 304(a)(1)(iv) of Regulation S-B.

On September 8, 2006, the Company entered into an engagement letter with Malone & Bailey, PC to assume the role of its new certifying accountant. During the two most recent fiscal years and the subsequent interim periods prior to the engagement of Malone & Bailey, PC, the Registrant did not consult with Malone & Bailey, PC with regard to the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or any matter that was either the subject of a disagreement or a reportable event (as described in Item 304(a)(1)(iv) of Regulation S-B).

The decision to change principal auditors and the engagement of the new principal auditor was recommended and approved by the Registrant's Board of Directors.

On October 1, 2007, Malone & Bailey, PC was terminated as the certifying accountant. Malone & Bailey, PC has served since September 8, 2006 as the certifying accountant. From the date on which Malone & Bailey, PC was engaged until the date Malone & Bailey, PC was terminated, there were no disagreements with Malone & Bailey, PC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Malone & Bailey, PC would have caused Malone & Bailey, PC to make reference to the subject matter of the disagreements in connection with any reports it would have issued, and there were no "reportable events" as that term is defined in Item 304(a)(1)(iv) of Regulation S-B.

On October 1, 2007, the Company entered into an engagement letter with GBH CPAs, PC to assume the role of its new certifying accountant. During the two most recent fiscal years and the subsequent interim periods prior to the engagement of GBH CPAs, PC, the Registrant did not consult with GBH CPAs, PC with regard to the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or any matter that was either the subject of a disagreement or a reportable event (as described in Item 304(a)(1)(iv) of Regulation S-B).

The decision to change principal auditors and the engagement of the new principal auditor was recommended and approved by the Company's Board of Directors.

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Item 8A. Controls and Procedures

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Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Principal Accounting Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Annual Report on Form 10-KSB, our management, with the participation of our Chief Executive Officer and our Principal Accounting Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2007, as required by Rule 13a-15 of the Exchange Act. Based on the evaluation described above, our management, including our principal executive officer and principal accounting officer, have concluded that, as of December 31, 2007, our disclosure controls and procedures were not effective

Notwithstanding the existence of the material weaknesses described below, we concluded that the consolidated financial statements in this Annual Report on Form 10-KB present fairly, in all material respects, the Company's financial condition, results of its operations and cash flows for the year ended December 31, 2007 in conformity with U.S. generally accepted accounting principles ("GAAP").

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable, not absolute, assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate as a result of changes in conditions or deterioration in the degree of compliance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the criteria framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

As a result of the material weaknesses described below, management concluded that as of December 31, 2007, we did not maintain effective internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework, issued by COSO.

A material weakness in internal controls is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company. While our control deficiencies have not resulted in any material misstatements of account balances

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or disclosures that we are aware of, they could result in misstatements or disclosures which could cause a material misstatement of annual or interim financial statements that would not be prevented or detected. Accordingly,

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management has determined that these control deficiencies constitute a material weakness. An evaluation of entity level and process level controls was completed during the year. Controls and procedures were created and implemented. Some of these controls did not execute a sufficient number of times to allow for a determination of operational effectiveness. In connection with management's evaluation of our internal control over financial reporting, we identified the following material weaknesses in our internal control over financial reporting as of December 31, 2007 that had not been fully remedied or fully assessed as a result of having not executed sufficient times to test:

1. Deficiencies in the Company's Entity Level Controls. The Company's entity level control environment did not sufficiently promote effective internal control over financial reporting throughout the organization. This material weakness exists as a result of multiple deficiencies such as failure to: a) establish and maintain delegation of authority regarding the expenditure of Company funds; b) involve the board in a timely and sufficient manner in the annual financial reporting process; c) establish an effective risk assessment process for the identification of fraud risks or management override and d) establish a whistleblower policy or program as a testament to the company's commitment to integrity and ethics.
2. Deficiencies in Segregation of Duties. The Principal Accounting Officer is actively involved in the preparation and approval of financial schedules, journal entries and therefore cannot provide an independent review and quality assurance function within the accounting and financial reporting group. The limited number of accounting personnel results in an inability to have independent review and approval of financial accounting entries. There is a risk that a material misstatement of the financial statements could be caused, or at least not be detected in a timely manner, due to insufficient segregation of duties.
3. Deficiencies in the documentation and consistent performance of controls surrounding account balances. We did not maintain effective controls over reconciliations. Specifically, our controls over the preparation, review and monitoring of account reconciliations were ineffective to provide reasonable assurance that account balances were accurate and agreed to appropriate supporting detail, calculations or other documentation. There is a risk that a material misstatement of the financial statements could be caused, or at least not be detected in a timely manner, due the deficiencies in these controls

Remediation Initiatives

During fiscal 2008, we plan to implement a number of remediation measures to address the material weaknesses described above. These organizational and process changes will improve our internal controls environment. The changes made through the date of this annual report includes our retention of an outside consulting firm to assist us in the evaluation and testing of our internal control system and to identify improvement opportunities

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related to our accounting and financial reporting processes in order to streamline and improve the effectiveness of these processes. The Company's remediation plans include complete implementation and execution of controls and procedures identified in management's assessment of the entity level, financial reporting and other process level controls.

Management recognizes that many of these enhancements require continual monitoring and evaluation for effectiveness. The development of these actions is an iterative process and will evolve as the Company continues to evaluate and improve our internal controls over financial reporting. The results of management's assessment were reviewed with our Board of Directors.

Management will review progress on these activities on a consistent and ongoing basis at the Chief Executive Officer and senior management level in conjunction with our Board of Directors. We also plan to take additional steps to elevate Company awareness about, and communication of, these important issues through formal channels such as Company meetings, departmental meetings, and training.

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This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Item 8B. Other Information

None.

Reports on Form 8-K

Since the beginning of our fiscal fourth quarter commencing October 1, 2006 through the date of this report, we have filed current reports on Form 8-K reporting the following:

November 23, 2007 - reporting under item 8.01 the announcement of an approved common share buy-back program.

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PART III

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

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

Name	Position	Director Since	Age
------	----------	----------------	-----

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James K. Abcouwer	C.E.O., President and Chairman	April 2006	54
Loren E. Bagley	Vice President and Director	August 1991	65
William F. Woodburn	Secretary / Treasurer Chief Operating Officer and Director	August 1991	65
Robert L. Richards	Director	September 2001	60
John G. Corp	Director	February 2005	47

On January 6, 2006, our board of directors elected James K. Abcouwer as our new President and Chief Executive Officer. On April 27, 2006 Mr. Abcouwer was elected as a member of the board of directors and its Chairman.

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

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

James K. Abcouwer became President and C.E.O. in January 2006. Mr. Abcouwer has more than 25 years of experience in the energy industry and is the former CEO of Columbia Natural Resources, Inc., an independent natural gas producer in the Appalachian Basin. He has also served as President and C.E.O. of EnergyUSA, a unit of NiSource, Inc., as well as SVP of NiSource, Inc. Mr. Abcouwer is a 1975 graduate of the United States Military Academy at West Point, and received a Masters in Business Administration degree from Harvard Business School in 1982.

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

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John G. Corp became a director on February 28, 2005. Mr. Corp has more than 25 years of extensive experience in drilling, production and oilfield service operations in the Appalachian Basin. Prior to joining Trans Energy, Inc., he held various management positions with Belden & Blake Corp. from

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1987-2004. He has a BS degree in Petroleum Engineering from Marietta (Ohio) College and is a member of the Society of Petroleum Engineers, the Ohio Oil & Gas Association and is chairman of the Technical Advisory Committee of the Ohio Department of Natural Resources.

William F. Woodburn served as our Vice President from August 1991 to September 2001, at which time he resigned as Vice President and was appointed Secretary / Treasurer. In January 2006, Mr. Woodburn was named as our Chief Operating Officer. Mr. Woodburn has been actively engaged in the oil and gas business in various capacities for the past twenty years. For several years prior to 1991, Mr. Woodburn supervised the production of oil and natural gas and managed the pipeline operations of Tyler Construction Company, Inc. and Tyler Pipeline, Inc. Mr. Woodburn is a stockholder and serves as President of Tyler Construction Company, Inc., and is also a stockholder of Tyler Pipeline, Inc. which owns and operates oil and gas wells in addition to natural gas pipelines, and Ohio Valley Welding, Inc which owns a fleet of heavy equipment that services the oil and gas industry. Prior to his involvement in the oil and gas industry, Mr. Woodburn was employed by the United States Army Corps of Engineers for twenty four years and was Resident Engineer on several construction projects. Mr. Woodburn graduated from West Virginia University with a B.S. in civil engineering.

Robert L. Richards became a director and was appointed President and C.E.O. in September 2001. On February 28, 2004, Mr. Richards relinquished his position as C.E.O., but remained as a director. From 1982 to the present, he has been President of Robert L. Richards, Inc. a consulting geologist firm with 27 years experience in the petroleum industry. He has also served as a geologist with Exxon, exploration geologist with Union Texas Petroleum, and regional exploration manager for Carbonit Exploration, Inc. From 2000 to the present, he has been President and C.E.O. of Derma - Rx, Inc., a formulator and marketer of skin care products. Also, from 1992 to August 2000, Mr. Richards was C.E.O. of Kaire Nutraceuticals, Inc., a developer and marketer of health and nutritional products. Mr. Richards served as Vice President of Continental Tax Corporation from March 1989 to August 1992. He has five and one-half years experience in the United States Air Force as an Instructor Pilot. Mr. Richards holds a B.S. degree in geology from Brigham Young University.

Item 10. Executive Compensation

We currently have a long-term incentive and bonus program for the benefit of employees and officers of the company. The program is primarily focused on senior officers, but certain elements of the plan are made available to key managers and to any employee in certain circumstances. In addition, management has established a 401(K) plan for employees and officers of the company, which became effective July 1, 2007. We currently have an employment contract with Mr. Abcouwer with a two year term that includes bonus compensation for accomplishment of certain objectives related to value creation and enhancement.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Options Awards	Total Compensation
James K. Abcouwer	2007	\$132,000	--	\$123,000	\$ 51,620	\$306,620

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Options Awards	Total Compensation
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James K. Abcouwer 2006 \$120,000 -- \$450,000 \$ 30,972 \$600,972

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For the fiscal year ended December 31, 2007 and 2006, our Chief Executive Officer was paid cash compensation of \$132,000 and \$120,000, respectively. No other executive officers received cash compensation greater than \$75,000 in any of the past three fiscal years.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, to the best of our knowledge as December 31, 2007, with respect to each person known by us to own beneficially more than 5% of our outstanding common stock, each director and all directors and officers as a group. Unless otherwise noted, the address of each person listed below is that of Trans Energy, 210 Second Street, St. Marys, West Virginia 26170.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
James K. Abcouwer*	1,528,789	16.1%
Robert L. Richards*	261,754	2.8%
Loren E. Bagley*	1,191,874	12.5%
William F. Woodburn*	1,746,626	18.4%
John G. Corp.*	45,000	0.5%
All directors and executive officers a group (5 persons)		50.3%

* Indicates director and/or executive officer at December 31, 2007

- (1) Based upon 9,530,065 shares of common stock outstanding.
- (2) Includes 1,287,500 shares of common stock held in the name of the Abcouwer Family Limited Partnership Trust.
- (3) Includes 80,087 shares held in the name of Argene Richards, wife of Mr. Richards.
- (4) Includes 33,543 shares held in the name of Carolyn S. Bagley, wife of Mr. Bagley, over which Mrs. Bagley retains voting power.
- (5) Includes 133,670 shares in the name of Janet L. Woodburn, wife of Mr. Woodburn, over which shares Mrs. Woodburn retains voting power, and 314,070 in the name of a corporation in which William and Janet Woodburn are officers and shareholders.

Item 12. Certain Relationships and Related Transactions

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

Loren E. Bagley is President of Sancho, a contract holder of the natural gas which we transport. Mr. Bagley's wife, Carolyn S. Bagley is a

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director and owner of 33% of the outstanding capital stock of Sancho. Under our contract with Sancho, we have the right to transport natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Hope Gas in 1988. This agreement is a flexible volume supply agreement whereby we receive a transportation fee less a \$.05 per Mcf marketing fee paid to Sancho.

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

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Item 13. Exhibits

Exhibit No.	Exhibit Name
2.1(1)	Stock Acquisition Agreement between Trans Energy and Loren E. Bagley and William F. Woodburn
2.2(1)	Asset Acquisition Agreement between Trans Energy and Dennis L.Spencer
2.3(1)	Asset Acquisition Agreement between Trans Energy and Tyler Pipeline, Inc.
2.4(1)	Stock Exchange Agreement between Trans Energy and Ritchie County Gathering Systems, Inc.
2.5(1)	Plan and Agreement of Merger between Trans Energy, Inc. (Nevada) and Apple Corp. (Idaho), to facilitate the change of our corporate domicile to Nevada
2.6(2)	Agreements related to acquisition of Vulcan Energy Corporation
2.7(5)	Agreement and Plan of Reorganization with Arvilla, Inc.
3.1(1)	Articles of Incorporation and all amendments pertaining thereto, for Apple Corp., an Idaho corporation
3.2(1)	Articles of Incorporation for Trans Energy, Inc., a Nevada corporation
3.3(1)	Articles of Merger for the States of Nevada and Idaho
3.4(1)	By-Laws
4.1(1)	Specimen Stock Certificate
10.1(1)	Marketing Agreement with Sancho Oil and Gas Corporation
10.2(1)	Gas Purchase Agreement with Central Trading Company
10.3(1)	Price Agreement with Key Oil Company
10.4(3)	Settlement Agreement and Mutual Release
10.5(4)	Agreement with Texas Energy Trust Company
10.6(4)	Assignment and Agreement with Texas Energy Trust Company and Cobham Gas Industries, Inc.
10.7(7)	Asset Purchase Agreement with Texas Energy Trust Company.
10.8(8)	Definitive Agreement to sell Arvilla Oilfield Services, LLC
10.9(9)	First Amendment to Definitive Agreement
21.1(6)	Subsidiaries of Registrant (Revised)
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of

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the Sarbanes-Oxley Act of 2002

99.1(1) Reserve Estimate and Evaluation of oil and gas properties
 99.2(1) Reserve Estimate and Evaluation for Dennis L. Spencer wells
 99.3 Reserve Estimate and Evaluation of oil and gas properties -
 2007

- (1) Previously filed as exhibit to Form 10-KSB
- (2) Previously filed as exhibit to Form 8-K dated August 7, 1995.
- (3) Previously filed as exhibit to Form 8-K filed January 23, 2004.
- (4) Previously filed as exhibit to Form 8-K filed November 11, 2004.
- (5) Previously filed as exhibit to the Preliminary Information Statement pursuant to Section 14C filed with the SEC on December 8, 2004.
- (6) Previously filed as exhibit to Form 10-KSB for year ended December 31, 2004 filed April 27, 2005.
- (7) Previously filed as exhibit to Form 8-K dated September 1, 2005.
- (8) Previously filed as exhibit to Form 8-K dated January 3, 2006.
- (9) Previously filed as exhibit to Form 8-K filed April 13, 2006.

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Item 14. Principal Accountants Fees and Services

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

Audit Fees

The aggregate fees billed by our independent auditors for professional services rendered for the audit of our annual financial statements included in our Annual Reports on Form 10-KSB for the years ended December 31, 2007 and 2006, and for the review of quarterly financial statements included in our Quarterly Reports on Form 10-QSB for the quarters ending March 31, June 30 and September 30, 2007 and 2006 were:

	2007	2006
	-----	-----
GBH CPAs, PC	\$ 48,000	\$ --
Malone & Bailey PC	52,500	38,500
HJ& Associates, LLC	--	97,249
	-----	-----
Total	\$100,500	\$145,749
	=====	=====

Audit Related Fees

For the years ended December 31, 2007 and 2006, fees billed for assurance and related services relating to the performance of the audit of our financial statements which are not reported under the caption "Audit Fees" above were as follows:

2007	2006
------	------

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	-----	-----
GBH CPAs, PC	\$ 8,000	\$ --
Malone & Bailey PC	3,000	--
HJ& Associates, LLC	--	--
	-----	-----
Total	\$ 11,000	\$ --
	=====	=====

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

The board of directors has considered the nature and amount of fees billed by the auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining their independence.

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SIGNATURES

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

TRANS ENERGY, INC.

By: /s/ JAMES K. ABCOUWER

James K. Abcouwer,
President and C.E.O.

Dated: April 14, 2008

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

Signature -----	Title -----	Date ----
/s/ JAMES K. ABCOUWER ----- James K. Abcouwer	President, C.E.O. and Chairman (Principal Executive Officer)	April 14, 2008
/s/ LISA A. CORBITT ----- Lisa A. Corbitt	Principal Financial and Accounting Officer	April 14, 2008

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/s/ LOREN E. BAGLEY Vice President and Director April 14, 2008

Loren E. Bagley

/s/ JOHN G. CORP Director April 14, 2008

John G. Corp

/s/ WILLIAM F. WOODBURN Secretary, Treasurer, April 14, 2008

C.O.O. and Director

William F. Woodburn

/s/ ROBERT L. RICHARDS Director April 14, 2008

Robert L. Richards

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TRANS ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

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Trans Energy, Inc. and Subsidiaries
St. Marys, West Virginia

We have audited the accompanying consolidated balance sheet of Trans Energy, Inc. and Subsidiaries (the Company) as of December 31, 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and the results of their operations and their cash flows for the years ended December 31, 2007 and 2006, in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has generated significant losses from operations and has a working capital deficit at December 31, 2007, which together raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GBH CPAs, PC

GBH CPAs, PC
www.gbhcpas.com
Houston, Texas
April 14, 2008

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TRANS ENERGY, INC. AND SUBSIDIARIES Consolidated Balance Sheet

December 31,
2007

ASSETS

CURRENT ASSETS

Cash	\$ 1,702,373
Accounts Receivable, net of allowance for doubtful accounts of \$-0-	285,204
Accounts Receivable - related parties	478,160
Advances to non-operator, net	243,666
Deferred Financing Costs	167,429
Derivative - current	43,095
Prepaid Expenses	8,000

Total Current Assets	2,927,927

PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$174,311	664,942
-------------------------------------------------------------------------	---------

OIL AND GAS PROPERTIES, USING SUCCESSFUL EFFORTS ACCOUNTING

Proved Properties	10,764,411
Unproved Properties	250,670
Pipelines	2,764,797
Accumulated depreciation, depletion and amortization	(1,801,262)

Net oil and gas properties	11,978,616

OTHER ASSETS

Deferred Financing Costs, net of amortization of \$119,136	242,467
Derivative - non-current	135,369
Advances to operator	557,715
Other Assets	58,334

Total Other Assets	993,885

TOTAL ASSETS	\$ 16,565,370
	=====

See notes to consolidated financial statements.

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

December 31,
2007

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts Payable, trade	\$ 2,318,852
Accounts Payable - related party	248,364
Accrued Expenses	929,288
Accrued Expenses - related party	31,000
Notes Payable - current portion	86,972

Total Current Liabilities	3,614,476

LONG-TERM LIABILITIES

Notes Payable, net of unamortized discount of \$791,070	14,033,528
Asset Retirement Obligations	166,895

Total Long - Term Liabilities	14,200,423

Total Liabilities	17,814,899

STOCKHOLDERS' 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; 9,530,065 shares issued and 9,529,065 shares outstanding	9,530
Additional paid-in capital	34,117,443
Treasury Stock, at cost, 1,000 shares	(750)
Accumulated deficit	(35,375,752)

Total Stockholders' Deficit	(1,249,529)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 16,565,370
	=====

See notes to consolidated financial statements.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2007	2006
REVENUES	\$ 1,519,377	\$ 1,420,802
COSTS AND EXPENSES		
Production Costs	929,224	534,065
Depreciation, Depletion, Amortization and Accretion	354,895	337,115
Exploration Costs	169,105	--
Dry Hole Expense	89,747	--
Selling, General and Administrative	2,206,643	2,927,383
Gain on Sale of Assets	(775,139)	(678,319)
	2,974,475	3,120,244
LOSS FROM OPERATIONS	(1,455,098)	(1,699,442)
OTHER INCOME (EXPENSES)		
Interest Income	41,382	--
Gain on Extinguishment of Debt	103,060	315,365
Interest Expense	(944,651)	(207,084)
Loss on Derivative Instruments	(93,710)	--
	(893,919)	108,281
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,349,017)	(1,591,161)
INCOME TAXES	--	--
LOSS FROM CONTINUING OPERATIONS	(2,349,017)	(1,591,161)
INCOME FROM DISCONTINUED OPERATIONS	--	183,775
LOSS FROM DISPOSAL OF DISCONTINUED OPERATIONS	--	(1,541,142)
NET LOSS	\$ (2,349,017)	\$ (2,948,528)

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LOSS PER SHARE - BASIC AND DILUTED

Continuing Operations	\$ (0.25)	\$ (0.25)
Discontinued Operations	--	(0.21)
	-----	-----
Total Loss Per Share - Basic and Diluted	\$ (0.25)	\$ (0.46)
	=====	=====
BASIC AND DILUTED WEIGHTED AVERAGE		
NUMBER OF COMMON SHARES OUTSTANDING	9,484,918	6,432,839
	=====	=====

See notes to consolidated financial statements.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Deficit)
For the years ended December 31, 2007 and 2006

	Common Stock		Additional Paid in Capital	Treasury Stock
	Shares	Amount		
	-----	-----	-----	-----
Balance, December 31, 2005	4,952,148	4,952	30,856,798	(286,467)
Treasury shares received for subsidiary	--	--	--	(302,418)
Treasury shares cancelled	(766,044)	(766)	(588,119)	588,885
Common stock issued for acquisition	1,000,000	1,000	679,000	--
Common stock issued for services	2,807,000	2,807	1,683,643	--
Common stock issued for cash	337,500	338	269,662	--
Common stock issued for debt	1,119,961	1,120	608,016	--
Amortization of option expense	--	--	196,159	--
Imputed interest on notes Payable to related parties	--	--	22,521	--
Net loss for the year	--	--	--	--

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Balance, December 31, 2006	9,450,565	\$ 9,451	\$ 33,727,680	\$ --	\$
Amortization of option expense	--	--	326,922	--	
Shares issued for debt conversion	62,500	62	49,938	--	
Shares issued for services	17,000	17	12,903	--	
Treasury shares repurchased	--	--	--	(750)	
Net loss for the year	--	--	--	--	
Balance, December 31, 2007	<u>9,530,065</u>	<u>\$ 9,530</u>	<u>\$ 34,117,443</u>	<u>\$ (750)</u>	<u>\$</u>

See notes to consolidated financial statements.

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

	For the Years Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,349,017)	\$ (2,948,528)
Loss from discontinued operations	--	1,357,367
Loss from continuing operations	(2,349,017)	(1,591,161)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation, depletion, amortization and accretion	354,895	337,115
Share-based compensation	339,842	1,882,609
Gain on debt extinguishment	(103,060)	(315,365)
Gain on sale of assets	(775,139)	(678,319)
Amortization of financing cost and debt discount	292,243	--
Dry hole expense	89,747	--
Unrealized loss on derivative contract	131,536	--
Changes in operating assets and liabilities:		
Accounts receivable	(9,932)	551,824

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Accounts receivable - related party	91,440	--
Accounts receivable - non-operator	(243,666)	--
Prepaid expenses and other assets	14,500	(9,620)
Advances to operator	(557,715)	--
Accounts payable and accrued expenses	1,858,574	(1,261,236)
Accounts payable - related party	11,017	65,956
Judgments payable	(118,046)	--
	-----	-----
Net cash provided (used) in operating activities:		
Continuing operations	(972,781)	(1,018,197)
Discontinued operations	--	183,775
	-----	-----
Net cash used in operating activities	(972,781)	(834,422)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	1,444,639	951,724
Expenditures for oil and gas properties	(9,123,872)	(2,624,488)
Expenditures for property and equipment	(282,599)	(511,091)
Cash paid for certificate of deposit	(50,000)	--
	-----	-----
Net cash used by investing activities	(8,011,832)	(2,183,855)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid for treasury shares	(750)	--
Common stock issued for cash	--	270,000
Cash paid for derivative contracts	(310,000)	--
Proceeds from notes payable, net of financing costs and cash discount of \$791,070 and 27,994, respectively	14,666,800	2,380,633
Payments on notes payable	(3,378,140)	(291,111)
Proceeds from related party notes payable	--	450,000
Payments on related party debt	(499,739)	(21,688)
	-----	-----
Net cash provided by financing activities	10,478,171	2,787,834
	-----	-----
NET CHANGE IN CASH	1,493,558	(230,443)
CASH, BEGINNING OF PERIOD	208,815	439,258
	-----	-----
CASH, END OF PERIOD	\$ 1,702,373	\$ 208,815
	=====	=====
SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 465,870	\$ 214,713
	=====	=====
Income taxes	\$ --	\$ --
	=====	=====
Non-cash investing and financing activities		
Common stock issued for debt	\$ --	\$ 609,135
Investments purchased by the assumption of debt	\$ --	\$ 207,608
Property acquired for common stock	\$ --	\$ 680,000
Treasury stock cancelled	\$ --	\$ 755,737
Discount on debt for net profits interest	\$ 765,000	\$ --
Conversion of related-party debt to common stock	\$ 50,000	\$ --
Increase in asset retirement obligation	\$ 16,518	\$ --
Revision of asset retirement obligation	\$ 53,966	\$ --

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See notes to consolidated financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Organization -----

Trans Energy, Inc. is an independent energy company that was incorporated in the State of Idaho on January 16, 1964. On January 11, 1988, the Company changed its name to Apple Corporation. In 1988, the Company acquired oil and gas leases and other assets from Ben's Run Oil Company (a Virginia limited partnership) and has since been engaged in the business of oil and gas exploration, development and production.

On November 5, 1993, the Board of Directors caused to be incorporated in the State of Nevada, a new corporation by the name of Trans Energy, Inc., with the specific intent of effecting a merger between Trans Energy, Inc. of Nevada and Apple Corp. of Idaho, for the sole purpose of changing the domicile of the Company to the State of Nevada. On November 15, 1993, Apple Corp. and the newly formed Trans Energy, Inc. executed a merger agreement whereby the shareholders of Apple Corp. exchanged all of their issued and outstanding shares of common stock for an equal number of shares of Trans Energy, Inc. common stock. Trans Energy, Inc. was the surviving corporation and Apple Corp. was dissolved. Since then, Trans Energy has been engaged in the exploration, development, exploitation and production of oil and natural gas. Its operations are presently focused in the State of West Virginia.

Principles of Consolidation -----

The consolidated financial statements include the Company and its wholly-owned subsidiaries, Prima Oil Company, Inc., Ritchie County Gathering Systems, Inc., Tyler Construction Company, Inc, and Tyler Energy, Inc. In addition, the consolidated financial statements include the Company's other subsidiary, Arvilla Oilfield Services, LLC which was disposed of in fiscal 2006 and has been presented as "discontinued operations" in these consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates -----

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

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The most critical estimate we make is the engineering estimate of proved oil and gas reserves. This estimate affects the application of the successful efforts method of accounting, the calculation of depreciation, depletion and amortization of oil and gas properties and the estimate of the impairment of our oil and gas properties. It also affects the estimated lives used to determine asset retirement obligations.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the 2007 financial statement presentation.

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Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certificates of deposit which mature within three months of the date of purchase. The Company may, in the normal course of operations, maintain cash balances in excess of federally insured limits. At December 31, 2007, \$1,406,338 was not within FDIC insured limits. Included in Other Assets is a \$50,000 certificate of deposit which is assigned to the State of West Virginia Department of Environmental Protection as collateral, so long as the Company operates in West Virginia.

Accounts Receivable

Accounts receivable are carried at the expected net realizable value. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of the accounts receivables. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than historical experience, our estimates of the recoverability of the amounts due to us could be overstated, which could have a negative impact on operations.

Property and Equipment

Property and equipment are recorded at cost. Depreciation on vehicles, machinery and equipment is computed using the straight-line method over expected useful lives of three to five years. Depreciation on pipelines is computed using the straight-line method over the expected useful lives of fifteen years. Additions are capitalized and maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions of equipment are reflected in total operating costs and expenses.

Oil and Gas Properties

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

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

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

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

If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

In April 2005, the FASB issued Staff Interpretation No. 19-1 ("FSP 19-1") Accounting for Suspended Well Costs, which provides guidance on the accounting for exploratory well costs and proposes an amendment to FASB

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Statement No. 19 ("FASB 19"), Financial Accounting and Reporting by Oil and Gas Producing Companies. The guidance in FSP 19-1 applies to enterprises that use the successful efforts method of accounting as described in FASB 19. The guidance in FSP 19-1 did not have a material impact our consolidated financial position, results of operations, or cash flows. The Company had no capitalized exploratory well costs at December 31, 2007 and 2006.

Long-Lived Assets

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

Deferred Financing Costs

In connection with debt financing, Trans Energy paid \$500,000 in fees for the year ended December 31, 2007. These fees were recorded as deferred financing costs and are being amortized using the effective interest method over the life of the loan.

Derivatives

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Derivative financial instruments, utilized to manage or reduce commodity price risk related to Trans Energy's production, are accounted for under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities", and related interpretations and amendments. Under this statement, derivatives are carried on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income or loss and are recognized in the statement of operations when the hedged item affects earnings. If the derivative is not designated as a hedge, changes in the fair value are recognized in other expense. Ineffective portions of changes in the fair value of cash flow hedges are also recognized in loss on derivative liabilities.

Asset Retirement Obligations

The Company follows SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. The fair value of asset retirement obligation liabilities has been calculated using an expected present value technique. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. This standard requires the Company to record a liability for the fair value of the dismantlement and plugging and abandonment costs, excluding salvage values.

Debt

The Company accounts for debt at fair value and recognizes interest expense for accrued interest payable under the terms of the debt. Principal and interest payments due within one year are classified as current, whereas principal and interest payments for periods beyond one year are classified as long term.

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Provision for Taxes

We account for income taxes pursuant to SFAS No 109, "Accounting for Income Taxes," which requires recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. We provide for deferred taxes on temporary differences between the financial statements and tax basis of assets using the enacted tax rates that are expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In July 2006, the FASB issued "Accounting for Uncertainty in Income Taxes," an interpretation of FAS 109 ("FIN 48"), effective for years beginning after December 15, 2006. FIN 48 establishes a more-likely-than-not threshold for

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recognizing the benefits of tax return positions in the financial statements. Also, FIN 48 implements a process for measuring those tax positions which meet the recognition threshold of being ultimately sustained upon examination by the taxing authorities. The adoption of FIN 48 had no material impact to the Company's consolidated financial statements. The Company files tax returns in the United States and states in which it has operations and is subject to taxation. Tax years subsequent to 2004 remain open to examination by U.S. federal and state tax jurisdictions.

Revenue and Cost Recognition

The Company uses the sales method to account for sales of crude oil and natural gas. Under this method, revenues are recognized based on actual volumes of oil and gas sold to purchasers. The volumes sold may differ from the volumes to which the Company is entitled based on our interest in the properties. These differences create imbalances which are recognized as a liability only when the imbalance exceeds the estimate of remaining reserves. The Company had no imbalances as of December 31, 2007 and December 31, 2006. Costs associated with production are expensed in the period incurred. The Company recognizes gas revenues upon delivery of the gas to the customers' pipeline from the Company's pipelines when recorded as received by the customer's meter. The Company recognizes oil revenues when pumped and metered by the customer.

Share-Based Compensation

As permitted by FASB Statement No. 123 "Accounting for Stock-Based Compensation", the Company elected to measure and record compensation cost relative to employee stock option costs in accordance with Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations and make pro forma disclosures of net income and earnings per share as if the fair value method of valuing stock options had been applied. 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.

On January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R). Under FASB Statement 123(R), the Company estimates the fair value of each stock option award at the grant date by using the Black-Scholes option pricing model. During the year ended December 31, 2006, stock options were valued with the following weighted average assumptions used for grants; dividend yield of zero percent; expected volatility of 68.35%; risk-free interest rate of 5.00% and expected lives of 10 years. During the year ended December 31, 2007 no stock options were granted. Compensation expense related to options granted in 2006 was \$196,159 and \$326,922 for the years ended December 31, 2007 and 2006, respectively.

Loss per Share of Common Stock

Basic loss per share is calculated based on the weighted average number of shares of common stock outstanding during each period. Diluted loss per share is based on the weighted average numbers of shares of common stock outstanding for the periods, including the dilutive effects of stock options. Dilutive

options that are issued during a period or that expire or are canceled during a period are reflected in the computations for the time they were outstanding

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during the periods being reported.

	For the Years Ended December 31,	
	2007	2006
Numerator:		
Loss from continuing operations	\$ (2,349,017)	\$ (1,591,161)
Discontinued operations	--	(1,357,367)
	\$ (2,349,017)	\$ (2,948,528)
Denominator - weighted average shares	9,484,918	6,432,839
	\$ (0.25)	\$ (0.25)
Continuing operations	\$ (0.25)	\$ (0.25)
Discontinued operations	\$ 0	\$ (0.21)
	\$ (0.25)	\$ (0.46)
Total loss per share	\$ (0.25)	\$ (0.46)

Recent Accounting Pronouncements

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant effect on its financial position or results of operations.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using United States generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred cumulative operating losses through December 31, 2007 of \$35,375,752 and has a working capital deficit at December 31, 2007 of \$686,549.

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

NOTE 3 - DISCONTINUED OPERATIONS

On January 3, 2006 the Company entered into a definitive agreement to sell its well servicing and maintenance business, Arvilla Oilfield Services, LLC, a West Virginia limited liability company, to Clarence E. Smith and Rebecca L. Smith, both directors of the Company. As a result of consummating the definitive agreement, Clarence and Rebecca Smith returned to the Company 521,411 shares of Trans Energy common stock. Clarence and Rebecca Smith also conveyed to the Company all of their interest in and to five oil and gas wells located in Tyler County, West Virginia. Upon execution of the definitive agreement,

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Clarence Smith resigned as our Chief Executive Officer, but remained on our board of directors until the closing effective on March 31, 2006. On April 7, 2006 both Clarence and Rebecca Smith resigned from the board of directors.

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The Company has accounted for Arvilla Oilfield Services, LLC as discontinued operations and recorded a loss from discontinued operations of \$1,541,142, which is included in the statement of operations for the year ended December 31, 2006.

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2007, property and equipment consisted of:

Vehicles	\$	346,973
Machinery and equipment		402,587
Furniture and Fixtures		38,618
Leasehold improvements		7,075
Land		44,000
Accumulated depreciation		(174,311)

Total Fixed Assets	\$	664,942
		=====

NOTE 5 - ASSET RETIREMENT OBLIGATIONS

The following is a description of the changes to the Company's asset retirement obligations for 2007 and 2006:

	2007	2006
	-----	-----
Asset retirement obligations at beginning of year	\$ 190,364	\$ 799,393
Acquisition of oil and gas properties	--	312,963
Exploratory and Development drilling	16,518	--
Accretion expense	13,979	15,144
Revision in cost estimates	(53,966)	(937,136)
	-----	-----
Asset retirement obligations at end of year	\$ 166,895	\$ 190,364
	=====	=====

NOTE 6 - PROVISION FOR TAXES

At December 31, 2007, the Company had net operating loss carryforwards of approximately \$27 million that may be offset against future taxable income from the year 2008 through 2027. No tax benefit has been reported in the December 31, 2007 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

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

Net deferred tax assets consist of the following components as of December 31, 2007:

	2007
Deferred tax assets:	

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NOL carryover	\$11,844,000
Unrealized loss on derivative contract	57,000
Other	25,000

Total deferred tax assets	11,926,000
Valuation allowance	(11,926,000)

Net deferred tax asset	\$ --
	=====

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates to pretax income from continuing operations for the years ended December 31, 2007 and 2006 primarily due to expense related to stock and options issued for services and the valuation allowance.

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NOTE 7 - STOCKHOLDERS' EQUITY

Preferred Stock - The Company has authorized 10,000,000 shares of \$.001 par value preferred stock. The preferred stock shall have preference as to dividends and to liquidation of the Company.

Common Stock - The Company has authorized 500,000,000 shares of \$.001 par value common stock.

In April 2006, the Company received 521,411 shares of the common stock of the Company in return for the sale of certain assets of the Company at a cost basis of \$469,270. The Company then cancelled the 766,044 shares held in treasury.

In August 2006, the Company issued 1,000,000 shares of common stock for an acquisition of oil and gas properties valued at \$ 680,000.

In October 2006, the Company issued 2,807,000 shares of common stock for consulting services valued at \$1,686,450, 337,500 shares of common stock for cash of \$270,000 and 1,119,961 shares of common stock for debt of \$609,136.

In June 2007, the Company issued 62,500 shares of common stock for the conversion of a promissory note valued at \$50,000.

In December 2007, the Company issued 17,000 shares of common stock for employee compensation valued at \$12,920.

In December 2007, the board elected to award 630,000 shares of common stock valued at \$516,600 as part of the Long-Term Incentive and Bonus Program. As of December 31, 2007, these shares were recorded as stock payable included in accrued expenses in the balance sheet and were issued in February 2008.

In December 2007, we purchased 1,000 shares of common stock for treasury at a cost of \$750.

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NOTE 8 - STOCK OPTIONS

A summary of the status of the options granted under various agreements at December 31, 2007 and 2006, and changes during the years then ended is presented below:

	December 31, 2007		December 31, 2006	
	Weighted Average Exercise Shares	Price	Weighted Average Exercise Shares	Price
Outstanding at beginning of year	1,503,324	\$ 1.13	553,324	\$ 1.95
Granted	--	--	950,000	0.65
Exercised	--	--	--	--
Forfeited	--	--	--	--
Expired	--	--	--	--
	-----	-----	-----	-----
Outstanding at end of year	1,503,324	\$ 1.13	1,503,324	\$ 1.13
	=====	=====	=====	=====

A summary of the status of the options granted under various agreements at December 31, 2007 is presented below:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted- Average Remaining Contractual Life	Weighted- Average Number Exercisable	Weighted- Average Exercise Price	
\$.065	950,000	3.63 years	\$ 0.65	950,000	
\$ 1.95	553,324	6.75 years	\$ 1.95	553,324	
--	1,503,324	--	--	1,503,324	
	=====			=====	

The intrinsic value of options outstanding at December 31, 2007 was \$161,500.

NOTE 9 - SIGNIFICANT EVENTS

Effective January 9, 2007, Trans Energy completed the sale to Leatherwood Inc. for net cash proceeds of \$667,000 of six oil and/or gas wells located in West Virginia. Trans Energy assigned all of its rights, title, operating rights and interest including the right to produce, operate and

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maintain the wells. No gain or loss was recorded on this sale.

Effective January 10, 2007, Trans Energy acquired from National Gulf Production, Inc. 75% of National Gulf's rights and interest in and to certain oil and gas leases covering the oil and gas in and under certain tracts of land containing approximately 3,120 acres located in Trego County, Kansas for cash of \$146,250. In addition, cash of \$138,750 was paid in advance for Trans Energy's proportionate 75% share of the seismic acquisition, processing and interpretation cost, which was subsequently expensed. As of October 1, 2007, Trans Energy's share was reduced to 56.25% upon sale to a third party.

Effective February 7, 2007, Trans Energy entered into an agreement with P.D. Farr to purchase all rights, title and interests in the 384 acre Ezra Hays Lease in West Virginia including oil and gas wells, associated well equipment, interest in the natural gas sales pipeline, all rights to Dominion Gas sales meter and all pertinent rights-of-way for \$138,000. On December 16, 2006, Trans Energy paid the sum of \$10,000 as a down payment to be applied against the purchase price, with the unpaid balance of \$128,000 which was paid in full during the first six months of 2007.

Effective April 4, 2007, Trans Energy farmed out 11,200 acres of unproven leases in Wetzel County to Republic Partners VI, LP. Under the terms of the farm out agreement, Trans Energy and Republic Partners will drill one exploratory well in 2007 and two exploratory wells in 2008. The total cost per well is expected to be \$850,000 to \$1,000,000, of which Republic Partners will pay for 100% of the cost to earn a 50% working interest. Trans Energy was permitted by the terms of the joint venture to drill two additional wells in 2007, of which Republic Partners can elect to obtain a 50% paid working interest. One additional well was drilled in 2007.

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Effective June 19, 2007, Trans Energy completed the sale to Leatherwood Inc. of three non-producing well bores located in West Virginia for net cash proceeds of \$774,505. Trans Energy assigned all of its right, title, operating rights and interest, including the right to produce, operate and maintain the wells. Trans Energy recorded a gain on sale of the property of \$774,505.

Effective June 20, 2007, Trans Energy completed the purchase of 3.75 acres located in Wetzel County, West Virginia for cash in the amount of \$44,000. This acreage was purchased for the purpose of installing a tap into Dominion's transmission line to create an additional point of sale for future wells drilled in Wetzel County, West Virginia.

Effective July 1, 2007, Trans Energy implemented an employee 401(k) plan whereby Trans Energy will make basic safe-harbor matching contributions to those employees electing to participate in the plan.

Effective July 13, 2007, as required by the CIT Creditor Agreement, Trans Energy purchased a commodity put option for \$310,000 in cash. The terms of the option establish a floor price of \$7.35/MMBTU, Settlement Date Henry Hub price of Natural Gas as quoted by the NYMEX, for volumes ranging from 8,241 MMBTU per month to 5,244 MMBTU per month, beginning settlement on August 2, 2007 and ending settlement on December 1, 2011. This put option places no limit on the upside price for Trans Energy's gas production. If the monthly closing price of Henry Hub gas index is below the floor price then Trans Energy receives proceeds equal to the difference between the floor price and the closing price. The cost of the put option and proceeds, if any, as well as changes in the fair market value of the put options, are charged to other income (expense) as gain (loss) on derivative instruments. As of December 31, 2007, Trans Energy had a total loss on the derivative instrument of \$93,710, of which \$37,826 was a

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realized gain and \$131,536 was an unrealized loss.

On October 25, 2007, the CIT Capital debt agreement dated June 15, 2007 was amended to provide the Company additional time, until March 31, 2008, to meet various financial statement ratio covenants.

On April 11, 2008, the CIT Capital debt agreement dated June 15, 2007 was again amended to provide the Company additional time, for fiscal year end 2007, to meet various covenants.

NOTE 10 - JUDGMENTS PAYABLE

On July 28, 1999, Core Laboratories, Inc. obtained a judgment against the Company for non-payment of an account payable. The judgment called for monthly payments of \$351 and accrued interest at 10.00% per annum. The balance due on this judgment including the related interest in the amount of \$21,312 was paid in full on February 28, 2007.

On July 1, 1998, RR Donnelly obtained a judgment against the Company for non-payment of accounts payable. The judgment called for monthly payments of \$3,244 and accrued interest at 10.00% per annum. The balance due on this judgment including the related interest in the amount of \$96,734 was paid in full on February 28, 2007.

NOTE 11 - NOTES PAYABLE

On January 10, 2007, Trans Energy repaid a short-term related party note, dated September 11, 2006, bearing interest at the rate of 10% per annum, with cash in the amount of \$270,000 plus accrued interest, for a total paid of \$278,951.

On June 18, 2007, Trans Energy repaid a short-term related party note, dated September 11, 2006, bearing interest at the rate of 10% per annum, with cash in the amount of \$100,000 plus accrued interest, for a total paid of \$107,589.

On June 18, 2007, Trans Energy repaid a short-term related party note, dated September 11, 2006, bearing interest at the rate of 10% per annum, with cash in the amount of \$30,000 plus accrued interest, for a total paid of \$36,027. In addition, 62,500 shares of common stock were issued for the remaining balance due of \$50,000.

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For the year ended December 31, 2007, Trans Energy also repaid various other related party notes in the principal amount of \$115,116. On June 22, 2007 Trans Energy finalized a financing agreement with CIT Capital USA Inc. Under the terms of the agreement, CIT Capital USA Inc. will lend up to \$18,000,000 (the "Borrowing Base"), to Trans Energy in the form of a senior secured revolving credit facility. Trans Energy has the ability, at additional cost, to increase the credit facility to \$30,000,000 in the future, with increases in its reserves. Trans Energy gave CIT Capital USA Inc. a promissory note for all borrowings under the terms of the agreement. The note contains customary default provisions and additional financial covenants. Funds realized from the financing agreement have been used to facilitate Trans Energy's 2007 drilling program. As part of the financing agreement, Trans Energy conveyed to CIT Capital USA Inc. a first priority continuing security interest in, lien on and right of setoff against, all property, assets, security interests, related books and records, and any proceeds from the sale of or revenue generated from the foregoing, whether now owned or acquired at anytime in the future. In addition, Trans Energy conveyed to CIT Capital USA Inc. a 2% Net Profits Interest, valued at

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\$765,000, in and to all oil and gas properties currently owned and any additional oil and gas properties acquired in the future through to the date of maturity. Under the terms of the financing agreement, CIT Capital USA Inc. can elect after June 22, 2008, but on or prior to June 22, 2009 to sell the 2% NPI to Trans Energy at a value equal to 2% of Trans Energy's total reserve report value at the time. Trans Energy can elect after June 22, 2009, but on or prior to June 22, 2010 to buy the 2% NPI from CIT Capital USA Inc. at a value equal to 3% of Trans Energy's total reserve report value at the time. Trans Energy can elect after June 22, 2010, to buy the 2% NPI from CIT Capital USA Inc. at a value equal to 2% of Trans Energy's total reserve report value at the time. The reserve report value is to be based on proved reserves and to be calculated using a 10% discount, no inflation adjustment for expenditures and differential adjusted market pricing for revenues. The fair value of \$765,000 has been recorded as a reduction of oil and gas properties and a discount on the note payable to CIT Capital USA Inc., with no gain recognized. The discount is being amortized using the effective interest method over the term of the note.

Trans Energy also agreed to enter into the commodity put option positions over the next five years on natural gas production volumes. Under the terms of the agreement Trans Energy can elect varying interest payment terms and a variable interest rate based on different posted rates, at no additional cost.

Borrowings under the note bear interest at either LIBOR plus a variable margin based on the utilization of the Borrowing Base, ranging from 1.75% to 5.25%; or at the Prime Rate plus the Federal Funds Rate plus 0.5% plus a variable margin based on the utilization of the Borrowing Base ranging from 1.75% to 5.25%.

Interest payment due dates are elected at the time of borrowing and range from monthly to six months. Principal payments are due at maturity on June 15, 2010 for all borrowings outstanding on that date. Trans Energy shall have the right at any time to prepay any borrowing in whole or in part, before the date of maturity. Trans Energy also must pay CIT Capital USA Inc. a commitment fee for any unused commitments, including related letters of credit. The commitment fees range from 0.5% to 0.75% per annum of unused average commitments. Trans Energy paid \$500,000 in financing fees to a placement agent in securing the CIT Capital USA Inc. financing agreement. These financing fees are being deferred and amortized using the effective interest method over the term of the note. Trans Energy paid \$200,000 to CIT Capital USA Inc. as a structuring fee in securing the note. The structuring fee has been recorded as a discount on the note and is being amortized using the effective interest method over the term of the note. For the year ended December 31, 2007, Trans Energy's total borrowings from CIT amount to \$14,713,146, leaving an unused available credit facility of \$3,286,854.

For the year ended December 31, 2007, Trans Energy had additional borrowings in the amount of \$654,671 to fund workover programs and various property and equipment purchases. The interest rates vary from 6.75% to 13.24%, with principal and interest payments due monthly. Total repayment terms range from 36 to 48 months maturity. The collateral securing the notes includes the related assets purchased.

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On June 22, 2007, Trans Energy also repaid the following notes payable balances as they were on at that date:

	Principal -----	Interest -----
Wesbanco	\$ 240,226	\$ 1,218
United Bank	1,817,952	24,719

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Huntington National	932,255	9,458
Karla Spencer	292,078	- 0 -

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

Trans Energy entered into a derivative contract to provide a measure of stability in the cash flows associated with Trans Energy's gas production and to manage exposure to commodity prices. 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 loss of \$93,710 related to its derivative instruments for the year ended December 31, 2007, of which \$37,826 was a realized gain and \$131,536 was an unrealized loss.

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.

Start Month -----	End Month -----	Volume MMBTU/Month -----	Average Floor \$/MMBTU -----
Jul `07	Dec `07	8,241	\$ 7.350
Jan `08	Dec `08	6,915	\$ 7.350
Jan `09	Nov `09	6,370	\$ 7.350
Jan `10	Dec `10	5,560	\$ 7.350
Jan `11	Dec `11	5,244	\$ 7.350

NOTE 13 - BUSINESS SEGMENTS

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

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

	For the Year Ended December 31, -----	Oil and Gas Sales -----	Pipeline Transmission -----	Corpor -----
Revenue	2007	\$ 1,207,233	\$ 182,007	\$ 130
	2006	1,157,957	227,063	35
Income (Loss) from continuing operations	2007	(148,784)	(123,729)	(2,076)
	2006	1,178,221	121,006	(2,890)
Depreciation, depletion, amortization and accretion	2007	329,333	25,562	
	2006	220,403	116,712	
Property and equipment acquisitions, including oil and gas properties	2007	8,034,322	1,372,149	
	2006	3,982,661	--	

Total assets, net of intercompany accounts:

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December 31, 2007	\$ 14,502,036	\$ 2,063,334	\$
December 31, 2006	5,514,899	736,510	

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NOTE 14 - RELATED PARTY TRANSACTIONS

a. Marketing Agreement - Sancho natural gas delivered through the Company's pipeline network is sold either to Sancho Oil and Gas Corporation ("Sancho"), a company controlled by the Vice President of the Company, at the industrial facilities near Sistersville, West Virginia, or to Dominion Gas, a local utility, on an on-going basis at a variable price per month per Mcf. Under its contract with Sancho, the Company has the right to sell natural gas subject to the terms and conditions of a 20-year contract, as amended, that Sancho entered into with Dominion Gas in 1988. This agreement is a flexible volume supply agreement whereby the Company receives the full price which Sancho charges the end user less a \$0.05 per Mcf marketing fee paid to Sancho. The Company has an accrued related party receivable from Sancho of \$478,160 as of December 31, 2007.

b. Receivables and Payables

The Company has various payables to the officers and companies of the officers. These amounts are reported in the balance sheet as related party accounts payable and accrued expenses.

NOTE 15 - ECONOMIC DEPENDENCE AND MAJOR CUSTOMERS

The Company's marketing arrangement with Sancho accounted for approximately 100% of Tyler Construction Company's revenue for the years ended December 31, 2007 and 2006. Another customer also generated 100% of Ritchie County sales in 2007 and 2006. Trans Energy, Inc. has five customers that represent 100% of its gross oil and gas sales for the years ended December 31, 2007 and 2006.

NOTE 16 - SUBSEQUENT EVENTS

On April 11, 2008 the CIT Capital debt agreement dated June 15, 2007 was again amended to provide the Company additional time, for fiscal year end 2007, to meet various covenants.

NOTE 17 - SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

There are numerous uncertainties inherent in estimating quantities of proved crude oil and natural gas reserves. Crude oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment.

The Company retained Schlumberger Data & Consulting Services, independent third-party reserve engineers, to perform an independent evaluation of proved reserves as of December 31, 2007. Results of drilling, testing and production subsequent to the date of the estimates may justify revision of such estimates. Accordingly, reserve estimates are often different from the

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quantities of crude oil and natural gas that are ultimately recovered. All of the Company's reserves are located in the United States.

The following supplemental unaudited information regarding the Company's oil and gas activities is presented pursuant to the disclosure requirements of SFAS No. 69. The standardized measure of discounted future net cash flows is computed by applying fiscal year-end prices of oil and gas to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on fiscal year-end cost estimates assuming continuation of existing economic conditions) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on fiscal year-end statutory tax rates) to be incurred on pre-tax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows.

Capitalized Costs and Accumulated Depreciation, Depletion and Amortization

Aggregate capitalized costs relating to the Company's crude oil and natural gas producing activities, including asset retirement costs and related accumulated depreciation, depletion, and amortization are as follows:

	As of December 31, 2007
Proved oil and gas producing properties and related lease, wells and equipment	\$ 13,529,208
Unproved Oil and Gas Properties	250,670
Accumulated Depreciation, Depletion and Amortization	(1,801,262)
Net Capitalized Costs	\$ 11,978,616 =====

All of the Company's operations are in the United States.

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Costs Incurred in Oil and Gas Activities

Costs incurred in connection with the Company's crude oil and natural gas acquisition, exploration and development activities for each of the periods shown below:

	For the Year Ended December 31,	
	2007	2006
Acquisition of Properties:		
Proved	\$ 16,355	\$1,848,740
Unproved	240,514	10,156
Exploration Costs	258,852	--
Development Costs	9,123,877	984,359
Total Costs Incurred	\$9,639,598	\$2,843,255

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Results of Operations for Oil and Gas Producing Activities

Aggregate results of operations, in connection with the Company's crude oil and natural gas producing activities, for each of the periods shown below:

	For the Year Ended December 31,	
	2007	2006
	-----	-----
Sales	\$ 1,207,233	\$ 1,157,957
Production Costs (a)	(929,224)	(534,065)
Depreciation, Depletion and Amortization	(329,333)	(220,403)
Income Tax Expense	--	--
	-----	-----
Total Results of Operations for Producing Activities (b)	\$ (51,324)	\$ 403,489
	=====	=====

(a) Production costs consist of oil and gas operations expense, production and ad valorem taxes, plus general and administrative expense supporting the Company's oil and gas operations.

(b) Excludes the activities of pipeline transmission operations, corporate overhead and interest costs

Estimated Quantities of Proved Oil and Gas Reserves

The Company's proved oil and natural gas reserves have been estimated by independent petroleum engineers. Proved reserves are the estimated quantities that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods. Due to the inherent uncertainties and the limited nature of reservoir data, such estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production of these reserves may be substantially different from the original estimate. Revisions result primarily from new information obtained from development drilling and production history; acquisitions of oil and natural gas properties; and changes in economic factors.

The following schedule sets forth the proved reserves of the Company during each of the periods presented:

As of December 31,

2007	2006
-----	-----

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Proved Reserves as of:	Oil (BBL)	Gas (MCF)	Oil (BBL)	Gas (MCF)
Beginning of the period	1,340,964	13,161,354	230,780	2,856,564
Revisions of previous estimates	64,040	788,619	535,724	5,941,466
Extensions and discoveries	807,430	9,767,123	--	1,047,619
Improved recovery	--	--	--	--
Production	(4,022)	(161,281)	(5,758)	(124,302)
Purchases of minerals in place	--	--	580,218	3,440,007
Sales of minerals in place	(26,819)	(263,227)	--	--
End of period	2,181,593	23,292,588	1,340,964	13,161,354
Proved Developed Reserves, End of Year	182,056	4,531,463	56,567	2,340,352

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

The following information is based on the Company's best estimate of the required data for the Standardized Measure of Discounted Future Net Cash Flows as of December 31, 2007 and 2006 in accordance with SFAS No 69, "Disclosures About Oil and Gas Producing Activities" which requires the use of a 10% discount rate. This information is not the fair market value, nor does it represent the expected present value of future cash flows of the Company's proved oil and gas reserves.

	As of December 31,	
	2007	2006
Future Cash Inflows	\$ 399,271,719	\$ 166,383,422
Future Production Costs (a)	(55,506,445)	(34,891,269)
Future Development Costs	(42,293,774)	(23,508,739)
Future Income Tax Expense	(120,671,129)	(39,740,080)
Future Net Cash Flows	\$ 180,800,371	\$ 68,243,334
Discounted for Estimated Timing of Cash Flows	\$(127,712,969)	\$ (50,941,802)
Standardized Measure of Discounted Future Net Cash Flows	\$ 53,087,402	\$ 17,301,531

(a) Production costs include oil and gas operations expense, production ad valorem taxes, transportation costs and general and administrative expense supporting the Company's oil and gas operations.

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Principal changes in the aggregate standardized measure of discounted future net cash flows attributable to the Company's proved crude oil and natural gas reserves, as required by SFAS No. 69, at year end are set forth in the table below:

	For the Year Ended December 31,	
	2007	2006
Standardized Measure, Beginning of Year	\$ 17,301,531	\$ 17,645,538
Oil and gas sales, net of production costs	(278,009)	(658,018)
Changes in prices and future production	4,524,643	(5,345,481)
Extensions, discoveries and improved recovery, net of costs	63,996,549	1,528,645
Sales of Minerals in place	(346,381)	--
Change in estimated future development costs	(24,247,420)	(20,157,035)
Previously estimated development costs incurred	8,743,845	3,501,938
Revisions of previous quantity estimates	(416,497)	26,059,401
Accretion of Discount	2,737,672	2,304,424
Net change in income taxes	(25,356,803)	(4,676,482)
Timing and Other	6,428,272	(2,901,397)
Standardized Measure, End of Year	\$ 53,087,402	\$ 17,301,531