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TRANS ENERGY INC  
Form 10QSB  
August 17, 2007

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

FORM 10-QSB

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

For the Quarter Ended June 30, 2007

OR

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

For the transition period from to

Commission File Number 0-23530

TRANS ENERGY, INC.

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

Nevada

93-0997412

-----  
(State or other jurisdiction of incorporation or organization)

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

210 Second Street, P.O. Box 393, St. Marys, West Virginia 26170  
(Address of principal executive offices)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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 August 11, 2007
----- Common Stock, \$.001 par value	----- 9,513,065

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

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PART I

TRANS ENERGY, INC.  
Consolidated Balance Sheets  
(Unaudited)

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	June 30, 2007	December 31, 2006
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,276,692	\$ 208,815
Accounts Receivable, net of allowance for doubtful accounts of \$-0- and \$25,076, respectively	255,593	275,272
Accounts Receivable, related parties	575,100	569,600
Deferred Financing Costs - current portion	167,429	--
Prepaid Expenses	1,250	22,500
	-----	-----
Total Current Assets	3,276,064	1,076,187
	-----	-----
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$114,209 and \$84,510, respect	582,361	490,753
OIL AND GAS PROPERTIES, USING SUCCESSFUL EFFORTS ACCOUNTING		
Proved Properties	3,816,864	4,816,138
Unproved Properties	243,454	10,156
Pipelines	1,392,648	1,392,648
Accumulated depreciation, depletion	(1,651,177)	(1,569,997)
	-----	-----
Net oil and gas properties	3,801,789	4,648,945
	-----	-----
OTHER ASSETS		
Deferred Financing Costs, net of amortization of \$6,528	326,313	--
Other Assets	208,334	35,524
	-----	-----
Total Other Assets	534,647	35,524
	-----	-----
TOTAL ASSETS	\$ 8,194,861	\$ 6,251,409
	=====	=====

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

June 30,                      December 31,  
2007                                      2006

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CURRENT LIABILITIES

Accounts payable - trade	\$ 1,128,654	\$ 1,165,846
Related party payables	224,242	237,347
Accrued expenses	386,836	357,781
Judgments payable	--	118,046
Notes payable - Current Portion	60,075	1,258,381
Notes payable - Related Parties	--	549,739
	-----	-----
Total Current Liabilities	1,799,807	3,687,140
	-----	-----

LONG-TERM LIABILITIES

Notes payable, net of unamortized discount of \$953,522 and \$0	5,637,576	1,663,509
Asset retirement obligation	194,072	190,364
	-----	-----
Total Long-Term Liabilities	5,831,648	1,853,873
	-----	-----
Total Liabilities	7,631,455	5,541,013
	-----	-----

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT) (Note 7)

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; 9,153,065 and 9,450,565 shares issued and outstanding, respectively	9,513	9,451
Additional paid-in capital	34,039,154	33,727,680
Accumulated deficit	(33,485,261)	(33,026,735)
	-----	-----
Total Stockholders' Equity (Deficit)	(563,406)	710,396
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 8,194,861	\$ 6,251,409
	=====	=====

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

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TRANS ENERGY, INC. AND SUBSIDIARIES  
Consolidated Statements of Operations

(Unaudited)

For the Three Months Ended For the

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	June 30,		J
	2007	2006	2007
	-----	-----	-----
REVENUES	417,152	422,793	702,6
	-----	-----	-----
COSTS AND EXPENSES			
Production Costs	185,525	127,217	294,4
Depreciation, Depletion, and Amortization	58,187	54,267	126,6
Exploration Costs	20,355	--	159,1
Selling, General and Administrative	640,724	396,244	1,135,0
Gain on Sale of Assets	(775,139)	(704,116)	(775,1
	-----	-----	-----
Total Costs and Expenses	129,652	(126,388)	940,1
	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS	287,500	549,181	(237,4
	-----	-----	-----
OTHER INCOME (EXPENSES)			
Interest Income	3,009	--	3,0
Gain on Extinguishment of Debt	--	5,208	45,7
Interest Expense	(171,440)	(40,429)	(269,8
	-----	-----	-----
Total Other Income (Expenses)	(168,431)	(35,221)	(221,0
	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	119,069	513,960	(458,5
	-----	-----	-----
INCOME TAXES	--	--	--
	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	119,069	513,960	(458,5
INCOME FROM DISCONTINUED OPERATIONS	--	307,279	--
LOSS FROM DISPOSAL OF DISCONTINUED OPERATIONS	--	--	--
	-----	-----	-----
NET INCOME (LOSS)	119,069	821,239	(458,5
	=====	=====	=====
BASIC (LOSS) PER SHARE			
Continuing Operations	0.01	0.12	(0.
Discontinued Operations	--	0.07	--
	-----	-----	-----
Total	0.01	0.19	(0.
	=====	=====	=====
DILUTED INCOME (LOSS) PER SHARE			
Continuing Operations	0.01	0.11	(0.
Discontinued Operations	--	0.06	--
	-----	-----	-----

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Total	0.01	0.17	(0.
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	9,458,807	4,328,961	9,454,7
	=====	=====	=====
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	9,458,807	4,882,285	9,454,7
	=====	=====	=====

See notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Accum Def
	Shares	Amount		
	-----	-----	-----	-----
Balance, December 31, 2006	9,450,565	\$ 9,451	\$ 33,727,680	\$ (33,
Shares received for discontinued operations on March 31, 2007 (unaudited)	--	--	261,536	
Shares issued for services (unaudited)	52,500	52	49,938	
Net loss for the six months ended June 30, 2007 (unaudited)	--	--	--	(4
	-----	-----	-----	-----
Balance, June 30, 2007 (unaudited)	9,513,065	\$ 9,513	\$ 34,039,154	\$ (33,4
	=====	=====	=====	=====

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

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

	For the Six Months Ended June 30,	
	2007	2006
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (458,525)	\$ (1,033,870)
Loss on discontinued operations	--	1,375,027
	-----	-----
Loss from continuing operations	(458,525)	341,157
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation, depletion and amortization	126,682	244,539
Share-based compensation	261,536	118,000
Gain on debt extinguishment	(45,783)	--
Gain of sale of assets	(775,139)	(704,116)
Interest and accretion expense	52,374	--
Changes in operating assets and liabilities:		
Accounts receivable	19,679	535,487
Accounts receivable related party	(5,500)	--
Prepaid expenses	21,250	(300,606)
Accounts payable	8,591	(896,511)
Related party payables	(13,105)	--
Accrued expenses	29,058	--
Judgments payable	(118,046)	(114,837)
	-----	-----
Net cash provided (used) in operating activities:		
Continuing operations	(896,928)	(776,887)
Discontinued operations	--	263,187
	-----	-----
Net cash provided (used) in operating activities	(896,928)	(513,700)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of oil and gas properties	1,442,139	726,824
Expenditures for oil and gas properties	(869,768)	--
Expenditures for property and equipment	(137,110)	(685,123)
	-----	-----
Net cash provided by investing activities	435,261	41,701
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from notes payable	6,376,200	683,866
Payments on notes payable	(3,346,917)	(58,261)
Payments on related party debt	(499,739)	(105,349)
	-----	-----
Net cash provided by financing activities	2,529,544	520,256
	-----	-----
NET INCREASE IN CASH	2,067,877	48,257
CASH, BEGINNING OF PERIOD	208,815	439,258
	-----	-----

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CASH, END OF PERIOD	\$ 2,276,692	\$ 487,515
	=====	=====
CASH PAID FOR:		
Interest	\$ 217,478	\$ 44,886
	=====	=====
Income taxes	\$ --	\$ --
	=====	=====
Non-cash investing and financing activities		
Discount on debt for net profits interest	\$ 765,000	\$ --
Conversion of related-party debt to common stock	50,000	--

See notes to consolidated financial statements.

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

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared by Trans Energy, Inc. pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted in accordance with such rules and regulations. The information furnished in the interim consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim consolidated financial statements be read in conjunction with Trans Energy's most recent audited financial statements and notes thereto included in its December 31, 2006 Annual Report on Form 10-KSB. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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

Debt Issuance Costs

Trans Energy accounts for debt issuance costs paid to third parties as deferred financing cost assets which are amortized to interest expense using the effective interest method over the same period as the related loans. Non-cash debit issuance costs directly related to proceeds of borrowings from lenders are recorded as discounts on the amounts borrowed and amortized to interest expense using the effective interest method over the same period as the related loans.



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### NOTE 2 - GOING CONCERN

Trans Energy's unaudited interim consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Trans Energy has incurred cumulative operating losses through June 30, 2007 of \$33,485,261. 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 financings, and increases in operating revenues from new development and business acquisitions would enable Trans Energy to continue as a going concern. There can be no assurance that Trans Energy can or will be able to complete any debt or equity financing. Trans Energy's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### NOTE 3 - CONTINGENCIES AND COMMITMENTS

Effective April 11, 2007, Trans Energy finalized an agreement with Dominion Transmission, Inc. to tap Dominion's transmission line for an additional point of sale for natural gas in Wetzel County, West Virginia. Trans Energy is responsible for reimbursing Dominion for all related expenses, which are estimated to cost \$101,600. The tap installation was completed July 22, 2007.

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### TRANS ENERGY, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Unaudited)

### NOTE 4 - 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 right, title, operating rights and interest including the right to produce, operate and maintain the wells.

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.

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 due in installments, to be paid in

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full by July 10, 2007. As of June 30, 2007, the balance in full of \$128,000 has been paid in cash.

Effective April 4, 2007, Trans Energy farmed out 11,200 acres of unproven leases in Wetzel County to a Republic Partners VI, LP. Under the terms of the farm out agreement, Republic will conduct seismic data gathering, drilling, coring, and completion and production operations jointly with Trans Energy to earn a 50% working interest in the leases.

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.

### NOTE 5 - NOTES PAYABLE

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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### TRANS ENERGY, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements (Unaudited)

### NOTE 5 - NOTES PAYABLE (continued)

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 will be used to facilitate the company'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 pledged

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securities and books and records pertaining to the collateral. In addition, Trans Energy conveyed to CIT Capital USA Inc. a 2% Net Profits Interest 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. The conveyance of the 2% Net Profits Interest has been accounted for as a sale, which was recorded against the values of oil and gas properties. 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 hedge positions over the next five years on 70 % to 80% of 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 borrowing 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. During the quarter ended June 30, 2007, Trans Energy received borrowings in the amount of \$6,513,146, leaving an unused credit facility of \$11,486,854.

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

NOTE 5 - NOTES PAYABLE (continued)

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On June 22, 2007, Trans Energy repaid various related party notes in the amount of \$96,985. In addition, the company repaid the following notes payable:

	Principal	Interest
Wesbanco	\$ 240,226	\$ 1,218
United Bank	1,817,952	24,719
Huntington National	932,255	9,458
Karla Spencer	292,078	- 0 -

### NOTE 6 - BUSINESS SEGMENTS

The Company conducts its operations principally as oil and gas sales with Trans Energy and Prima Oil Company, 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 six Months Ended June 30,	Oil and Gas Sales	Pipeline Transmission
Revenue	2007	\$ 571,681	\$ 130,991
	2006	599,545	152,969
Income (Loss) from continuing operations	2007	768,090	129,475
	2006	884,059	113,531
Depreciation, depletion and amortization	2007	113,655	13,027
	2006	157,313	36,705
Property and equipment acquisitions, including oil and gas properties	2007	1,006,878	--
	2006	685,123	--
Total assets, net of intercompany accounts, as at:			
June 30, 2007		\$ 7,471,206	\$ 723,655
December 31, 2006		5,514,899	736,510

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### NOTE 7 - SUBSEQUENT EVENTS

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.

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On July 6, 2007, Trans Energy finalized an agreement with Triad Energy Corporation, Inc. for the transportation of natural gas through Trans Energy's transmission line in Pleasants and Tyler Counties, West Virginia.

As required by the the CIT Creditor Agreement, on July 13, 2007, Trans Energy purchased a commodity put option for \$310,000 in cash. The terms of the option are an exercise price of \$7.35/MMBTU, Settlement Date Henry Hub price of Natural Gas as quoted by the NYMEX, and volumes ranging from 8,241 MMBTU per month to 5,244 MMBTU per month, beginning settlement on August 2, 2007 and ending settlement on ending on December 1, 2011, respectively.

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

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The following table sets forth the percentage relationship to total revenues of principal items contained in our consolidated statements of operations for the three month period ended June 30, 2007 and 2006. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Three Months Ended June 30,	
	2007	2006
	(Unaudited)	
Total revenues .....	100%	100%
Total costs and expenses .....	31%	(30%)
Income (loss) from operations .....	69%	130%
Other income (expense) .....	(40%)	(8%)
Discontinued operations .....	--	73%
Net income (loss).....	29%	194%

Total revenues from continuing operations for the three months ended June 30, 2007 decreased 1% compared to the second quarter of 2006, primarily due to decreased production and lower pipeline transmission revenues. We focused our efforts during the second quarter of 2007 on a work over program on our wells located in Wetzel County, West Virginia and capital raising activities. We expect production to continue to increase from this work over program during the third quarter of 2007. In addition, we started a drilling program in the second quarter of 2007 which will continue throughout the year.

Depreciation, depletion and amortization and accretion expense increased 7% in the 3 months ended June 30, 2007 as compared to the same period for 2006.

Our income from operations for the second quarter of 2007 was \$287,500 compared to a gain from operations of \$549,181 for the second quarter of 2006. This decrease is due to an increase in selling, general and administrative expenses due to the associated expenses of our debt financing and the increase

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in our production costs associated with the implementation of our work over program.

Our net income for the second quarter of 2007 was \$119,069 compared to a net income of \$821,239 for the second quarter of 2006. In 2006, we recorded income from continuing operations of \$513,960 and \$307,279 in income from discontinued operations due to the disposal of Arvilla.

The following table sets forth the percentage relationship to total revenues of principal items contained in our consolidated statements of operations for the six month period ended June 30, 2007 and 2006. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

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	Six Months Ended June 30,	
	2007	2006
	(Unaudited)	
Total revenues .....	100%	100%
Total costs and expenses .....	134%	(46%)
Income (loss) from operations .....	(34%)	54%
Other income (expense) .....	(31%)	(9%)
Discontinued operations .....	--	(183%)
Net income (loss).....	(65%)	(137%)

Total revenues from continuing operations for the six months ended June 30, 2007 decreased 7% compared to the second quarter of 2006, primarily due to lower pipeline revenues as well as the sale of the Wyoming wells. We have focused our efforts during the first six months of 2007 on a work over program on our wells located in Wetzel County, West Virginia. We expect production to continue to increase from this work over program during the third quarter of 2007. In addition, we started a drilling program in June 2007 which will continue throughout the year.

Depreciation, depletion and amortization and accretion expense decreased 35% in the six months ended June 30, 2007 as compared to the same period in 2006.

We had a loss from operations for the six months ended June 30, 2007 of \$237,465 compared to a gain from operations of \$407,748 for the six months ended June 30, 2006 due to an increase in selling, general and administrative expenses due to the associated expenses of our debt financing and the increase in our production costs associated with the implementation of our work over program.

Our net loss for the first six months of 2007 was \$458,525 compared to a loss of \$1,033,870 for the first six months of 2006. We recorded a loss from discontinued operations in 2006 of \$1,558,802 due to the disposal of Arvilla.

For the remainder of fiscal year 2007, management expects selling, general and administrative expenses to increase. The cost of oil and gas produced is expected to fluctuate with the amount produced and with prices of oil and gas, and management anticipates that revenues are likely to increase during the remainder of 2007.

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### Liquidity and Capital Resources

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Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At June 30, 2007, we had a working capital surplus of \$1,476,257 compared to a deficit of \$2,610,953 at December 31, 2006. This increase in working capital surplus is primarily attributed to the sale of wells in Marion County from which we realized cash of \$760,000, as well as cash received from our debt financing.

During the first six months of 2007, operating activities used net cash of \$896,928 compared to \$513,700 for the same period of 2006. This increased negative cash flow from operating activities is primarily attributable to decreased revenues and our decision to pay off the outstanding payables and judgments, as well as increased expenses related to the workover program and the seismic acquisition in Kansas.

Net cash provided by investing activities for the first six months of 2007 was \$435,261 compared to \$41,701 in 2006. We used \$869,768 for the purchase of oil and gas properties and \$137,110 to purchase property and equipment and

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\$1,442,139 was received from the sale of wells for the six month period ended June 30, 2007 compared to no expenditures for the purchase of oil and gas properties and \$685,123 to purchase property and equipment and \$726,824 was received from the sale of wells in the six month period ended June 30, 2006.

During the first six months of 2007, we were provided net cash in financing activities of \$2,529,544 compared to \$520,256 in the same period of 2006. In 2007, we borrowed \$6,376,200 and repaid \$3,346,917 in notes payable.

We anticipate meeting our working capital needs during the remainder of the current fiscal year with revenues from our ongoing operations, particularly from our wells in Wetzell, Marion and Doddridge Counties, West Virginia and new third party natural gas wells drilled in West Virginia, which gas goes into our 6-inch pipeline. 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 \$11,486,854 which we plan to use to fund our drilling program in Wetzell, Marion, 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. However, we may potentially need to rely on proceeds from the sale of common stock, debt or equity financings, and increased operating revenues from new developments 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

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

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### Forward-looking and Cautionary Statements

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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:

- 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

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- 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.

### Item 3. Controls and Procedures

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

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



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design will succeed in achieving its stated goals under all potential future conditions.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, management concluded that our disclosure controls and procedures were not effective to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The disclosure controls and procedures were considered not effective due to the adjusting entries proposed by our auditors related to the discount on the new financing. We have put procedures in place to properly disclose these amounts in the future.

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

### PART II

#### Item 1. Legal Proceedings

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

On September 22, 2000, Tioga Lumber Company obtained a judgment of \$43,300 plus interest in the Circuit Court of Pleasants County, West Virginia, against Tyler construction Company for breach of contract. On February 28, 2002, we reached a negotiated payment schedule with Tioga and made the initial payment. We believe

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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.

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

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

On June 18, 2007, we issued 62,500 shares of our common stock, valued at \$0.80 per share, to William F. Woodburn in consideration for the balance of \$50,000 remaining on a short-term related party note. The shares were issued in a private, non-public isolated transaction pursuant to exemption from registration provided by Section 4(2) of the Securities Act of 1933.

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Item 3. Defaults Upon Senior Securities  
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None.

Item 4. Submission of Matters to a Vote of Security Holders  
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No matters were submitted to a vote of our securities holders during the second quarter ended June 30, 2007.

Item 5. Other Information  
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The following reports were filed with the SEC on Form 8-K during the six month period ended June 30, 2007.

April 7, 2007 - reporting under Item 3.01 the notice of delisting or failure to satisfy a continued listing rule or standard.

June 22, 2007 - reporting under Item 1.01 the entry into a material definitive agreement for financing with CIT Capital USA, Inc.

Item 6. Exhibits  
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Exhibit 31.1 Certification of C.E.O. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

Exhibit 32.1 Certification of C.E.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

TRANS ENERGY, INC.

Date: August 16, 2007

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

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Date: August 16, 2007

By /s/ LISA A. CORBITT

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

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