INDUSTRIAL SERVICES OF AMERICA INC /FL
Form 8-K
April 01, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 1, 2013

INDUSTRIAL SERVICES OF AMERICA, INC.

(Exact name of registrant as specified in its Charter)

Florida	0-20979	59-0712746
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7100 Grade Lane, P.O. Box 32428, Louisville, Kentucky	40232
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 366-3452

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

The information in this Form 8-K, including the exhibit, is furnished by Industrial Services of America, Inc. (the "Company") in accordance with Securities and Exchange Commission Release No. 33-8216. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On April 1, 2013, the Company issued a press release announcing its results of operations for the fourth quarter and fiscal year ended December 31, 2012. A copy of the press release is attached as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release dated April 1, 2013

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INDUSTRIAL SERVICES OF AMERICA, INC.

Date: April 1, 2013 By: /s/ Alan Schroering
Alan Schroering
Vice-President of Finance and Interim Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Press release dated April 1, 2013

-INDENT: 0pt; TEXT-ALIGN: justify">Changes in and Disagreements with Accountants on Accounting and

Financial Disclosure

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PART I

Item 1 Business

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 295 oil and gas wells in West Virginia. We also own and operate an aggregate of over 26 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 29,429 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

During the 2008, we drilled twenty-one new wells in Wetzel and Marion Counties, West Virginia to various formations, including the Gordon, Bayard and Fourth Sand, of which we own a 100% working interest in each well.

During 2008, Trans Energy completed the Dewhurst 50, a joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners paid for 100% of the cost of this well to earn a 50% working interest. Trans Energy also drilled and completed the Hart 20, a second joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms of the joint venture contract. Two additional joint venture wells were drilled and completed in the Marcellus Shale, of which Republic Partners paid for 100% of the cost of these wells to earn a 50% working interest.

Drilling began on September 22, 2008 on the Anderson 28H, a joint venture well with Republic Partners that will be drilled and completed horizontally in the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms of the joint venture contract.

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. During late 2007, we redirected our focus from shallow drilling to drilling exclusively in the Marcellus Shale. Management 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.

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 2009.

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.

A portion of the 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 contract, as amended. 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 majority of our natural gas is sold to Dominion and its subsidiaries, East Resources, or Equitable Gas.

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 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 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.

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, 2008, we employed twenty-five full-time employees, consisting of six executives and managers, five marketing, lease acquisition and clerical persons, and fourteen field operations employees.

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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.

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.

Item 1A 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 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

Although our revenues increased approximately 262% during the fiscal year ended December 31, 2008, 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 most quarterly and annual periods for the past several years. As of December 31, 2008, our net operating loss carryforward was approximately $28 million and our accumulated deficit was approximately $36 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.

As of December 31, 2008, we had a working capital surplus of $2,769,435. 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 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.

<u>There are many competitors in the oil and gas industry</u>

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.

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 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.

<u>Going concern issue</u>

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

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or above their purchase price, or at all.

Our common stock is presently traded on the OTC Bulletin Board, 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 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 Properties

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, 2008 and 2007 are set forth below:

	As of December 31			
	2008		2007	
	Oil (BBL)	Natural Gas (MCF)	Oil (BBL)	Natural Gas (MCF)
Developed Producing	199,596	5,861,734	178,415	4,440,834
Developed Non-Producing	209,587	2,348,857	424,567	2,550,191
Proved Undeveloped	-	9,124,723	1,534,979	15,835,711
Total Proved	409,184	17,335,312	2,137,961	22,826,736

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,			
	2008		2007	
	Oil	Natural Gas	Oil	Natural Gas
Producing Wells	2	189	3	130
Non-Producing Wells	1	110	1	137
Undrilled Well Locations	-	20		141
Total Wells and Well Locations	3	319	4	408

The following table summarizes the Company's productive oil and gas wells in which we owned an interest as of December 31, 2008 and 2007. Productive wells are wells that are capable of producing natural gas or oil.

	Productive Wells (a)		
	Oil	Gas	Drilling Wells (b)
2008			
Gross	3	299	2
Net	3	297	1
2007			
Gross	4	267	2

Net	4	267	1

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, 2008 and 2007.

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	Developed Acres		Undeveloped Acres		Total	
	Gross	Net	Gross	Net	Gross	Net
West Virginia:						
2008	19,867	19,867	9,562	9,562	29,429	29,429
2007	20,243	20,243	5,395	5,395	25,638	25,638

The estimates for 2008 and 2007 are based upon the reports of Schlumberger Technology Corporation, independent petroleum consultants.

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,	
	2008	2007
Net Production:		
Oil (Bbl)	15,158	4,022
Natural Gas (Mcf)	326,074	161,281
Natural Gas Equivalent (Mcfe)	417,022	185,413
Oil and Natural Gas Sales:		
Oil	$1,259,079	$281,908
Natural Gas	3,252,013	925,325
Total	$4,511,692	$1,207,233
Average Sales Price:		
Oil ($ per Bbl)	$83.06	$70.09
Natural Gas ($ per Mcf)	9.98	5.74
Natural Gas Equivalent ($ per Mcfe)	$10.82	$6.51
Oil and Natural Gas Costs:		
Lease operating expenses	$1,549,672	$929,224

Average production cost per Mcfe	$3.72	$5.01

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.

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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.

On September 22, 2000, Tioga Lumber Company obtained a judgment of $43,300 plus interest in the Circuit Court of Pleasants County, West Virginia, against Tyler Construction Company for breach of contract. On February 28, 2002, we reached a negotiated payment schedule with Tioga and made the initial payment. We believe that we have satisfied the balance owed to Tioga of $26,233, although the judgment has not yet been released. We are proceeding to secure the release of the judgment.

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

Item 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, 2008.

PART II

Item 5 Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is quoted on the OTC Bulletin Board under the symbol TENG. Set forth in the table below are the quarterly high and low prices of our common stock as obtained from the OTC Bulletin Board for the past two fiscal years.

		High	Low
2008			
	First Quarter	$ 0.85	$ 0.72
	Second Quarter	$ 2.95	$ 0.70
	Third Quarter	$ 2.65	$ 2.00
	Fourth Quarter	$ 2.40	$ 1.40
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

As of March 31, 2009, 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 Selected Financial Data

Not applicable.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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 in 2007 and executed a major increase in development activity and leasehold acquisitions during the years ended December 31, 2008 and 2007. In addition, we had good success in our 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 our attractive opportunities to expand our reserve base through continuing to drill higher risk/higher reward exploratory and development drilling in the Marcellus Shale for 2009 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. We believe that our extensive acreage position will allow us to grow through low risk drilling in the near term.

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-K.

The implementation of our strategy requires that we continually incur significant capital expenditures in order to replace current production and find 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, 2008 and 2007. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

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	Fiscal Year Ended December 31, 2008	2007
Total revenues	100%	100%
Total costs and expenses	(90%)	(196%)
Income (loss) from operations	10%	(96%)
Other expense	(13%)	(59%)
Net loss	(3%)	(155%)

Total revenues of $5,307,585 for the year ended December 31, 2008 increased $3,788,208 or 249% compared to $1,519,377 for the year ended December 31, 2007, primarily due to new drilling, acquisitions, and increased production from the efforts of the workover program. We focused our efforts during 2008 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 2009.

Production costs increased $620,448 or 67% for 2008 as compared to 2007, primarily due to expenses associated with our increase in field production.

Depreciation, depletion and amortization expense increased $714,589 or 201% for 2008 as compared to the 2007, due to the increase in production and additions of oil and gas properties.

Interest expense increased $1,083,576 or 115% for 2008 as compared to 2007, primarily due to increased borrowings for our drilling program.

Our income from operations for 2008 was $527,686 compared to a loss from operations of $1,455,098 for 2007. This increase in net income is primarily due to an increase in production as well as an overall increase in oil and gas prices during the year ended December 31, 2008 as compared to 2007.

We have accumulated approximately $28 million of net operating loss carryforwards as of December 31, 2008, which may be offset against future tax obligations through 2028. The use of these losses to reduce future income taxes 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, 2008 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, 2008, we had a working capital surplus of $2,769,435 compared to a working capital deficit of $686,549 at December 31, 2007. This increase in working capital is primarily attributed to the positive results of the drilling program and the completion of the pipeline construction.

During 2008, net cash used in operating activities was $833,763 compared to $1,010,607 in 2007. This decrease in negative cash flow from operating activities is primarily due to an increase in accounts receivable from increased production and from non-operator receivables related to drilling offset by the decrease in our net loss.

We expect our cash flow provided by operations for 2009 to increase because of higher projected production from the drilling program, workovers and acquisitions, combined with steady operating, general and administrative, interest and financing costs per Mcfe.

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 2008, net cash used by investing activities was $12,254,556 compared to net cash used of $8,011,832 in 2007. We used $11,384,690 for the purchase of oil and gas properties and $572,587 to purchase property and equipment for the year ended December 31, 2008 compared to $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.

During 2008, net cash provided by financing activities was $13,191,954 compared to $10,515,997 in 2007. In 2008, we borrowed $13,219,580, net of financing cost and cash discount, and repaid $88,104 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 and 8-inch pipelines 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.

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

During the 2008, we drilled twenty-one new wells in Wetzel and Marion Counties, West Virginia to various formations, including the Gordon, Bayard and Fourth Sand, of which we own a 100% working interest in each well.

During 2008, Trans Energy completed the Dewhurst 50, a joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners paid for 100% of the cost of this well to earn a 50% working interest. Trans Energy also drilled and completed the Hart 20, a second joint venture well with Republic Partners in Wetzel County, West Virginia to an approximate total depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms of the joint venture contract. Two additional joint venture wells were drilled and completed in the Marcellus Shale, of which Republic Partners paid for 100% of the cost of these wells to earn a 50% working interest.

Drilling began on September 22, 2008 on the Anderson 7H, a joint venture well with Republic Partners that will be drilled and completed horizontally in the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in this well as permitted by the terms of the joint venture contract.

Forward-looking and Cautionary Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, operating results, and our future plans of operations, business strategy, operating results, and financial position. We caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other matters expressed in forward-looking statements. These risks and uncertainties, many of which are beyond our control, include:

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

Item 7A Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8 Consolidated Financial Statements and Supplementary Data

Our consolidated financial statements as of December 31, 2008 and for the fiscal years ended

December 31, 2008 and 2007 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 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A Controls and Procedures

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 Chief Financial Officer, to allow timely decisions regarding required disclosures.

Evaluation of Controls and Procedures

In connection with the preparation of this Annual Report on Form 10-K, our management, with the participation of our chief executive officer and our chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2008, 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 financial officer, has concluded that, as of December 31, 2008, our disclosure controls and procedures were effective

We concluded that the consolidated financial statements in this Annual Report on Form 10-K present fairly, in all material respects, the Company's financial condition, results of its operations and cash flows for the year ended December 31, 2008 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 period 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 Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 based on the criteria framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

None.

PART III

Item 10 Directors, Executive Officers, and Corporate Governance

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

Name	Position	Director Since	Age

James K. Abcouwer	C.E.O., President and Chairman	April 2006	55
Loren E. Bagley	Vice President and Director	August 1991	66
William F. Woodburn	Secretary / Treasurer Chief Operating Officer and Director	August 1991	66
Lisa A. Corbitt	Chief Financial Officer	N/A	39
Robert L. Richards	Director	September 2001	61
John G. Corp	Director	February 2005	48

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 Energy USA, 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.

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.

Lisa A. Corbitt joined the Company in June 2006 as Corporate Controller and Principal Financial Officer. Ms. Corbitt served in various capacities in the public accounting sector prior to joining the Company. Ms. Corbitt holds a bachelors degree in Accounting from West Virginia University and a Masters degree in Accounting and Financial Management from DeVry University. Ms. Corbitt is a licensed CPA in the state of West Virginia, and currently holds the position of Chief Financial Officer.

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.

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 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 or the Ohio Department of Natural Resources.

Item 11 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	2008	$132,000	-	$200,000	$87,746	$419,746
	2007	$132,000	-	$123,000	$51,620	$306,620

No other executive officers received cash compensation greater than $85,000 in any of the past three fiscal years.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table sets forth information, to the best of our knowledge as December 31, 2008, 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 *	2,365,921 (2)	22.4%
Robert L. Richards *	286,754 (3)	2.7%
Loren E. Bagley *	1,341,874 (4)	12.7%
William F. Woodburn *	1,909,126 (5)	18.1%

Lisa A. Corbitt *	84,775	1.0%
John G. Corp.*	70,000	0.7%
Mark D. Woodburn	858,610(6)	
Mark D.Woodburn		8.1%

All directors and executive officers

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a group (6 persons)	65.7%

* Indicates director and/or executive officer at December 31, 2008

(1) Based upon 10,559,065 shares of common stock outstanding.
(2) Includes 1,537,500 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.
(6) Includes 522,099 shares held in the name of MDW Capital, Inc., of which Mr. Woodburn is the CEO and shareholder.

Item 13 Certain Relationships and Related Transactions and Director Independence

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 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.

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-K for the years ended December 31, 2008 and 2007, and for the review of quarterly financial statements included in our Quarterly Reports on Form 10-Q for the quarters ending March 31, June 30 and September 30, 2008 and 2007 were:

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	2008	2007
GBH CPAs, PC	$ 86,000	$ 53,085
Malone & Bailey PC	-	54,100
Total	$ 86,000	$ 107,185

Audit Related Fees

For the years ended December 31, 2008 and 2007, 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:

	2008	2007
GBH CPAs, PC	$ 8,000	$ -
Malone & Bailey PC	-	3,000
Total	$ 8,000	$ 3,000

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.

Tax Fees

GBH CPAs, PC billed us $2,800 and $0 for tax fees for the years ended December 31, 2008 and 2007.

All Other Fees

No other fees were billed by the auditors for the years ended December 31, 2008 and 2007.

Item 15 Exhibits and Financial Statement Schedules

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 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 Decebmer 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.

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 15, 2009

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 15, 2009
/s/ LISA A. CORBITT --------------------------------------- Lisa A. Corbitt	Chief Financial Officer	April 15, 2009
/s/ LOREN E. BAGLEY --------------------------------------- Loren E. Bagley	Vice President and Director	April 15, 2009

/s/ JOHN G. CORP --------------------------------------- John G. Corp	Director	April 15, 2009
/s/ WILLIAM F. WOODBURN --------------------------------------- William F. Woodburn	Secretary, Treasurer, C.O.O. and Director	April 15, 2009
/s/ ROBERT L. RICHARDS --------------------------------------- Robert L. Richards	Director	April 15, 2009

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TRANS ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Trans Energy, Inc. and Subsidiaries

St. Marys, West Virginia

We have audited the accompanying consolidated balance sheets of Trans Energy, Inc. and Subsidiaries (“the Company”) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2008 and 2007. 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, 2008 and 2007, and the results of their operations and their cash flows for the years ended December 31, 2008 and 2007, 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 an accumulated deficit at December 31, 2008, 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 15, 2009

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TRANS ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 1,806,008	$ 1,702,373
Accounts receivable	769,430	285,204
Accounts receivable – related parties	1,233,536	478,160
Accounts receivable due from non-operator, net	1,352,681	243,666
Notes receivable – current	138,545	-
Deferred financing costs	167,429	167,429
Derivative – current	513,724	43,095
Prepaid expenses	-	8,000
Total Current Assets	5,981,353	2,927,927
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $311,769 and $174,311, respectively	1,094,970	664,942
OIL AND GAS PROPERTIES, USING SUCCESSFUL EFFORTS ACCOUNTING		
Proved properties	19,799,868	10,764,411
Unproved properties	627,853	250,670
Pipelines	4,729,274	2,764,797
Accumulated depreciation, depletion and amortization	(2,711,689)	(1,801,262)
Oil and gas properties, net	22,445,306	11,978,616
OTHER ASSETS		
Deferred financing costs, net of amortization of $304,399 and $119,136, respectively	157,386	242,467
Notes receivable – non-current	163,735	-
Derivative – non-current	703,435	135,369
Advances to operator	9,000	557,715
Other assets	52,098	58,334
Total Other Assets	1,085,654	993,885
TOTAL ASSETS	$ 30,607,283	$ 16,565,370

See notes to consolidated financial statements.

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

	December 31, 2008	December 31, 2007
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable, trade	$ 2,360,076	$ 2,318,852
Accounts payable – related party	2,150	248,364
Accrued expenses	762,978	929,288
Accrued expenses – related party	-	31,000
Notes payable – current	86,714	86,972
Total Current Liabilities	3,211,918	3,614,476
LONG-TERM LIABILITIES		
Notes payable, net of unamortized discount of $467,932 and $791,070, respectively	27,588,599	14,033,528
Asset retirement obligations	178,954	166,895
Total Long-Term Liabilities	27,767,553	14,200,423
Total Liabilities	30,979,471	17,814,899
COMMITMENTS AND CONTINGENCIES	-	-
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; 10,559,065 and 9,530,065 shares issued, and 10,525,815 and 9,529,065 shares outstanding, respectively	10,559	9,530
Additional paid-in capital	35,131,058	34,117,443
Treasury stock, at cost, 1,000 shares	(750)	(750)
Accumulated deficit	(35,513,055)	(35,375,752)
Total Stockholders' Deficit	(372,188)	(1,249,529)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 30,607,283	$ 16,565,370

See notes to consolidated financial statements.

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TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	For the Year Ended December 31, 2008	2007
REVENUES	$ 5,307,585	$ 1,519,377
COSTS AND EXPENSES		
Production costs	1,549,672	929,224
Depreciation, depletion, amortization and accretion	1,069,484	354,895
Exploration costs	-	169,105
Dry hole expense	94,216	89,747
Selling, general and administrative	2,068,393	2,206,643
Gain on sale of assets	(1,866)	(775,139)
Total Costs and Expenses	4,779,899	2,974,475
INCOME (LOSS) FROM OPERATIONS	527,686	(1,455,098)
OTHER INCOME (EXPENSES)		
Interest income	14,768	41,382
Gain on extinguishment of debt	92,396	103,060
Gain on extinguishment of debt - related party	156,900	-
Interest expense	(2,028,227)	(944,651)
Gain (loss) on derivative instruments	1,099,174	(93,710)
Total Other Expenses	(664,989)	(893,919)
LOSS BEFORE INCOME TAXES	(137,303)	(2,349,017)
INCOME TAXES	-	-
NET LOSS	$ (137,303)	$ (2,349,017)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.01)	$ (0.25)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	10,370,732	9,484,918

See notes to consolidated financial statements.

TRANS ENERGY, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Deficit)
For the years ended December 31, 2008 and 2007

	Common Stock		**Additional**			
			Paid-in	**Treasury**	**Accumulated**	
	Shares	**Amount**	**Capital**	**Stock**	**Deficit**	**Total**
Balance, December 31, 2006	9,450,565	$ 9,451	$ 33,727,680	$ -	$ (33,026,735)	$ 710,396
Fair value of options granted	-	-	326,922	-	-	326,922
Shares issued for debt conversion	62,500	62	49,938	-	-	50,000
Shares issued for services	17,000	17	12,903	-	-	12,920
Treasury shares repurchased	-	-	-	(750)	-	(750)
Net loss	-	-	-	-	(2,349,017)	(2,349,017)
Balance, December 31, 2007	9,530,065	9,530	34,117,443	(750)	(35,375,752)	(1,249,529)
Stock issued for stock payable	630,000	630	515,970	-	-	516,600
Shares issued for services	399,000	399	497,645	-	-	498,044
Net loss	-	-	-	-	(137,303)	(137,303)
Balance, December 31, 2008	10,559,065	$ 10,559	$ 35,131,058	$ (750)	$ (35,513,055)	$ (372,188)

See notes to consolidated financial statements.

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

	For the Year Ended December 31, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (137,303)	$ (2,349,017)
Adjustments to reconcile net loss		
to net cash from operating activities:		
Depreciation, depletion, amortization, and accretion	1,069,484	354,895
Share-based compensation	498,044	339,842
Gain on debt extinguishment	(92,396)	(103,060)
Gain on debt extinguishment - related party	(156,900)	-
Gain on sale of assets	(1,866)	(775,139)
Amortization of financing cost and debt discount	508,419	292,243
Dry hole expense	-	89,747
(Gain) loss on derivative contract	(1,099,174)	93,710
Changes in operating assets and liabilities:		
Accounts receivable		