TRANS ENERGY INC
Form 10-K
April 16, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2008

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

Commission File Number 0-23530

TRANS ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada 93-0997412

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(State or other jurisdiction (I.R.S. Employer

of incorporation or organization) 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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.001 par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ( ) No (X)

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ( ) No (X)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes ( ) No (X)

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2008) was $9,105,013 (based on price of $2.50 per share).

The number of shares outstanding of each of the issuer's classes of common equity, as of April 3, 2009, was 10,559,065.

TRANS ENERGY, INC.

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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.

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.

<u>We have a history of losses and may realize future losses</u>

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.

Going concern issue

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

Risks relating to ownership of our common stock

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

Our common stock is presently traded on the 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.

	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.

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.

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.

	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	(484,227)	(9,932)
Accounts receivable - related party	(755,376)	91,440
Accounts receivable - non-operator	(1,109,015)	(243,666)
Prepaid expenses and other assets	14,236	14,500
Advances to operator	548,715	(557,715)
Accounts payable and accrued expenses	483,910	1,858,574
Accounts payable - related party	(120,314)	11,017
Judgments payable	-	(118,046)
Net cash used in operating activities	(833,763)	(1,010,607)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments of notes receivable	(302,280)	-
Proceeds from sale of assets	5,000	1,444,639
Expenditures for oil and gas properties	(11,384,690)	(9,123,872)
Expenditures for property and equipment	(572,586)	(282,599)
Cash paid for certificate of deposit	-	(50,000)
Net cash used in investing activities	(12,254,556)	(8,011,832)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid for treasury shares	-	(750)
Cash paid for derivative contracts	-	(310,000)
Proceeds from derivative contracts	60,479	37,826
Proceeds from notes payable, net of financing costs and cash discount of $467,932 and 791,070, respectively	13,219,579	14,666,800
Payments on notes payable	(88,104)	(3,378,140)
Payments on related party debt	-	(499,739)
Net cash provided by financing activities	13,191,954	10,515,997
NET CHANGE IN CASH	103,635	1,493,558
CASH, BEGINNING OF YEAR	1,702,373	208,815
CASH, END OF YEAR	$ 1,806,008	$ 1,702,373

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SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 1,396,982	$ 465,870
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
Common shares issued for stock payable	$ 516,600	$ -
Change in asset retirement obligation	$ 7,573	$ 70,484

See notes to consolidated financial statements.

TRANS ENERGY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Organization

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

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

Principles of Consolidation

The consolidated financial statements include Trans Energy and its wholly-owned subsidiaries, Prima Oil Company, Inc., Ritchie County Gathering Systems, Inc., Tyler Construction Company, Inc, and Tyler Energy, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

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

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

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the 2008 financial statement presentation.

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Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certificates of deposit which mature within three months of the date of purchase. Trans Energy may, in the normal course of operations, maintain cash balances in excess of federally insured limits. At December 31, 2008, $1,222,332 was not within FDIC insured limits. Included in other assets is a $50,000 certificate of deposit which is assigned to the State of West Virginia Department of Environmental Protection as collateral, so long as Trans Energy operates in West Virginia.

Receivables

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

Property and Equipment

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

Oil and Gas Properties

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

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

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

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

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

Long-Lived Assets

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

Deferred Financing Costs

In connection with debt financing, Trans Energy paid an additional $100,200 in fees for the year ended December 31, 2008. These fees were recorded as loan origination fees and are being amortized over the life of the loan.

Derivatives

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

Asset Retirement Obligations

Trans Energy records the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. The fair value of asset retirement obligation liabilities has been calculated using an expected present value technique. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

Debt

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

Provision for Taxes

Trans Energy recognizes deferred income tax liabilities and assets for the expected future tax

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consequences of events that have been recognized in our financial statements or tax returns. We provide for deferred taxes on temporary differences between the financial statements and tax basis of assets using the enacted tax rates that are expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In July 2006, the FASB issued "Accounting for Uncertainty in Income Taxes," an interpretation of FAS 109 ("FIN 48"), effective for years beginning after December 15, 2006. FIN 48 establishes a more-likely-than-not threshold for recognizing the benefits of tax return positions in the financial statements. Also, FIN 48 implements a process for measuring those tax positions which meet the recognition threshold of being ultimately sustained upon examination by the taxing authorities. The adoption of FIN 48 had no material impact to Trans Energy's consolidated financial statements. Trans Energy files tax returns in the United States and states in which it has operations and is subject to taxation. Tax years subsequent to 2004 remain open to examination by U.S. federal and state tax jurisdictions.

Revenue and Cost Recognition

Trans Energy uses the sales method to account for sales of crude oil and natural gas. Under this method, revenues are recognized based on actual volumes of oil and gas sold to purchasers. The volumes sold may differ from the volumes to which Trans Energy is entitled based on our interest in the properties. These differences create imbalances which are recognized as a liability only when the imbalance exceeds the estimate of remaining reserves. Trans Energy had no imbalances as of December 31, 2008 and December 31, 2007. Costs associated with production are expensed in the period incurred. Trans Energy recognizes gas revenues upon delivery of the gas to the customers' pipeline from Trans Energy's pipelines when recorded as received by the customer's meter. Trans Energy recognizes oil revenues when pumped and metered by the customer.

Share-Based Compensation

Trans Energy estimates the fair value of each stock option award at the grant date by using the Black-Scholes option pricing model. During the year ended December 31, 2008, stock options were valued with the following weighted average assumptions used for grants; dividend yield of zero percent; expected volatility of 126.19%; risk-free interest rate of 3.3% and expected lives of 5 years. During the year ended December 31, 2007 no stock options were granted. Compensation expense related to options granted was $157,944 and $326,922 for the years ended December 31, 2008 and 2007, respectively.

Loss per Share of Common Stock

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

Dilutive options that are issued during a period or that expire or are canceled during a period are reflected in the computations for the time they were outstanding during the periods being reported.

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For the Years Ended	December 31 2008	December 31 2007
Numerator:		
Net loss applicable to common shareholders	$ (137,303)	$(2,349,017)
Denominator:		
Weighted average shares - basic and diluted	10,370,732	9,484,918
Total loss per share	$ (0.01)	$ (0.25)

Fair Value of Financial Instruments

Effective January 1, 2008, Trans Energy adopted SFAS 157 for financial assets and liabilities. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements by establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Basis of Fair Value Measurement

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs reflecting American's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Recent Accounting Pronouncements

Trans Energy does not expect the adoption of any other recently issued accounting pronouncements, other than the pronouncements mentioned above, to have a significant effect on its financial position or results of operations.

NOTE 2 - GOING CONCERN

Trans Energy's consolidated financial statements are prepared using United States generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Trans Energy has incurred cumulative operating losses through December 31, 2008 of $35,513,055 and has a working capital surplus at

December 31, 2008 of $2,769,435.

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Revenues have not been sufficient to cover its operating costs and interest expense to allow it to continue as a going concern. The potential proceeds from the sale of common stock, sale of drilling programs, and other contemplated debt and equity financing, and increases in operating revenues from new development and business acquisitions would enable 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 - PROPERTY AND EQUIPMENT

At December 31, 2008 and 2007, property and equipment consisted of:

	2008	2007
Buildings	$ 175,000	$ -
Vehicles	384,198	346,973
Machinery and equipment	463,156	402,587
Furniture and fixtures	43,310	38,618
Leasehold improvements	7,075	7,075
Land	334,000	44,000
Accumulated depreciation	(311,769)	(174,311)
Total fixed assets	$ 1,094,970	$ 664,942

NOTE 4 - OIL AND GAS PROPERTIES

Effective January 9, 2007, Trans Energy completed the sale to Leatherwood Inc. for net cash proceeds of $667,000 of six oil and/or gas wells located in West Virginia. Trans Energy assigned all of its rights, title, operating rights and interest including the right to produce, operate and maintain the wells. No gain or loss was recorded on this sale.

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

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

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

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 - ASSET RETIREMENT OBLIGATIONS

The following is a description of the changes to Trans Energy's asset retirement obligations for the years ended December 31, 2008 and 2007:

	2008	2007
Asset retirement obligations at beginning of year	$ 166,895	$ 190,364
Acquisition of oil and gas properties	--	--
Exploratory and development drilling	6,710	16,518
Accretion expense	19,632	13,979
Revision in cost estimates	(14,283)	(53,966)
Asset retirement obligations at end of year	$ 178,954	$ 166,895

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NOTE 6 - PROVISION FOR TAXES

At December 31, 2008, Trans Energy had net operating loss carryforwards of approximately $35 million that may be offset against future taxable income from the year 2009 through 2028. No tax benefit has been reported in the December 31, 2008 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

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

Net deferred tax assets and liabilities consist of the following components as of December 31, 2008 and 2007:

	2008	2007
Deferred tax assets:		
NOL carryover	$ 15,406,194	$ 12,372,700
Unrealized loss on derivative contract	-	57,000
Other	-	25,000
Total deferred tax assets	15,406,194	12,454,700
Deferred tax liabilities:		
Unrealized gain on derivative contract	(529,464)	-
Depreciation, depletion and amortization	(4,811,061)	(2,250,428)
Other	(141,295)	-
Total deferred tax liabilities	(5,481,820)	(2,250,428)
Valuation allowance	(9,924,374)	(10,174,262)
Net deferred taxes	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates to pretax income from continuing operations for the years ended December 31, 2008 and 2007 primarily due to expense related to stock and options issued for services and the valuation allowance.

NOTE 7 - STOCKHOLDERS' EQUITY

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

Common Stock - Trans Energy has authorized 500,000,000 shares of $.001 par value common stock.

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

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

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

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

On January 1, 2008, Trans Energy granted 450,000 common stock options to an officer and an employee as part of their two year employment agreements. The options vest quarterly over two years and have a five year term. The stock options were granted at an exercise price of $0.80 per common share, which was equal to the fair market value of the common stock at the date of grant and were valued at $315,886 using the Black Scholes valuation model. The options are being amortized to share-based compensation expense quarterly over the vesting period, for which $157,944 of share-based compensation expense was recorded during the year ended December 31, 2008. The following are the assumptions made in computing the option fair value:

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

In January 2008, Trans Energy issued 630,000 shares of common stock related to the 2007 Long-Term Incentive and Bonus Program, which were valued at $516,600 and were recorded as stock payable as of December 31, 2007.

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

On January 1, 2008, Trans Energy granted 260,000 shares of common stock to three employees under employment agreements. The 260,000 shares are not performance based and vest quarterly over two years, subject to ongoing employment. These shares were valued at $208,000 using the fair market value of the common stock at the date of grant and will be amortized to compensation expense quarterly over two years. During the year ended December 31, 2008, we recorded $104,000 of share-based compensation related to these shares.

In November 2008, Trans Energy issued 19,000 shares of common stock for employee bonuses valued at $36,100.

NOTE 8 - STOCK OPTIONS

A summary of the status of the options granted under various agreements at December 31, 2008 and 2007, and changes during the years then ended is presented below:

	December 31, 2008		December 31, 2007	
		Weighted Average Exercise		Weighted Average Exercise
	Shares	Price	Shares	Price
Outstanding at beginning of year	1,483,324	$1.12	1,483,324	$1.12
Granted	450,000	0.82	-	-

Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	1,933,324	$1.05	1,483,324	$1.12

A summary of the status of the options granted under various agreements at December 31, 2008 is presented below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Weighted-Average Number Exercisable	Weighted-Average Exercise Price
$0.82	450,000	4.01 years	$ 0.82	450,000	$ 0.82
$0.65	950,000	2.62 years	$ 0.65	950,000	$ 0.65
$1.95	533,324	1.75 years	$ 1.95	533,324	$ 1.95
	1,933,324			1,933,324	

NOTE 9 - JUDGMENTS PAYABLE

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

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

NOTE 10 - NOTES PAYABLE

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

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

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

For the year ended December 31, 2007, Trans Energy also repaid various other related party notes in the principal amount of $115,116. On June 22, 2007 Trans Energy finalized a financing agreement with CIT Capital USA Inc. Under the terms of the agreement, CIT Capital USA Inc. will lend up to $18,000,000 (the "Borrowing Base"), to Trans Energy in the form of a senior secured revolving credit facility. Trans Energy has the ability, at additional cost, to increase the credit facility to $30,000,000 in the future, with increases in its reserves. Trans Energy gave CIT Capital USA Inc. a promissory note for all borrowings under the terms of the agreement. The note contains customary default provisions and additional financial covenants. Funds realized from the financing agreement have been used to facilitate Trans Energy's 2007 drilling program. As part of the financing agreement, Trans Energy conveyed to CIT Capital USA Inc. a first priority continuing security interest in, lien on and right of setoff against, all property, assets, security interests, related books and records, and any proceeds from the sale of or revenue generated from the foregoing, whether now owned or acquired at anytime in the future. In addition, Trans Energy conveyed to CIT Capital USA Inc. a 2% Net Profits Interest, valued at $765,000, in and to all oil and gas properties currently owned and any additional oil and gas properties acquired in the future through to the date of maturity. Under the terms of the financing agreement, CIT Capital USA Inc. can elect after June 22, 2008, but on or prior to June 22, 2009 to sell the 2% NPI to Trans Energy at a value equal to 2% of Trans Energy's total reserve report value at the time. Trans Energy can elect after June 22, 2009, but on or prior to June 22, 2010 to buy the 2% NPI from CIT Capital USA Inc. at a value equal to 3% of Trans Energy's total reserve report value at the time. Trans Energy can elect after June 22, 2010, to buy the 2% NPI from CIT Capital USA Inc. at a value equal to 2% of Trans Energy's total reserve report value at the time. The reserve report value is to be based on proved reserves and to be calculated using a 10% discount, no inflation adjustment for expenditures and differential adjusted market pricing for revenues. The fair value of $765,000 has been recorded as a reduction of oil and gas properties and a discount on the note payable to CIT Capital USA Inc., with no gain recognized. The discount is being amortized using the effective interest method over the term of the note.

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

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

Interest payment due dates are elected at the time of borrowing and range from monthly to six months. Principal payments are due at maturity on June 15, 2010 for all borrowings outstanding on that date. Trans Energy shall have the right at any time to prepay any borrowing in whole or in part, before the date of maturity. Trans Energy also must pay CIT Capital USA Inc. a commitment fee for any unused commitments, including related letters of credit. The commitment fees range from 0.5% to 0.75% per annum of unused average commitments. Trans Energy paid $500,000 in financing fees to a placement agent in securing the CIT Capital USA Inc. financing agreement. These financing fees are being deferred and amortized using the effective interest method over the term of the note. Trans Energy paid $200,000 to CIT Capital USA Inc. as a structuring fee in securing the note. The structuring fee has been recorded as a discount on the note and is being amortized using the effective interest method over the term of the note. For the year ended December 31, 2008, Trans Energy's total borrowings from CIT amount to $28,000,000, leaving an unused available credit facility of $2,000,000.

For the year ended December 31, 2008, Trans Energy had additional borrowings in the amount of $32,925 to fund various equipment purchases. The interest rates vary from 6.9% to 7.25%, with principal and interest payments due monthly. Total repayment terms range from 24 to 36 months maturity. The collateral securing the notes includes the related assets purchased.

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

date:

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

Effective July 13, 2007, as required by the CIT Creditor Agreement, Trans Energy purchased a commodity put option for $310,000 in cash. The terms of the option establish a floor price of $7.35/MMBTU, Settlement Date Henry Hub price of Natural Gas as quoted by the NYMEX, for volumes ranging from 8,241 MMBTU per month to 5,244 MMBTU per month, beginning settlement on August 2, 2007 and ending settlement on December 1, 2011. This put option places no limit on the upside price for Trans Energy's gas production. If the monthly closing price of Henry Hub gas index is below the floor price then Trans Energy receives proceeds equal to the difference between the floor price and the closing price. The cost of the put option and proceeds, if any, as well as changes in the fair market value of the put options, are charged to other income (expense) as gain (loss) on derivative instruments, see Note 11.

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

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

On December 22, 2008, the CIT Capital debt agreement dated June 15, 2007 was again amended to provide Trans Energy additional time, for fiscal year end 2008, to meet various covenants.

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS

Trans Energy entered into derivative commodity contracts to provide a measure of stability in the cash flows associated with Trans Energy's oil and gas production and to manage exposure to commodity price fluctuations. None of the derivative contracts Trans Energy entered into have been designated as cash flow or fair value hedges. Trans Energy recorded an unrealized gain of $1,038,695 and unrealized loss of $131,536 for the years ended December 31, 2008 and 2007, respectively. Trans Energy also received proceeds of $60,479 and $37,826 relating to realized gains on derivative instruments for the years ended December 31, 2008 and 2007, respectively.

Effective July 13, 2007, as required by the CIT Creditor Agreement, Trans Energy purchased a commodity put option for $310,000 in cash.

Natural Gas Derivatives

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

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

Oil Derivatives

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

Start Month	End Month	Volume BBL/Month	Floor $/BBL	Ceiling $/BBL
Jun. ‘08	Dec. ‘08	705	$100	$172
Jan. ‘09	Dec. ‘09	585	$100	$172
Jan. ‘10	Dec. ‘10	488	$100	$172
Jan. ‘11	Dec. ‘11	449	$100	$172

NOTE 12 - BUSINESS SEGMENTS

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

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

	For the Year Ended December 31,	Oil and Gas Sales	Pipeline Transmission	Corporate	Total
Revenue	2008	$ 4,511,692	$ 700,026	$ 95,867	$ 5,307,585
	2007	1,207,233	182,007	130,137	1,519,377
Income (Loss) from	2008	2,546,184	(67,105)	(1,951,393)	527,686

operations	2007	809,510	(188,737)	(2,076,504)	(1,455,731)
Interest expense	2008	2,028,227	--	--	2,028,227
	2007	944,651	--	--	944,651
Depreciation, depletion	2008	977,128	92,356	--	1,069,484
amortization and accretion	2007	329,333	25,562	--	354,895
Property and equipment	2008	9,992,799	1,964,477	--	11,957,276
acquisitions, including oil and gas properties	2007	8,034,322	1,372,149	--	9,406,471

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Total assets, net of intercompany accounts:

December 31, 2008	$ 25,883,993	$ 4,723,290	$ --	$ 30,607,283
December 31, 2007	14,502,036	2,063,334	--	16,565,370

NOTE 13 - RELATED PARTY TRANSACTIONS

Marketing Agreement - Sancho natural gas delivered through Trans Energy's pipeline network is sold either to Sancho Oil and Gas Corporation ("Sancho"), a company controlled by the Vice President of Trans Energy, at the industrial facilities near Sistersville, West Virginia, or to Dominion Gas, a local utility, on an on-going basis at a variable price per month per Mcf. Trans Energy has a flexible volume supply agreement whereby Trans Energy receives the full price which Sancho charges the end user less a $0.05 per Mcf marketing fee paid to Sancho. Trans Energy has an accrued related party receivable from Sancho of $1,233,536 as of December 31, 2008.

Receivables and Payables - Trans Energy has various payables to the officers and companies of the officers. These amounts are reported in the balance sheet as related party accounts payable and accrued expenses.

NOTE 14 - ECONOMIC DEPENDENCE AND MAJOR CUSTOMERS

Trans Energy's marketing arrangement with Sancho accounted for approximately 60% of Tyler Construction Company's revenue for the years ended December 31, 2008 and 2007. Another customer also generated 100% of Ritchie County sales in 2008 and 2007. Trans Energy, Inc. has five customers that represent 100% of its gross oil and gas sales for the years ended December 31, 2008 and 2007.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

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.

NOTE 16 - SUBSEQUENT EVENTS

Drilling began on September 22, 2008 on the Hart 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. Drilling was completed on March 11, 2009 and the well was put into production on April 10, 2009.

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

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

Trans Energy retained Schlumberger Data & Consulting Services, independent third-party reserve engineers, to perform an independent evaluation of proved reserves as of December 31, 2008. Results of drilling, testing and production subsequent to the date of the estimates may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. All of Trans Energy's reserves are located in the United States.

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

The information as of and for the year ended December 31, 2007 reflects a 2% Net Profits Interest sale in conjunction with financing as disclosed in Note 10.

Capitalized Costs and Accumulated Depreciation, Depletion and Amortization

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

	As of December 31,	
	2008	2007
Proved oil and gas producing properties		
and related lease, wells and equipment	$24,529,142	$13,529,208
Unproved Oil and Gas Properties	627,853	250,670
Accumulated Depreciation, Depletion		
and Amortization	(2,711,689)	(1,801,262)
Net Capitalized Costs	$22,445,306	$11,978,616

All of Trans Energy's operations are in the United States.

Costs Incurred in Oil and Gas Activities

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

	For the Year Ended December 31,	
	2008	2007
Acquisition of Properties		
Proved	$ 377,183	$ 16,355
Unproved	510,846	240,514

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Exploration Costs	-	258,852
Development Costs	94,216	9,123,877
Total Costs Incurred	$11,475,161	$ 9,639,598

Results of Operations for Oil and Gas Producing Activities

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

	For the Year Ended December 31,	
	2008	2007
Sales	$ 4,511,692	$1,207,233
Production Costs (a)	(1,549,672)	(929,224)
Depreciation, Depletion and Amortization	(977,128)	(329,333)
Income Tax Expense	-	-
Total Results of Operations for Producing Activities (b)	$ 1,984,892	$ (51,324)

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

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

Estimated Quantities of Proved Oil and Gas Reserves

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

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

	For the Year Ended December 31			
	2008		2007	
	Oil (BBL)	Gas (MCF)	Oil (BBL)	Gas (MCF)
Proved Reserves:				
Beginning of the period	2,137,961	22,826,736	1,340,964	13,161,354

Revisions of previous estimates	(1,758,645)	(17,074,946)	64,040	788,619
Extensions and discoveries	21,500	11,570,143	807,430	9,767,123
Improved recovery	-	-	-	-
Production	(15,158)	(326,074)	(4,022)	(161,281)
Purchases of minerals in place	23,526	339,449	-	-
Sales of minerals in place	-	-	(70,451)	(729,079)

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End of period	409,184	17,335,312	2,137,961	22,826,736
Proved Developed Reserves, End of Year	199,596	5,861,734	178,415	4,440,834

The revisions for the year ended December 31, 2008 relate to proved, undeveloped properties that Trans Energy is not going to develop at this time due to significant development costs.

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

The following information is based on Trans Energy's best estimate of the required data for the Standardized Measure of Discounted Future Net Cash Flows as of December 31, 2008 and 2007 in accordance with SFAS No 69, "Disclosures About Oil and Gas Producing Activities" which requires the use of a 10% discount rate. This information is not the fair market value, nor does it represent the expected present value of future cash flows of Trans Energy's proved oil and gas reserves.

	As of December 31,	
	2008	2007
Future Cash Inflows	$ 139,657,705	$ 392,396,414
Future Production Costs (a)	(24,786,618)	(55,506,445)
Future Development Costs	(14,590,000)	(42,293,774)
Future Income Tax Expense	(22,997,143)	(117,663,183)
Future Net Cash Flows	$ 77,283,944	$ 176,933,012
Discounted for Estimated Timing of Cash Flows	$ (53,907,549)	$(125,948,221)
Standardized Measure of Discounted Future Net Cash Flows	$ 23,376,395	$ 50,984,791

(a) Production costs include oil and gas operations expense, production ad valorem taxes, transportation costs and general and administrative expense supporting Trans Energy’s oil and gas operations.

Summary of Changes in Standardized Measure of Discounted Future Net Cash Flow Relating to Proved Oil and Gas Reserves

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

For the Year Ended December 31

(Restated)

2008 2007

Standardized Measure, Beginning of Year	$ 50,984,791	$ 17,301,531
Oil and gas sales, net of production costs	(2,962,020)	(278,009)
Changes in prices and future production	(38,684,691)	4,524,643
Extensions, discoveries and improved recovery, net of costs	16,804,335	63,996,549
Purchases and Sales of Minerals in place	1,043,224	(346,381)
Change in estimated future development costs	28,686,448	(24,247,420)
Previously estimated development costs incurred	10,492,916	8,743,845
Revisions of previous quantity estimates	(44,822,397)	(416,497)
Accretion of Discount	8,489,046	2,737,672
Net change in income taxes	26,949,632	(23,830,487)
Timing and Other	(33,604,889)	2,799,345
Standardized Measure, End of Year	$ 23,376,395	$ 50,984,791