TRANS ENERGY INC
Form 10-K/A
September 26, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the Fiscal Year Ended December 31, 2010

¨ **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**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

210 Second Street, P.O. Box 393, St. Marys, West Virginia 26170

(Address of principal executive offices)

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

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) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ¨

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 a 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 common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter (June 30, 2010) was $8,875,370 (based on price of $2.60 per share).

The number of shares outstanding of each of the issuer s classes of common equity, as of March 30, 2011, was 12,737,328.

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EXPLANATORY NOTE

We are filing this amendment to our annual report on Form 10-K for the year ended December 31, 2010, filed on April 15, 2011, to reflect changes made in response to comments we received from the staff of the Division of Corporation Finance of the Securities and Exchange Commission (SEC) in connection with the staff s review of our annual report.

Significant changes include the following:

- Included in Item 2. Properties
  - Expanded disclosure to discuss technology used to establish appropriate level of certainty for material additions to our reserve estimates
  - Expanded disclosure regarding internal controls used in reserve estimation process
  - Expanded disclosure on future lease expirations and current year drilling activities and number of producing wells
  - Discussion added on increase in gas reserves
- Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations
  - Additional discussion on the status of the Company s working capital deficiency
- Revisions
  - Exhibits 31.1 & 31.2- revised to include updated Small business issuer language and to reflect current management and the current date
  - Exhibit 32- revised to reflect current management and the current date
  - Exhibit 99.1- revised third party engineer s report from Wright & Company

No attempt has been made in this Amendment No. 1 on Form 10-K/A to modify or update the other disclosures presented in the Form 10-K. This Amendment No. 1 on Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures. Accordingly, this Amendment No. 1 on Form 10-K/A should be read in conjunction with the Form 10-K and our other filings with the SEC.

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TRANS ENERGY, INC.

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PART I

Item 1 Business

History

Trans Energy, Inc. is engaged in the acquisition, 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 300 oil and gas wells in West Virginia. We also own and operate an aggregate of 19 miles of 4-inch and 6-inch gas transmission lines located within West Virginia in the counties of Marion, Doddridge, Ritchie, Wetzel and Tyler. We also have approximately 49,210 gross acres under lease in West Virginia primarily in the counties of Wetzel, Marshall, 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 year ended December 31, 2010, Trans Energy drilled and completed the Whipkey 2H and the Whipkey 1H, both horizontal joint venture wells with Republic Partners in Marshall County, West Virginia to an approximate total vertical depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in these wells as permitted by the terms of the joint venture contract. Trans Energy also drilled the Stout 2H, the Groves 1H, the Keaton 1H, and began drilling the Lucey 1H. These wells are all horizontal joint venture wells with Republic Partners in Marshall County, West Virginia to an approximate total vertical depth of 7,500 feet, with the primary target being the Marcellus Shale. Republic Partners elected to obtain a 50% paid working interest in these wells as permitted by the terms of the joint venture contract. The Stout 2H, the Groves 1H, and the Keaton 1H were all completed during the first quarter of 2011, and the Lucey 1H is expected to be completed during the second quarter of 2011.

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. We began an effort to leverage the company s acreage and reserves to fund development, and have 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.

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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 generally made under short-term delivery contracts at market prices. These prices fluctuate with natural gas contracts as posted in national publications and on the New York Mercantile Exchange.

Natural gas delivered through 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 company, on an on-going basis at a variable price per month per Mcf. Under its contract with Sancho, Trans Energy has the right to sell natural gas subject to the terms and conditions of a contract, as amended, that Sancho entered into with Dominion Gas in 1988. This agreement is 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. The amount paid to Sancho under this agreement was approximately $3,000 in 2010 and approximately $3,000 in 2009.

The majority of our natural gas is sold to Hydrocarbon Exchange Corp, 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.

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. There is also the possibility that future energy-related legislation and regulations may impact competitive conditions. 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.

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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.

There is a growing concern that future federal legislation may address emissions such as greenhouse gasses that are perceived to present an endangerment to human health and the environment. Such new legislation and regulations could result in the creation of additional costs in the form of taxes, restrictions of output and the investments of additional capital to maintain compliance with laws and regulations. Compliance with new laws and regulations could significantly increase operating costs, reduce demand for our products, impact the cost and availability of capital and increase our exposure to litigation. New legislation could also focus on increasing demand for less carbon intensive energy sources, which could adversely affect demand for the natural gas and oil we market. The implementation of new laws and regulations remains uncertain as do the ultimate impact to our operating costs and business.

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, 2010, we employed twenty-five full-time employees, consisting of six executives and managers, six marketing, lease acquisition and clerical persons, and thirteen 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.

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 income (loss) for the past two fiscal years.

Item 1A Risk Factors

You should carefully consider the risks and uncertainties described below and other information in this report. If any of the following risks or uncertainties actually occur, our business, financial condition and operating results, would likely suffer. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or operating results.

We have a history of losses and may realize future losses

Our revenues increased approximately 16% during the fiscal year ended December 31, 2010. However, 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, 2010, our net operating loss carryforward was approximately $14 million and our accumulated deficit was approximately $21 million. We expect to continue to incur significant expenses in connection with exploration and development of new and existing properties.

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, 2010, we had a working capital deficit of approximately $20 million. This deficit in working capital is primarily attributed to the reclassification of notes payable to current. 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.

If we default on our revolving credit facility, our financial condition and future operations would be severely and negatively affected.

On June 15, 2010, our senior secured revolving credit facility became due in the principal amount of $30,000,000, plus accrued interest and fees. Subsequently, we sold certain assets, including oil and gas interests, to pay down the principal amount and have worked with the lender to restructure the credit arrangement. In March 2011, we amended our agreement with the lender that extends the maturity date

of the credit arrangement to March 31, 2012. The total due under the agreement at March 31, 2011 was $18,184,978. If we are unable to successfully service and repay the debt, we would be in default under the amended agreement. In that event, the lender would have a first priority, continuing security interest in all of our properties and assets and any proceeds from sales and revenues generated from those assets. This would cause a severe, negative impact on our financial condition. Also, if it becomes necessary to sell off additional assets to service the debt, we may be forced to dispose of valuable assets that would cause additional financial hardship.

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.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition and results of operations.

Our future success will depend on the success of our exploitation, exploration, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Please read Item 1A. Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions may materially affect the quantities and present value of our reserves below for a discussion of the uncertainties involved in these processes. Our costs of drilling, completing and operating wells are often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures could be materially and adversely affected by any factor that may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- unusual or unexpected geological formations;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment malfunctions, failures or accidents;
- unexpected operational events and drilling conditions;
- pipe or cement failures;

casing collapses;

lost or damaged oilfield drilling and service tools;

loss of drilling fluid circulation;

uncontrollable flows of oil, natural gas and fluids;

fires and natural disasters;

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- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- oil and natural gas property title problems; and
- market limitations for oil and natural gas.

If any of these factors were to occur with respect to a particular field, we could lose all or a part of our investment in the field, or we could fail to realize the expected benefits from the field, either of which could materially and adversely affect our revenue and profitability.

We have limited experience in drilling wells to the Marcellus Shale and limited information regarding reserves and decline rates in the Marcellus Shale. Wells drilled to this shale are more expensive and more susceptible to mechanical problems in drilling and completion techniques than wells in other conventional areas.

We have limited experience in the drilling and completion of Marcellus Shale wells, including limited horizontal drilling and completion experience. Other operators in the Marcellus Shale play may have significantly more experience in the drilling and completion of these wells, including the drilling and completion of horizontal wells. In addition, we have limited information with respect to the ultimate recoverable reserves and production decline rates in these areas. The wells drilled in the Marcellus Shale are primarily horizontal and require more stimulation, which makes them more expensive to drill and complete. The wells will also be more susceptible to mechanical problems associated with the drilling and completion of the wells, such as casing collapse and lost equipment in the wellbore due to the length of the lateral portions of these unconventional wells. The fracturing of these shale formations will be more extensive and complicated than fracturing geological formations in conventional areas of operation.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

Our prospects are in various stages of evaluation. There is no way to predict with certainty in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable, particularly in light of the current economic environment. The use of seismic data and other technologies, and the study of producing fields in the same area, will not enable us to know conclusively before drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercially viable quantities. Moreover, the analogies we draw from available data from other wells, more fully explored prospects or producing fields may not be applicable to our drilling prospects.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget.

We may, from time to time, encounter difficulty in obtaining, or an increase in the cost of securing, drilling rigs, equipment, services and supplies. In addition, larger producers may be more likely to secure access to such equipment and services by offering more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, our ability to convert our reserves into cash flow could be delayed and the cost of producing those reserves could increase significantly, which would adversely affect our financial condition and results of operations.

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Revisions of oil and gas reserve estimates could adversely affect the trading price of our common stock. Oil and gas reserves and the standardized measure of cash flows represent estimates, which may vary materially over time due to many factors.

The market price of our common stock may be subject to significant decreases due to decreases in our estimated reserves, our estimated cash flows and other factors. Estimated reserves may be subject to downward revision based upon future production, results of future development, prevailing oil and gas prices, prevailing operating and development costs and other factors. There are numerous uncertainties and uncontrollable factors inherent in estimating quantities of oil and gas reserves, projecting future rates of production, and timing of development expenditures.

In addition, the estimates of future net cash flows from proved reserves and the present value of proved reserves are based upon various assumptions about prices and costs and future production levels that may prove to be incorrect over time. Any significant variance from the assumptions could result in material differences in the actual quantity of reserves and amount of estimated future net cash flows from estimated oil and gas reserves.

Our estimates of proved reserves have been prepared under current SEC rules, which went into effect for fiscal years ending on or after December 31, 2009, and may make comparisons to prior periods difficult and could limit our ability to book additional proved undeveloped reserves in the future.

This Form 10-K presents estimates of our proved reserves as of December 31, 2010 and 2009, which have been prepared and presented under current SEC rules. These rules require SEC reporting companies to prepare their reserves estimates using revised reserve definitions and revised pricing based on 12-month unweighted first-day-of-the-month average pricing. The previous rules required that reserve estimates be calculated using year-end pricing. As a result of these changes, direct comparisons to our previously-reported reserves amounts may be more difficult.

Under current SEC requirements, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. This rule may limit our potential to book additional proved undeveloped reserves as we pursue our drilling program, particularly as we develop our acreage in the Marcellus Shale in West Virginia. Moreover, we may be required to write down our proved undeveloped reserves if we do not drill and develop those reserves within the required five-year timeframe.

Our operations require significant amounts of capital and additional financing may be necessary in order for us to continue our exploration activities, including meeting certain drilling obligations under our existing lease obligations.

Our cash flow from our reserves, if any, may not be sufficient to fund our ongoing activities at all times. From time to time, we may require additional financing in order to carry out our oil and gas acquisitions, exploration and development activities. Failure to obtain such financing on a timely basis could cause us to forfeit our interest in certain properties as a result of not fulfilling our existing drilling commitments. Certain of our undeveloped leasehold acreage is subject to leases that will expire unless production is established or we meet certain capital expenditure and drilling requirements. If our revenues from our reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect our ability to expend the necessary capital to replace our reserves or to maintain our current production. If our cash flow from operations is not sufficient to satisfy our capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available to us on favorable terms.

Certain federal income tax deductions currently available with respect to oil and natural gas exploration and development may be eliminated as a result of future legislation.

Changes contained in President Obama s 2012 budget proposal include the elimination of certain key U.S. federal income tax preferences currently available to oil and gas exploration and production companies. Such changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties; (ii) the elimination of current deductions for intangible drilling and development costs; (iii) the elimination of the deduction for certain U.S. production activities; and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear, however, whether any such changes will be enacted or how soon such changes could be effective.

The passage of any legislation as a result of the budget proposal, or any other similar change in U.S. federal income tax law could eliminate certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could negatively affect our financial condition and results of operations.

Deficiencies of title to our leased interests could significantly affect our financial condition.

Our practice in acquiring exploration leases or undivided interests in natural gas and oil leases is not to incur the expense of retaining lawyers to examine the title to the mineral interest prior to executing the lease. Instead, we rely upon the judgment of lease brokers and others to perform the field work in examining records in the appropriate governmental or county clerk s office before leasing a specific mineral interest. This practice is widely followed in the industry. Prior to drilling an exploration well, the operator of the well will typically obtain a preliminary title review of the drillsite lease or spacing unit within which the proposed well is to be drilled to identify any obvious deficiencies in title to the well and, if there are deficiencies, to identify measures necessary to cure those defects to the extent reasonably possible. It does happen, from time-to-time, that the examination made by the operator s title lawyers reveals that the lease or leases are invalid, having been purchased in error from a person who is not the rightful owner of the mineral interest desired. In these circumstances, we may not be able to proceed with our exploration and development of the lease site or may incur costs to remedy a defect, which could affect our financial condition and results of operations.

We are subject to complex federal, state and local laws and regulations, including environmental laws, which could adversely affect our business.

Exploration for and development, exploitation, production and sale of oil and natural gas in the United States are subject to extensive federal, state and local laws and regulations, including complex tax laws and environmental laws and regulations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws, regulations or incremental taxes and fees, could harm our business, results of operations and financial condition. We may be required to make large expenditures to comply with environmental and other governmental regulations.

It is possible that new taxes on our industry could be implemented and/or tax benefits could be eliminated or reduced, reducing our profitability and available cash flow. In addition to the short-term negative impact on our financial results, such additional burdens, if enacted, would reduce our funds available for reinvestment and thus ultimately reduce our growth and future oil and natural gas production.

Matters subject to regulation include oil and gas production and saltwater disposal operations and our processing, handling and disposal of hazardous materials, such as hydrocarbons and naturally occurring radioactive materials, discharge permits for drilling operations, spacing of wells, environmental protection

and taxation. We could incur significant costs as a result of violations of or liabilities under environmental or other laws, including third party claims for personal injuries and property damage, reclamation costs, remediation and clean-up costs resulting from oil spills and discharges of hazardous materials, fines and sanctions, and other environmental damages.

We must obtain governmental permits and approvals for our drilling operations, which can be a costly and time consuming process, which may result in delays and restrictions on our operations.

Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of our exploration or production operations. For example, we are often required to prepare and present to federal, state or local authorities data pertaining to the effect or impact that proposed exploration for or production of natural gas or oil may have on the environment. Further, the public may comment on and otherwise engage in the permitting process, including through intervention in the courts. Accordingly, the permits we need may not be issued, or if issued, may not be issued in a timely fashion, or may involve requirements that restrict our ability to conduct our operations or to do so profitably.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Congress is currently considering legislation to amend the federal Safe Drinking Water Act to require the disclosure of chemicals used by the oil and natural gas industry in the hydraulic fracturing process. Hydraulic fracturing is an important and necessary process in the completion of unconventional oil and natural gas wells in shale formations. This process involves the injection of water, sand and chemicals under pressure into rock formations to stimulate production. Sponsors of two companion bills, which are currently pending in the House Energy and Commerce Committee and the Senate Committee on Environment and Public Works Committee have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. The proposed legislation would require the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, this legislation, if adopted, could establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could result in additional regulatory burdens. Several states are also considering implementing, or in some instances, have implemented, new regulations pertaining to hydraulic fracturing, including the disclosure of chemicals used in connection therewith. The adoption of any future federal or state laws or implementing regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process would make it more difficult and more expensive to complete new wells in shale formations and would increase our costs of compliance and doing business.

The enactment of the Dodd Frank Act could have an adverse impact on our ability to hedge risks associated with our business.

Congress recently adopted comprehensive financial reform legislation that establishes federal oversight and regulation of the over-the-counter derivatives market and entities, including us, that participate in that market. The new legislation, known as the Dodd Frank Wall Street Reform and Consumer Protection Act (the Dodd Frank Act), was signed into law by the President on July 21, 2010 and requires CFTC and the SEC to promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. In its rulemaking under the Dodd Frank Act, the CFTC has proposed regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are

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their economic equivalents. Certain bona fide hedging transactions or positions would be exempt from these position limits. It is not possible at this time to predict when the CFTC will finalize these regulations. The financial reform legislation may also require us to comply with margin requirements and with certain clearing and trade-execution requirements in connection with our derivative activities, although the application of those provisions to us is uncertain at this time. The financial reform legislation may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty. The new legislation and any new regulations could significantly increase the cost of derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on us, our financial condition and our results of operations.

We depend on a relatively small number of purchasers for a substantial portion of our revenue. The inability of one or more of our purchasers to meet their obligations may adversely affect our financial results.

We derive a significant amount of our revenue from a relatively small number of purchasers. Our inability to continue to provide services to key customers, if not offset by additional sales to our other customers, could adversely affect our financial condition and results of operations. These companies may not provide the same level of our revenue in the future for a variety of reasons, including their lack of funding, a strategic shift on their part in moving to different geographic areas in which we do not operate or our failure to meet their performance criteria. The loss of all or a significant part of this revenue would adversely affect our financial condition and results of operations.

There are many competitors in the oil and gas industry

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;

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- 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 of 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.

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Future environmental legislation related to climate change

Because of growing concern over risks related to climate change, Congress has adopted or is considering the adoption of regulatory frameworks to reduce greenhouse gas emissions. Prospective legislation includes possible cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. New laws and regulations could not only make our products more expensive, but also reduce demand for hydrocarbon products. Such current and pending regulations may also increase operating costs and our compliance costs, such as for enhanced monitoring of emissions.

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.

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Possible Penny Stock Regulation

Trading of our common stock on the Bulletin Board 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 $1.00 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 1B Unresolved Staff Comments

The staff of the Securities and Exchange Commission (SEC Staff) conducted a review of our Annual Report on Form 10-K for the year ended December 31, 2009 and issued a letter commenting on certain aspects of these reports. We believe that all matters addressed in the comment letters and our subsequent responses to these letters and discussions with the SEC Staff have been resolved with the exception of certain disclosures related to our proved undeveloped reserves. Based on discussions with staff members at the SEC regarding the response, the remaining unresolved comment will require that the Company file an amendment to its Form 10-K for the year ended December 31, 2009 to remove our proven undeveloped reserves that do not meet the criteria to be reported based on our financial situation.

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, 2010, 2009, and 2008 are set forth below:

	As of December 31,					
	2010		2009		2008	
	Oil and Natural			Natural		Natural
Gas	Condensates		Gas	Oil	Gas	Oil
	(BBL)	(MCF)	(BBL)	(MCF)	(BBL)	(MCF)
Developed Producing	148,567	7,795,932	158,545	5,002,524	199,596	5,861,734
Developed Non-Producing	35,175	4,995,712		1,562,532	209,588	2,348,857
Proved Undeveloped						9,124,721
Total Proved	183,742	12,791,644	158,545	6,565,056	409,184	17,335,312

As of December 31, 2009, we have removed all proved undeveloped reserves as it is not probable that we have the means to develop reserves within the next 5 years.

The increase in reserves is from drilling in the Marcellus Sale formation and not in the typical traditional shallow well formations. The development of the Marcellus Shale has transformed the Appalachian Basin in to one of the country s premier natural gas reserves. In recent years, the application of lateral well drilling and completion technology has led to the development of the Marcellus Shale. The horizontal lateral exceeds 2,000 feet in length and typically involves multistage fracturing completions

A review of our reserves was conducted at year-end 2010 and 2009 by Wright and Company, Inc., our independent petroleum consultants. The estimates for 2008 are based upon the reports of Schlumberger Technology Corporation, independent petroleum consultants. These engineers were selected for their geographic expertise and their historical experience in engineering certain properties. The technical person responsible for reviewing the reserve estimates meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We have an internal petroleum engineer on staff who works closely with our independent petroleum consultants to ensure the integrity, accuracy and timeliness of data furnished to our independent petroleum consultants for their reserves review process. Throughout the year, our technical team meets periodically with representatives from our independent petroleum consultants to review properties and discuss methods and assumptions. While we have no formal committee specifically designated to review reserves reporting and the reserves estimation process, our senior management reviews and approves any internally estimated significant changes to our proved reserves. We provide historical information to our consultants for all of our producing properties such as ownership interest; oil and gas production; well test data; commodity prices and operating and development costs. The consultants perform an independent analysis and differences are reviewed.

The preparation of our proved reserve estimates is completed in accordance with our internal control procedures, which include the verification of input data used by Wright and Company, Inc and Schlumberger Technology Corporation, as well as extensive management review and approval. All of our reserve estimates are reviewed and approved by our President. He is a graduate of Marietta College with a Bachelor of Science in Petroleum Engineering and has over thirty years experience in the oil & gas industry.

The general calculations pertaining to the estimate of reserves, both developed and undeveloped, include but are not limited to; 1) extrapolation of historical production trends; 2) log analysis and volumetric calculations; 3) log cross-sections to confirm continuity of certain formations and/or; 4) analogy to similar producing properties producing from the same formation.

The estimates of reserves were based on reliable technologies that have been field tested and have demonstrated consistency and repeatability in the formation being evaluated.

The economic producibility of these reserves assignments has been established by reliable technology to be reasonably certain in the continuous accumulation in the geographic area to which the reserves are assigned

Effective for the year end 2009, SEC reporting rules require that year-end reserve calculations and future cash inflows be based on the simple average of the first day of the month price for the previous twelve month period. The benchmark prices for 2010 used in the above table were $5.29 per MMBTU and $70.60 per BBL. The benchmark prices used for 2009 were $4.13 per MMBTU and $61.18 per BBL. The prices used for 2008 were based on the spot price at December 31, 2008 of $5.71 per MMBTU and $44.60 per BBL.

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Such reports are, by their very nature, inexact and subject to changes and revisions. Proved developed reserves are reserves expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which existence and recoverability of such reserves can be estimated with reasonable certainty, or from existing wells where a relatively major expenditure is required to establish production. No estimates of reserves have been included in any reports to any federal agency other than the SEC in 2010 and 2009. See Note 16, Supplementary Information on Oil and Gas Producing Activities included as part of our consolidated financial statements.

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.

	Gross as of December 31,					
	2010		2009		2008	
	Oil	Natural Gas	Oil	Natural Gas	Oil	Natural Gas
Producing wells	71	84	5	183	2	189
Non-Producing Wells	6	12	1	117	1	110
Undrilled Locations						20
Total Wells and Well Locations	77	96	6	300	3	319

	Net as of December 31,					
	2010		2009		2008	
	Oil	Natural Gas	Oil	Natural Gas	Oil	Natural Gas
Producing wells	67	75	5	181	2	187
Non-Producing Wells	6	11	1	117	1	110
Undrilled Locations						20
Total Wells and Well Locations	73	86	6	298	3	317

We have removed unproved drilling locations for the year ended December 31, 2009, as well as excluding them for the year ended December 31, 2010 based on our discussions with the SEC (See Item 1B). Furthermore, we excluded all shallow wells with no or minimal production since we do not plan on a rework program at this time. In addition, we have reclassed certain wells for 2010 that are now primarily producing oil.

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Drilling Activity

The following table summarizes completed drilling activity for the past three years. Gross wells reflect the sum of all wells in which we own an interest. Net wells reflect the sum of our working interests in gross wells. As of December 31, 2010, we were in the process of drilling 4 gross (2 net) wells.

	During the Year Ended, December 31					
	2010		2009		2008	
	Gross	Net	Gross	Net	Gross	Net
Development wells						
Productive	2	1	2	1	13	11.5
Dry						
Exploratory wells						
Productive						
Dry						
Total	2	1	2	1	13	11.5

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, 2010 and 2009.

	Developed Acres		Undeveloped Acres		Total	
	Gross	Net	Gross	Net	Gross	Net
West Virginia:						
2010	24,779	14,925	24,432	11,629	49,210	26,554
2009	21,569	14,619	18,100	9,299	39,669	23,918

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,	
	2010	2009
Net Production:		
Oil (Bbl)	16,578	18,648
Natural Gas (Mcf)	995,101	640,709
Natural Gas Equivalent (Mcfe)	1,094,569	752,597
Oil and Natural Gas Sales:		
Oil	$ 878,090	$ 906,489
Natural Gas	4,803,589	3,886,353
Total	$ 5,681,679	$ 4,792,842
Average Sales Price:		
Oil ($ per Bbl)	$ 52.97	$ 48.61

Natural Gas ($ per Mcf)	$ 4.83	$ 6.07
Natural Gas Equivalent ($ per Mcfe)	$ 5.19	$ 6.37
Oil and Natural Gas Costs:		
Lease operating expenses	$ 1,841,788	$ 1,077,076
Average production cost per Mcfe	$ 1.68	$ 1.43

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The following table sets forth, for our continuing operations, the gross and net acres of undeveloped and that will expire during the periods indicated if not ultimately held by production by drilling efforts:

	Expiring Acreage	
Year Ending December 31,	Gross	Net
2011	3,736	2,074
2012	2,993	1,977
2013	9,822	4,977
2014	3,198	1,049
2015	2,989	1,005
2016	434	157
2017		
2018	322	106
Total	23,494	11,345

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.

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 this space from an unaffiliated third party under a verbal arrangement for $1,400 per month, inclusive of utilities.

Item 3 Legal Proceedings

We may be engaged in various 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 (Removed and Reserved)

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
2010		
First Quarter	$ 5.10	$ 2.10
Second Quarter	$ 4.75	$ 2.50
Third Quarter	$ 4.00	$ 2.75
Fourth Quarter	$ 3.25	$ 2.80
2009		
First Quarter	$ 2.10	$ 0.85

Second Quarter	$ 1.50	$ 0.85
Third Quarter	$ 1.25	$ 0.60
Fourth Quarter	$ 2.05	$ 0.60

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As of March 31, 2011, there were approximately 420 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 3,000 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 acquisition, exploration, development, and production 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, 2010 and 2009. 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 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 2011 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 Form 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 most significant event in 2010 was the sale to Republic Energy Ventures of 50% working interest in approximately 5,100 acres and certain overriding royalty interests for almost $27 million. This sale provided the Company cash to paydown $15 million of debt, acquire additional leases and fund drilling costs. Our first two wells, Whipkey 1H and 2H, in the Marcellus Shale region, were completed and went online in 2010. These wells increased our revenue and related expenses in 2010 but will further impact our operations in 2011 being online the entire year.

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, 2010 and 2009. It should be noted that percentages discussed throughout this analysis are stated on an approximate basis.

	Fiscal Year Ended December 31,	
	2010	2009
Total revenues	100%	100%
Total costs and expenses	(154%)	(144%)
Gain on sale of assets	406%	35%
Income (loss) from operations	352%	(9%)
Other expenses	(51%)	(52%)
Income Taxes	(7%)	0%
Net income (loss)	294%	(61%)

Total revenues of $6,099,953 for the year ended December 31, 2010 increased $850,381 or 17% compared to $5,249,572 for the year ended December 31, 2009. The increase in revenue is due to an increase in production as a result of new drilling. We focused our efforts during 2010 on the implementation of our drilling program in Marshall County, West Virginia. We expect more aggressive production increases from the drilling program throughout 2011.

Production costs increased $344,621 or 18% for 2010 as compared to 2009, primarily due to expenses associated with our increase in field production.

Depreciation, depletion, amortization and accretion expense increased $344,171 or 13% for 2010 as compared to 2009, due to the increase in production, and additions to oil and gas properties.

Impairment expense of $216,430 was incurred during 2010 as a result of the temporary decrease in value of certain oil and gas properties. No impairment expense was recognized in 2009.

Selling, general and administrative expenses increased $977,242 or 33% for 2010 as compared to 2009, primarily due to an increase in costs related to the forbearance such as legal and consulting fees in the amount of $736,897.We also expensed $943,916 for stock awards and options to key employees.

Gain on sale of assets increased $22,963,259 for 2010 as compared 2009 as a result of the sale of certain oil and gas assets.

Our income from operations for 2010 was $21,475,582 compared to a net loss of $455,594 for 2009. This increase is primarily due to the sale of oil and gas assets of $24,791,029 for the year ended December 31, 2010 as compared to $1,827,770 for 2009.

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Interest expense increased $699,240 or 28% for 2010 as compared to 2009, primarily due to interest and fees associated with our forbearance with CIT, offset by a reduction in principal of $15 million.

Our gain on derivative contracts was $118,042 for 2010 compared to a loss of $252,327 for 2009. This gain was primarily due to a decrease in commodities prices throughout 2010.

We have accumulated approximately $14 million of net operating loss carryforwards as of December 31, 2010, which may be offset against future tax obligations through 2030. 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. We recorded $450,000 in income tax expense related to the sale of assets for alternative minimum taxes. No tax benefit has been reported in the financial statements for the year ended December 31, 2010 because the potential tax benefit of the loss carryforward is offset by a valuation allowance of the same amount.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

Historically, we have satisfied our working capital needs with operating revenues and from borrowed funds. At December 31, 2010, we had a working capital deficit of $19,699,824 compared to a working capital deficit of $25,437,795 at December 31, 2009. This decrease in deficit is primarily attributed to the $15 million repayment of notes payable as a result of the proceeds from the sale of assets net of a decrease in cash and increase in accounts payable.

During 2010, net cash used by operating activities was $1,730,688 compared to net cash provided of $193,771 in 2009. This decrease in cash flow from operating activities is primarily due to a significant collection of related party accounts receivable in 2009 and higher operating expenses in 2010.

We expect our cash flow provided by operations for 2011 to increase because of higher projected production from the drilling program, 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 2010, net cash provided by investing activities was $12,175,704 compared to net cash used of $841,219 in 2009. The reason for the change was related to the sale proceeds of certain oil and gas assets. We used $11,435,045 for the purchase of oil and gas properties and $213,593 to purchase property and equipment for the year ended December 31, 2010 compared to $5,904,905 for the purchase of oil and gas properties and $229,893 to purchase property and equipment for the year ended December 31, 2009.

During 2010, net cash used by financing activities was $14,685,854 compared to $3,443,610 in 2009. In 2010, we borrowed $76,215, compared to $2,047,274 in 2009. We also borrowed $928,858 from related parties in 2009. We repaid $15,087,187 in 2010 compared to $101,488 in 2009 primarily from the proceeds from the sale of assets.

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We anticipate meeting our working capital needs with revenues from our ongoing operations, particularly from our wells in Wetzel, Marshall, Marion and Doddridge Counties, 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.

Please read Note 8 to the financial sections when reading this section.

The Company s working capital deficiency is primarily the result of the Company s debt with CIT being all current. To correct the situation, the Company is pursuing opportunities with other banks to payoff the CIT loan, increase its loan base and to extend maturity of the loan for two or three years. The Company is planning on farming out drilling obligations for 2011 so that it can use the cash flows from the wells that it has drilled to payoff all current accounts payable.

The Company has initiated the process of selling its shallow well production. The process is expected to be completed by the end of September, 2011 or the first part of October, 2011. The Company expects to receive between $4,500,000 and $5,000,000 from the sale of those properties. The proceeds will be used to pay down debt and accounts payable.

The Company is planning to enter into a Farmout Agreement in 2011 whereby the Company will assign an undivided ninety percent (90%) interest of its rights in six drilling locations. As part of the agreement, the Company will be carried for its ten percent (10%) drilling and completion cost in six drilling locations. The farmout is only for the hydrocarbons produced from these six wells. The Company typically owns 50% working interest in wells that it is currently drilling. The farmout agreement is only for wells drilled in 2011.

Inflation

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

Recent Events

On February 21, 2011, the Company entered into a Convertible Promissory Note with Republic Energy Ventures, LLC (***Republic***), for up to $3,000,000, to ensure that it would be able to maintain adequate liquidity as it worked towards refinancing the amount outstanding under that certain credit agreement in the form of a senior secured revolving credit facility dated June 15, 2007 (the ***Credit Agreement***) with CIT Capital USA Inc. (***CIT***).

On March 31, 2011, the Company entered into a Purchase and Sale Agreement (the ***PSA***) with Republic for the sale to Republic of certain oil and gas leases and interests located in Marion County, Marshall County, Tyler County and Wetzel County, West Virginia (referred to as the ***Marcellus Shale Properties***). Also on March 31, 2011, the Company and CIT entered into the Sixth Amendment to Credit Agreement.

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Under the terms of the PSA, the Company sold to Republic approximately 2,950 Net Mineral Acres, for $14,012,500, or approximately $4,750 per acre. The PSA and Sixth Amendment required that $5,000,000 of the sale proceeds be paid directly to CIT as partial satisfaction of the debt owed under the Credit Agreement. Further, a portion of the sale proceeds, equal to the outstanding principal amount advanced to the Company plus interest, were offset against payment of the Convertible Promissory Note issued by the Company to Republic dated February 21, 2011 in the amount of $2,914,442.99. The Company also had the option to apply a portion of the sale proceeds to offset the Company s obligation to reimburse Republic for bonus payments advanced by Republic to lessors under certain oil, gas and mineral leases, but the Company elected not to exercise this option.

The PSA also provided that $6,000,000.00 of the sale price be applied as a credit, or drilling carry, to the Company by Republic toward joint interest expenses incurred by the Company pursuant to a Joint Operating Agreement for the Company s share of completion costs incurred for the Stout #2H, Groves #1H, and Keaton #1H wells, and for the Company s share of drilling and completion costs for the Lucey #1H well.

The Sixth Amendment and other related agreements extend the maturity date of the Credit Agreement to March 31, 2012. The Sixth Amendment confirms that the principal amount due under the Credit Agreement prior to the application of $5 million of the proceeds from the acreage sale was $17,320,239, plus accrued interest of $139,748, plus past delinquency charges. The Sixth Amendment provides that all past delinquency charges owed by the Company, whether in shares of Company stock (or options or warrants therefore) or to be paid in cash, are unwound and the delinquency charges of $725,000 are to be added to the principal balance plus interest. Thus, the total amount owed under the Credit Agreement, as per the Sixth Amendment, was $18,184,978, which was reduced to $13,184,978 upon the effectiveness of the Sixth Amendment.

As part of the Sixth Amendment, the Company also granted to CIT a 1.5% overriding royalty interest in each of the Stout #2H, Groves #1H, Keaton #1H and Lucey #1H wells, as well as a 1.5% overriding royalty interest in the next six horizontal wells drilled in the Marcellus Shale, which have commercial production for a period of at least 30 consecutive days and in which the Company, or any of its subsidiaries, has an interest. Each 1.5% overriding royalty interest is to be proportionately reduced to the extent the Company or its subsidiary owns less than the full working interest in the leases, or to the extent such oil and gas leases cover less than the full mineral interest.

On February 19, 2011, the Company turned the Stout #2H horizontal Marcellus well in Marshall County, West Virginia into a sales line. On March 25, 2011, the Company announced that the first 30 days of production from its Stout #2H horizontal Marcellus well averaged 5,257 Mcfe per day and the rate of production on the 30th day was 4,677 Mcfe on a 25/64 choke.

On April 4, 2011, the Company turned the Keaton #1H into a sales line. The Company completed the Groves #1H horizontal Marcellus well on April 7, 2011. The Groves #1H was drilled with the longest lateral to date with a horizontal length of over 5,500 feet and was completed with a 15 stage hydraulic fracture stimulation.

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-loo 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.

Critical accounting policies

We consider accounting policies related to our estimates of proved reserves, accounting for derivatives, share-based payments, accounting for oil and natural gas properties, asset retirement obligations and accounting for income taxes as critical accounting policies. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. These policies are summarized in Note 1 of Notes to Consolidated Financial Statements.

New Accounting Standards

Accounting Standards Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU No. 2010-06)

We adopted certain provisions of ASU No. 2010-06 as of January 1, 2010. These provisions require additional disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring additional fair value measurement disclosures. The adoption did not have a material impact on our financial statements or our disclosures, as we did not have any transfers between Level 1 and Level 2 fair value measurements and did not have material classes of assets and liabilities that required additional disclosure.

Certain provisions of ASU No. 2010-06 are effective for fiscal years beginning after December 15, 2010, which for us will be our 2011 first quarter. These provisions of ASU No. 2010-06, which amended Subtopic 820-10, will require us to present as separate line items all purchases, sales, issuances, and settlements of financial instruments valued using significant unobservable inputs (Level 3) in the reconciliation for fair value measurements, whereas currently these are presented in aggregate as one line item. Although this may change the appearance of our reconciliation, we do not believe the adoption will have a material impact on our financial statements or disclosures.

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Accounting Standards Update No. 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU No. 2010-20)

In July 2010, the FASB issued ASU 2010-20. ASU 2010-20 amends disclosure requirements with respect to the credit quality of financing receivables and the related allowance for credit losses. Entities will be required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The disclosures will be effective for financial statements issued for fiscal years ending on or after December 15, 2010. Since ASU 2010-20 will only amend disclosure requirements, not current accounting practice, the Company does not anticipate that adoption of this ASU will have any impact on the Company s balance sheets, statements of income or statements of cash flows.

Trans Energy reviewed all other recently issued, but not yet effective, accounting pronouncements and does not believe any such pronouncement will have a material impact on the financial statements.

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, 2010 and 2009 and for the fiscal years ended December 31, 2010 and 2009 have been audited to the extent indicated in their report by Maloney + Novotny, LLC, independent registered public accounting firm, and have been prepared in accordance with generally accepted accounting principles. 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 Principle Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2010, 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, 2010, 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, 2010 in conformity with U.S. generally accepted accounting principles (GAAP).

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Management s Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Principle Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 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.

Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2010, and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. The results of management s assessment were reviewed with our Board of Directors.

Changes in Internal Control over Financial Reporting

During the period ended, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

None.

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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
John G. Corp	President and Director	February 2005	50
Loren E. Bagley	Vice President and Director	August 1991	68
William F. Woodburn	Secretary / Treasurer Chief Operating Officer and Director	August 1991	68
Lisa A. Corbitt	Chief Financial Officer	N/A	41
Robert L. Richards	Director	September 2001	63
James K. Abcouwer	Director	January 2006	57

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:

John G. Corp became a director on February 28, 2005 and was appointed Vice President of Northern Operations in May 2009. Mr. Corp was then appointed to President in July 2010. 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.

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.

In September 2001, the SEC filed a civil action in the United States District Court for the District of Columbia naming Trans Energy and two directors, Loren E. Bagley and William F. Woodburn. The complaint alleged violations of the anti-fraud and reporting provisions of the federal securities laws in connection with press releases, website postings, and SEC filings. The complaint sought injunctive relief and civil penalties.

On February 26, 2002, the Court entered a permanent injunction against Trans Energy, Mr. Bagley, and Mr. Woodburn, permanently enjoining them from future violations of the Securities Exchange Act of 1934 and certain rules promulgated thereunder. Also, Messrs. Bagley and Woodburn each paid a $20,000 civil penalty. Trans Energy, Mr. Bagley and Mr. Woodburn consented to entry of the permanent injunction and the imposition of civil penalties without admitting or denying the Commission s allegations.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. We believe that these reports were all filed during the fiscal year 2010.

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.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Total Compensation
John G. Corp	2010	$ 100,000		$ 50,875	$ 40,376	$ 191,251
James K. Abcouwer	2010	$ 75,113		$ 343,750	$ 237,488	$ 656,351
	2009	$ 145,200		$ 250,000	$ 181,794	$ 576,994

No other executive officers received cash compensation greater than $100,000 in any of the past three fiscal years.

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

The following table sets forth information, to the best of our knowledge as December 31, 2009, 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 *	3,040,570(2)	23.9%
Robert L. Richards *	458,725(3)	3.6%
Loren E. Bagley *	2,148,246(4)	16.9%
William F. Woodburn *	2,206,786(5)	17.4%
Lisa A. Corbitt *	89,451	1.0%
John G. Corp.*	149,000	1.2%
Mark D. Woodburn	1,293,210(6)	10.2%
All directors and executive officersas a group (7 persons)		74.2%

* Indicates director and/or executive officer at December 31, 2010
(1) Based upon 12,737,328 shares of common stock outstanding.
(2) Includes 1,287,500 shares of common stock held in the name of the Abcouwer Family Limited Partnership Trust.
(3) Includes 80,087 shares held in the name of Argene Richards, wife of Mr. Richards.
(4) Includes 33,543 shares held in the name of Carolyn S. Bagley, wife of Mr. Bagley, over which Mrs. Bagley retains voting power, and 803,372 shares in the name of a corporation in which Mr. Bagley is the President and shareholder.
(5) Includes 332,543 shares in the name of Janet L. Woodburn, wife of Mr. Woodburn, over which shares Mrs. Woodburn retains voting power, and 320,894 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, and 397,100 shares in the name of Meredith Woodburn, wife of Mr. Woodburn, which Mr. Woodburn disavows beneficial ownership or voting power.

Item 13 Certain Relationships and Related Transactions and Director Independence

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 company, on an on-going

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basis at a variable price per month per Mcf. Under its contract with Sancho, Trans Energy has the right to sell natural gas subject to the terms and conditions of a contract, as amended, that Sancho entered into with Dominion Gas in 1988. This agreement is 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. The amount paid to Sancho under this agreement was approximately $3,000 in 2010 and approximately $3,000 in 2009.

On October 6, 2009, our Board of Directors approved a plan to satisfy an immediate cash need of $1,250,000 to settle a disputed invoice for drilling services. The invoice had been held without payment for several months due to a dispute over its amount. Management negotiated a settlement at what it considered a reasonable level and less than the amount previously accrued on October 8, 2009. In order to raise the necessary funds to immediately settle the dispute, the company sold for $321,192 an interest in five shallow wells, which management determined to be non-strategic to the company, to Sancho Oil & Gas Corporation that is principally owned by Loren E. Bagley, a director. In addition, three members of the Board of Directors extended 60-day bridge loans to the company in the aggregate amount of $928,858, evidenced by three secured convertible promissory notes.

The promissory notes, payable on demand, were issued to James K. Abcouwer ($350,000), Robert L. Richards ($100,000), and Loren E. Bagley in the name of Sancho Oil & Gas ($478,858). Each note was secured by shares of the Company s common stock equal to the value of the principle of the note based on the price of $0.65 per share. Interest on each note would be paid at the rate of 1.5% per month if the note were not paid within five days of demand. Each note is also convertible into shares of the Company s common stock, commencing 30 days after issuance, entitling the holder to convert the note into shares of the Company s common stock at the conversion price of $0.65 per share, based on the closing price of $0.60 for the Company s shares in the public market on the date the notes were issued. As provided by the terms of the promissory notes, Mr. Abcouwer converted his note for 538,462 shares of common stock on December 30, 2009, Mr. Richards converted his note for 153,846 shares on January 29, 2010 and Sancho Oil & Gas converted its note for 736,705 shares on February 16, 2010.

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 Accounting 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, 2010 and 2009, 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, 2010 and 2009 were:

	2010	2009
Maloney + Novotny, LLC	$ 123,592	$ 34,862
GBH CPAs, PC		54,500
Total	$ 123,592	$ 89,362

Audit Related Fees

For the years ended December 31, 2010 and 2009, 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:

	2010	2009
Maloney + Novotny, LLC	$	$
GBH CPAs, PC		1,200
Total	$	$ 1,200

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

Maloney + Novotny, LLC billed us $12,533 and GBH CPAs, PC billed us $3,200 for tax fees for the years ended December 31, 2010 and 2009.

All Other Fees

No other fees were billed by the auditors for the years ended December 31, 2010 and 2009.

PART IV

Item 15 Exhibits and Financial Statement Schedules

Exhibit No.	Exhibit Name
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
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	Independent Engineer Resource Report for the year ended December 31, 2010

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANS ENERGY, INC.

By: /s/ JOHN G. CORP
John G. Corp,
President and Principal Executive Officer
Dated: April 14, 2011

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/ JOHN G. CORP John G. Corp	Vice President and Director (Principal Executive Officer)	April 14, 2011
/s/ LISA A. CORBITT Lisa A. Corbitt	Chief Financial Officer	April 14, 2011
/s/ LOREN E. BAGLEY Loren E. Bagley	Vice President and Director	April 14, 2011
/s/ WILLIAM F. WOODBURN William F. Woodburn	Secretary, Treasurer, C.O.O. and Director	April 14, 2011
/s/ ROBERT L. RICHARDS Robert L. Richards	Director	April 14, 2011

TRANS ENERGY, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Trans Energy, Inc.

St. Marys, West Virginia

We have audited the accompanying consolidated balance sheets of Trans Energy, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for the years then ended. 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 audit 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 Trans Energy, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has generated significant losses from operations and has a working capital deficit of $19,699,824 at December 31, 2010, which together raises substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard 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/ Maloney + Novotny, LLC
Maloney + Novotny, LLC
Cleveland, Ohio
April 14, 2011

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TRANS ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash	$ 1,037,941	$ 4,602,170
Accounts receivable, trade	1,195,259	1,370,029
Accounts receivable, related parties	18,500	18,500
Advance royalties	99,381	94,381
Prepaid drilling expenses	825,646	
Accounts receivable due from non-operator, net	82,964	687,515
Note receivable	27,295	289,149
Deferred financing costs, net		105,413
Derivative assets	187,590	227,961
Total Current Assets	3,474,576	7,395,118