

TEXEN OIL & GAS INC
Form 10QSB
February 23, 2004

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **DECEMBER 31, 2003**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____
Commission file number 000-33193

TEXEN OIL & GAS INC.

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

Nevada
(State or other jurisdiction of incorporation or organization)
88-0435904
(IRS Employer Identification No.)
10603 Grant Road Suite 209 Houston, Texas 77070

(Address of principal executive offices)

(832) 237-6053

(Issuer's telephone number)

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

Yes No

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PART I.

Item 1. Financial Statements

Board of Directors
TexEn Oil & Gas, Inc.
West Vancouver, B.C.
Canada

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying consolidated balance sheet of TexEn Oil & Gas, Inc. (formerly Palal Mining Corporation) as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the six months ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended June 30, 2003 were audited by us and we expressed an unqualified opinion on them in our report dated November 5, 2003, but we have not performed any auditing procedures since that date.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's operating losses and significant investment in unproved oil and gas properties raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Williams & Webster, P.S.
Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
February 16, 2004

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
CONSOLIDATED BALANCE SHEETS

	December 31, 2003 (Unaudited)	June 30, 2003
ASSETS		
CURRENT ASSETS		

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Cash	\$	7,604	\$	8,879
Accounts receivable - affiliates		465,222		407,805
Advances receivable from affiliates		805,980		586,110
Accrued oil and gas runs		32,532		74,697
Prepaid insurance		3,032		6,885
Employee advances		1,940		90
		<u>1,316,310</u>		<u>1,084,466</u>
Total Current Assets				
OIL AND GAS PROPERTIES, USING SUCCESSFUL EFFORTS ACCOUNTING				
Proved properties		1,939,834		1,939,950
Leasehold costs		145,264		147,108
Wells, related equipment and facilities		2,337,930		2,333,791
Intangible drilling costs		1,131,337		1,327,073
Less accumulated depreciation, depletion, amortization and impairment		(864,145)		(569,717)
		<u>4,690,220</u>		<u>5,178,205</u>
Net Oil and Gas Properties				
OTHER PROPERTY AND EQUIPMENT				
Machinery and equipment		251,861		263,109
Less accumulated depreciation		(72,273)		(58,883)
		<u>179,588</u>		<u>204,226</u>
Total Other Property and Equipment				
OTHER ASSETS				
Management rights		15		15
		<u>15</u>		<u>15</u>
Total Other Assets				
		<u>15</u>		<u>15</u>
TOTAL ASSETS	\$	<u>6,186,133</u>	\$	<u>6,466,912</u>

See accompanying accountant's review report and notes to interim financial statements.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31,
2003

June 30,

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	(Unaudited)	2003
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 87,976	\$ 74,066
Accounts payable - related party	1,012,098	802,187
Accrued consulting fees - related party	5,000	135,000
Accrued expenses	69,732	111,561
Accrued interest - related party	118,771	22,484
Settlements payable	-	10,750
Advances from affiliates	322,323	-
Notes payable- current portion	1,200,000	1,200,000
	<u>2,815,900</u>	<u>2,356,048</u>
LONG-TERM DEBT		
Loans payable - related party	698,608	560,801
Notes payable - related party	289,988	305,347
	<u>988,596</u>	<u>866,148</u>
COMMITMENTS AND CONTINGENCIES		
	-	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, 100,000,000 shares authorized, \$0.00001 par value; 47,934,310 and 45,184,310 shares issued and outstanding respectively	479	451
Additional paid-in capital	27,511,229	26,214,782
Stock options	240,175	844,150
Accumulated deficit	(25,370,246)	(23,814,667)
	<u>2,381,637</u>	<u>3,244,716</u>
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	<u>2,381,637</u>	<u>3,244,716</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 6,186,133</u>	<u>\$ 6,466,912</u>

See accompanying accountant's review report and notes to interim financial statements.

TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
REVENUES				
Oil and gas sales net of production taxes	\$ 78,780	\$ 92,317	\$ 197,432	\$ 167,965
Drilling revenues	30,595	30,063	144,722	56,581
TOTAL REVENUES	109,375	122,380	342,154	224,546
COST OF REVENUES				
Drilling costs	45,161	30,486	100,390	46,775
GROSS PROFITS FROM DRILLING AND PRODUCTION	64,214	91,894	241,764	177,771
EXPENSES				
Abandoned leasehold	-	-	1,845	-
Impairment of loan	-	-	(5,509)	-
Lease operating	129,534	231,187	324,737	348,186
Intangible drilling	-	7,367	-	15,517
General and administrative expense	40,850	18,368	71,904	24,758
Legal and accounting	24,056	105,125	88,480	160,498
Travel	-	854	313	854
Consulting	592,500	-	647,500	-
Dry hole costs	9,871	10	263,516	417
Depreciation, depletion and amortization	146,016	107,720	307,817	157,722
Stock transfer expenses	25	2,065	90	2,065
TOTAL EXPENSES	942,852	472,696	1,700,693	710,017
OPERATING LOSS	(878,638)	(380,802)	(1,458,929)	(532,246)
OTHER EXPENSES				
Interest expense	(61,863)	(3,382)	(96,650)	(3,708)
LOSS BEFORE INCOME TAXES	(940,501)	(384,184)	(1,555,579)	(535,954)
INCOME TAXES	-	-	-	-

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NET LOSS	\$ (940,501)	\$ (384,184)	\$ (1,555,579)	\$ (535,954)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, BASIC AND DILUTED	46,203,754	44,549,422	45,737,510	44,999,151

See accompanying accountant's review report and notes to interim financial statements.

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TEXEN OIL & GAS, INC.

(Formerly Palal Mining Corporation)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Stock Options	Accumulated Deficit	Total
Balance, June 30, 2002	45,448,879	\$ 454	\$ 380,773	\$ -	\$ (395,417)	\$ (14,190)
Common stock issued for acquisition of subsidiaries at \$0.97 to \$1.40 per share	22,885,381	229	23,349,622	-	-	23,349,851
Common stock issued for acquisition of management rights of related entity at par value	1,500,000	15	-	-	-	15
Common stock issued for assignments of working interests and net revenue interests at \$1.06 per share	2,338,000	23	2,484,117	-	-	2,484,140

Rescission of common stock						
by officer at par value	(26,987,950)	(270)	270	-	-	-
Options issued to officers for services	-	-	-	748,975	-	748,975
Options issued to consultant for services	-	-	-	95,175	-	95,175
Net loss for the year ending June 30, 2003	-	-	-	-	(23,419,250)	(23,419,250)
Balance, June 30, 2003	45,184,310	451	26,214,782	844,150	(23,814,667)	3,244,716
Issuance of common stock as follows:						
for exercise of options and accrued consulting to officer at \$0.10 per share	1,000,000	10	753,790	(653,800)	-	100,000
for exercise of options for consulting at an average of \$0.27 per share	1,750,000	18	447,482	-	-	447,500
Issuance of options for consulting fees	-	-	-	145,000	-	145,000
Recession of options granted to officer for services	-	-	95,175	(95,175)	-	-
Net loss for the six months ended December 31, 2003	-	-	-	-	(1,555,579)	(1,555,579)

Balance, December 31,
2003

(Unaudited)	47,934,310	\$	479	\$	27,511,229	\$	240,175	\$	(25,370,246)	\$	2,381,637
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See accompanying accountant's review report and notes to interim financial statements.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31,	
	2003 (Unaudited)	2002 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,555,579)	\$ (535,954)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock issued for consulting fees	547,500	-
Options issued for consulting fees	145,000	-
Dry hole costs	197,696	
Depreciation, depletion and amortization	307,817	157,722
Decrease (increase) in:		
Accounts receivable - affiliates	(57,417)	(12,164)
Advances receivable - affiliates	(219,870)	(135,435)
Accrued oil and gas runs	42,165	(14,383)
Prepaid insurance	3,853	(2,140)
Employee advances	(1,850)	10
(Decrease) increase in:		
Accounts payable	13,910	212,116
Accounts payable - affiliates	209,911	181,782
Accrued consulting - related party	(130,000)	-
Accrued expenses	(41,829)	6,944
Accrued interest - related party	96,287	3,538
Net cash used by operating activities	(442,406)	(137,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of wells, related equipment and facilities	(4,139)	-
Insurance proceeds for equipment	11,248	-

Net cash used by investing activities	7,109	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates	322,323	-
Settlements payable	(10,750)	-
Proceeds from loan payable - related party	137,808	129,988
Proceeds from related party payable	(15,359)	10,000
Payments to related party payable	-	(633)
Net cash provided (used) by financing activities	434,022	139,355
Net increase (decrease) in cash	(1,275)	1,391
CASH, beginning of period	8,879	-
CASH, end of period	\$ 7,604	\$ 1,391
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
NON-CASH TRANSACTIONS:		
Stock issued for acquisition of subsidiaries	\$ -	\$ 27,127,176
Stock issued for acquisition of management rights	\$ -	\$ 1,500,000
Stock issued for acquisition of working interest and net revenue interest	\$ -	\$ 2,484,140
Stock issued for consulting fees	\$ 547,500	\$ -
Options issued for consulting fees	\$ 145,000	\$ -
Loan payable - related party for payment of delinquent note payable	\$ 1,200,000	\$ -

See accompanying accountant's review report and interim notes to the financial statements.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

TexEn Oil & Gas, Inc. (formerly Palal Mining Corporation) (hereinafter "TexEn" or "the Company") filed for incorporation on September 2, 1999 under the laws of the State of Nevada primarily for the purpose of acquiring, exploring, and developing mineral properties. The Company changed its name from Palal Mining Corporation to

TexEn Oil & Gas, Inc. on May 15, 2002 upon obtaining approval from its shareholders and filing an amendment to its articles of incorporation. The Company shall be referred to as "TexEn" or "TexEn Oil & Gas, Inc." even though the events described may have occurred while the Company's name was Palal Mining Corporation. The Company's fiscal year end is June 30.

On July 1, 2002, TexEn developed a plan for acquisition, development, production, exploration for, and the sale of, oil, gas and natural gas liquids and accordingly ended its exploration stage as a mineral properties exploration company. The Company sells its oil and gas products primarily to domestic pipelines and refineries. These acquisitions were accounted for using the purchase method. Prior to this, TexEn conducted its business as an exploration stage company, meaning that it intended to acquire, explore and develop mineral properties.

The Company's wholly owned subsidiaries consist of Texas Brookshire Partners, Inc. ("Brookshire"), Texas Gohlke Partners, Inc. ("Gohlke"), Brookshire Drilling Services, Inc. ("Drilling"), Yegua, Inc. ("Yegua") and BWC Minerals, LLC ("BWC").

Texas Brookshire Partners, Inc.

On July 15, 2002, the Company issued 15,376,103 shares of its common stock in exchange for all the common stock of Texas Brookshire Partners, Inc. ("Brookshire"). Common stock issued and outstanding was not affected because of a major shareholder rescinding shares of stock equal in number to the shares of stock issued for this acquisition. This transaction was considered to be with a related party as Brookshire's president is also a shareholder of TexEn. The Company recognized an increase of \$8,107,131 in unproved properties due to the value of TexEn stock given to non-affiliated shareholders exceeding the carryover basis by that amount. The market value of TexEn Oil and Gas, Inc. common stock was \$1.40 on July 15, 2002. Non-affiliates represented 77% of these shareholders while affiliates and promoters represented 23% of the shareholders. The nonaffiliated shares represented \$16,575,439 at the value of the stock and the affiliated shareholders represented \$739,064 at their basis. Liabilities assumed, including accounts payable and payable to related party, totaled \$153,988 as of July 15, 2002. Brookshire's major assets consist of a 77.75% working interest ownership in approximately 1,440 gross leasehold acres and 550 net leasehold acres located in the Brookshire Dome Field of Waller County, Texas. This working interest ownership position consists of various interests in 26 wells drilled to date and one water injection well. Brookshire plans additional development before expiration of the leasehold. As of June 30, 2003, the Company impaired assets acquired in this transaction as described in Note 12.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS (continued)

Brookshire Drilling Service, L.L.C.

On July 26, 2002, the Company entered into an agreement to acquire all of the outstanding common stock of Brookshire Drilling Service, L.L.C. ("Drilling") in exchange for 1,400,000 shares of the Company's common stock. The transaction was valued at the fair market value of the Company's common stock on the date of acquisition. Drilling's major assets consist of oil and gas drilling equipment and related transportation equipment. Drilling

conducts business as a well service provider including, workover units for completed wells.

Yegua, Inc.

On July 22, 2002, the Company issued 373,847 shares of its common stock in exchange for all of the common stock of Yegua, Inc. (hereinafter "Yegua"). This transaction was valued at \$486,001, which represents the fair market value of the Company's common stock on the transaction date. Yegua's major asset consists of a 1.95% working interest in the Brookshire Dome Field. As of June 30, 2003, the Company impaired assets acquired in this transaction as described in Note 12.

Texas Gohlke Partners, Inc.

On September 18, 2002, the Company purchased Texas Gohlke Partners, Inc. ("Gohlke") in exchange for 4,000,000 shares of TexEn Oil & Gas, Inc.'s restricted common stock. Common stock issued and outstanding was not affected because of a major shareholder rescinding shares of stock equal in number to the shares of stock issued for this acquisition. The transaction is considered to be with a related party as Gohlke's president and principal shareholder is also a shareholder of TexEn. The Company recognized an increase of \$456,805 in unproved properties due to the value of TexEn stock given to non-affiliated shareholders exceeding the carryover basis by that amount. The market value of TexEn Oil & Gas, Inc. common stock was \$0.97 on September 18, 2002. The Company issued 4,000,000 shares of common stock as part of this acquisition. Non-affiliates represented 51% of these shareholders while affiliates and promoters represented 49% of the shareholders. The nonaffiliated shares represented \$1,978,800 at the value of the stock and affiliated shareholders represented \$459,374 at their basis. Liabilities assumed, including accounts payable totaled \$120,000 as of September 18, 2002. Gohlke's major assets consists of a 100% working interest and a 70% net revenue interest in the Helen Gohlke Field located in Victoria and DeWitt Counties, Texas. This working interest ownership position consists of various interests in 60 wells, which have been drilled to date. Gohlke plans additional development before expiration of the leasehold. As of June 30, 2003, the Company impaired assets acquired in this transaction as described in Note 12.

BWC Minerals, L.L.C.

On February 27, 2003, the Company purchased BWC Minerals, L.L.C. ("BWC") in exchange for 1,735,431 shares of TexEn Oil & Gas, Inc.'s restricted common stock. The transaction was valued at \$1,943,582, which represents the fair market value of the Company's common stock on

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

BWC Minerals, L.L.C. (continued)

)
the transaction date. BWC's major asset consists of a 6.15% working interest in the Brookshire Dome Field. As of June 30, 2003, the Company impaired assets acquired in this transaction as described in Note 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Exploration Stage Activities

The Company entered the exploration stage upon its formation in September 1999 and in this stage realized no revenues from its planned operations. It was primarily engaged in the acquisition, exploration and development of mining properties. In July 2002, the Company developed a plan for acquisition, development, production, exploration for, and the sale of, oil, gas and natural gas liquids and accordingly ended its exploration stage as a mineral properties exploration company.

The Company was considered to have been in the exploration stage from its formation through June 30, 2002. The year ended June 30, 2003 was the first period during which it is considered an operating company.

Cash and Cash Equivalents

For purposes of its statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts for cash, accounts receivable, accrued oil and gas runs, accounts payable, accrued liabilities and loans and notes payable approximate their fair value.

Exploration Costs

In accordance with accounting principles generally accepted in the United States of America, the Company expenses exploration costs of mineral properties as incurred.

Stock Split and Stock Dividends

All share and loss per share information has been restated for a stock dividend in 2002 which was treated as a stock split. See Note 3.

Compensated Absences

The Company's policy is to recognize the cost of compensated absences when earned by employees. If the amount were estimatable, it would not be currently recognized as the amount would be deemed immaterial.

Basic and Diluted Loss Per Share

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Outstanding options were not included in the computation of net loss per share because they would be antidilutive.

Property and Equipment

Wells and related equipment and facilities, support equipment and facilities and other property and equipment are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from five to ten years. Depreciation amounted to \$164,237 and \$45,552, respectively, for the periods ended December 31, 2003 and 2002.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001, with earlier application encouraged. The Company adopted SFAS No. 144 during the year ended June 30, 2002 and during the year ending June 30, 2003, impaired a significant

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

amount of its assets under this standard. See Note 12. At December 31, 2003, management determined that there was no further impairment to the assets of the Company.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 establishes guidelines related to the retirement of tangible long-lived assets of the Company and the associated retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. This statement is effective for financial statements issued for the fiscal years beginning after June 15, 2002 and with earlier application encouraged. The Company adopted SFAS No. 143 which did not impact the financial statements of the Company at December 31, 2003.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At December 31, 2003 and June 30, 2003, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and Gas Properties

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

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

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

On the sale of an entire interest in an unproved property, gain or loss on the sale is recorded, with recognition given to the amount of any recorded impairment if the property has been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Capitalized Interest

The Company capitalizes interest on expenditures for significant exploration and development projects while activities are in progress to bring the assets to their intended use. No amounts of interest were capitalized in the periods ended December 31, 2003 and 2002.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset. See Note 13.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

As shown in the accompanying financial statements, the Company has negative working capital and has sustained losses since inception. In addition, the Company has experienced significant impairment of proved and unproved oil and gas properties and leasehold costs of oil and gas producing properties. These unproved oil and gas properties were acquired by the issuance of common stock as part of the \$25,833,991 of acquisitions based upon basis and common stock values when issued during the year ended June 30, 2003. The future of the Company is dependent upon its ability to obtain financing and upon future successful explorations for and profitable operations from the development of oil and gas properties.

Management has plans to seek additional capital through a private placement at market value and public offering of its common stock as well as obtaining additional financing in the form of loans. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Environmental Remediation and Compliance

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect other companies' clean-up experience and data released by the Environmental Protection Agency (EPA) or other organizations. Such estimates are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. At June 30, 2003, the Company accrued \$10,750 for compliance with environmental regulations, which was paid during the six months ended December 31, 2003.

Recoveries are evaluated separately from the liability and when recovery is assured the Company records and reports an asset separately from the associated liability.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The financial statements include those of TexEn Oil & Gas, Inc., Texas Brookshire Partners, Inc., Texas Gohlke Partners, Inc., Brookshire Drilling Services, L.L.C., Yegua, Inc., and BWC Minerals, L.L.C. All significant inter-company accounts and transactions have been eliminated.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. At December 31, 2003, the Company determined that there was no impact to the adoption of this statement.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 has not impacted the financial position or results of operations of the Company.

Revenue Recognition

Oil and gas revenues are recorded using the sales method. Under this method, the Company recognizes revenues based on actual volumes of oil and gas sold to purchasers.

Accounts Receivable

The Company carries its accounts receivable at cost. On a periodic basis, the Company evaluates its accounts receivable and writes off receivables that are considered uncollectible.

The Company's policy is to accrue interest on trade receivables 30 days after invoice date. A receivable is considered past due if payments have not been received by the Company within 90 days of invoicing. At that time, the Company will discontinue accruing interest and pursue collection. If a payment is made after pursuing collection, the Company will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as uncollectible if no payments are received within 90 days after initiating collection efforts.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable (continued)

Accrued oil and gas runs consist of amounts due as of December 31, 2003 and June 30, 2003, but not collected until January 2004 and July 2003, respectively.

NOTE 3 - COMMON STOCK

Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (hereinafter "SFAS No. 148"). SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement effective for financial statements for fiscal years ending after December 15, 2002, are not expected to impact the Company's financial statements. The Company currently reports stock issued to employees under the rules of SFAS No. 123. Accordingly, there is no change in disclosure requirements due to SFAS No. 148.

During the six months ended December 31, 2003, a former officer, to whom options with a fair market value of \$653,800 had been previously issued, exercised the options and purchased 1,000,000 shares of common stock. The exercise price of the stock of \$100,000 was exchanged for accrued consulting fees due to this former officer. In addition, the Company issued 1,750,000 shares of common stock from exercised options for \$592,500 in consulting fees.

During the year ended June 30, 2003, the Company issued 22,885,381 shares of its common stock for acquisition of its fully owned subsidiaries. In addition, the Company had the following issuances of common stock: 1,500,000 shares of its common stock to Sanka, L.L.C. ("Sanka") in exchange for the management rights of Sanka, L.L.C.; 588,000 shares of its common stock in exchange for an assignment of a 98% working interest in, and a 75% net revenue interest in approximately 255.21 gross leasehold acres and net leasehold acres in a certain oil and gas lease located in Concho County, Texas; 500,000 shares of its common stock in exchange for the conveyance of a 100% working interest with a 75% net revenue interest in and to the leasehold ownership at the Trull Heirs #1 well bore located in Calhoun County, Texas; and 1,250,000 shares of its common stock in exchange for a 5% working interest in the Brookshire Dome Field located in Waller County, Texas.

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TEXEN OIL & GAS, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 3 - COMMON STOCK (continued)

The shares issued in acquisitions were valued at their fair market value on the date of issuance, except for shares issued to affiliates which were valued at the carryover basis in the assets acquired. (See Note 1.) A major shareholder of the Company rescinded 26,987,950 shares of the Company's common stock in order to prevent dilution of stockholders' interest, from these issuances. The rescission of these shares was recorded at the stock's par value.

NOTE 4 - RELATED PARTIES

Three stockholders of the Company have advanced monies to the Company for operating expenses. These advances are uncollateralized and recorded as long-term debt, bearing no interest and having no specific due date.

During the six months ended December 31, 2003, the Company converted its past due note with Mathon Fund, LLC in the amount of \$1,200,000 to a loan payable to a related party. See Note 6.

In February 2003, the Company entered into a consulting agreement with Woodburn Holdings Ltd. ("Woodburn") which was made effective June 1, 2002 and calls for monthly consulting fees in the amount of \$15,000. Under terms of this agreement, Woodburn's designated consultant provides managerial, administrative and other services as the Company's chief executive officer. Although the consulting agreement had an original length of eighteen months, the agreement was rescinded in October 2003. In December 2003, Woodburn entered into a new agreement to advise the Company in its oil and gas operations. The agreement is for a period of one year, with successive six-month renewable terms by mutual agreement of the parties. Options to purchase 250,000 shares of common stock were given as compensation and exercised. See Note 11.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Regulatory Issues

The oil and gas exploration and development industry is inherently speculative and subject to complex environmental regulations. As of June 30, 2003, the Company accrued \$10,750 as a settlement loss for environmental cleanup as assessed by the Texas Railroad Commission. This amount was paid during the six months ended December 31, 2003. The Company is unaware of any other pending litigation or of past or prospective environmental matters which could impair the value of its properties.

Farmout Agreements

During the year ended June 30, 2003, the Company entered into agreements to commence drilling or reworking of wells in its Brookshire Dome Field, Waller County, Texas, and its Helen Gohlke Field, Victoria County, Texas. The agreements enable the farmee to earn assignments of all rights, title and interest in and to a defined radius around successful wells drilled on the farmout acreage with the Company retaining overriding royalties after payout of initial test wells. Three of these agreements have expired with no further action required.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Consulting Agreements

During the six months ended December 31, 2003, the Company entered into a consulting agreement with Pinnacle Research and Consulting Group Ltd. ("Pinnacle") to provide consulting services for oil and gas operations. This

agreement became effective December 18, 2003 and options to acquire 500,000 shares of common stock were given as compensation and exercised. See Note 11.

During the six months ended December 31, 2003, the Company entered into a consulting agreement with Woodburn Holdings Ltd. ("Woodburn") to provide consulting services for oil and gas operations. This agreement became effective December 12, 2003 and options to acquire 250,000 shares of common stock were given as compensation and exercised. See Note 11.

During the year ended June 30, 2003, the Company appointed Westport Strategic Partners, Inc. ("Westport") as a consultant to provide an independent research report written by a qualified certified financial advisor to be distributed to broker dealers, institutions or micro and small-cap funds. The consulting agreement further provides for consultation on shareholder relations, assistance in distribution of an updated current corporate profile and other financial information and to analyze stock movement. This agreement became effective on February 25, 2003 and calls for monthly payments in the amount of \$3,500. As of December 31, 2003 and June 30, 2003, the Company has paid \$14,000 related to this agreement.

In February 2003, the Company entered into a consulting agreement with Woodburn Holdings Ltd. ("Woodburn") effective June 1, 2002 which calls for monthly consulting fees in the amount of \$15,000. Under terms of this agreement, Woodburn's designated consultant provides managerial, administrative and other services as the Company's chief executive officer. The consulting agreement is effective for eighteen months. See Note 4. In the attached financial statements, the Company has recorded \$5,000 and \$135,000 as accrued consulting fees - related party at December 31, 2003 and June 30, 2003, respectively. This agreement was terminated during October 2003.

Leases

The Company has a lease on office space requiring payments of \$5,584 every six months, which is accounted for as an operating lease.

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TEXEN OIL & GAS, INC.
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NOTE 6 - NOTES PAYABLE

At December 31, 2003 and June 30, 2003 the Company's notes payable consisted of the following:

	<u>December 31, 2003</u>	<u>June 30, 2003</u>
Tatiana Golovina, (an officer and shareholder of the Company), unsecured, interest at 10%, due on February 14, 2004	\$ 139,988	\$ 155,347
Tatiana Golovina, (an officer and shareholder of the Company), unsecured, interest at 10%,		

dated September 17, 2002, due on September 17, 2004	150,000	150,000
Tatiana Golovina, (an officer and shareholder of the Company), unsecured, interest at 18%, dated August 15, 2003, due on demand	1,200,000	-
Mathon Fund I, LLC, secured by deed of trust on real property and personal guarantee, finance charges in the amount of \$785,000 included in principal, original agreements dated January 31, 2003 and February 7, 2003, extended on April 28, 2003, due on August 15, 2003, delinquent	-	1,200,000
Total	\$ 1,489,988	\$ 1,505,347
Less current portion of notes payable	1,200,000	1,200,000
Total long term portion	\$ 289,988	\$ 305,347

NOTE 7 - MANAGEMENT RIGHTS

On August 10, 2002, the Company issued 1,500,000 shares of its common stock to Sanka, L.L.C. ("Sanka") in exchange for the management rights of Sanka, L.L.C., a Texas limited liability company, which is owned by a shareholder of the Company. A second Company shareholder, who is the manager of Sanka L.L.C., rescinded 1,500,000 shares of his common stock, at par value, upon completion of this transaction. The Company accounted for this transaction by using the par value of the Company's common stock. During the year ended June 30, 2003, Sanka, L.L.C. acquired Chief Operating Company ("Chief") and Tiger Operating Company ("Tiger") as wholly owned subsidiaries. Chief and Tiger are the operators of the oil and gas properties held by the Company and its wholly owned subsidiaries.

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TEXEN OIL & GAS, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 8 - OIL AND GAS PROPERTIES

The Company's oil and gas producing activities are subject to laws and regulations controlling not only their exploration and development, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays, affect the economics of a project, and cause changes or delays in the Company's activities. The Company's oil and gas properties are valued at the lower of cost or net realizable value.

Brookshire Dome Field

During the year ended June 30, 2003, the Company acquired a 77.75% working interest ownership in approximately 1,440 gross leasehold acres and 550 net leasehold acres located in the Brookshire Dome Field of Waller County, Texas through acquisition of Texas Brookshire Partners, Inc. as a wholly owned subsidiary. The Company also acquired an additional 5% working interest ownership in this field through the issuance of 1,250,000 shares of its common stock, and another 8.70% working interest ownership in this field through the acquisition of BWC Minerals, L.L.C. as a wholly owned subsidiary. As of December 31, 2003, the Company has effectively acquired a total working interest of 91.45% in this field. (See Note 3.) This working interest ownership position consists of 26 wells drilled to date and one water injection well.

Brookshire plans to drill additional developmental wells on the existing Brookshire leasehold acreage and to purchase, farm-in or participate in the acquisition of additional leasehold acreage on which to drill more wells. At the present time, Brookshire has not targeted any new oil and gas leases for acquisition, however, Brookshire intends to acquire additional oil and gas leases from other entities which own mineral rights.

Helen Gohlke Field

During the year ended June 30, 2003, the Company acquired a 100% working interest and a 70% net revenue interest in the Helen Gohlke Field located in Victoria and DeWitt Counties, Texas through acquisition of Texas Gohlke Partners, Inc. as a wholly owned subsidiary. This field comprises approximately 4,800 gross and net leasehold acres which are located under nine different oil, gas and mineral leases in Victoria and DeWitt Counties, Texas. Over 60 wells have been drilled in this field, with 7 wells currently producing. Gohlke intends to drill and develop seismic leads from this field within the next few months.

Other Oil and Gas Properties

On September 23, 2002, the Company issued 588,000 shares of its common stock to Sanka, Ltd. ("Limited") in exchange for an assignment from Sanka Exploration Company ("Exploration") of a 98% working interest in, and a 75% net revenue interest in approximately 255.21 gross leasehold acres and net leasehold acres in a certain oil and gas lease located in Concho County, Texas.

On September 21, 2002, the Company issued 500,000 shares of its common stock as consideration for the conveyance of the 100% working interest with a 75% net revenue royalty interest in and to the leasehold ownership at the Trull Heirs #1 well bore located in Calhoun County, Texas. These transactions were valued at the fair market value of the Company's common stock on the date of the acquisitions.

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TEXEN OIL & GAS, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 9 - OIL AND GAS PRODUCING ACTIVITIES

The Securities and Exchange Commission defines proved oil and gas reserves as those estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recovered in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing

equipment and operating methods.

Natural gas reserves and petroleum reserves are estimated by independent petroleum engineers. The estimates include reserves in which TexEn and its wholly owned subsidiaries hold an economic interest under lease and operating agreements.

Reserves attributable to certain oil and gas discoveries are not considered proved as of June 30, 2003 due to geological, technical or economic uncertainties. Proved reserves do not include amounts that may result from extensions of currently proved areas or from application of enhanced recovery processes not yet determined to be commercial in specific reservoirs.

TexEn and its subsidiaries have no supply contracts to purchase petroleum or natural gas from foreign governments.

The changes in proved developed and undeveloped reserves for the quarter ended December 31, 2003 and the year ended June 30, 2003 were as follows:

	Petroleum Liquids (barrels) United States	Natural Gas (MCF) United States
Reserves at July 1, 2002	-	-
Purchases	506,543	409,501
Revisions of previous estimates	(348,950)	(135,684)
Sales	(18,316)	(25,711)
Reserves at June 30, 2003	139,277	248,106
Reserves at July 1, 2003	139,277	248,106
Purchases	-	-
Sales	(6,119)	(8,245)
Reserves at December 31, 2003	133,158	239,861

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TEXEN OIL & GAS, INC.
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NOTE 9 - OIL AND GAS PRODUCING ACTIVITIES (Continued)

The aggregate amounts of capitalized costs relating to oil and gas producing activities and the related accumulated depreciation, depletion and amortization as of December 31, 2003 and June 30, 2003 were as follows:

December 31, 2003

June 30, 2003

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Proved properties	\$ 1,939,834	\$ 1,939,950
Leasehold costs	145,264	147,108
Wells, related equipment and facilities	2,337,930	2,333,791
Intangible drilling costs	1,131,337	1,327,073
Accumulated depreciation, depletion and amortization	(864,145)	(569,717)
Total capitalized costs	<u>\$ 4,690,220</u>	<u>\$ 5,178,205</u>

Costs, both capitalized and expensed, incurred in oil and gas-producing activities during the quarters ended December 31, 2003 and 2002 are set forth below. Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activity and drilling exploratory wells. Development costs include costs of drilling and equipping development wells and construction of production facilities to extract, treat and store oil and gas.

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Property acquisition costs:		
Proved properties	\$ -	\$ 122,314
Unproved properties	-	-
Exploration costs	263,516	-
Development costs	-	-
Total expenditures	<u>\$ 263,516</u>	<u>\$ 122,314</u>

As of December 31, 2003, exploration costs of \$263,516 were deemed to be associated with a dry hole and were charged to operations.

Results of operations for oil and gas producing activities (including operating overhead) for the six months ended December 31, 2003 and 2002 were as follows:

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TEXEN OIL & GAS, INC.
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December 31, 2003

NOTE 9 - OIL AND GAS PRODUCING ACTIVITIES (Continued)

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Revenues	\$ 207,003	\$ 167,965
Exploration expenses	263,516	-
Production and property taxes	9,572	3,614
Depreciation, depletion and amortization	294,427	157,722

Other operating expenses	324,737	348,186
Oil and gas leases	1,845	-
	<u> </u>	<u> </u>
Loss before income taxes	(687,094)	(337,943)
Income tax expense	-	-
	<u> </u>	<u> </u>
Loss on operations from oil and gas producing activities	\$ (687,094)	\$ (337,943)

The standardized measure of discounted estimated future net cash flows related to proved oil and gas reserves at December 31, 2003 was as follows:

Future cash flows	\$ 3,600,000
Future development and production costs	(1,200,000)
Future income tax expense	(350,000)
	<u> </u>
Future net cash flows	2,050,000
10% annual discount	(155,000)
	<u> </u>
Standardized measure of discounted future net cash flows	\$ 1,895,000

Future net cash flows were computed using year-end prices and gas to year-end quantities of proved reserves. Future price changes are considered only to the extent provided by contractual arrangements. Estimated future development and production costs are determined by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. Estimated future income tax expense is calculated by applying year-end statutory tax rates (adjusted for permanent differences and tax credits) to estimated future pretax net cash flows related to proved oil and gas reserves, less the tax basis of the properties involved.

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TEXEN OIL & GAS, INC.
(Formerly Palal Mining Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

NOTE 9 - OIL AND GAS PRODUCING ACTIVITIES (Continued)

These estimates are furnished and calculated in accordance with requirements of the Financial Accounting Standards Board and the Securities and Exchange Commission, and do not represent management's assessment of future profitability or future cash flows to TexEn. Management's investments and operating decisions are based on reserves estimated that include proved reserves prescribed by the SEC as well as probable reserves, and on different price and cost assumptions from those used here.

It should be recognized that applying current costs and prices and a 10% standard discount rate does not convey absolute value. The discounted amounts arrived at are only one measure of the value of proved reserves.

NOTE 10 - CONCENTRATION OF RISK

The Company derives its sales and accounts receivable from primarily two affiliated customers and these receivables are not collateralized. At December 31, 2003 and June 30, 2003, the Company's accounts receivable from these customers totaled \$465,222 and \$407,805, respectively.

NOTE 11 - STOCK OPTIONS

During the six months ended December 31, 2003, the Company granted 2,250,000 options of which 1,750,000 were immediately exercised. The remaining 500,000 stock options were granted at the par value of the stock. These options were granted for consulting services and were valued at the fair market value at the date of grant.

In April 2003, the Company adopted the 2003 Nonqualified Stock Option Plan of TexEn Oil & Gas, Inc. (the "Plan") under which 5,000,000 shares of common stock are available for issuance with respect to awards granted to officers, directors, management and other employees of the Company and/or its subsidiaries.

The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used during the year ended June 30, 2003: dividend yield of zero percent; expected volatility of one hundred and fifty eight percent; risk-free interest rate of four percent. The weighted average fair value at date of grant for options granted to an officer in the year ended June 30, 2003 was \$0.65 per option. The weighted average fair value at date of grant for options granted to an officer and a consultant for the year ended June 30, 2003 was \$0.38 per option. The Company had no options during the year ended June 30, 2002. Compensation cost charged to operations was \$844,150 during the year ended June 30, 2003.

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TEXEN OIL & GAS, INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

NOTE 11 - STOCK OPTIONS (Continued)

Following is a summary of the status of these performance-based options during the year ended June 30, 2003 and the six months ended December 31, 2003:

	Number of Shares	Weighted Average Exercise Price per share
	<u> </u>	<u> </u>
Outstanding at June 30, 2002		
Granted	1,500,000	0.10
Exercised, expired or forfeited	-	-
Outstanding at June 30, 2003	1,500,000	\$ 0.10
Options exercisable at June 30, 2003	1,500,000	\$ 0.10
Weighted average fair value of options granted during the year ended June 30, 2003	\$ 0.56	
Outstanding at June 30, 2003	1,500,000	\$ 0.10
Granted	2,250,000	0.26
Exercised	(2,750,000)	0.19

Expired or forfeited	(250,000)	0.10
Options exercisable at December 31, 2003	750,000	\$ 0.22

The following is a summary of the Company's open stock option plans:

Equity compensation plans not approved by security holders	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
2003 Stock Option Plan	750,000		1,500,000
Total	750,000	\$0.22	1,500,000

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TEXEN OIL & GAS, INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

NOTE 12 - IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Corporation recorded in 2003 an impairment loss on its oil and gas proved and unproved properties and its leasehold costs of oil and gas producing properties. The engineering reports on the oil and gas properties indicated that the undiscounted future cash flows from these properties would be less than the carrying value of the long-lived assets. The engineer reports also indicated that net leasehold acreage did not support the value carried by the Company. Accordingly, during the year ended June 30, 2003, the Company recognized an asset impairment loss of \$20,407,559 (\$0.46 per share). This loss was the difference between the carrying value of the oil and gas properties and the fair value of these properties based on discounted estimated future cash flows.

NOTE 13 - INCOME TAXES

At December 31, 2003 and June 30, 2003, the Company had net deferred tax assets of approximately \$1,196,500 and \$778,000, respectively, as calculated at projected income tax rates of 34%. The deferred tax assets are principally derived from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been recorded at December 31, 2003 and June 30, 2003. The significant components of the deferred tax assets at December 31, 2003 and June 30, 2003 are as follows:

	December 31, 2003	June 30, 2003
Net operating loss carryforward before adjustments	\$ 3,659,393	\$ 23,541,000
Less:		

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Stock options issued under a non-qualified plan	(240,175)	(844,150)
Stock options exercised - tax basis	100,000	-
Impairment of assets	-	(20,407,559)
	<hr/>	<hr/>
Effective net operating loss carryforward	3,519,218	2,289,291
Expected tax rate	34%	34%
	<hr/>	<hr/>
Deferred tax asset	1,196,500	778,000
Deferred tax asset valuation allowance	(1,196,500)	(778,000)
	<hr/>	<hr/>
Deferred tax asset after valuation allowance	\$ -	\$ -
	<hr/>	<hr/>

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TEXEN OIL & GAS, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - INCOME TAXES (Continued)

At December 31, 2003 and June 30, 2003, the Company has net operating loss carryforwards of approximately \$3,519,218 and \$2,289,291, respectively, which expire in the years 2020 through 2024. The net operating loss carryforwards could be limited due to a change in ownership. The Company recognized approximately \$240,175 for stock options during the six months ended December 31, 2003 and \$844,150 for stock options and \$20,407,559 in asset impairment during the year ended June 30, 2003, which were not deductible for tax purposes and are not deductible in the above calculation of the deferred tax asset. The net change is the deferred asset valuation allowance for the period ended December 31, 2003 was \$418,500.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This discussion includes a number of forward looking statements that reflect our current views with respect to future events and financial performance. Forward looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward looking statements, which apply only as of the date of this discussion. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

Factors that may affect such forward-looking statements include, but are not limited to:

- 1) The Company's ability to generate additional capital to complete its planned drilling and exploration activities;
- 2) Risks inherent in oil and gas acquisitions, exploration, drilling, development and production;
- 3) Oil and natural gas prices;
- 4) Competition from other oil and gas companies;
- 5) Shortages of equipment, services and supplies;
- 6) General economic, market or business conditions;
- 7) Economic, market or business conditions in the oil and gas industry and in the energy business generally;
- 8) Environmental matters;
- 9) Financial condition and operating performance of the other companies participating in the exploration, development and production of oil and gas ventures that we are involved in. In addition, the Company may be in position to control costs, safety and timeliness of work as well as other critical factors affecting a producing well or exploration and development activities.

We are in an early stage of development with a few proven properties currently producing. Most of our properties are still awaiting additional exploration and development work. For the second quarter ending December 31, 2003, we had \$78,780 in total revenues.

Our auditors have issued a going concern opinion. This means that our auditors believe there is doubt that we can continue as an on-going business for the next twelve months unless we obtain additional capital to pay our bills. This is because we have generated limited revenues and expected revenues during the ensuing period are subject to fluctuation based on the availability of additional capital necessary in order to fully exploit the unproven potential of

our oil and gas portfolio. Accordingly, we must raise cash from sources other than from the sale of oil and gas as found on our properties. Our only other source for cash at this time is investments by others in our company or capital contributions by our sole officer and director. We must raise cash to implement our projects and stay in business. One stockholder has advanced \$289,988 for operating expenses. The advances have been booked as long-term debt, bearing no interest and having no specific due date.

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Limited Operating History: Need for Additional Capital

We have limited oil & gas production that has yet to achieve predictable sustained profitable production from operations. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in an oil and gas business enterprise, including limited capital resources, possible delays in the exploration of our properties and fluctuations in oil & gas sales and prices.

To become profitable and competitive, we need to fully exploit the undeveloped potential of our exploration properties. If successful, additional funds will be required in order to complete successful wells and place them on production. We are continually seeking equity financings to provide for our capital requirements in order to implement our exploration plans, however, we have been only successful in receiving advances from the three shareholders named above..

We have no assurances that future financings will be available to us on acceptable terms. If financings are not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financings could result in additional dilution to existing shareholders.

Results from Operations

Overview

Our source of operating revenue is from the sale of produced oil, natural gas, and natural gas liquids. The level of our revenues and earnings are affected by prices at which natural gas, oil and natural gas liquids are sold. Therefore, our operating results for any prior period are not necessarily indicative of future operating results because of fluctuations in price and production levels.

Oil and Gas

Operating statics for oil and gas production for the periods presented are as follows:

	For the Three Months Ended December 31, 2003	For the Three Months Ended December 31, 2002	For the Six Months Ended December 31, 2003	For the Six Months Ended December 31, 2002
Production:				
Oil (bbls)	2,557	3,527	6,135	6,758
Gas (mcf)	2,524	3,100	8,245	4,678
Average Sales Price:				
Oil (per bbl)	28.68	25.43	28.29	24.49
Gas (per mcf)	3.58	3.04	4.06	2.22

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Operating Margins				
Revenue				
Oil	73,335	89,672	173,522	165,499
Gas	9,034	9,410	33,481	10,367
Drilling	20,595	30,063	144,722	56,581
Total Revenue	112,964	129,145	351,725	232,447
Costs				
Drilling Costs	45,161	30,486	100,390	46,775
Lifting Costs	129,534	231,187	324,737	348,186
Production Taxes	3,589	6,765	9,571	7,901
Operating Margin (Loss)	(65,320)	(139,293)	(82,973)	(170,415)
Operating Margin Percent				
Change in Revenue Attributable to:				
Drilling	532		88,141	
Production	(16,713)		31,137	
Price				
Total Increase In Revenue	(16,181)		119,278	
Second Quarter Ending December 31, 2003 Compared to Second Quarter Ending December 31, 2002				

Comparison of Oil and Gas Production for the Three Months Ended December 31, 2003 & December 31, 2002.

Oil production decreased by 970 barrels for the three months ended December 31, 2003, when compared to the same period in 2002 primarily because of the decrease in production at the Brookshire and adverse weather conditions.

Comparison of Oil and Gas Revenue for the Three Months Ended December 31, 2003 & December 31, 2002.

Oil and gas revenue for the three months ended December 31, 2003, when compared to the same period in 2002, decreased by \$13,537 as a result of a decrease in barrels of oil and mcf of gas sold.

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Comparison of Drilling Revenue for the Three Months Ended December 31, 2003 & December 31, 2002.

Drilling revenue for the three months ended December 31, 2003, when compared to the same period in 2002, increased by \$532 as a result of an increase in billings attributable to work in the Gohlke field.

Well Completions and Significant Recompletions for the Three Months Ended December 31, 2002.

There were no exploratory wells.

We did not participate in the drilling of any wells during the quarter ending December 31, 2003.

We did not recomplete any wells in this quarter.

Comparison of Production Costs for the Three Months Ended December 31, 2003 & December 31, 2002.

Dry hole costs were \$9,871 for the quarter ending December 31, 2003 compared to \$10 for the same period in 2002. This was a result of costs attributable to the Mitchell leases located in the Brookshire field.

As a result, our operating loss for the period ending December 31, 2003 was \$878,638 compared to \$380,802 for the same period in 2002.

Lease Operating Costs

Lease operating costs decreased by \$101,653 during the three months ended December 31, 2003 when compared to the same period in 2002. This was a result of the decrease in the number of wells bring produced on a monthly basis.

General and Administrative Expenses

General and administrative expenses increased by \$22,482 during the three months ended December 31, 2003 when compared to the same period in 2002. This was a result of officers comparisation in the quarters ended December 31, 2003, but none in the quarter ended December 31, 2002.

Legal and Accounting Expenses

Legal and accounting expenses decreased by \$81,069 during the three months ended December 31, 2003 when compared to the same period in 2002. This was a direct result of decrease in legal fees attributable to subsidiary acquisitions.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expenses increased by \$38,296 during the three months ended December 31, 2003 when compared to the same period in 2002. This was a result of a subsidiary company in included in the quarter ended December 31, 2003 and not acquired as of December 31, 2002.

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Stock Transfer Expenses

Stock transfer expenses decreased by \$2,040 during the three months ended December 31, 2003 when compared to the same period in 2002. This was a result of the reduction of stock issued applicable to subsidiary acquisition.

Interest Expense

Our interest expense increased to \$61,863 for the three months ending December 31, 2003 compared to \$3,382 for the same period in 2002. This was as a result of the increase in notes payable and the related accrual of interest thereon.

Six Months Ended December 31, 2003 Compared to Six Months Ending December 31, 2002

Comparison of Oil and Gas Production for the Six Months Ended December 31, 2003 & December 31, 2002.

Oil production decreased by 623 barrels for the six months ended December 31, 2003, when compared to the same period in 2002 primarily because of the decrease in production in the Brookshire field.

Comparison of Oil and Gas Revenue for the Six Months Ended December 31, 2003 & December 31, 2002.

Oil and gas revenue for the six months ended December 31, 2003, when compared to the same period in 2002, increased by \$29,467 as a result of the increase in oil prices and increase in mcf of gas sold.

Comparison of Drilling Revenue for the Six Months Ended December 31, 2003 & December 31, 2002.

Drilling revenue for the six months ended December 31, 2003, when compared to the same period in 2002, increased by \$88,141 as a result of the increase in the number of wells operated.

Well Completions and Significant Recompletions for the Six Months Ended December 31, 2002.

There were no exploratory wells.

We did not participate in the drilling of any wells during the six months ending December 31, 2003.

We did not recomplete any wells during the six months ending December 31, 2003.

Comparison of Production Costs for the Six Months Ended December 31, 2003 & December 31, 2002.

General and administrative expenses increased by \$102,146 during the six months ended December 31, 2003 when compared to the same period in 2002. This was a result of increase in officers compensation and consulting expenses.

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Legal and accounting expenses decreased by \$72,018 during the six months ended December 31, 2003 when compared to the same period in 2002. This was a direct result of the decrease in legal costs applicable to subsidiary acquisitions.

Dry hole costs were \$263,516 for the six months ending December 31, 2003 compared to \$417 for the same period in 2002. This was a result of costs attributable to the wells plugged and abandoned on the Mitchell lease.

As a result, our operating loss for the six months ending December 31, 2003 was \$1,458,929 compared to \$532,246 for the same period in 2002.

Lease Operating Costs

Lease operating costs decreased by \$23,449 during the six months ended December 31, 2003 when compared to the same period in 2002. This was a result of the reductions in wells being operated.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expenses increased by \$150,095 during the six months ended December 31, 2003 when compared to the same period in 2002. This was a result of increase ownerships in subsidiary companies and increase in gas production.

Stock Transfer Expenses

Stock transfer expenses decreased by \$1,975 during the six months ended December 31, 2003 when compared to the same period in 2002. This was a result of the decrease in subsidiary acquisitions with stock.

Interest Expense

Our interest expense increased to \$96,650 for the six months ending December 31, 2003 compared to \$3,708 for the same period in 2002. This was as a result of the increase in notes payable and the related accrued interest thereon.

Adjustment to Reserves

The value placed on our assets including the unexplored potential of the oil and gas assets has been adjusted downwards during the current fiscal year based on a reserve evaluation which will be commissioned and prepared.

Exploration Outlook

We expect to continue with the development of our current asset portfolio and we will be seeking new opportunities during the current fiscal year.

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Financial Condition, Liquidity and Capital Resources

Our cash at December 31, 2003 was \$7,604 compared to \$8,879 for the same period last year. Our current assets at December 31, 2003 were \$1,316,3120 compared to \$1,084,446 for the same period last year. Our current liabilities were \$2,815,900 at December 31, 2003 compared to \$2,356,048. Our working capital deficit at December 31, 2003 was \$1,499,590 compared to \$1,271,602 for the same time last year. We currently generate approximately \$36,000 per month in revenues. Our cost of operations is approximately \$71,500 per month. We continue to operate at a loss. In the event we are unable to develop a positive cash flow, we will have to cease operations or sell off sufficient producing properties to begin operating profitably.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not yet determined the impact of the adoption of this statement.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company as the Company has not issued any derivative instruments or engaged in any hedging activities as of June 30, 2003.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement are effective for financial statements for fiscal years ending after December 15, 2002. The Company currently reports stock issued to employees under the rules of SFAS 123. Accordingly, there is no change in disclosure requirements due to SFAS 148 as adopted by the Company during the year ended June 30, 2003.

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In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 was issued in June 2002 and is effective December 31, 2002 with early application encouraged. The Company adopted SFAS during the year ended June 30, 2002 and there has been no impact on the Company's financial position or results of operations from adopting SFAS 146.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"), which updates, clarifies and simplifies existing accounting pronouncements. FASB No. 4, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related tax effect was rescinded, and as a result, FASB 64, which amended FASB 4, was rescinded as it was no longer necessary. SFAS No. 145 amended FASB 13 to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The Company adopted SFAS 145 during the year ended June 30, 2002 and does not believe that the adoption will have a material effect on the financial statements of the Company at June 30, 2003.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001, with earlier application encouraged. The Company adopted SFAS No. 144 during the year ended June 30, 2002 and during the year ending June 30, 2003, impaired a significant amount of its assets under this standard. See Note 12.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 establishes guidelines related to the retirement of tangible long-lived assets of the Company and the associated retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. This statement is effective for financial statements issued for the fiscal years beginning after June 15, 2002 and with earlier application encouraged. The Company adopted SFAS No. 143 which did not impact the financial statements of the Company at June 30, 2003.

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In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 provides for the elimination of the pooling-of-interests method of accounting for business combinations with an acquisition date of July 1, 2001 or later. SFAS No. 142 prohibits the amortization of goodwill and other intangible assets with indefinite lives and requires periodic reassessment of the underlying value of such assets for impairment. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. An early adoption provision exists for companies with fiscal years beginning after March 15, 2001. On July 1, 2001, the Company adopted SFAS No. 142. Application of the nonamortization provision of SFAS No. 142 did not affect the Company's results of operations in the fiscal years

ended June 30, 2002 and 2003, as the Company had no assets with indeterminate lives.

ITEM 3. CONTROLS AND PROCEDURES

At December 31, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's controls subsequent to the date of that evaluation, and no corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits	Item Description
	10.1	Consulting Agreement between the Company and Pinnacle Research and Consulting Group Ltd.
	10.2	Consulting Agreement between the Company and Woodburn Holdings Ltd.
	31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-15 and Rule 15d-15(a), promulgated under the Securities and Exchange Act of 1934, as amended.
	32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer).

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 23rd day of February, 2003.

TEXEN OIL & GAS, INC.
(Registrant)

BY: /s/ Tatiana Golovina
Tatiana Golovina, President, Principal Executive Officer, Treasurer, Principal Financial Officer and a member of the Board of Directors.

