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

Form 10-QSB

_X_ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITITES EXCHANGE ACT OF 1934. For the quarter ended January 31, 2004

__TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

VTEX ENERGY, INC.

(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

76-0582614
(I.R.S. Employer Identification No.)

8303 Southwest Freeway, Suite 950
Houston, Texas 77074
(Address of principal executive office)

(713) 773-3284
(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 _X_ No ___.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after distribution of securities under a plan confirmed by a court Yes ___ No ___.

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

At February 29, 2004 there were 4,903,681 shares of $0.001 par value common stock outstanding. Such outstanding shares include 140,550 shares issuable in exchange for the remaining 4,212,237 shares of Vector Energy Corporation.

Transitional Small Business Disclosure Format (Check one) Yes ___ No _X_.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of the Company appearing at page F-1 through F-14 hereof are incorporated by reference.

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

On January 31, 2004, The Company had a working capital deficit of $ 3,815,513. This is primarily due to net payables assumed in the acquisition of oil and gas properties, and the classification of the Company's production payments as current. The Company has begun to settle many of the assumed payables for a combination of cash and the Company's common stock. Management believes that they will be able to continue this.

On May 8, 1998, the Company acquired various working and royalty interests in wells located in Texas, Louisiana and Oklahoma. To effect the transaction, the Company issued 30,000 shares of class AA preferred stock, valued at $3,000,000, and 313,124 shares of common stock, valued at $939,372. In addition, the Company assumed $6,100,000 in bank debt and $511,465 in accounts payable, net of accounts receivable and cash acquired. The Company has capitalized $251,704 in expenses incurred in conjunction with this transaction. Subsequently, the Company issued 116,014 shares of common stock, valued at $163,065, for additional working interests in certain of the properties acquired.

On November 4, 1998, the Company acquired various working interests in wells located in Louisiana, Texas and Oklahoma. To effect the transaction, the Company issued 1,226,667 shares of common stock, valued at $1,840,000, and a $120,000 non-interest bearing note payable to the sellers. In addition, the Company assumed $690,522 in bank debt and $600,954 in accounts payable. The Company has capitalized $15,145 in expenses incurred in conjunction with this transaction. The Company was also required to expend a minimum of $500,000 in capital investment on the properties acquired within nine months. Because such capital investment was not made, the sellers were entitled to receive an additional 500,000 shares of common stock. Subsequently, the Company exchanged the working interests acquired in certain properties in Texas and $30,000 for additional working interests in the properties acquired in Louisiana.

On March 7, 2000, the Company closed a purchase and sale agreement with a company, which is a debtor in possession in a Chapter 11 Bankruptcy. Under the agreement, the Company acquired all of the Bankrupt Debtor's interest in a block located in the Offshore Texas, Mustang Island Area for 550,000 shares of common stock valued at $550,000. In accordance with the agreement, the Company immediately repurchased 16,667 shares of common stock at $3.00 per share, for a total of $50,000. Under the terms of the agreement, in the event that the daily rate of production from the properties acquired averages at least 5,000 Mcf per day over a complete calendar month the seller has the right to put 150,000 shares of common stock to the Company at $3.00 per share. If the seller fails to exercise such right, the Company has the right to call 150,000 shares of common stock at $3.00 per share.

On November 22, 2000, the Company exchanged pipeline, meter stations, and related equipment acquired in the Mustang Island transaction for a cash payment of $150,000 and a 20% interest in Mustang Island Gathering, LLC ("the LLC") a Texas limited liability company and pipeline operator. As part of the transaction, the Company entered into a five year natural gas purchase agreement with the LLC. As a member of the LLC, the Company has been required to guarantee a portion of the LLC's bank debt, which is approximately $1.1 million in the aggregate. At April 30, 2003, the Company's percentage ownership in the LLC was approximately 15%. In addition, any member of the LLC has the right, but not the obligation, to transfer all of its membership units in the LLC to the Company in exchange for shares of its common stock.

Effective November 15, 2002, the Company reincorporated into Nevada and changed its name to VTEX Energy, Inc. The reincorporation and name change was accomplished by a merger of Vector Energy Corporation into a new wholly owned subsidiary, VTEX Energy, Inc. One new share of VTEX Energy, Inc. was issued for each 30 shares of Vector Energy Corporation held on November 15, 2002, the effective date for the reincorporation.

Liquidity and Capital Resources

On October 19, 2000, the Company sold 18,107 shares of common stock together with a warrant to purchase 18,107 shares of common stock at $15.00 per share and an undivided 2.2% working interest in two nonproducing oil and gas wells to a private investor for a total consideration of $100,000.00 in cash. The investor is also entitled to recoup his investment out of future production from the wells, if any. On October 19, 2000, the closing price of the common stock was $0.24 per share. On November 24, 2000, the Company sold an undivided 1.85% interest in a nonproducing oil and gas well to the same investor for a total cash consideration of $25,000. The investor is entitled to recoup his investment out of 50% of the future production from the well, if any. The proceeds of these transactions were used to fund development of the Mustang Island Properties.

On October 27, 2000, the Company sold 13,580 shares of common stock together with a warrant to purchase 13,580 shares of common stock at $15.00 per share and an undivided 2.2% working interest in two nonproducing oil and gas wells to a private investor for a total consideration of $100,000.00 in cash. The investor is also entitled to recoup his investment out of future production from the wells, if any. On October 27, closing price of the common stock was $0.155 per share. On November 24, 2000, the Company sold an undivided 1.85% interest in a nonproducing oil and gas well to the same investor for a total cash consideration of $25,000. The investor is entitled to recoup his investment out of 50% of the future production from the well, if any. The proceeds of these transactions were used to fund development of the Mustang Island Properties.

Both of the transactions in October 2000 and November 2000 were treated, by the Company, as loans repayable out of production for accounting purposes. Such production loans began accruing interest on January 1, 2001 at a variable rate equal to the rate on the Company's bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loans totaled $40,572 at January 31, 2004. The stock issued was booked at its fair market value and treated as a loan cost, which was amortized over six months.

On December 27, 2000, the Company sold certain interest in 5 wells located in McClain County, Oklahoma and undivided 10% interest in 6 wells located on the Mustang Island Property to Old Jersey Oil Ventures, LLC. for $1,000,000.00. The brother of the President of the Company is a principal in Old Jersey Oil Ventures, LLC. At the same time Old Jersey Oil Ventures LLC, as holder of $591,849.41 in indebtedness owed by the Company, agreed to exchange such indebtedness for 131,522 shares of the Company's common stock. This represented a price of $4.50 per share. On December 27, 2000, the closing price of the common stock was $0.125. Old Jersey Oil Ventures, LLC also exercised warrants to purchase 13,333 shares of the Company's common stock at $3.00 per share. All shares issued to Old Jersey Oil Ventures, LLC. were issued in a private transaction and may only be transferred in a private transaction or pursuant to an applicable exemption to the registration requirements. The Company is under no obligation to register such shares. The proceeds of this transaction were used as follows: $250,000.00 to make payments to general creditors; $300,000.00 to make a principal payment to the lender under the Company's secured indebtedness as a condition to the lender's agreement to enter into the fifth amendment to the credit agreement described above; $50,000 for capital investment on properties owned by the Company in St. Mary's Parish, Louisiana; and $400,000.00 to pay principal and interest due under the Company's credit agreement. Old Jersey Oil Ventures, LLC is entitled to recoup its investment out of future production from the wells in McClain County, Oklahoma and on the Mustang Island Property.

The transaction in December 2000 was treated, by the Company, as a loan repayable out of production for accounting purposes. Such production loan began accruing interest on January 1, 2001 at a variable rate equal to the rate on the Company’s bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loan totaled $181,642 at January 31, 2004.

On December 2, 2002, the Company sold a 12.5% interest in a nonproducing well to a private investor for $20,000. The funds were used to perform a workover on the well. The investor is also entitled to recoup his investment out of future production form the well.

On December 6, 2002, the Company received $4,000 from a private investor to fund contract lease work on the well necessary to vest title to the Company. The investor is also entitled to recoup his investment out of future production, if any, from the well.

On February 19, 2003, the Company sold a 12.5% interest in two nonproducing wells to a private investor for $35,000. The funds were used to perform workovers on the wells. The investor is also entitled to recoup his investment out of future production from the wells.

All three of the transactions in December 2002 and February 2003 were treated, by the Company, as a loans repayable out of production for accounting purposes. Such production loans accrue interest at a variable rate equal to the rate on the Company’s bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loans totaled $3,215 at January 31, 2004.

On December 27, 2000, the Company amended its credit agreement to reduce its indebtedness by $3,000,000, reschedule principle payments, and remove all financial covenants. Under the terms of the amended credit agreement, the indebtedness was payable in three monthly installments of $31,250 beginning on January 15, 2001, seven monthly installments of $125,000 beginning on April 15, 2001, and a final installment of $2,400,846 due on November 14, 2001. No further borrowings are available. As part of the amended credit agreement, the Company issued 3,000 shares of Class A-1 Cumulative Convertible Preferred Stock to the bank in exchange for $3,000,000 in outstanding indebtedness and pledged its interest in the Mustang Island properties as additional collateral under the loan.

On November 15, 2001, the Company amended its credit agreement to change the repayment schedule to $125,000 due on December 15, 2001 and the balance of principal and accrued but unpaid interest due on January 15, 2002.

On January 1, 2002, the Company amended its credit agreement to change the repayment schedule to $25,000 per month in principal and interest beginning on January 31, 2002 with the balance of principal and accrued but unpaid interest due on April 15, 2002. In addition, the Company agreed to either sell, or have entered into binding agreements to sell, certain of its oil and gas properties by February 20, 2002 or to enter into a binding agreement with a nationally recognized oil and gas auction house by March 28, 2002 for the sale of such properties. All of the proceeds from the sale of such properties would be used to reduce the Company's indebtedness.

On April 1, 2002, the Company amended its credit agreement to extend the final due date of principal and accrued but unpaid interest to June 24, 2002. In addition, the date by which the Company had to enter into a binding contract with an auction house was extended to April 30, 2002.

On June 24, 2002, the Company amended its credit agreement to extend the final due date of principal and accrued but unpaid interest to July 24, 2002.

On July 24, 2002, the Company amended its credit agreement to remove the $25,000 per month payment and to extend the final due date of principal and accrued but unpaid interest to August 24, 2002.

In accordance with the terms of the credit agreement, as amended, the Company entered into a binding contract with an auction house on two separate occasions for the sale of certain of its producing properties. On June 6, 2002, the Company closed a sale of certain of its producing properties for total cash consideration of $600,100. Net proceeds received from the sale, which totaled $481,027, were used to pay down the Company's bank debt.

On September 10, 2002, the Company renegotiated the terms of its indebtedness. Under the terms of the new agreement, the Company will pay $300,000 to its lender by September 30, 2002. The Company will then be relieved of all payments until December 2, 2002. The Company has the option on or before December 2, 2002 to pay the lender either an additional $300,000 in cash or $150,000 in cash and $200,000 in production payments in exchange for the forgiveness of the remainder of its indebtedness amounting to approximately $1.6 million. In addition, the lender has agreed to convert all of its $3 million preferred stock into common stock equivalent to a 45% ownership position in the Company.

On August 30, 2002, the Company closed a sale of certain of its producing oil and gas properties for total cash consideration of $301,600. Net proceeds received from the sale, which totaled $276,697, were paid to the Company's lender as part of the $300,000 payment due by September 30, 2002. The balance of the $300,000 payment was made by the due date.

On November 25, 2002, the Company closed a sale of certain of its producing oil and gas properties for total cash consideration of $95,000. Net proceeds received from the sale, which totaled $82,660, were paid to the Company's lender as part of the payment due by December 2, 2002.

The Company failed to make the remaining $67,340 payment due to the lender by December 2, 2002. However, the Company reached a verbal agreement with the lender to accept an additional payment of $17,740 in cash and $150,000 in production payments. Such cash payment was made on December 13, 2002.

Effective December 1, 2002, the Company's line of credit was partially assigned to Old Jersey Oil Ventures, L.L.C. ("Old Jersey"), an entity controlled by the brother of the President of the Company. The Bank retained the rights to $250,000 of the line of credit, payable out of 50% of the net profits from specified oil and gas properties owned by the Company and which are pledged against the line of credit.

On February 11, 2003 the Company amended and restated the terms of its' credit agreement with Old Jersey. The amended and restated agreement changed the interest rate on the line of credit to a fixed rate of 7.50%, increased the borrowing base to $2,500,000, and extended the maturity date to January 31, 2005. Under the terms of the amended and restated agreement, the borrowing base will decrease by $10,000 per month beginning April 30, 2003. If at any time the amount outstanding under the line of credit exceeds the borrowing base, the Company must make a mandatory principal prepayment in an amount equal to the excess. The amended and restated agreement did not effect the $250,000 interest retained by the bank.

During the nine months ended January 31, 2004, the Company sold 225,000 shares of restricted common stock to two private investors for total proceeds of $63,750.

On August 8, 2003, the Company completed a transaction with Wachovia Bank whereby the Company acquired all of the bank's holdings in VTEX Energy, Inc. securities, which consisted of 2,369,033 shares of the Company's common stock, and received cancellation of the $250,000 note payable to the bank in return for a payment of $50,000 and warrants to purchase up to 250,000 shares of the Company's common stock at $0.10 per share until August 8, 2006.

On December 8, 2003, the Company issued stock appreciation rights on one million shares of its common stock to a former officer and director in exchange for advances and accrued payroll owed by the Company totaling $503,974. The stock appreciation rights grant the holder the right to receive the difference between $0.10 per share and the current market price, as defined in the agreement of the Company's common stock. The holder can exercise its rights at any time and the Company, at its option, may deliver common stock valued at the current market price in lieu of cash payment. The stock appreciation rights were valued at $503,974, and such amount has been included in additional paid-in capital. On January 23, 2004, the Company issued 71,234 shares of its common stock when 100,000 of the stock appreciation rights were exercised.

On December 22, 2003, the Company closed a sale of certain of its nonproducing oil and gas properties for total consideration of $500,278, which consisted entirely of assumption of certain of the Company's accounts payable. The Company retained a 7.5% net profits interest in the properties, which was subsequently sold for $10,000 in cash.

On March 16, 2004, the Company sold its working interest in certain producing oil and gas properties for total consideration of $385,934, which consisted of $265,000 in cash and $120,934 in the assumption of certain of the Company's accounts payable. The cash portion of the sale is to be paid $125,000 at the signing of the purchase and sale agreement, $40,000 at the closing, $33,000 on or before March 31, 2004, $33,000 on or before April 30, 2004, and $34,000 on or before May 31, 2004. In addition, the Company sold its royalty interest in the same properties for total consideration of $46,328, which consisted of $10,000 in cash and $36,328 in the assumption of certain of the Company's accounts payable.

For the past nine months, the Company's oil and gas revenues have been sufficient to satisfy its oil and gas operating expenses and general and administrative expenses. Additional equity funding will be required to meet the capital needs of the Company. Any inability of the Company to raise additional capital under such circumstances will limit the development of most of its oil and gas properties and may prevent the Company from meeting its cash requirements. If the wells currently being brought into production perform as expected such financing should be available; however, there is no assurance that such financing will in fact be available or that the wells will, in fact, perform as expected. In the absence of such well performance or financing, the company will not be able to meet its financial obligations.

The Company is currently negotiating with many of the vendors for which accounts payable were assumed in the asset acquisition transactions, and believes that a significant portion of these payables can be satisfied through the issuance of common stock. If the Company is unsuccessful in these negotiations, additional equity funding may be needed in order to comply with the terms of the revolving credit note.

The Company is aggressively seeking additional property acquisitions with near term revenue generating capability and future development potential. The Company is currently evaluating several potential acquisitions which would utilize a combination of the issuance of its equity securities and additional debt financing.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in various claims, lawsuits and administrative proceedings incidental to its business. In the opinion of management, the ultimate liability thereunder, if any, will not have a materially adverse effect on the financial condition or results of operations of the Company

Item 2. Changes in Securities and Use of Proceeds

The information required by this item is provided in the Notes to Financial Statements appearing at pages F-7 through F-14 hereof and are incorporated by reference.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Additional Exhibits
Exhibit 31.1 Certification pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as amended
Exhibit 32.2 Certification of Chief Executive Officer and President of the Company, Pursuant to 18 U.S.C. Section 1350, as adopted purusant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.
None

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VTEX Energy, Inc.
(Registrant)

By *<u>/S/</u>* <u>Randal B. McDonald, Jr,</u>
Randal B. McDonald, Jr.
Chief Financial Officer
Principal Financial and Accounting Officer
Date: March 19, 2004

By *<u>/S/</u>* <u>Stephen F. Noser,</u>
Stephen F. Noser
President
Principal Executive Officer
Date: March 19, 2004

VTEX Energy, Inc.

FINANCIAL STATEMENTS

January 31, 2004

(Unaudited)

CONTENTS

VTEX Energy, Inc.
CONSOLIDATED BALANCE SHEET
January 31, 2004
(Unaudited)

ASSETS	
CURRENT ASSETS	
Cash	$ 66,971
Certificates of deposit	75,000
Revenue accounts receivable	105,509
JIB accounts receivable	53,401
Total current assets	300,881
PROVED OIL AND GAS PROPERTIES, USING THE FULL COST METHOD OF ACCOUNTING	16,297,015
Less accumulated depreciation, depletion, amortization, and impairment	1,201,058
Net oil and gas properties	15,095,957
OTHER ASSETS	
Other property and equipment, less accumulated depreciation of $87,930	38,731
Long term accounts receivable	148,000
Other assets	46,777
Total other assets	233,508
	$ 15,630,346

The accompanying notes are an integral part of the financial statements.

VTEX Energy, Inc.
CONSOLIDATED BALANCE SHEET
January 31, 2004
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Notes payable	201,326
Production payments payable	1,243,518
Accounts payable - trade	1,016,320
Royalties payable	646,045
Working interest revenues payable	118,336
Taxes payable	201,478
Advances from related party	246,869
Accrued interest	442,502
Total current liabilities	4,116,394
LINE OF CREDIT	1,839,143
STOCKHOLDERS' EQUITY	
Preferred stock class B, noncumulative nonconvertible; $0.001 par value per share, 500,000 shares authorized; 500,000 shares issued and outstanding	50,000
Common stock, $0.001 par value per share; 150,000,000 shares authorized; 4,546,181 shares issued and outstanding at January 31, 2004	4,546
Additional paid-in capital	28,686,781
Retained earnings	(19,066,518)
Total stockholders' equity	9,674,809
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,630,346

The accompanying notes are an integral part of the financial statements.

VTEX Energy, Inc.
CONSOLIDATED STATEMENT OF INCOME
Nine Months Ended
January 31, 2004
(Unaudited)

REVENUES		
Oil sales	$	233,324
Gas sales		737,753
Forgiveness of Debt		200,000
Interest income		898
Total revenues		1,171,975
EXPENSES		
Production taxes		106,803
Lease operating expense		438,764
Depletion of oil and gas properties		169,378
Interest expense		161,740
General and administrative expense		824,156
Total expenses		1,700,841
NET LOSS	$	(528,866)
NET LOSS PER COMMON SHARE		
Basic	$	(0.11)
WEIGHTED AVERAGE NUMBER SHARES OUTSTANDING		4,979,108

The accompanying notes are an integral part of the financial statements.

VTEX Energy, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended
January 31, 2004
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (528,866)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depletion of oil and gas properties	169,378
Depreciation expense	10,416
Stock issued for consulting fees	366,767
Forgiveness of debt	(200,000)
Decrease in accounts receivable	85,294
Decrease in accounts payable	(2,807)
Increase in royalties and revenues payable	119,359
Increase in other current liabilities	171,675
Net cash provided from operating activities	191,216
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Oil and Gas Properties	5,100
Development Costs Incurred	(172,426)
Purchase of fixed assets	(20,000)
Net cash used by investing activities	(187,326)
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings under notes payable	184,356
Note repayments	(144,567)
Sales of common stock	63,750
Borrowings under line of credit	25,000
Repayment of line of credit	(50,000)
Repayment of advances from Related Parties	(30,000)
Net cash provided from financing activities	48,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,429
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,542
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 66,971

The accompanying notes are an integral part of the financial statements.

VTEX Energy, Inc.
Notes to Unaudited Consolidated Financial Statements
January 31, 2004

Management's Representation of Interim Financial Information

The accompanying financial statements have been prepared by VTEX Energy, Inc. (The Company) without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These financial statements include all of the adjustments which, in the opinion of management, are necessary to a fair presentation of financial position and results of operations. These financial statements should be read in conjunction with the audited financial statements included in the Company's Form 10-KSB, as of April 30, 2003.

Business and Organization

VTEX Energy, Inc., a Nevada corporation (together with its subsidiary, Vector Exploration, Inc., collectively, "the Company") was formed on June 18, 1998 as a result of an agreement and plan of reorganization. The Company is primarily engaged in the acquisition, development, production and exploration of oil and natural gas properties in the United States.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Oil and Gas Properties

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration, and development activities are capitalized in a single, United States cost center. Internal costs directly identified with the acquisition, exploration and development activities of the Company are also capitalized. Capitalized costs are amortized on the unit-of-production basis using proved oil and gas reserves. Capitalized costs are limited to the present value of estimated future net revenues less estimated future expenditures using a discount factor of ten percent. Sales and abandonments of oil and gas properties are treated as reductions of the capitalized cost pool. At January 31, 2004, there were no costs of unproved properties or major development projects included in the capitalized cost pool.

Other Property and Equipment

Other property and equipment of the Company consists primarily of computer equipment, vehicles and furniture and fixtures, which are depreciated over estimated useful lives, ranging from three to seven years, on a straight-line basis.

Loss Per Share

Loss per share has been calculated using the weighted average number of shares outstanding. Outstanding warrants and other potentially dilutive securities have been excluded from the calculation of loss per share, as their effect would be anti-dilutive.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The following is a summary of all significant noncash investing and financing activities and payments made for interest and income taxes for the period ended January 31, 2004:

Noncash activities:	
Common stock issued for consulting fees	$ 366,767
Common stock issued for other assets	27,500
Stock appreciation rights issued for accrued payroll and advances	240,000
Oil and gas properties sold for assumption of payables	500,278
Cash payments:	
Interest	$ 9,685

Acquisitions of Oil and Gas Properties

On May 8, 1998, the Company acquired various working and royalty interests in wells located in Texas, Louisiana and Oklahoma. To effect the transaction, the Company issued 30,000 shares of class AA preferred stock, valued at $3,000,000, and 313,124 shares of common stock, valued at $939,372. In addition, the Company assumed $6,100,000 in bank debt and $511,465 in accounts payable, net of accounts receivable and cash acquired. The Company has capitalized $251,704 in expenses incurred in conjunction with this transaction. Subsequently, the Company issued 116,014 shares of common stock, valued at $163,065, for additional working interests in certain of the properties acquired.

On November 4, 1998, the Company acquired various working interests in wells located in Louisiana, Texas and Oklahoma. To effect the transaction, the Company issued 1,226,667 shares of common stock, valued at $1,840,000, and a $120,000 non-interest bearing note payable to the sellers. In addition, the Company assumed $690,522 in bank debt and $600,954 in accounts payable. The Company has capitalized $15,145 in expenses incurred in conjunction with this transaction. The Company was also required to expend a minimum of $500,000 in capital investment on the properties acquired within nine months. Because such capital investment was not made, the sellers were entitled to receive an additional 500,000 shares of common stock. Subsequently, the Company exchanged the working interests acquired in certain properties in Texas and $30,000 for additional working interests in the properties acquired in Louisiana.

On March 7, 2000, the Company closed a purchase and sale agreement with a company, which is a debtor in possession in a Chapter 11 Bankruptcy. Under the agreement, the Company acquired all of the Bankrupt Debtor’s interest in a block located in the Offshore Texas, Mustang Island Area for 550,000 shares of common stock valued at $550,000. In accordance with the agreement, the Company immediately repurchased 16,667 shares of common stock at $3.00 per share, for a total of $50,000. Under the terms of the agreement, in the event that the daily rate of production from the properties acquired averages at least 5,000 Mcf per day over a complete calendar month the seller has the right to put 150,000 shares of common stock to the Company at $3.00 per share. If the seller fails to exercise such right, the Company has the right to call 150,000 shares of common stock at $3.00 per share.

On November 22, 2000, the Company exchanged pipeline, meter stations, and related equipment acquired in the Mustang Island transaction for a cash payment of $150,000 and a 20% interest in Mustang Island Gathering, LLC ("the LLC") a Texas limited liability company and pipeline operator. As part of the transaction, the Company entered into a five year natural gas purchase agreement with the LLC. As a member of the LLC, the Company has been required to guarantee a portion of the LLC's bank debt, which is approximately $1.1 million in the aggregate. At April 30, 2003, the Company's percentage ownership in the LLC was approximately 15%. In addition, any member of the LLC has the right, but not the obligation, to transfer all of its membership units in the LLC to the Company in exchange for shares of its common stock.

Line of Credit

The Company had a $10 million revolving credit note with Wachovia Bank, National Association (the "Bank"), which terminated on November 15, 2002. Interest on the note was payable monthly at a floating rate. The borrowing base under the note was determined periodically based upon the collateral value assigned to the mortgaged properties.

On December 27, 2000, the Company amended its credit agreement to reduce its indebtedness by $3,000,000, reschedule principle payments, and remove all financial covenants. Under the terms of the amended credit agreement, the indebtedness was payable in three monthly installments of $31,250 beginning on January 15, 2001, seven monthly installments of $125,000 beginning on April 15, 2001, and a final installment of $2,400,846 due on November 14, 2001. No further borrowings are available. As part of the amended credit agreement, the Company issued 3,000 shares of Class A-1 Cumulative Convertible Preferred Stock to the bank in exchange for $3,000,000 in outstanding indebtedness and pledged its interest in the Mustang Island properties as additional collateral under the loan.

On November 15, 2001, the Company amended its credit agreement to change the repayment schedule to $125,000 due on December 15, 2001 and the balance of principal and accrued but unpaid interest due on January 15, 2002.

On January 1, 2002, the Company amended its credit agreement to change the repayment schedule to $25,000 per month in principal and interest beginning on January 31, 2002 with the balance of principal and accrued but unpaid interest due on April 15, 2002. In addition, the Company agreed to either sell, or have entered into binding agreements to sell, certain of its oil and gas properties by February 20, 2002 or to enter into a binding agreement with a nationally recognized oil and gas auction house by March 28, 2002 for the sale of such properties. All of the proceeds from the sale of such properties would be used to reduce the Company's indebtedness.

On April 1, 2002, the Company amended its credit agreement to extend the final due date of principal and accrued but unpaid interest to June 24, 2002. In addition, the date by which the Company had to enter into a binding contract with an auction house was extended to April 30, 2002.

On June 24, 2002, the Company amended its credit agreement to extend the final due date of principal and accrued but unpaid interest to July 24, 2002.

On July 24, 2002, the Company amended its credit agreement to remove the $25,000 per month payment and to extend the final due date of principal and accrued but unpaid interest to August 24, 2002.

In accordance with the terms of the credit agreement, as amended, the Company entered into a binding contract with an auction house on two separate occasions for the sale of certain of its producing properties. On June 6, 2002, the Company closed a sale of certain of its producing properties for total cash consideration of $600,100. Net proceeds received from the sale, which totaled $481,027, were used to pay down the Company's bank debt.

On September 10, 2002, the Company renegotiated the terms of its indebtedness. Under the terms of the new agreement, the Company will pay $300,000 to its lender by September 30, 2002. The Company will then be relieved of all payments until December 2, 2002. The Company has the option on or before December 2, 2002 to pay the lender either an additional $300,000 in cash or $150,000 in cash and $200,000 in production payments in exchange for the forgiveness of the remainder of its indebtedness amounting to approximately $1.6 million. In addition, the lender has agreed to convert all of its $3 million preferred stock into common stock equivalent to a 45% ownership position in the Company.

On August 30, 2002, the Company closed a sale of certain of its producing oil and gas properties for total cash consideration of $301,600. Net proceeds received from the sale, which totaled $276,697, were paid to the Company's lender as part of the $300,000 payment due by September 30, 2002. The balance of the $300,000 payment was made by the due date.

On November 25, 2002, the Company closed a sale of certain of its producing oil and gas properties for total cash consideration of $95,000. Net proceeds received from the sale, which totaled $82,660, were paid to the Company's lender as part of the payment due by December 2, 2002.

The Company failed to make the remaining $67,340 payment due to the lender by December 2, 2002. However, the Company reached a verbal agreement with the lender to accept an additional payment of $17,740 in cash and $150,000 in production payments. Such cash payment was made on December 13, 2002.

At April 30, 2002 the line of credit had an outstanding balance of $2,776,400. During the first seven months of fiscal 2003, the Company completed sales of producing properties whose proceeds totaled $982,695. Of such proceeds, $917,000 was paid against the line of credit, reducing the principal balance to $1,876,482 on December 1, 2002.

Effective December 1, 2002, the Company's line of credit was partially assigned to Old Jersey Oil Ventures, L.L.C. ("Old Jersey"), an entity controlled by the brother of the President of the Company. The Bank retained the rights to $250,000 of the line of credit, payable out of 50% of the net profits from specified oil and gas properties owned by the Company and which are pledged against the line of credit.

On February 11, 2003 the Company amended and restated the terms of its' credit agreement with Old Jersey. The amended and restated agreement changed the interest rate on the line of credit to a fixed rate of 7.50%, increased the borrowing base to $2,500,000, and extended the maturity date to January 31, 2005. Under the terms of the amended and restated agreement, the borrowing base will decrease by $10,000 per month beginning April 30, 2003. If at any time the amount outstanding under the line of credit exceeds the borrowing base, the Company must make a mandatory principal prepayment in an amount equal to the excess. The amended and restated agreement did not effect the $250,000 interest retained by the bank.

On August 8, 2003, the Company completed a transaction with Wachovia Bank whereby the Company acquired all of the bank's holdings in VTEX Energy, Inc. securities, which consisted of 2,369,033 shares of the Company's common stock, and received cancellation of the $250,000 note payable to the bank in return for a payment of $50,000 and warrants to purchase up to 250,000 shares of the Company's common stock at $0.1. per share until August 8, 2006.

Certificates of Deposit

At January 31, 2004, the Company had certificates of deposit totaling $75,000. Such certificates bore interest at 1.1% and mature at dates ranging from March 20, 2004 to June 13, 2004. The certificates of deposit are collateral for letters of credit, with expiration dates corresponding to the maturity dates of the certificates, issued in favor of governmental agencies in states in which the Company operates wells. It is anticipated that such certificates of deposit and the corresponding letters of credit will be renewed at maturity.

Production Payments Payable

On October 19, 2000, the Company sold 18,107 shares of common stock together with a warrant to purchase 18,107 shares of common stock at $15.00 per share and an undivided 2.2% working interest in two nonproducing oil and gas wells to a private investor for a total consideration of $100,000.00 in cash. The investor is also entitled to recoup his investment out of future production from the wells, if any. On October 19, 2000, the closing price of the common stock was $0.24 per share. On November 24, 2000, the Company sold an undivided 1.85% interest in a nonproducing oil and gas well to the same investor for a total cash consideration of $25,000. The investor is entitled to recoup his investment out of 50% of the future production from the well, if any. The proceeds of these transactions were used to fund development of the Mustang Island Properties.

On October 27, 2000, the Company sold 13,580 shares of common stock together with a warrant to purchase 13,580 shares of common stock at $15.00 per share and an undivided 2.2% working interest in two nonproducing oil and gas wells to a private investor for a total consideration of $100,000.00 in cash. The investor is also entitled to recoup his investment out of future production from the wells, if any. On October 27, closing price of the common stock was $0.155 per share. On November 24, 2000, the Company sold an undivided 1.85% interest in a nonproducing oil and gas well to the same investor for a total cash consideration of $25,000. The investor is entitled to recoup his investment out of 50% of the future production from the well, if any. The proceeds of these transactions were used to fund development of the Mustang Island Properties.

Both of the transactions in October 2000 and November 2000 were treated, by the Company, as loans repayable out of production for accounting purposes. Such production loans began accruing interest on January 1, 2001 at a variable rate equal to the rate on the Company’s bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loans totaled $40,572 at January 31, 2004. The stock issued was booked at its fair market value and treated as a loan cost, which was amortized over six months.

On December 27, 2000, the Company sold certain interest in 5 wells located in McClain County, Oklahoma and undivided 10% interest in 6 wells located on the Mustang Island Property to Old Jersey Oil Ventures, LLC. for $1,000,000.00. The brother of the President of the Company is a principal in Old Jersey Oil Ventures, LLC. At the same time Old Jersey Oil Ventures LLC, as holder of $591,849.41 in indebtedness owed by the Company, agreed to exchange such indebtedness for 131,522 shares of the Company's common stock. This represented a price of $4.50 per share. On December 27, 2000, the closing price of the common stock was $0.125. Old Jersey Oil Ventures, LLC also exercised warrants to purchase 13,333 shares of the Company's common stock at $3.00 per share. All shares issued to Old Jersey Oil Ventures, LLC. were issued in a private transaction and may only be transferred in a private transaction or pursuant to an applicable exemption to the registration requirements. The Company is under no obligation to register such shares. The proceeds of this transaction were used make $700,000.00 in principal and interest payments under the Company’s credit agreement, pay $250,000 to general creditors, and $50,000 was used for capital investment on properties owned by the Company in St. Mary's Parish, Louisiana. Old Jersey Oil Ventures, LLC is entitled to recoup its investment out of future production from the wells in McClain County, Oklahoma and on the Mustang Island Property.

The transaction in December 2000 was treated, by the Company, as a loan repayable out of production for accounting purposes. Such production loan began accruing interest on January 1, 2001 at a variable rate equal to the rate on the Company's bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loan totaled $181,642 at January 31, 2004.

On December 2, 2002, the Company sold a 12.5% interest in a nonproducing well to a private investor for $20,000. The funds were used to perform a workover on the well. The investor is also entitled to recoup his investment out of future production form the well.

On December 6, 2002, the Company received $4,000 from a private investor to fund contract lease work on the well necessary to vest title to the Company. The investor is also entitled to recoup his investment out of future production, if any, from the well.

On February 19, 2003, the Company sold a 12.5% interest in two nonproducing wells to a private investor for $35,000. The funds were used to perform workovers on the wells. The investor is also entitled to recoup his investment out of future production from the wells.

All three of the transactions in December 2002 and February 2003 were treated, by the Company, as loans repayable out of production for accounting purposes. Such production loans accrue interest at a variable rate equal to the rate on the Company's bank debt. At January 31, 2004 the rate was 5.25%. Accrued interest on the loans totaled $3,215 at January 31, 2004.

Notes Payable

Other notes payable at January 31, 2004 consisted of $107,116 in unsecured 6% to 12% notes issued to vendors in settlement of accounts payable. Certain of the notes are past their due dates and are due on demand. Also included is a $94,210 financing obligation for insurance premiums, payable in monthly installments, with interest at 5.57%, through October 2004.

Stockholder's Equity

Common Stock

The Company has 150,000,000 authorized shares of $0.001 par value common stock. At January 31, 2004, 4,546,181 shares of common stock were issued and outstanding.

In July, 2003, the Company sold 125,000 shares of restricted common stock to a private investor for $40,000.

In August, 2003, the Company sold 100,000 shares of restricted common stock to a private investor for $23,750.

On August 8, 2003, 2,369,033 shares of the Company's common stock, which were owned by Wachovia Bank, were returned and cancelled in conjunction with a settlement of a portion of the Company's line of credit.

On January 27, 2004, the Company issued 50,000 of its common stock, valued at $27,500, in exchange for other assets.

During the nine months ended January 31, 2004, the Company issued 776,334 shares of its common stock, valued at $366,767, in exchange for consulting services.

Effective November 15, 2002, the Company reincorporated into Nevada and changed its name to VTEX Energy, Inc. The reincorporation and name change was accomplished by a merger of Vector Energy Corporation into a new wholly owned subsidiary, VTEX Energy, Inc. One new share of VTEX Energy, Inc. was issued for each 30 shares of Vector Energy Corporation held on November 15, 2002, the effective date for the reincorporation. At the effective date, 2,886,203 shares of VTEX Energy, Inc. were issuable in exchange for the outstanding common stock of Vector Energy Corporation. At January 31, 2004, 4,212,237 shares of common stock of Vector Energy Corporation remain unexchanged. The 140,550 shares of common stock of VTEX Energy, Inc. issuable in exchange for these shares of Vector Energy Corporation have been included in the outstanding common stock of VTEX Energy, Inc. VTEX Energy, Inc. may seek to enforce the mandatory exchange by cancellation of any unexchanged shares.

Preferred Stock

The Company has 50,000,000 authorized shares of preferred stock.

The Company is authorized to issue 3,000 shares of Class A-1 Cumulative Convertible Preferred Stock (Class A-1 Preferred Stock). Class A-1 Preferred Stock was issued for $1,000 per share and is entitled to receive cumulative cash dividends at the annual rate of 8% payable annually in arrears commencing December 1, 2001 when and as declared by the Board of Directors. All shares of Class A-1 Preferred Stock were issued to the Company's secured lender on December 27, 2000 as consideration for the reduction in the Company's secured indebtedness by $3,000,000.00. On January 16, 2003 all shares of the Class A-1 Preferred Stock, and accrued and unpaid dividends in the amount of $510,000 were converted into 2,361,439 shares of the Company's common stock.

The Company is authorized to issue 500,000 shares of Class B Preferred Stock, par value $0.001 per share. Class B Preferred Stock is senior to any and all capital stock. The holders of Class B Preferred Stock are not entitled to receive any dividends. As of January 31, 2004, 500,000 shares of the Class B Preferred Stock were issued and outstanding. The Class B Preferred Stock is redeemable in whole, but not in part, at the option of the Company by resolution of the Company's Board of Directors at anytime at $1.00 per share. Each share of Class B Preferred Stock has the voting rights equal to 100 shares of the Company's common stock. The holders of Class B shares are entitled to elect at least two directors to the Board of Directors of the Corporation. The holders of Class B Preferred Stock voting as a class will have the right to remove without cause at any time and replace any director such holders have elected.

Stock Options and Warrants

The Company has granted options to certain key employees to purchase 69,336 shares of the Company's common stock at purchase prices ranging from $4.50 to $6.90 per share. These options expire on dates ranging from August 25, 2005 to March 1, 2006 and are non-transferable. The options, which were issued at a price equal to or exceeding the market value of the underlying stock on the date of the grant, are not intended to qualify as incentive stock options under Internal Revenue Code Section 422. The Company follows the provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation (SFAS No. 123) using a Black Scholes option pricing model.

Also outstanding at January 31, 2004 are warrants for the purchase of 250,000 shares of the Company's common stock at a purchase price of $0.10 per share. The warrants expire on August 8, 2006 and are transferable.

On December 8, 2003, the Company issued stock appreciation rights on one million shares of its common stock to a former officer and director in exchange for advances and accrued payroll owed by the Company totaling $503,974. The stock appreciation rights grant the holder the right to receive the difference between $0.10 per share and the current market price, as defined in the agreement of the Company's common stock. The holder can exercise its rights at any time and the Company, at its option, may deliver common stock valued at the current market price in lieu of cash payment. The stock appreciation rights were valued at $503,974, and such amount has been included in additional paid-in capital.

On January 23, 2004, the Company issued 71,234 shares of its common stock when 100,000 of the stock appreciation rights were exercised.