ISRAMCO INC
Form 10-Q/A
August 16, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

CHECK ONE

|X| Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2003

or

|_| Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 from _______ to ______

COMMISSION FILE NUMBER 0-12500

ISRAMCO, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	13-3145265
(State or other Jurisdiction of Incorporation or Organization)	I.R.S. Employer Number

11767 KATY FREEWAY, HOUSTON, TX 77079
(Address of Principal Executive Offices)

713-621-3882
(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

The number of shares outstanding of the registrant's Common Stock as of August 14, 2003 was 2,639,853.

EXPLANATORY NOTICE

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the three months ended June 30, 2003, as originally filed on August 14, 2003 is being filed solely to reflect the plugging and abandonment obligations related to our oil and gas properties in accordance with the Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS 143") effective January 1, 2003. The obligations related to these activities have been included in the newly inserted Note 9 to the Consolidated Statements. SFAS 143 was to be adopted in January 2003 but the Registrant first recorded these obligations only during the quarter ended December 31, 2003. The effect of the restatement was a decrease to net income of $39,000 for the quarter ended June

30, 2003, and a decrease to net income of $352,000 for the six months ended June 30, 2003 from the amounts included in the Quarterly Report on Form 10-Q filed on August 14, 2003 with the Securities and Exchange Commission.

Except as described above, no other changes have been made to this Report. This Amendment No. 1 does not update any other disclosures to reflect developments since the original date of filing.

PART I - FINANCIAL INFORMATION:

FORWARD LOOKING STATEMENTS

CERTAIN STATEMENTS MADE IN THIS QUARTERLY REPORT ON FORM 10-Q ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY

TERMINOLOGY SUCH AS "MAY", "WILL", "SHOULD", "EXPECTS", "INTENDS", "ANTICIPATES", "BELIEVES", "ESTIMATES", "PREDICTS", OR "CONTINUE" OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING EXPLORATION AND DRILLING PLANS, FUTURE GENERAL AND ADMINISTRATIVE EXPENSES, FUTURE GROWTH, FUTURE EXPLORATION, FUTURE GEOPHYSICAL AND GEOLOGICAL DATA, GENERATION OF ADDITIONAL PROPERTIES, RESERVES, NEW PROSPECTS AND DRILLING LOCATIONS, FUTURE CAPITAL EXPENDITURES, SUFFICIENCY OF WORKING CAPITAL, ABILITY TO RAISE ADDITIONAL CAPITAL, PROJECTED CASH FLOWS FROM OPERATIONS, OUTCOME OF ANY LEGAL PROCEEDINGS, DRILLING PLANS, THE NUMBER, TIMING OR RESULTS OF ANY WELLS, INTERPRETATION AND RESULTS OF SEISMIC SURVEYS OR SEISMIC DATA, FUTURE PRODUCTION OR RESERVES, LEASE OPTIONS OR RIGHTS, PARTICIPATION OF OPERATING PARTNERS, CONTINUED RECEIPT OF ROYALTIES, AND ANY OTHER STATEMENTS REGARDING FUTURE OPERATIONS, FINANCIAL RESULTS, OPPORTUNITIES, GROWTH, BUSINESS PLANS AND STRATEGY. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

(ii)

ISRAMCO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands except for share information)
(Unaudited)

	June 30, 2003	Dece
	(Unaudited)	(A
ASSETS		
Current assets:		
Cash and cash equivalents	2,052	
Marketble securities, at market	3,755	
Accounts receivable	610	
Prepaid expenses and other current assets	167	
Total current assets	6,584	
Property and equipment (successful efforts method for oil and gas properties)	3,739	
Real Estate	1,887	
Marketable securities, at market	8,071	
Investment in affiliates	10,717	
Deferred tax asset	532	
Other	221	
Total assets	31,751	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	
Accounts payable and accrued expenses	1,231
Total current liabilities	1,231
Asset Retirement Obligation	720
Shareholders' equity:	
Common stock $.01 par value; authorized 7,500,000 shares; issued 2,669,120 shares; outstanding 2,639,853 at June 30,2003 and December 31,2002	27
Additional paid-in capital	26,240
Retained Earnings	3,427
Accumulated other comprehensive income (loss)	270
Treasury stock, 29,267 shares at June 30, 2003 and December 31, 2002	(164)
Total shareholders' equity	29,800
Total liabilities and shareholders' equity	31,751

See notes to the consolidated financial statements.

ISRAMCO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except for share information)
(Unaudited)

	Three Months Ended June 30,		Six Mo Ju
	2003	2002	2003
REVENUES:			
Operator fees from related party	52	64	105
Oil and gas sales	964	625	1,771
Interest income	257	105	425
Office services to related party	226	227	426
Gain on Marketable securities	464	--	599
Equity in net income of investees	941	--	1,179
Other Income	38	--	411
Total revenues	2,942	1,021	4,916
COSTS AND EXPENSES:			

Financial expenses	30	84	32
Depreciation, depletion and amortization	166	962	328
Accretion expense	11	--	22
Lease operating expenses and severance taxes	201	257	420
Exploration costs	--	841	22
Operator expense	185	155	432
General and administrative	423	292	702
Loss on marketable securities	--	88	--
Equity in net loss of investees	--	176	--
Impairment of oil and gas assets	20	--	200
Total expenses	1,036	2,855	2,158
Income (loss) before income taxes	1,906	(1,834)	2,758
Income taxes	--	464	--
Net income (loss) from continuing operation	1,906	(1,370)	2,758
Cumulative Effect of Accounting change	--	--	(264)
Net income (Loss)	1,906	(1,370)	2,494
Earnings per common share-basic			
continuing operation	0.72	(0.52)	1.04
Cumulative Effect of Accounting change	--	--	(0.10)
	0.72	(0.52)	0.94
Weighted average number of shares outstanding-basic	2,639,853	2,639,853	2,639,853
Earnings per common share-diluted			
continuing operation	0.72	(0.52)	1.04
Cumulative Effect of Accounting change	--	(0.10)	(0.10)
	0.72	(0.52)	0.94
Weighted average number of shares outstanding-diluted	2,639,853	2,639,853	2,639,853

See notes to the consolidated financial statements.

ISRAMCO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	2,494	1,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	328	232
Accretion expense	22	--
Impairment of oil and gas assets	200	--
Dry hole costs	--	1,657
Loss (gain) on marketable securities	(612)	258
Equity in net loss (gain) of investees	(1,179)	306
Cumulative effect of an Accounting change	264	(3,516)
Deferred taxes	--	(464)
Changes in assets and liabilities:		
Accounts receivable	(52)	(117)
Prepaid expenses and other current assets	274	(289)
Accounts payable and accrued liabilities	(970)	149
Net cash provided by operating activities	769	201
CASH FLOWS FROM INVESTING ACTIVITIES:		
Addition to property and equipment	(368)	(450)
Purchase of Real Estate	--	(1,202)
Purchase of marketable securities	(135)	(2,768)
Proceeds from sale of marketable securities	169	704
Purchase of convertible from promissory note	--	(50)
Net cash used in investing activities	(334)	(3,766)
NET INCREASE (Decrease) IN CASH AND CASH EQUIVALENTS	435	(3,565)
Cash and cash equivalents-beginning of year	1,617	4,280
Cash and cash equivalents-end of period	2,052	715

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1

As used in these financial statements, the term "Company" refers to Isramco, Inc. and subsidiaries.

NOTE 2

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Results for the six months ended June 30, 2003, are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002. Certain re-classification of prior year amounts have been made to conform to current presentation.

NOTE 3 - CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its direct and indirect non U.S. based wholly-owned subsidiaries Isramco Oil and Gas Ltd. (Oil and Gas), Isramco B.V., a Netherlands company and Isramco Resources Inc., a British Virgin Islands company, and its wholly owned subsidiaries, Jay Petroleum, L.L.C. (Jay), Jay Management L.L.C. (Jay Management) and IsramTec Inc. (IsramTec). Intercompany balances and transactions have been eliminated in consolidation.

NOTE 4 - ACCOUNTING CHANGES

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 145, "Rescission of SFAS No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 requires gains and losses on early extinguishment of debt to not be classified as extraordinary items as previously required under SFAS No. 4. SFAS No. 145 further requires any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented to be reclassified. Previously recorded losses on the early extinguishment of debt that were classified as an extraordinary item in prior periods have been reclassified to interest expense. The adoption of SFAS No. 145 had no effect on the Company's consolidated financial position, consolidated results of operations, or cash flows.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," ("SFAS No. 148"). SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects on reported net income of an entity's stock-based employee compensation in interim financial statements. The Company adopted SFAS No. 148 on January 1, 2003. The Company did not change to the fair value based method of accounting for stock-based employee compensation. Accordingly, the adoption of SFAS No. 148 would only affect the Company's financial condition or results of operations if the Company elects to change to the fair value method specified in SFAS No. 123. The adoption of SFAS No. 148 requires the Company to disclose the effects of its stock-based employee compensation in interim financial statements beginning with the first quarter of 2003 (see Note 1).

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133

for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is generally 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 will not have a material impact on the Company's consolidated financial position, consolidated results of operations, or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The Company does not have any financial instruments that meet the provisions of SFAS No. 150; therefore, adopting the provisions of SFAS No. 150 had no effect on the Company's consolidated financial position, consolidated results of operations, or cash flows.

Effective January 1, 2003, the Company adopted FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34" ("FIN No. 45"). The interpretation requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. In addition, FIN No. 45 requires disclosures about the guarantees that an entity has issued, including a roll forward of the entity's product warranty liabilities. This interpretation is intended to improve the comparability of financial reporting by requiring identical accounting for guarantees issued with separately identified consideration and guarantees issued without separately identified consideration. Adoption of this Interpretation had no effect on the Company's consolidated financial position, consolidated results of operations, or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN No. 46"). The interpretation requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 is effective for all new variable interest entities created or acquired after January 31, 2003. The Company has not utilized such entities and therefore the adoption of FIN No. 46 had no effect on the Company's consolidated financial position, consolidated results of operations, or cash flows.

In November 2002, the FASB reached a consensus on EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This issue addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The final consensus of this issue is applicable to agreements entered into in fiscal periods beginning after June 15, 2003. Additionally, companies will be permitted to apply the consensus guidance in this issue to all existing arrangements as the cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, "Accounting Changes." the adoption of this issue did not have a material impact on the Company's consolidated financial position, consolidated results of operations, or cash flows.

In accordance with SFAS 143, the Company has recorded an asset retirement obligation in connection with the plugging and abandomnment of its oil and gas properties. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset.

NOTE 5 -- OIL AND GAS PROPERTIES

During the six month period ended June 30, 2003, the Company Purchased a 55% working interest in 13 gas wells located in west Texas. During the six month period ended June 30, 2003, the Company recorded an impairment expense in the amount of $150,000 relating to the write-off of its investment in the Marine III Permit in the Congo.

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NOTE 6 -- EARNINGS PER SHARE COMPUTATION

SFAS No. 128 requires a reconciliation of the numerator (income) and denominator (shares) of the basic earnings per share ("EPS") computation to the numerator and denominator of the diluted EPS computation. The Company's reconciliation is as follows:

	For the Six Months Ended June 30,			
	2003		2002	
	Income	Shares	Income	Shares
Earnings per common share-Basic	$2,494,000	2,639,853	$1,986,000	2,639,853
Effect of dilutive securities:				
Stock Options	$2,494,000	2,639,853	$1,986,000	2,639,853

NOTE 7 -- GEOGRAPHICAL SEGMENT INFORMATION

The Company's operations involve a single industry segment--the exploration, development, production and transportation of oil and natural gas. Its current oil and gas activities are concentrated in the United States, Israel, and the Republic of Congo, Africa. Operating in foreign countries subjects the Company to inherent risks such as a loss of revenues, property and equipment from such hazards as exploration, nationalization, war and other political risks, risks of increases of taxes and governmental royalties, renegotiation of contracts with government entities and changes in laws and policies governing operations of foreign-based companies.

The Company's oil and gas business is subject to operating risks associated with the exploration, and production of oil and gas, including blowouts, pollution and acts of nature that could result in damage to oil and gas wells, production facilities or formations. In addition, oil and gas prices have fluctuated substantially in recent years as a result of events, which were outside of the Company's control. Financial information, summarized by geographic area, is as follows (in thousands):

GEOGRAPHIC SEGMENT

	United States	Israel	Africa	Consolidated Total
Identifiable assets at June 30, 2003	3,668	71	--	3,739
Cash and corporate assets				28,012
Total Assets at June 30, 2003				31,751
Identifiable assets at December 31, 2002	3,178	177	150	3,505
Cash and corporate assets				25,162
Total Assets at December 31, 2002				28,667
Six Months Ended June 30, 2003				
Sales and other operating revenue	1,837	465	--	2,302
Costs and operating expenses	(876)	(398)	(150)	(1,424)
Operating profit	961	67	(150)	878
Financial Income, net				393
General corporate expenses				(702)
Gain on marketable securities and equity in net loss of investees				1,778
Other income				411
Net Income from continuing operations				2,758
Six Months Ended June 30, 2002				
Sales and other operating revenue	1,214	587	--	1,801
Costs and operating expenses	(1,537)	(356)	(809)	(2,702)
Operating profit	(323)	231	(809)	(901)
Financial Income, net				108
General corporate expenses				(702)
Loss on marketable securities and				

equity in net loss of investees	(499)
Income Taxes	464
Net Loss from continuing operations	(1,530)

Three Months Ended June 30, 2003				
Sales and other operating revenue	1,012	230	--	1,242
Costs and operating expenses	(438)	(145)	--	(583)
Operating profit	574	185	--	659
Financial Income, net				227
General corporate expenses				(423)
Gain on marketable securities and equity in net loss of investees				1,405
Other income				38
Net Income from continuing operations				1,906

Three Months Ended June 30, 2002				
Sales and other operating revenue	687	259	--	946
Costs and operating expenses	(1,274)	(162)	(809)	(2,245)
Operating profit	(587)	97	(809)	(1,299)
Financial Income, net				21
General corporate expenses				(292)
Loss on marketable securities and equity in net loss of investees				(264)
Income Taxes				464
Net Loss from continuing operations				(1,370)

NOTE 8 - COMPREHENSIVE INCOME (LOSS)

The Company's comprehensive income (loss) for the six month and three month period ended June 30, 2003 and 2002 was as follows: (in thousands)

Six months

	ended June 30, 2003	2002
Net Income	2,494	1,986
Other comprehensive gain (loss)		
-available - for - sale securities	223	(252)
-foreign currency translation adjustments	592	(721)
Comprehensive income (loss)	3,309	1,013

	Three months ended June 30, 2003	2002
Net Income	1,906	(1,370)
Other comprehensive gain (loss)		
-available - for - sale securities	216	(103)
-foreign currency translation adjustments	529	(380)
Comprehensive income (loss)	2,651	(1,853)

NOTE 9 - ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2003, Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record a liability for asset retirement obligations at fair value in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. As of January 1, 2003, the Company recorded asset retirement costs of $458,581 and asset retirement obligations of $650,240. The cumulative effect of change in accounting principle was $263,955, net of taxes of $39,158.

The reconciliation of the beginning and ending asset retirement obligations as of June 30, 2003 is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2003
Asset retirement obligations, beginning of period	$ 670	$ --

Liabilities upon adoption of SFAS No. 143 on January 1, 2003	--	650
Liabilities incurred	39	48
Liabilities settled	--	--
Accretion expense	11	22
Revisions in estimated cash flows	--	--
Asset retirement obligations, as of June 30, 2003	$ 720	$ 720

The following table summarizes the pro forma net income and earnings per share for the three and six months ended June 30, 2002 and for the years ended December 31, 2002, 2001 and 2000 as if SFAS No. 143 had been adopted on January 1, 2000 (in thousands, except per share amounts):

	THREE MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2002	YEAR ENDED DECE 2002	200
Net income:				
As reported	$ (1,370)	$ 1,986	$ 1,717	$ (
Pro forma	(1,383)	1,959	1,663	(
Net income per share, as reported:				
Basic	$ (0.52)	$ 0.75	$ 0.65	$ (
Diluted	(0.52)	0.75	0.65	$ (
Net income per share, pro forma:				
Basic	$ (0.52)	$ 0.74	$ 0.63	$ (
Diluted	(0.52)	0.74	0.63	(

The following table summarizes pro forma asset retirement obligations as of June 30, 2002 and December 31, 2002, 2001 and 2000 as if SFAS No. 143 had been adopted on January 1, 2000 (in thousands):

	AS OF JUNE	AS OF DECEMBER 31,

	30, 2002	2002	2001	2000
Asset retirement obligations, pro forma	$ 632	$ 650	$ 613	$ 483

NOTE 10 - CONTINGENCIES

The Company is involved in a dispute with a contractor relating to drilling costs of the Tilapia well in Congo during 2000. The Company believes that it has adequately accrued for all amounts due to this contractor as of June 30, 2003.

The Company is also involved in various other legal proceedings arising in the normal course of business. In the opinion of management, the Company's ultimate liability, if any, in these pending actions would not have a material adverse effect on the financial position, operating results or liquidity of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The increase in the Company's consolidated cash and cash equivalents of $435,000 from $1,617,000 at December 31, 2002 to $2,052,000 at June 30, 2003, is primarily attributable to increased retail gas prices in the United States;

Net cash used in investing activities for the six-month period ended June 30, 2003 was $334,000 as compared to $3,766,000 used during the six-month period ended June 30, 2002. The decrease is primarily attributable to a reduction in investment in marketable securities and in property and equipment.

The Company believes that existing cash balances and cash flows from activities will be sufficient to meet its financing needs. The Company intends to finance its ongoing oil and gas exploration activities from working capital.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2003 (the "2003 Period") Compared to the Six Months Ended June 30, 2002 (the "2002 Period") and the three months ended June 30, 2003 compared to the three months ended June 30,2002.

The Company reported net income of $2,494,000 ($1.04 Per share) for the 2003 Period compared to a net income of $1,986,000 ($0.75 Per share) for the 2002 Period and income of $1,906,000 ($0.72 Per share) for the three months ended June 30, 2003, compared to a loss of $1,370,000 ($0..52 Per share) for the comparable period in 2002. The relatively higher net income for the 2003 Period compared to the 2002 Period as well as for the three months ended June 30, 2003 compared to the same period in 2002 is primarily attributable to an increase in revenues from oil and gas sales resulting from higher oil and gas prices, gains on marketable securities, the recording of a loss of $1,657,000 during the 2002 Period in connection with the drilling of the Read well in Texas and an additional well in Congo (Marine 9 permit), both of which were plugged and abandoned, and the recording of a net profit of $1,179,000 during the 2003 Period in connection with an increase in the net income of Isramco Negev 2 Limited Partnership and I.N.O.C Dead Sea Limited Partnerships, affiliate-investees of the Company, resulting primarily from unrealized gains on marketable securities by such affiliates (compared to a loss of $306,000 for the comparable period in 2002).

Set forth below is a break-down of these results.

UNITED STATES

OIL AND GAS REVENUES (IN THOUSANDS)

	Three Months ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Oil Volume Sold (Bbl)	4	5	8.7	11
Gas Volume Sold (MCF)	161	192	308	370
Oil Sales ($)	105	120	247	223
Gas Sales ($)	859	503	1,526	917
Average Unit Price				
Oil ($/Bbl) *	26.27	22.98	28.24	19.77
Gas ($/MCF) **	5.33	2.62	5.16	2.48

o Bbl - Stock Market Barrel Equivalent to 42 U.S. Gallons

** MCF - 1,000 Cubic Feet

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SUMMARY OF EXPLORATION EFFORTS IN ISRAEL

To date, three gas fields were discovered offshore Israel known respectively as Or, Or South and Nir. Based on the gas finds, a 30 year lease (including the area of the Or gas discovery) was granted in June 2000 (hereinafter, the "Med

Yavne Lease") and an additional 30 year lease (including the area of the Nir gas discovery) was granted in January 2002 (hereinafter, the "Med Ashdod Lease").

MED YAVNE LEASE

The Med Yavne Lease covers approximately 53 square kilometers (approximately 12,000 acres). The Company's participation share of the Med Yavne Lease is 0.4585%.

MED ASHDOD LEASE

The Med Ashdod Lease covers approximately 250 square kilometers (approximately 62,000 acres). The Company serves as the operator of the Med Ashdod Lease and holds a 0.3625% interest therein.

Two prospects within the southern sector have been identified and recommended for drilling, one of which is for gas and the second for gas or oil. The operator has examined this report and, based thereon, has established the priorities for continued exploration. The operator presented its recommendation to the lease participants in October 2002 that drilling be commenced for oil (Nizanim 1).

As no decision has yet been taken, the Operator has determined to postpone the drilling of Nitzanim and, in lieu of such drilling, has presented an alternative work program as follows: (i) During 2003 - drill a confirmation gas well (Nir-2) in the Nir field, with a total budget of approximately $10 million; (ii) During 2004 - drill Nizanim-1 to total depth of 5300 meters (17,400 feet), with a total budget of approximately $35 million.

At a partners meeting held on April 3, 2003, certain of the partners announced their readiness to participate in the confirmation well. On April 30, 2003, the operator, on behalf of Isramco Negev 2 Limited Partnership, one of the partners, issued to the partners a sole risk notice regarding the drilling of the confirmation gas well (Nir-2). The well is planned to a total depth of 2050 meters (6,725 feet), with a total budget of approximately $10.5 million and expected to be drill at September 1, 2003. As certain of the partners declined to participate in the well, the participation of Isramco Negev 2 Limited Partnership in the well increased to 67%.

MARINE CENTER LICENSE

On September 21, 1999, the Company was awarded a preliminary permit, Marine Center covering an area of 194 square kilometers. The permit included a preferential right to obtain a license. In December 2000, Israeli Petroleum Commissioner issued a license in respect of the area covered by the permit (hereinafter, the "Marine Center License"), which

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license continues in effect through December 3, 2003. The Company holds a 1% participation interest in the Marine Center License and the remaining interests are held by affiliated entities.

The Company serves as operator of the Marine Center License.

MARINE SOUTH LICENSE

In January 2002, Israeli Petroleum Commissioner issued a license in respect of the area covered by the Marine South permit (hereinafter, the "Marine South License"), which license continues in effect through January 15, 2005 and is subject to (i) the performance of a seismic 3D survey and the processing of the results thereof no later than January 15, 2003, (ii) the preparation of an oil drilling prospect by July 15, 2003 and (iii) the drilling of a well no later than January 15, 2004.. In March 2003, the Petroleum Commissioner granted an eight month extension for the period in which the above work plan is to be performed. The Company serves as operator of the License and holds a 1% participation interest in the License; the remaining participation interests are held by affiliated entities.

SUMMARY OF EXPLORATION EFFORTS IN THE UNITED STATES

The Company, through its wholly-owned subsidiaries, Jay Petroleum LLC ("Jay Petroleum") and Jay Management LLC ("Jay Management"), is involved in oil and gas production in the United States. Jay Petroleum owns varying working interests in oil and gas wells in Louisiana, Texas, Oklahoma and Wyoming. Independent estimates of the reserves held by Jay Petroleum as of December 31, 2002 are approximately 109,183 net barrels of proved developed producing oil and 3,381 MMCFs of proved developed producing natural gas. Jay Management acts as the operator of certain of the producing oil and gas interests owned or acquired by Jay Petroleum.

In March 2003 gas production from Hoover 4 well located in Oklahoma commenced. In June 2003 the company purchased a 55% working Interest in 13 existing wells located in west Texas. The Company intends to re-enter the wells for the purpose of gas production.

SUMMARY OF EXPLORATION EFFORTS IN THE CONGO

The oil and gas properties in the Congo consist of the Marine III Exploration Permit and the Marine 9 Exploration Permit. The Company holds 25% participation interest in the Marine III Exploration Permit (through Naphtha Congo Ltd.). The Company's participation interest in the Marine 9 Exploration Permit is 5%, held through Naphtha Congo Limited Partnership ("Naphtha Congo"). The remaining participants in the Marine 9 License are recognized oil companies.

In March 2003, Naphtha Congo, the operator of the Marine III Exploration Permit, decided to discontinue the planned work program principally because it did not believe that the continuation of such program was commercially reasonable. Based on management's belief that the value of the Company's investment has been impaired, the Company wrote-off during the six months ended June 30, 2003 the amount of $150,000, representing the Company's investment in Marine III Permit.

In April 2003, Naphtha Congo received notice from the Congolese Ministry of Oil that the Republic of the Congo has decided to retrieve the rights of Naphtha Congo Ltd. in Marine III, providing as a reason therefore Naphtha Congo's non-perform of the required work program. Under applicable law, the Congolese Government is entitled to request reimbursement in the amount of funds not expended on the required work program. Naphtha Congo received a letter dated May 16, 2003, from the Congolese Government official supervising oil and gas exploration demanding that Naphtha Congo remit an unspecified amount equivalent to the aggregate work obligations that were not undertaken and a penalty of $294,000.

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OPERATOR'S FEES

During the 2003 Period, the Company earned $105,000 in operator fees compared to $147,000 for the 2002 Period and $52,000 for the three months ended June 30, 2002 compared to $ 64,000 for the comparable period in 2002.

OIL & GAS REVENUES

During the 2003 Period, the Company had oil and gas revenues of $1,771,000 compared to $1,141,000 for the 2002 Period and $964,000 for the three months ended June 30, 2003 compared to $625,000 for the comparable period in 2002. The increase in the 2003 Period is primarily attributable to an increase in oil & gas prices

LEASE OPERATING EXPENSES AND SEVERANCE TAXES

Lease operating expenses and severance taxes were primarily in connection with oil and gas fields in the United States. Oil and gas lease operating expenses and severance taxes for the 2003 Period were $420,000 compared to $437,000 for the 2002 Period and $201,000 for the three months ended June 30, 2003 compared to $257,000 for the comparable period in 2001.

OIL AND GAS EXPLORATION COSTS

During the 2003 Period, the Company expended $22,000 in oil and gas exploration, as compared to $843,000 for the same period in 2002. The decrease in oil and gas exploration costs is primarily attributable to a well that was drilled in Texas during 2002 Period. The well was plugged and abandoned.

IMPAIRMENT OF OIL AND GAS INTERESTS

During the 2003 Period, the Company wrote-off the amount of $150,000, representing the Company's investment in the Marine III Permit in the Congo. The Company's decision was based on management's assessment that the value of such investment has been impaired. See "Summary of Exploration Efforts in the Congo".

INTEREST INCOME

Interest income in respect of the 2003 Period was $425,000 compared to $296,000 for the 2002 Period and $257,000 in respect of the three months ended June 30, 2003 compared to $105,000 for the same period in 2002. The increase in interest income earned by the company during the 2003 Period as compared to the 2002 Period and during the three months ended June 30,2003 as compared to the same period in 2002 is primarily attributable to interest earned on marketable securities.

GAIN (LOSS) ON MARKETABLE SECURITIES

During the 2003 Period, the company recognized a net realized and unrealized gain on trading securities of $599,000 compared to losses of $193,000 for the 2002 Period and gain of $464,000 for the three months ended June 30,2003 compared to a loss of $88,000 for the same period in 2002.

Increases or decreases in the gains and losses from marketable securities are dependent on the market prices in general and the composition of the portfolio of the Company.

EQUITY IN NET INCOME OF INVESTEES

The Company's equity in the net income of investees for the 2003 Period was $1,179,000 compared to a loss of $306,000 for the 2002 Period. The increase is primarily attributable to unrealized gains on marketable securities by Isramco Negev 2 Limited Partnership and I.N.O.C. Dead Sea Limited Partnerships, affiliate-investees of the Company.

OPERATOR EXPENSE

Operator expenses were incurred primarily in connection with the offshore activities in Israel. Operator expenses for the 2003 Period were $432,000 compared to $342,000 for the 2002 Period and $185,000 for the three months ended June 30, 2003 compared to 155,000 for the comparable period in 2002. .The increase is primarily attributable to increase of legal expenses during the 2003 Period compare to the 2002 Period.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the 2003 Period were $702,000 compared to $702,000 for the in 2002 Period and $423,000 for the three months ended June 30, 2003 compared to $292,000 for the same period in 2002. The increase in general and administrative expenses during the 2003 Period compared to the 2002 Period is primarily attributable to expenses incurred in the provision of professional services by related and third parties during 2002.

OTHER INCOME

Other income includes a sum of $350,000 which represents the settlement of a liability recorded in connection with a well drilled in Marine 9 Permit and was recorded during 2002 as exploration costs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to changes in interest rates and foreign currency exchanges rates were reported in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2002. There has been no material change in these market risks since the end of the fiscal year 2002.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the filing of this report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e)). Based upon that evaluation, the Chief Executive and Principal

Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. Subsequent to the date of that evaluation, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company, together with Naphtha Congo Ltd., an Israeli and related entity ("Naphtha Congo"), were served in October 2002 in District Court of Harris County, Texas, With summons and complaint by Romfor International, Ltd., a contractor ("Contractor") who provided drilling services in the Tilapia permit in the Congo, alleging breach of contract and damages of approximately $1.5 million and moving for court ordered arbitration. The Contractor and Naphtha Congo entered into a drilling agreement in October 2000 with respect to the Tilapia 1 well. The Company indirectly held, through Naphtha Congo, a 50% participation interest in the Tilapia 1 well.

The Company filed its answer on October 18, 2002, wherein it denied all allegations made and denied that it is a proper party to the suit and moved to dismiss the complaint. On March 20, 2003, the court granted the Company's motion to dismiss the complaint against it and concurrently granted Contractor's motion to compel arbitration against Naphtha Congo. Subsequently, the Contractor moved for a new trial and, on July 8, 2003, the court denied the Contractor's motion for a new trial.

ITEM 2. CHANGE IN SECURITIES & USE OF PROCEEDS

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on June 10, 2003 and the stockholders voted as to the following: (i) to elect Haim Tsuff, Jackob Maimon, Avihu Ginzberg, Eyal Gibor and Max Pridgeon as directors to serve for a term of one year or until a successor is duly elected and (ii) to ratify the appointment of Mann Frankfort Stein & Lipp CPA, LLP, as auditors for the year ending December 31, 2003.

Voting results are as follows:

	For	Withheld	Abstain
1. Directors			
Haim Tsuff	2,171,404	19,897	--
Jackob Maimon	2,171,304	19,997	--
Avihu Ginzberg	2,171,504	19,797	--
Eyal Gibor	2,171,504	19,797	--
Max Pridgeon	2,171,504	19,797	--

	For	Against	Abstain
2. Auditors	2,174,021	5,272	12,008

No other matters were submitted to a vote of stockholders during the three-month period ended June 30, 2003.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON 8-K

(i) Exhibits

31. Rule 13a-14(a)/15d-14(a) Certification

32. Section 1350 Certification

(ii) Reports on Form 8-K

None

SIGNATURES

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

ISRAMCO, INC.

DATE: AUGUST 16, 2004

BY /S/ HAIM TSUFF

CHAIRMAN OF THE BOARD,
CHIEF EXECUTIVE AND
PRINCIPAL FINANCIAL OFFICER