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 March 31, 2004

or

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

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)

713-621-5946
(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 Act). | | Yes |X| No

The number of shares outstanding of the registrant's Common Stock as May 14, 2004 was 2,639,853.

EXPLANATORY NOTICE

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the three months ended March 31, 2004, as orginally filed on May 15, 2003 is being filed solely for the purpose of reflecting the revisions made in the Registrant's amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2003 which was filed on August 16, 2004 with the Securities and Exchange Commission. The Registrant amended its Quarterly Report on Form 10-Q for the three months ended March 31, 2003 which was filed on May 15, 2003 with the Securities and Exchange Commission to reflect the plugging and abandonment obligations related to its oil and gas properties in accordance with the Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" effective

January 1, 2003.

The Consolidated Statement of Operations and Cash flows and Management's Discussion and Analysis of Financial Conditions and Results of Operations have been revised to reflect the changes included in the Registrant's amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2003 which was filed on August 16, 2004.

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.

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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.

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

	MARCH 31, 2004 (UNAUDITED)	DE
ASSETS		
Current Assets:		
Cash and Cash Equivalents	699	
Marketable Securities, At Market	5,140	
Accounts Receivable - Trade	710	
Account Receivable - Other	--	
Prepaid Fit Expenses	274	
Prepaid Expenses and Other Current Assets	274	
Total Current Assets	7,097	
Property and Equipment (Successful Efforts Method for Oil and Gas Properties)	3,562	
Real Estate	1,887	
Marketable Securities, At Market	10,163	
Investment in Affiliates	10,751	
Investment in Vessel	8,095	
Other	162	
TOTAL ASSETS	41,717	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Expenses	957	

Total Current Liabilities	957
Asset Retirement Obligations	777
Deferred Tax Liability	1,406
Bank Loan	7,501
Commitments, Contingencies and Other Matters	
Common Stock $.0L Par Value; Authorized 7,500,000 shares; issued 2,669,120 shares; outstanding 2,639,853 at March 31,2003 and December 31,2003	27
Additional Paid-in Capital	26,240
Retained Earnings	4,034
Accumulated Other Comprehensive Income (Loss)	939
Treasury Stock, 29,267 Shares At March 31, 2003 and December 31, 2003	(164)
Total Shareholders' Equity	31,076
Total Liabilities and Shareholders' Equity	$41,717

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 March 31, 2004	2003
REVENUES:		
Operator Fees From Related Party	$36	$53
Oil and Gas Sales	834	807
Interest Income	210	168
Office Services to Affiliate and Other	195	200
Gain On Marketable Securities	--	135
Equity in Net Income of Investees	588	238
Other Income	30	373
Total Revenues	$ 1,893	$ 1,974
COSTS AND EXPENSES:		
Financial expenses	7	2
Depreciation, depletion and Amortization	155	162
Accretion expenses	11	11

Lease operating expenses and Severance taxes	191	219
Exploration costs	--	22
Operator expense	219	247
General and administrative	336	279
Loss On Marketable Securities	59	--
Impairment of oil and gas assets	--	180
TOTAL EXPENSES	$ 978	$ 1,122
Income before income taxes	915	852
Income taxes	(70)	---
Net income from continuing operation	$ 845	$ 852
Cumulative Effect of Accounting Change	---	(264)
Net income	$ 845	$ 588
Earnings per common share-basic continuing operation	$ 0.32	$ 0.32
Cumulative Effect of Accounting Change		(0.10)
	$ 0.32	$ 0.22
Weighted average number of shares outstanding-basic and diluted	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)

	THREE MONTHS ENDED MARCH 31, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	845	588
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION, DEPLETION AND AMORTIZATION	155	162
ACCRETION EXPENSES	11	11
IMPAIRMENT OF OIL AND GAS ASSETS	---	180
LOSS (GAIN) ON MARKETABLE SECURITIES	59	(135)
EQUITY IN NET LOSS (GAIN) OF INVESTEES	(588)	(238)
CUMULATIVE EFFECT OF ACCOUNTING CHANGES	---	264
DEFERRED TAXES	56	--

		--
CHANGES IN ASSETS AND LIABILITIES:		
ACCOUNTS RECEIVABLE	402	(71)
PREPAID EXPENSES AND OTHER CURRENT ASSETS	56	170
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	159	(580)
	-------	-------
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,155	351
	-------	-------
CASH FLOWS FROM INVESTING ACTIVITIES:		
ADDITION TO PROPERTY AND EQUIPMENT	(453)	(107)
PURCHASE OF REAL ESTATE	--	(100)
PURCHASE OF VESSEL	(8,095)	--
PURCHASE OF MARKETABLE SECURITIES	(2,446)	84
PROCEEDS FROM SALE OF MARKETABLE SECURITIES	608	--
	-------	-------
NET CASH USED IN INVESTING ACTIVITIES	(10,386)	(123)
NET CASH FROM FINANCING ACTIVITIES:		
PROCEEDS FROM BANK LOAN	7,501	--
	-------	-------
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,501	--
	-------	-------
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,730)	228
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	2,429	1,616
	-------	-------
CASH AND CASH EQUIVALENTS-END OF PERIOD	699	1,844
	=======	=====-=
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE PERIOD FOR TAXES	---	---
	=======	======-

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 three month period ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. 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, 2003. Certain re-classification of prior year amounts have been made to conform to current presentation.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46. Consolidation of Variable Interest Enninies, and subsequently revised the interpretation in December 2003 (FIN 46R). This interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, addresses consolidation by business enterprises of variable interest entries, which have certain characteristics. As revised, FIN 46R is now generally effective for financial statements for interim or annual periods ending on or after March 15, 2004. We adopted FIN 46R effective January 1, 2004, with no material effect on our consolidated financial statements.

Stock-Based Compensation

We account for employee stock-based compensation granted under our long-term incentive plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The company did not have any compensation expense for the three months periods ended March 31, 2004 and 2003, as there were no options granted in either of the periods and options historically granted were fully vested the date of grant. The following table illustrates the effect on net income (loss) and earning (loss) per share if we had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	THREE MONTH ENDED MARCH 31	
	2004	200
Net income (loss), as reported	$ 845,000	$ 588,
Deduct: Total stock-based employee compensation Expense determined under fair value based method For all awards, net of related tax effects	----	---
Pro forma net income (loss)	$ 845,000	$ 588,
Net income (loss) per share:		
Basic - as reported	$ 0.32	$ 0.2
Basic - pro forma	$ 0.32	$ 0.2
Diluted - as reported	$ 0.32	$ 0.2
Diluted - pro forma	$ 0.32	$ 0.2

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) and Magic 1 Cruise Line Corp. and it's U.S based 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 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. Accretion expenses for the quarter ended March 31, 2004 was approximately $ 11,000.

NOTE 5 - OIL AND GAS PROPERTIES

The Company follows the "successful efforts" method of accounting for its oil and gas properties. Under this method of accounting, all property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending determination of whether the well has found proved reserves. If an exploratory well has not found proved reserves, the costs of the well are charged to expense. The costs of development wells are capitalized whether successful or unsuccessful. Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are expensed as incurred. Management estimates that the salvage value of lease and well equipment will approximately offset the future liability for plugging and abandonment of the related wells. Accordingly, no accrual for such costs has been recorded. Although the company continues to seek to acquire oil and gas properties, no such purchases were made in the first three months of 2004.

NOTE 6 - INVESTMENT IN VESSEL

In March 2004, the Company completed the purchase of a luxury cruise liner for aggregate consideration of $8,050,000. The Vessel, a Bahamas flagged ship, contains 270 passenger cabins spread out over nine decks. The Company has secured commercial bank loans for approximately $7.5 million of the purchase price, to be secured by a lien on the Vessel, marketable securities which are not restricted for trading and a Company guarantee. The terms of the loan are as follows:
Amount of $2.7 million at a rate of Libor + 0.75% for a duration of twelve months and an amount of $4.8 million at a rate of Libor + 1%, revolving every week.

The Company is currently in discussions with several luxury cruise operators for the purpose of commercially leasing the Vessel as a luxury cruise liner. No assurance can be given that the Company will be able to conclude any leasing arrangement on commercially acceptable terms.

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 Three Months Ended March 31,			
	2004		2003	
	Income	Shares	Income	Shares
Earnings per common share-basic	$ 845,000	2,639,853	$ 588,000	2,639,853

Effect of dilutive securities of stock options	--	--	--	--
	=========	=========	=========	=========
	$ 845,000	2,639,853	$ 588,000	2,639,853

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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 and Israel. 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 March 31, 2004	3,481	81		$ 3,562
Cash and corporate assets				38,155

				$41,717
Total Assets At March 31, 2004				=======
Identifiable assets At December 31, 2003	$2,987	$ 81	$ --	$ 3,068
Cash and corporate assets				29,167

Total Assets At December 31, 2003				$32,614
				=======
Three Months Ended March 31, 2004				
Sales and other operating revenue	$ 881	$ 184	--	$ 1,065
Costs and operating expenses	$ (328)	$ (226)	--	$ (565)
	=======	=======	========	=======
Operating profit	$ 542	$ (42)		$ 511
Interest income				210
Financial income, net				(7)
General corporate expenses				(336)
Loss on marketable securities and				(59)
Equity in net loss of investees				588
Other income				30
Income texas				(70)

Net Income from continuing operations				$ 845
Three Months Ended March 31, 2003				
Sales and other operating revenue	$ 825	$ 235	$ ---	$ 1,060
Costs and operating expenses	$ (439)	$ (253)	$ (150)	$ (792)
Operating profit	$ 386	$ (18)	$ (150)	$ 218
Interest income				168
Financial income, net				(2)
General corporate expenses				(279)
Gain on marketable securities				135
equity in net income of investees				238
Other income				373
Net income from continuing operations				$ 852

NOTE 8 - COMPREHENSIVE INCOME (LOSS)

The Company's comprehensive income (loss) for the three month period ended March 31, 2004 and 2003 was as follows:

	Three months ended March 31, 2004	2003
Net income	$ 845	$ 588
Other comprehensive gain (loss)		
-available - for - sale securities	587	$ 35
-foreign currency translation adjustments of the israeli branch and the limited partnerships	$(236)	$ 63
Comprehensive income	1,196	$ 686

NOTE 9 - CONTINGENCIES

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

THE FOLLOWING COMMENTARY SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED ELSEWHERE IN THIS REPORT ON FORM 10-Q. THE DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THESE STATEMENTS RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE. IN SOME CASES, YOU CAN IDENTIFY THESE FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "PLAN," "ANTICIPATE," "BELIEVE," "ESTIMATE," "PREDICT," "POTENTIAL," "INTEND," OR "CONTINUE," AND SIMILAR EXPRESSIONS. THESE STATEMENTS ARE ONLY PREDICTIONS. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS REPORT ON FORM 10-Q.

OVERVIEW

Isramco, Inc., a Delaware company, is active in the exploration of oil and gas in Israel and the United States. The Company acts as an operator of certain leases and licenses and also hold participation interests in certain other interests. The Company also holds certain non-oil and gas properties. See "Business".

CRITICAL ACCOUNTING POLICIES

In response to the Release No. 33-8040 OF THE securities and Exchange Commission, "CAUTIONARY ADVICE REGARDING DISCLOSURE AND CRITICAL ACCOUNTING POLICIES", the Company identified the accounting principles which it believes are most critical to the reported financial status by considering accounting policies that involve the most complex of subjective decisions or assessments.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company records an investment impairment charge when it believes an investment has experienced a decline in value that is other than is temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investment that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event that the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase net income in the period such determination was made.

The Company does not participate in, nor has it created, any off-balance sheet special purpose entities or other off-balance sheet financing. In addition, the Company does not enter into any derivative financial instruments.

The Company records a liability for asset retirement obligation at fair value in the period in which it is incurred and a corresponding increase in the carrying amount of the related long live assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations primarily from cash generated by operations.

The decrease in the Company's consolidated cash and cash equivalents of $1,730,000 from $2,429,000 at December 31, 2003 to $699,000 at March 31, 2004, is primarily attributable to purchase of the cruise liner (the "Vessel") in a sum of $8.05 million. See Note 6. The Company secured commercial bank loans in the principal amount of approximately $7.5 million, secured by liens on the vessel, Company marketable securities and a Company guarantee.

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Net cash used in investing activities for the three-month period ended March 31, 2004 was $10,355,000 as compared to $ 123,000 used during the three-month period ended March 31, 2003. In March 2004, the Company concluded the purchase of the Vessel for aggregate consideration of approximately $8,050,000.

Capital expenditures for property and equipment during the three months ended March 31, 2004 were $ 425,000 compared to $ 107,000 for the same period in 2003. Capital expenditures are primarily attributable to the cost of drilling of a new well in Oklahoma.

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

Three Months Ended March 31, 2004 Compared to the Three Months Ended March 31, 2003.

The Company reported net income of $845,000 ($ 0.32 per share) for the three-month period ended March 31, 2004 compared to net income of $588,000 ($ 0.22 per share) for the same period in 2003.

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

UNITED STATES

OIL AND GAS REVENUES (IN THOUSANDS)

	Three Months Ended March 31, 2004	2003
Oil Volume Sold (Bbl)	4	5
Gas Volume Sold (Mcf)	132	134
Oil Sales ($)	137	142
Gas Sales ($)	697	665
Average Unit Price		
Oil ($/Bbl) *	$ 32.13	$ 29.90
Gas ($/MCF) **	$ 5.27	$ 4.94

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

** MCF - 1,000 Cubic Feet

SUMMARY OF EXPLORATION EFFORTS IN ISRAEL

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.

On February 15, 2004, the operator presented the partners with two drilling prospect (a) Nizanim 1 Well (b) Yam 3 Well to a total depth of 5,700 meter (18,700 feet), with a total budget of $ 40 million. The Company has received notice from partners representing approximately 38.5% interest in the lease of their readiness to invest in Yam 3 Well. As of the filing of this report on Form 10-Q, no decision has been made to drill the Yam-3 Well.

MARINE SOUTH LICENSE

Marine South License covers approximately 142 square kilometers (approximately 35,200 acres). The Company Serves as the operator and holds 1 % interest.

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, 2003 are approximately 136,000 net barrels of proved developed producing oil and 2,785 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.

OPERATOR'S FEES

During the three months ended March 31, 2004, the Company earned $ 36,000 in operator fees compared to $ 53,000 respect of the same period in 2003.

OIL & GAS REVENUES

For the three months ended March 31, 2004, the Company had oil and gas revenues of $834,000 compared to $807,000 for the same period in 2003. The increase in the 2004 period as compared to the same period in 2003 is primarily attributable to increased of 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 three months ended on March 31, 2004 were $191,000 compared to $219,000 for the same period in 2003.

OIL AND GAS EXPLORATION COSTS

During the three months ended March 31, 2004, the Company did not expend any amount in oil and gas exploration, as compared to $22,000 for the same period in 2003.

INTEREST INCOME

Interest income during the three months ended March 31, 2004 was $210,000 compared to $168,000 for the same period in 2003. The increase in interest income earned by the company during the three months ended March 31, 2004 compared to the comparable period in 2003 is primarily attributable to interest earned on marketable securities.

GAIN (LOSS) ON MARKETABLE SECURITIES

During the three months ended March 31, 2004, the Company recognized net realized and unrealized loss on trading securities of $ 59,000 compared to net realized and unrealized gain of $135,000 for the same period in 2003.

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

At March 31, 2004, the available cash resources of INOC Dead Sea Limited Partnership and Isramco Negev 2 Limited Partnership, investee-affiliates of the Company, were approximately $127 million. During the three months ended March 31, 2004, the Company recognized net income of $588,000, compared to a net income of $238,000 for the same period in 2003. The increase is primarily attributable to the increase in the market value of these securities on the Tel Aviv Stock Exchange, where the securities of these entities are quoted for trading.

OPERATOR EXPENSE

Operator expenses for the 2003 period were $ 219,000 compared to $247,000 for the 2003 period.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three month period ended March 31, 2004 were $ 336,000 as compared to $279,000 for the same period in 2002

OTHER INCOME

Other income during the 2003 period included a non-recurring gain of $350,000, representing the settlement of a liability recorded in connection with a well drilled in the Marine 9 Permit (Congo) and that 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, 2003. There has been no material change in these market risks since the end of the fiscal year 2003.

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure 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.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting. During the quarter ended March 31, 2004, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, these controls.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 10, 2004, the Company initiated a lawsuit in the Superior Court of California, County of Los Angeles, against several named defendants (collectively, the "Defendants"), alleging breach of contract and tort claims in connection with an agreement between the Company and the Defendants to jointly purchase and develop certain parcels of real estate outside Los Angeles. In its lawsuit, the Company is seeding damages in excess of $50 million. The matter is in preliminary stages and, as of the filing of this quarterly report on Form 10-Q, no trial date has been set. The parties are currently litigating preliminary motions and commencing discovery.

ITEM 2. CHANGE IN SECURITIES & USE OF PROCEEDS

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON 8-K

(i) Exhibits

31 CERTIFICATION OF CHIEF EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT

32 CERTIFICATION OF CHIEF EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(i) Isramco filed a report on Form 8-K on March 22, 2004 announcing that it successfully bid for a luxury cruise liner at an auction held under order of the United States Bankruptcy Court, Southern District of Florida.

(ii) Isramco filed a report on Form 8-K on March 31, 2004, announcing the appointment of Donald D. Lovell as a director, replacing Mr. Avihu Ginzburg who then resigned as a director of the Company, and included the related press release.

(iii) Isramco filed a report on Form 8-K on March 31, 2004 announcing its financial results for the year and quarter ended December 31, 2003, and included the related press release.

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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