



**For Immediate Release
Friday, January 24, 2003**

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NEWS RELEASE
**THE EXPLORATION COMPANY ANNOUNCES NEW
NATURAL GAS FORWARD-SALES CONTRACT**

SAN ANTONIO – (BUSINESS WIRE) – January 24, 2003 – The Exploration Company (Nasdaq: TXCO) today announced that it has entered into a natural gas purchase and sales agreement for a portion of its natural gas production for the period February 2003 to December 2003. Duke Energy Trading and Marketing, L.L.C., a subsidiary of NYSE-listed Duke Energy Corp., has agreed to purchase this quantity of gas from TXCO, through its marketing agent, Trebor Energy Resources, Inc. (Trebor).

The Company entered into the forward sale of 5,000 MMBtu per day, of gross natural gas production at a fixed price of \$4.45 per MMBtu, or \$5.13 per thousand cubic feet (Mcf), net of transportation expenses. The 5,000 MMBtu gross daily volume includes approximately 2,300 MMBtu of TXCO’s working interest partners’ and royalty owners’ gas. The net quantity represents approximately 30% of TXCO’s daily net gas production rate at year end 2002.

Key TXCO 2003 Natural Gas Forward-Sales Contract Metrics:

<u>Contract Period</u>	<u>Wellhead price per MMBtu</u>	<u>Equivalent price per Mcf</u>	<u>Net Daily MMBtu of natural gas</u>	<u>Contract period estimated net cash proceeds to TXCO</u>
February 2003 thru December 2003	\$4.45	\$5.13	2,700	\$4.00 MM

Management Comments

James E. Sigmon, TXCO President and Chief Executive Officer, said: “First Call 2003 consensus natural gas prices were recently \$3.57 per Mcf. We took this opportunity to lock in cash flow from a portion of our production at prices that are \$1.56 above the consensus. Predictable cash flow will help fund our 2003 CAPEX program of \$27.4 million, even during months that historically experience lower commodity prices. Further, there is no derivative feature to this contract — we simply produce the gas, deliver it to Duke and are paid by Duke through Trebor. If the right price is received, we would consider forward contracting a quantity of our oil production as well.”

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory. The Company's common stock trades on the Nasdaq Stock Market^(sm) under the symbol “TXCO.”

THE EXPLORATION COMPANY



Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to production volumes, cash flow, CAPEX, net cash proceeds, including the timing, number and cost of wells to be drilled, CBM projects or waterflood projects and expected response. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2001 and its Form 10-Q for the quarters ended March 31, June 30 and September 30, 2002. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



For Immediate Release
Thursday, February 13, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY YEAR-END RESERVES INCREASE 83% COMPANY PROVIDES OPERATIONS UPDATE FOR 2002

SAN ANTONIO – February 13, 2003 – The Exploration Company (Nasdaq: TXCO) today announced its year-end reserves estimates for 2002 and provided updates on its Maverick Basin operations.

“Preliminary estimated year-end, proved reserves were 23.4 billion cubic feet equivalent (Bcfe), an 83% increase from 12.7 Bcfe at year-end 2001,” said James E. Sigmon, TXCO President and Chief Executive Officer. “Strong reserve growth in 2002 will provide additional opportunities to grow production and cash flow allowing for our record 2003 drilling program.”

TXCO’s reserve mix now stands at 63% natural gas and 37% crude oil. Approximately 42% of gas reserves are proved developed while 68% of oil reserves are proved developed. The equivalent total is 52%. TXCO’s reserve life index at year end was 5.3 years, versus 4.2 years at year-end 2001. The Company ended 2002 with daily production of slightly more than 1,000 barrels of crude oil (BO) and 7.8 million cubic feet (MMcf) of gas. Entire-year, 2002 equivalent production was 4.37 Bcfe, a 47% increase from 2001 production of 2.97 Bcfe.

The Company’s estimated, pre-tax future net cash flows discounted at 10% (commonly known as the Securities and Exchange Commission PV-10 figure) for proved reserves at year end was \$47.2 million, a 238% increase from year-end 2001 PV-10 of \$14 million. The 2002 PV-10 calculation used net year-end commodity prices of \$28.72 per barrel of crude oil and \$4.90 per thousand cubic feet (Mcf) of natural gas. These compare to net year-end prices of \$17.71 per barrel of oil and \$3.72 per Mcf of gas at December 2001. Reserve estimates are prepared by Dallas-based Netherland Sewell and Associates, an independent reservoir engineering firm, and are in accordance with SEC and Financial Accounting Standards Board requirements.

Drilling and Operations Activity

For 2002, TXCO participated in 37 gross wells and four re-entries. Of the 41 wells drilled or re-entered, 29 were successfully completed, one was a dry hole and 11 remained in progress at year end. The wells targeted numerous productive formations under TXCO’s Maverick Basin acreage block, including the Glen Rose, the San Miguel, Olmos/CBM, the McKnight or the Georgetown. The company’s 2002 drilling CAPEX in the Maverick Basin totaled \$15.6 million. TXCO participated in 10 wells drilled in the fourth quarter despite a seasonal moratorium on drilling operations on several leases.



TXCO's \$24.9 million drilling CAPEX budget for 2003 includes 93 proposed wells. Based on this year's drilling program, the Company estimates its exposure to net unrisks reserve potential is 60 Bcfe. Specific breakdowns are:

Glen Rose Oil – No fourth-quarter 2002 Comanche drilling occurred due to a hunting season moratorium. TXCO and its partner, Saxet Energy LLC, expect to spud the first Comanche Glen Rose target well of 2003 this month. As previously announced, 2003's CAPEX includes 26 proposed, Saxet-operated Glen Rose wells. The \$7.8 million allocated for Comanche drilling is the largest component of TXCO's 2003 CAPEX budget.

Since February 2002, the partners have drilled 14 wells in the newly designated Comanche-Halsell (6500) Field. Currently, gross field production is approximately 1,750 BO per day and 3,600 barrels of water per day (BWD) from seven productive wells. Five non-producing wells remain shut-in while alternative completion techniques are evaluated. Two wells failed to locate the targeted, high-porosity interval and await sidetrack operations. Through December 31, cumulative gross production from the new field exceeded 600,000 BO.

While the water cut (water-to-total-production ratio) increased to 67% at year end, Saxet has now received a surface water discharge permit which will significantly reduce water disposal costs going forward. Comanche oil production remains profitable, although increased water production is expected to continue to reduce future oil production until additional drilling begins.

Horizontal Glen Rose Shoal Gas Wells – TXCO successfully completed one horizontal Glen Rose Shoal gas well on the Chittim lease in the fourth quarter. The Company spudded a second well, completed in January, which flow tested at rates exceeding 600 Mcf per day. To date, a total of eight horizontal gas wells are producing a gross volume of 7.3 MMcf per day. TXCO is now completing the first of 17 Glen Rose Shoal horizontal wells planned this year. The 2003 CAPEX budget includes \$6 million for this project.

New Georgetown Deviated Completions – In the fourth quarter, TXCO engineers designed a drilling and completion technique that has proved well suited for the Georgetown interval. The target intervals underlie most of TXCO's Maverick Basin lease block. The faults, which are nearly vertical, can be mapped by 3-D seismic. To increase drilling success, TXCO has employed directional drilling to enter the Georgetown at a deviated angle, cutting through the targeted faults.

Three wells drilled to date with this method have much-improved hydrocarbon recovery, allowing an entire fault or reservoir to be drained. Previously, the Georgetown had been typically a secondary target when lower zones proved unproductive. The three wells currently produce a combined 2 MMcf per day and have the potential to average 0.5 Bcfe gross reserves per well.

TXCO sees this as an economically attractive way to add to production and has proposed 25 additional wells in this year's drilling program. The first of these wells spudded January 25. The 2003 CAPEX budget includes \$6.9 million for this project.

Coalbed Methane (CBM) – TXCO drilled and completed four additional optimized CBM wells in the fourth quarter. These wells were drilled using air drilling techniques and completed selectively

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with fracture stimulation techniques designed to maximize coal formation response. Additionally, the wells were completed with larger-diameter tubulars, allowing for more rapid dewatering. Prior to the selective application of fracturing techniques, the five optimized wells produced a combined 40 Mcfd and 810 BWD. Total production from 39 CBM wells is now 200 Mcfd and 2,400 BWD.

The Company plans to accelerate CBM drilling activity in 2003. Though not included in the initial CAPEX announcement, management continues to anticipate the establishment of additional CBM program spending based on the ongoing success of the optimized wells.

San Miguel Waterflood Project – At year end, TXCO completed geologic interpretation of extensive historic well data from the June 2002 Pena Creek acquisition. TXCO spudded the first of 15 infill wells planned for 2003 in January to prove the existence of bypassed reserves that are not presently included in the Company’s reserve base. A second well has since begun. TXCO’s 2003 CAPEX includes \$2.6 million targeting new San Miguel production. Current production from the Pena Creek is 265 BO per day.

Deep Jurassic – TXCO and a partner, Blue Star Oil and Gas, recently completed a 3-D seismic review, requisite surveys and identified numerous potential Deep Jurassic drilling locations. Blue Star has staked the first of these locations, has applied for and is currently awaiting issuance of a drilling permit. As previously announced, TXCO and Blue Star signed an amendment, restatement and ratification of their existing joint venture agreement in the fourth quarter. The agreement commits Blue Star to begin drilling an initial Deep Jurassic test well, at no cost to TXCO, on the Company’s Paloma or Kincaid leases no later than March 31, 2003. The partners executed an operating agreement this week and expect to commence drilling by the middle of March.

Seismic Database Expansion – TXCO’s Maverick Basin 3-D seismic database coverage now exceeds 415 square miles. During the fourth quarter, TXCO finalized interpretation of a 3-D survey on the eastern half of its 95,000-acre Comanche lease. Further interpretation has been completed on recently shot 3-D seismic survey over the Pena Creek Field, a 27,000-acre parcel contiguous to the east of the Comanche lease. These surveys yielded numerous drillable locations for both the Comanche and Pena Creek leases and have been incorporated into the 2003 CAPEX.

Looking Ahead

“We are starting 2003’s active drilling program with three of the proposed five rigs running,” said Sigmon. “These three rigs, funded primarily through cash flow, are targeting three different productive intervals on our growing 479,000-acre Maverick Basin lease block. The remaining two rigs are earmarked for the Comanche, on which drilling is expected to resume in February with our operating partner, Saxet.

“In early January, we saw a promising opportunity to extend our dominant Maverick Basin position by acquiring additional leasehold acreage on the Burr Ranch,” Sigmon continued. “The 70,700 acres we acquired are contiguous and between the Wipff, Alkek, Paloma and Kincaid leases on the northwestern boundary of our lease block. This is another example of our multi-pay and multi-play potential, with development drilling and high-impact, deep-gas exploration potential. After a recent prospect exposition in Houston, several potential industry partners are reviewing a joint venture opportunity on this lease with the Company.”



TXCO Yearly and Quarterly Production Volumes

	2002	2001	% chg.	Q4 2002	Q3 2002	% chg.	Q4 2001	% chg. Q402 / Q401
Natural Gas / MMcf	2,487	2,673	-7%	571	626	-9%	716	-20%
Oil / Bbls	314,437	49,741	532%	102,035	130,041	-22%	11,485	788%
Natural Gas Equivalents MMcfe	4,373	2,972	47%	1,184	1,406	-16%	785	51%
Oil Equivalents BOE	728,904	495,313	47%	197,276	234,387	-16%	130,756	51%

Quarterly production was 102,035 barrels of oil (BO), compared with 130,041 BO in 2002's third quarter and 11,485 BO in the fourth quarter of 2001. Natural gas production in the fourth quarter was 571 million cubic feet (MMcf), compared to third-quarter 2002 production of 626 MMcf and 716 MMcf in 2001's fourth quarter.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory. The Company's common stock trades on the Nasdaq Stock Market^(sm) under the symbol "TXCO."

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well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2001 and its Form 10-Q for the quarters ended March 31, June 30 and September 30, 2002. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



**For Immediate Release
Thursday, March 06, 2003**

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS 2002 FINANCIAL RESULTS

SAN ANTONIO (BUSINESS WIRE) – March 6, 2003 – The Exploration Company (Nasdaq: TXCO) today announced financial results for the year ended Dec. 31, 2002.

Total revenues were \$18.9 million, a 38% increase from \$13.8 million reported in 2001. The company reported a net loss of \$310,970 or \$0.016 per share. In the prior year, TXCO reported a net loss of \$50,283 or \$0.003 per share. EBITDA (earnings before interest, taxes, depreciation, depletion, amortization and exploration expense) was \$9.22 million, \$0.48 per share, an increase from \$8.99 million, \$0.52 per share, in 2001. The fractional net loss for 2002 was due primarily to higher depletion rates caused by revisions to previous estimates of oil and gas reserves as reported by Netherland, Sewell & Associates Inc., independent reservoir engineers. Total assets at year end were \$53.0 million, a 78% increase from \$29.8 million at yearend 2001. All share amounts are on a fully diluted basis.

The Company achieved reserve replacement of 255%. TXCO's yearend reserves rose 85% to a record 23.5 billion cubic feet equivalent (Bcfe), up from 12.7 Bcfe at yearend 2001. Production in 2002 totaled 4.37 Bcfe, a 47% increase from the 2.97 Bcfe produced in 2001. Average realized product prices for the year fell to \$3.67 per thousand cubic feet equivalent (Mcfe), an 18.3% decline from \$4.49 per Mcfe in 2001.

Management's Perspective

"Overall, the year just passed sets a firm foundation for continued accelerated growth in 2003," said James E. Sigmon, TXCO President and CEO. "We are prospect rich and have started this year with a drilling program that targets a record 93 wells, exploiting our expanding resource base. Our solid financial structure, strong cash flows and low debt, create excellent upside potential for the company. All in all, together with the strong commodity price environment we're seeing today and with our partner, Blue Star, rigging up now to start drilling on our Deep Jurassic project, I believe 2003 will be the milestone year we have anticipated."

Sigmon highlighted a growing list of company achievements further confirming his confidence in TXCO's continued success:

- ◆ Drilled 29 new oil and gas producing wells in five separate plays
- ◆ Expanded gas gathering pipeline system from 10 miles to more than 80 miles
- ◆ Expanded core Maverick Basin lease block from 372,000 acres to 480,000 acres
- ◆ Grew Maverick Basin 3-D seismic database from 310 square miles to over 450 square miles
- ◆ Continued strong cash flows from operations

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(Financial Information and Selected Operational Tables Follow)



THE EXPLORATION COMPANY
Consolidated Balance Sheets
December 31, 2002 and 2001
Unaudited

	<u>2002</u>	<u>2001</u>
Assets		
Current Assets:		
Cash and equivalents	\$ 2,333,688	\$ 2,019,164
Accounts receivable:		
Joint interest owners	744,395	472,146
Oil and gas production	4,373,875	1,470,497
Prepaid expenses and other	<u>503,176</u>	<u>273,603</u>
Total current assets	7,955,134	4,235,410
Property and Equipment, net – successful efforts method of accounting for oil and gas properties	39,327,867	19,893,740
Other Assets:		
Deferred tax asset	5,232,718	5,232,718
Other	<u>520,600</u>	<u>481,564</u>
Total other assets	<u>5,753,318</u>	<u>5,714,282</u>
Total Assets	<u>\$ 53,036,319</u>	<u>\$29,843,432</u>



THE EXPLORATION COMPANY
Consolidated Balance Sheets
December 31, 2002 and 2001
Unaudited

	<u>2002</u>	<u>2001</u>
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 6,871,724	\$ 4,122,669
Due to joint interest owners	1,894,144	1,368,785
Current portion of long-term debt	<u>1,073,773</u>	<u>298,410</u>
Total current liabilities	9,839,641	5,789,864
Long-term debt, net of current portion	6,143,458	563,767
Minority interest in consolidated subsidiaries	82,846	433,105
Stockholders' Equity:		
Preferred stock; authorized 10,000,000 shares, issued and outstanding -0- shares	-	-
Common stock, par value \$0.01 per share; authorized 50,000,000 shares; issued 20,109,516 and 17,496,849 shares, outstanding 20,009,716 and 17,397,049	201,095	174,968
Additional paid-in capital	58,216,504	44,017,983
Accumulated deficit	(21,201,218)	(20,890,248)
Less treasury stock, at cost, 99,800 shares	<u>(246,007)</u>	<u>(246,007)</u>
Total stockholders' equity	<u>36,970,374</u>	<u>23,056,696</u>
 Total Liabilities and Stockholders' Equity	 <u>\$ 53,036,319</u>	 <u>\$ 29,843,432</u>

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THE EXPLORATION COMPANY Consolidated Statements of Operations Years Ended December 31, 2002, 2001 and 2000 Unaudited

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues			
Oil and gas sales	\$ 16,049,798	\$ 13,350,699	\$ 13,841,138
Pipeline operations	2,596,955	-	-
Other operating income	<u>311,611</u>	<u>408,221</u>	<u>520,219</u>
	18,958,364	13,758,920	14,361,357
 Costs and Expenses			
Lease operations	4,238,921	2,406,688	1,157,291
Production taxes	973,078	959,143	990,789
Exploration expenses	1,567,098	2,986,036	3,056,466
Impairment and abandonments	1,246,495	2,652,705	3,126,715
Pipeline operations	2,467,554	-	-
Depreciation, depletion and amortization	6,500,625	3,201,517	2,711,605
General and administrative	<u>2,025,440</u>	<u>1,481,284</u>	<u>1,501,645</u>
Total costs and expenses	<u>19,019,211</u>	<u>13,687,373</u>	<u>12,544,511</u>
 Income (loss) from operations	(60,847)	71,547	1,816,846
 Other Income (Expense)			
Interest income	46,663	188,061	232,386
Interest expense	(273,213)	(128,373)	(179,036)
Loan fee amortization	<u>(14,507)</u>	<u>-</u>	<u>(12,000)</u>
	<u>(241,057)</u>	<u>59,688</u>	<u>41,350</u>
 Income before income taxes and minority interest	(301,904)	131,235	1,858,196
Minority interest in income of subsidiaries	<u>(84,066)</u>	<u>(106,518)</u>	<u>(238,061)</u>
 Income before income taxes	(385,970)	24,717	1,620,135
Income tax (expense) benefit, net	<u>75,000</u>	<u>(75,000)</u>	<u>5,141,800</u>
 Net Income (Loss)	<u>\$ (310,970)</u>	<u>\$ (50,283)</u>	<u>\$ 6,761,935</u>
 Earnings (Loss) Per Share			
Basic	\$ (0.016)	\$ (.003)	\$ 0.39
Diluted	\$ (0.016)	\$ (.003)	\$ 0.39
 Weighted average number of common shares outstanding:			
Basic	19,080,847	17,441,242	17,242,326
Diluted	19,080,847	17,441,242	17,343,957

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Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2002, 2001 and 2000
Unaudited

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total
	Shares	Amount				
Balance at December 31, 1999 13,208,929	15,938,516	\$ 159,385	\$ 40,651,444	\$ (27,601,900)	\$ -	\$ -
Issuance of common stock for cash, net of expenses of \$189,752	1,333,333	13,333	2,796,914	-	-	2,810,247
Issuance of common stock in exchange for oil and gas properties	150,000	1,500	439,125	-	-	440,625
Common stock warrants exercised	50,000	500	99,500	-	-	100,000
Net income for the year	-	-	-	<u>6,761,935</u>	-	<u>6,761,935</u>
Balance at December 31, 2000	17,471,849	174,718	43,986,983	(20,839,965)	-	23,321,736
Common stock options exercised	25,000	250	31,000	-	-	31,250
Purchases of treasury stock, at cost	-	-	-	-	(246,007)	(246,007)
Net loss for the year	-	-	-	<u>(50,283)</u>	-	<u>(50,283)</u>
Balance at December 31, 2001	17,496,849	174,968	44,017,983	(20,890,248)	(246,007)	23,056,696
Common stock options exercised	113,000	1,130	171,625	-	-	172,755
Issuance of common stock for cash, net of expenses of \$946,112	2,499,667	24,997	14,026,896	-	-	14,051,893
Net loss for the year	-	-	-	<u>(310,970)</u>	-	<u>(310,970)</u>
Balance at December 31, 2002	<u>20,109,516</u>	<u>\$ 201,095</u>	<u>\$ 58,216,504</u>	<u>\$ (21,201,218)</u>	<u>\$ (246,007)</u>	<u>\$ 36,970,374</u>

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THE EXPLORATION COMPANY Consolidated Statements of Cash Flows Years December 31, 2002, 2001 and 2000 Unaudited

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating Activities			
Net income (loss)	\$ (310,970)	\$ (50,283)	\$ 6,761,935
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	-	-	(5,232,718)
Depreciation, depletion and amortization	6,500,625	3,201,517	2,711,605
Impairments and abandonments	1,246,495	2,652,705	3,126,715
Minority interest in income of subsidiaries	84,066	106,518	238,061
Changes in operating assets and liabilities:			
Receivables	(3,175,627)	1,462,023	(1,465,530)
Prepaid expenses and other	(229,573)	(46,687)	(104,441)
Accounts payable and accrued expenses	<u>3,274,414</u>	<u>1,238,229</u>	<u>494,211</u>
Net cash provided by operating activities	7,389,430	8,564,022	6,529,838
Investing Activities			
Purchases of property and equipment	(27,381,247)	(13,675,327)	(6,447,962)
Proceeds from sale of oil and gas properties	200,000	2,005,133	-
Changes in minority interests	(434,325)	(108,902)	-
Other changes	<u>(39,036)</u>	<u>(116,007)</u>	<u>8,843</u>
Net cash (used) by investing activities	(27,654,608)	(11,895,103)	(6,439,119)
Financing Activities			
Proceeds from long-term debt	7,439,915	153,231	1,173,642
Payments on long-term debt	(1,084,861)	(486,244)	(1,658,386)
Issuances of common stock, net of expenses	14,224,648	31,250	2,910,247
Purchases of treasury stock	<u>-</u>	<u>(246,007)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>20,579,702</u>	<u>(547,770)</u>	<u>2,425,503</u>
Change in Cash and Equivalents	314,524	(3,878,851)	2,516,222
Cash and Equivalents at Beginning of Year	<u>2,019,164</u>	<u>5,898,015</u>	<u>3,381,793</u>
Cash and Equivalents at End of Year	<u>\$ 2,333,688</u>	<u>\$ 2,019,164</u>	<u>\$ 5,898,015</u>
Supplemental Disclosures:			
Cash paid for interest	\$ 273,213	\$ 128,373	\$ 179,036
Cash paid for income taxes	-	75,000	62,497
Common stock issued for leasehold acquisition	-	-	440,625



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Selected Operating Data

	Year Ended	
	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
EBITDA	\$ 9,215,968	\$ 8,993,348
Net cash provided in operating activities	\$ 7,389,430	\$ 8,564,022
Debt to asset ratio	13.6%	2.9%
<i>Production</i>		
Oil:		
Production, in barrels	314,000	50,000
Average sales price per barrel	\$ 24.56	\$ 23.55
Natural Gas:		
Production, in Mcf	2,487,000	2,673,000
Average sales price per Mcf	\$ 3.35	\$ 4.56
<i>Equivalent Basis:</i>		
Production in Boe	728,500	495,500
Average sales price per Boe	\$ 22.03	\$ 26.94
Production in Mcfe	4,371,000	2,973,000
Average sales price per Mcfe	\$ 3.67	\$ 4.49
Average cost of production, per Boe (Incl Prod & Sev Tax)	\$ 7.15	\$ 6.79
Average cost of production, per Boe excluding CBM activities	\$ 6.40	\$ 5.93
Average cost of production, per Mcfe (Incl Prod & Sev Tax)	\$ 1.19	\$ 1.13
Average cost of production, per Mcfe excluding CBM activities	\$ 1.07	\$ 0.99
Depletion cost per Boe	\$ 8.36	\$ 6.14
Depletion cost per Mcfe	\$ 1.39	\$ 1.02
<i>Reserves</i>		
Oil, barrels	1,479,000	294,000
Natural gas, Mcf	14,675,000	10,976,000
Natural gas equivalent, Mcfe	23,549,000	12,740,000



**For Immediate Release
Thursday, March 27, 2003**

**Contact information:
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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES DRILLING START ON DEEP JURASSIC PROSPECT

SAN ANTONIO – March 27, 2003 – The Exploration Company (Nasdaq: TXCO) today announced drilling has started on a Jurassic exploratory prospect on its Paloma lease in Maverick County, Texas. The Taylor 132-1 well, targeting natural gas, is permitted to a depth of 18,500 feet. Drilling is estimated to take approximately 90 to 120 days.

The well will be drilled at no cost to TXCO by Dallas-based Blue Star Oil & Gas Ltd. The two firms have a joint operating agreement for development of the Jurassic formations underlying TXCO's Paloma and Kincaid leases. Under terms of the agreement, TXCO (62.5%) and its partners (37.5%) will share an 18.75% overriding royalty interest in any production associated with the well, reverting to a shared 25% working interest upon payout. In exchange for the carried interest, Blue Star will earn a 25% interest in the deep rights below the Sligo formation in the 50,000 acres under the Paloma and Kincaid leases. Blue Star retains the right to carry TXCO for an identical interest in a second well to earn an additional 25% in the deep rights under the two leases.

“The Taylor 132-1 is the first Maverick Basin well to drill deep enough to test the Jurassic formations,” said James E. Sigmon, president and chief executive officer. “Although Exxon, Shell and Conoco targeted the Jurassic in the Maverick Basin from the 1950s through the 1970s, they did not have the benefit of 3-D seismic. Consequently, those early tests were either poorly located or did not drill deep enough. This will be the first well drilled deep enough, testing the Jurassic formations in a favorable location defined by 3-D seismic. With the Taylor 132-1 drilling ahead, we now have six rigs running concurrently on our Maverick Basin leasehold,” Sigmon added.

– More –



About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market^(sm) under the symbol "TXCO." For more information, visit the Company's web site at www.txco.com.

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, risks associated with drilling, including timing, mechanical difficulties, geologic formations encountered and financial interests earned. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2001 and its Form 10-Q for the quarters ended March 31, June 30 and September 30, 2002. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



For Immediate Release
Friday, March 28, 2003

Contact information:
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NEWS RELEASE

THE EXPLORATION COMPANY'S PRESIDENT, JAMES E. SIGMON, TO MAKE INVESTOR PRESENTATIONS IN EUROPE

SAN ANTONIO – March 28, 2003 – James E. Sigmon, president and chief executive officer of The Exploration Company, (Nasdaq: TXCO) will travel to Europe to give presentations to European investors during the next two weeks.

The presentations, entitled "European Investor Update March 2003," can be reviewed without audio feed on TXCO's web site at www.txco.com. Sigmon will present the update in meetings scheduled with investors in Zurich, Paris, Brussels and Monte Carlo.

TXCO has a record drilling program under way in its core, Maverick Basin operations area in Southwest Texas. The Company's 2003 capital budget calls for participation in 93 gross wells, exposing it to net unrisks potential reserves of 60 billion cubic feet of natural gas equivalent. The Company holds an interest in nearly 480,000 acres of Maverick Basin leases with multiple-pay opportunities.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market^(sm) under the symbol "TXCO." For more information, visit the Company's web site at www.txco.com.

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THE EXPLORATION COMPANY



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For Immediate Release
April 23, 2003

Contact information:
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NEWS RELEASE

TXCO PROVIDES FIRST QUARTER 2003 OPERATIONS UPDATE BOOSTS RECORD CAPEX – 7 RIGS DRILLING AHEAD

SAN ANTONIO – April 23, 2003 – The Exploration Company (Nasdaq: TXCO) today announced a 21% increase in its 2003 capital expenditure plan and provided an update on its first-quarter drilling program in the Maverick Basin of South Texas.

“We have a record level of activity under way for 2003. Our drilling success to date has led us to raise an already ambitious CAPEX budget of \$27.4 million to \$33.1 million,” said TXCO President and CEO James E. Sigmon. “We added a sixth drilling rig late in the first quarter. By the end of March, our partner, Blue Star Oil & Gas spudded the long awaited deep Jurassic well on our Paloma lease, raising the count to seven rigs actively drilling for oil and gas on our Maverick Basin lease block. This is the most activity we have seen on our lease block and it comes at a time when commodity prices are particularly strong.”

TXCO participated in 24 wells in the first quarter of 2003, including three re-entries, despite a seasonal moratorium on drilling operations on several leases during January. First quarter drilling activities resulted in 11 wells successfully completed as producers, five wells in completion phase, five wells shut in pending further evaluation, one well temporarily abandoned pending sidetrack operations, while two wells remained drilling at the end of March. By comparison, the Company participated in nine wells in the first quarter of 2002. The record number of first-quarter wells targeted multiple productive formations under TXCO’s acreage block, including the Glen Rose, San Miguel, Georgetown and Jurassic intervals. The \$5.7 million CAPEX increase impacts several budget categories including targeted drilling activities and additional leasehold acquisitions. TXCO continues to target participation in a record 93 gross wells on its Maverick Basin acreage this year. First-quarter drilling and operating highlights follow.

More

THE EXPLORATION COMPANY



Glen Rose Oil

TXCO and its operating partner, Saxet Energy Ltd., have drilled two new wells and re-entered and sidetracked one well since year-end 2002. The Comanche #3-111 is the first of 13 planned horizontal wells targeting the Glen Rose porosity interval engineered to optimize oil production from numerous faults and fractures while minimizing associated water production. Completed in April, it currently is flowing approximately 1,300 gross barrels of oil per day (BOPD) with no water after being drilled 4,000 feet horizontally across the top of the targeted porosity zone. TXCO and its partner believe developing the field with horizontal wells will allow more oil, with a better water cut, to be produced from the reservoir with fewer wells. This initial well appears to verify this technique.

A second well, the Comanche #1-659, located the targeted porosity interval but has been temporarily abandoned due to unstable hole conditions. The well was shut-in and is expected to be sidetracked at a later date. Saxet also re-entered and successfully sidetracked the Comanche #2-44. This well had been shut-in during 2002 after encountering poorer-than-normal porosity in the original wellbore. The new sidetrack well bore found good porosity within several hundred feet and is currently flowing approximately 55 BOPD and six barrels of water per day (BWPD). The well remains on production and under engineering review to evaluate its current production profile prior to its possible horizontal extension.

Gross production from the Comanche Halsell (6500) Field is now currently averaging approximately 3,250 BOPD and 3,150 BWPD. As previously announced, 2003's CAPEX includes 26 proposed, Saxet-operated Glen Rose porosity wells consisting of 13 horizontal development wells and 13 exploratory vertical wells. The \$7.8 million allocated for Comanche drilling remains the largest component of TXCO's 2003 capital budget.

Horizontal Glen Rose Shoal

TXCO has successfully completed three new horizontal Glen Rose shoal gas wells, two on the Chittim lease and one on the Paloma lease. The Chittim wells produce at rates ranging from over 500 thousand cubic feet per day (Mcf/d) to over 1.35 million cubic feet per day (MMcf/d). The Paloma well is producing at a rate of approximately 250 Mcf/d.

Currently, 11 horizontal Glen Rose shoal gas wells are producing a gross volume of approximately 7.9 MMcf/d. TXCO is now drilling the fourth of 17 Glen Rose shoal horizontal wells planned this year. The 2003 CAPEX budget includes \$6 million for this project.

More

THE EXPLORATION COMPANY



Georgetown Deviated Wells

TXCO engineers have recently employed directional drilling to enter the Georgetown formation at deviated angles, cutting through numerous, near-vertical faults. During the first quarter TXCO drilled five new wells, re-entered two and participated in drilling one outside-operated prospect, all primarily employing the deviated technique. Two of the wells appear to have much-improved hydrocarbon recovery rates compared to similarly situated conventional wells. One well is being completed, while the remaining five wells are shut in pending further evaluation. Completions in the formation's faults can greatly improve reservoir drainage.

Currently, six wells are producing a gross combined total of approximately 350 BOPD, 605 Mcfd and 53 BWPD. Because these Georgetown faults appear on most of TXCO's leases, TXCO believes the Georgetown formation will ultimately add significant production and reserves. The 2003 CAPEX budget includes \$6.9 million for drilling 25 Georgetown wells.

San Miguel Waterflood

TXCO has spudded the first eight of 15 infill wells planned for this year to prove the existence of bypassed reserves not presently included in the Company's Pena Creek San Miguel reserve base. Of the eight wells drilled during the quarter, four have been successfully fracture stimulated, completed and are producing a total of approximately 120 BOPD. The four remaining wells are currently in completion or are scheduled for fracture stimulation. Daily gross production rates from the Pena Creek field increased from 265 BOPD at year-end 2002 to approximately 385 BOPD with the completion of these wells. TXCO's 2003 CAPEX includes \$4.0 million targeting new San Miguel production.

Deep Jurassic

As previously announced, Blue Star began drilling the Taylor 1-132 well at the end of March. The well is permitted to a depth of 18,500 feet, into the untested Jurassic formations of the basin under TXCO's Paloma lease. Because all other interior basins around the Gulf of Mexico have historically produced significant quantities of oil and gas from Jurassic intervals, TXCO believes the Jurassic in the Maverick Basin will also be productive. Under its joint operating agreement with the Company, Blue Star has directed TXCO to restrict the public release of further information concerning the well and its ongoing progress until Blue Star releases the data.

Burr Lease

TXCO is now actively seeking a 50% partner in advance of a 3-D seismic shoot it plans for the 70,700-acre Burr Ranch lease acquired during the first quarter. The Company feels the acreage has excellent potential to establish production from the Glen Rose, Georgetown and Jurassic intervals.

More



Looking Ahead

“We anticipate 2003 continuing with similar activity levels as the first three months,” added Sigmon. “Provided our cash flow and borrowing base keep pace with our increased drilling program, this year will set records for exploration and development activity as we continue to aggressively and successfully drill our Maverick Basin acreage.”

TXCO Quarterly Production Volumes

TXCO’s estimated ending first quarter 2003 net oil and gas production volumes and historical volumes from the comparable prior year period are presented below.

The Company exited the first quarter with daily net production rates of 1,074 BOPD and 6.5 MMcfd of natural gas. By mid-April net production increased to approximately 1,580 BOPD and 6.8 MMcfd as additional new oil and gas wells have been placed on line.

	Q1 2003	Q1 2002	% chg. Q103/ Q102
Natural Gas / MMcf	551	651	-15.4%
Oil / Bbls	81,109	17,773	356.4%
Natural Gas Equivalents MMcfe	1,038	758	37.0%
Oil Equivalents BOE	172,996	126,251	37.0%

“TXCO expects new oil and gas well completions from its ongoing 2003 drilling program will result in overall gas and oil production increases over comparable prior period production levels,” Sigmon added.

More



About The Exploration Company

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Forward-Looking Statements

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**For Immediate Release
Monday, April 28, 2003**

**Contact information:
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TXCO TO WEBCAST IPAA INVESTMENT SYMPOSIUM PRESENTATION

SAN ANTONIO – April 28, 2003 – The Exploration Company (NASDAQ: TXCO) will webcast its investor update set for the 2003 Independent Petroleum Association of America Oil & Gas Investment Symposium (OGIS) in New York.

James E. Sigmon, president and CEO, and Roberto R. Thomae, vice president of finance and CFO, will highlight TXCO's 2003 drilling plans in the Maverick Basin and its growth strategy to a number of institutional investors and sell-side analysts. The 20-minute webcast is scheduled to start at 3:45 p.m., EDT, Tuesday, April 29. Links to the live presentation and a replay will be available on the Company's web site at www.txco.com. IPAA's 9th annual OGIS, hosted at the Sheraton New York Hotel and Towers, features oil service companies, private capital providers and leading exploration and production companies during its three-day session.

About The Exploration Company

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**For Immediate Release
Thursday, May 15, 2003**

**Contact information:
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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS STRONG FIRST-QUARTER RESULTS NEW RECORDS SET FOR REVENUES AND CASH FLOW PRODUCTION REMAINS STRONG

SAN ANTONIO – May 15, 2003 – The Exploration Company (Nasdaq Smallcap™: TXCO) today reported results for the three months ended March 31, 2003. Revenues for the quarter were \$9.1 million, a change of 376% from the \$1.9 million of revenue posted in 2002's first quarter. The first-quarter revenue was the highest recorded for any quarter in TXCO's 23-year history. First-quarter 2003 net income was \$724,535, or \$0.04 per diluted share, contrasted with a net loss of \$716,226, or \$0.04 per diluted share, for the prior-year period.

Net cash flow provided in operating activities was \$6.3 million, an improvement of \$7.9 million from the negative \$1.6 million reported for the 2002 first quarter. TXCO spent \$6.2 million for its drilling and completion work, and \$4.2 million for leasehold acquisitions. TXCO ended the quarter with \$8.5 million outstanding under its \$25 million Revolving Credit Facility, and drew another \$3.5 million subsequent to the end of the quarter. Interest of 4.25% is payable monthly.

Production during 2003's first quarter was 172,996 barrels of oil equivalent (BOE), up 37% compared to the corresponding 2002 period. Oil represented about 47% of TXCO's first-quarter 2003 output versus 14% in 2002. The Company exited the first quarter producing 2,157 BOE per day. At April 30, 2003, net daily production was 2,817 BOE, up 30% from the first-quarter 2003 exit rate. TXCO exited 2002 producing 2,300 BOE per day.

Production Rises with Drilling

The Company drilled 24 wells during the quarter. Eleven were brought on line, bringing TXCO's total producing well count to approximately 290 (240 net wells). Six wells were awaiting completion and four others were being evaluated. Those 10 wells should be connected

THE EXPLORATION COMPANY



to production facilities during the second quarter. Two wells were drilling and one well was temporarily abandoned pending sidetrack work at March 31. Currently, six rigs are drilling ahead on TXCO acreage. First-quarter drilling activities are summarized in TXCO's April 26, 2003, news release and March 31, 2003, Form 10-Q. TXCO and its partner, Blue Star Oil and Gas, Ltd., began drilling the Taylor 1-132 at the end of March, targeting the deep Jurassic interval. The well is drilling ahead at a depth of approximately 7,000 feet as of the date of this release. The well has a proposed 90- to 120-day drilling schedule and is permitted to a depth of 18,500 feet.

TXCO's board of directors approved a change in the Company's 2003 drilling program, increasing the annual budget to \$33.1 million, a 21% increase.

Quarterly production equaled 172,996 BOE, or 1.038 billion cubic feet of natural gas equivalent, 37% higher than first-quarter 2002. Significant to TXCO's first-quarter results is the amount of oil it is producing. TXCO's quarterly oil output stood at 81,109 barrels, a 356% increase, due primarily to increased production from the Company's Comanche lease wells and the Pena Creek Field acquired in May 2002. Gas production declined as production from new wells did not completely offset existing wells' normal decreases. TXCO received an average of \$31.45 per barrel of oil produced, and \$6.04 per thousand cubic feet (Mcf), compared to \$18.21 and \$2.30, respectively, received in 2002. Commodity prices averaged \$5.67 Mcf equivalent, 136% above the year-earlier average. Gross margin per BOE (oil and gas revenues, less lease operating costs, production taxes and G&A) was \$21.18 or 338% higher than the \$4.82 per BOE reported in 2002.

Other Financial News

TXCO adopted a new accounting standard related to future well abandonments, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," which had no material impact on quarterly income. The Company does not believe SFAS 143 correctly reflects its long-term asset position, believing instead the use of depletion and depreciation as a preferred methodology for accounting for its long-lived assets.

Management's Comments

James E. Sigmon, TXCO president and CEO, said: "The success we had in the first quarter has placed TXCO on track for a promising year. There is no slowing us down as we diligently and methodically tap the huge potential of the Maverick Basin. Our multi-play, multi-pay strategy is working and our ambitious 2003 drilling program continues to show excellent results. We really benefited from not entering into any additional financial transactions with our production. Debt-to-assets ratio is a healthy 18%. Our cash provided from operations-to-interest coverage ratio is 57 to 1, one of the best in the industry for any company with debt. These excellent production numbers, coupled with commodity prices that we hope will remain strong as the economy improves, provide us with an excellent platform to meet our internal expectations."

About The Exploration Company

THE EXPLORATION COMPANY



The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market^(sm) under the symbol "TXCO."

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(Financial Information and Selected Operational Tables Follow)



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2003	December 31, 2002
<hr/>		
Assets		
Current Assets:		
Cash	\$ 2,693,560	\$ 2,333,688
Accounts receivable, net	6,475,113	5,118,270
Prepaid expenses	804,375	503,176
Total Current Assets	9,973,048	7,955,134
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	49,145,266	39,327,867
Other Assets:		
Deferred tax asset	5,232,718	5,232,718
Other assets	515,904	520,600
Total Other Assets	5,748,622	5,753,318
	\$64,866,936	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2003	December 31, 2002
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, trade	\$7,018,267	\$ 3,684,550
Other payables and accrued liabilities	4,912,275	3,187,174
Undistributed revenue	2,038,953	1,894,144
Current portion of long-term debt	1,615,937	1,073,773
Total Current Liabilities	15,585,432	9,839,641
Long-term Liabilities:		
Long-term debt, net of current portion	10,133,020	6,143,458
Asset retirement obligation	1,369,400	-
Minority Interest in Consolidated Subsidiaries	84,175	82,846
Stockholders' Equity:		
Preferred stock, authorized 10,000,000 shares issued and outstanding -0- shares		
Common stock, par value \$.01 per share; authorized 50,000,000 shares; issued 20,109,516 shares, outstanding 20,009,716 shares	201,095	201,095
Additional paid-in capital	58,216,504	58,216,504
Accumulated deficit	(20,476,683)	(21,201,218)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	37,694,909	36,970,374
Total Liabilities and Stockholders' Equity	\$64,866,936	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues		
Oil and gas sales	\$5,882,716	\$1,818,778
Gas gathering operations	3,208,385	-
Other operating income	(3,228)	90,583
	<u>9,087,873</u>	<u>1,909,361</u>
Costs and Expenses		
Lease operations	1,074,349	683,275
Production taxes	368,404	125,480
Exploration expenses	375,031	295,190
Impairment and abandonments	339,075	363,700
Gas gathering operations	3,597,236	-
Depreciation, depletion and amortization	1,673,319	782,202
General and administrative	776,106	402,019
Total costs and expenses	<u>8,203,520</u>	<u>2,651,866</u>
Income (Loss) from Operations	884,353	(742,505)
Other Income (Expense)		
Interest income	4,605	5,666
Interest expense	(110,842)	(34,851)
	<u>(106,237)</u>	<u>(29,185)</u>
Income (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	778,116	(771,690)
Minority interest in income of subsidiaries	<u>20,419</u>	<u>(19,536)</u>
Income (loss) before income taxes and cumulative effect of change in accounting principle	798,535	(791,226)
Income tax benefit	-	75,000
Cumulative effect of change in accounting principle, net of tax	<u>(74,000)</u>	<u>-</u>
Net Income (Loss)	\$ 724,535	\$ (716,226)
Earnings (Loss) Per Share		
Basic:		
Earnings (loss) before cumulative effect of change in accounting principle	\$ 0.04	\$ (0.04)
Cumulative effect of change in accounting principle	-	-
Net Earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.04)</u>
Diluted:		
Earnings (loss) before cumulative effect of change in accounting principle	\$ 0.04	\$ (0.04)
Cumulative effect of change in accounting principle	-	-
Net Earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.04)</u>



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Operating Activities		
Net income (loss)	\$ 724,535	\$ (716,226)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	1,673,319	782,202
Impairment and abandonments	339,075	363,700
Minority interest in income of subsidiaries	(20,419)	19,536
Cumulative effect of change in accounting principle	74,000	-
Changes in operating assets and liabilities:		
Receivables	(1,356,843)	574,706
Prepaid expenses and other	(296,797)	(79,321)
Accounts payable and accrued expenses	5,203,627	(2,511,764)
Net cash provided (used) in operating activities	<u>6,340,497</u>	<u>(1,567,167)</u>
Investing Activities		
Development and purchases of oil and gas properties	(10,405,829)	(2,243,350)
Purchase of other equipment	(128,271)	(2,500)
Distributions to minority interests	21,748	(22,779)
Net cash (used) in investing activities	<u>(10,512,352)</u>	<u>(2,268,629)</u>
Financing Activities		
Proceeds from debt obligations	2,700,000	2,800,000
Proceeds from installment obligations	2,644,671	-
Deferred financing fees	-	(48,437)
Payments on debt obligations	(812,944)	(102,342)
Net cash provided in financing activities	<u>4,531,727</u>	<u>2,649,221</u>
Change in Cash and Equivalents	359,872	(1,186,575)
Cash and equivalents at beginning of period	<u>2,333,688</u>	<u>2,019,164</u>
Cash and Equivalents at End of Period	<u>\$ 2,693,560</u>	<u>\$ 832,589</u>



THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	<u>Quarter Ended</u>	
	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Net cash provided (used) in operating activities	\$6,340,497	\$(1,567,167)
Debt to asset ratio	18.1%	13.6%
Production		
Oil:		
Production, in barrels	81,109	17,773
Average sales price per barrel	\$ 31.45	\$ 18.21
Natural Gas:		
Production, in Mcf	551,319	650,868
Average sales price per Mcf	\$ 6.04	\$ 2.30
Equivalent Basis:		
Production in Boe	172,996	126,251
Average sales price per Boe	\$ 34.01	\$ 14.41
Production in Mcfe	1,037,973	757,506
Average sales price per Mcfe	\$ 5.67	\$ 2.40
Selected Operating Data		
Production volume - oil properties	76,722	11,751
Lifting costs-oil (Incl Prod & Sev Tax)	\$629,278	\$ 192,864
Lifting costs per Barrel	\$ 8.20	\$ 16.41
Production volume - gas properties	549,231	648,787
Lifting costs-gas (Incl Prod & Sev Tax)	\$839,009	\$570,954
Lifting costs per Mcf	\$ 1.53	\$ 1.14
Production volume excluding coalbed methane (CBM) properties	540,542	641,775
Lifting costs excluding CBM activities	\$738,689	\$429,963
Lifting costs per Mcf excluding CBM activities	\$ 1.37	\$ 0.67
Depletion cost per Boe	\$ 9.67	\$ 6.20
Depletion cost per Mcfe	\$ 1.57	\$ 0.98



**For Immediate Release
Monday, June 2, 2003**

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NEWS RELEASE

THE EXPLORATION COMPANY SHAREHOLDERS HEAR REVIEW OF ACTIVE DRILLING PROGRAM AT ANNUAL MEETING

SAN ANTONIO – June 2, 2003 – The Exploration Company (Nasdaq:TXCO) provided attending shareholders with an update on its active, Maverick Basin drilling program at the Company's 2003 annual meeting, held Friday in San Antonio.

"We are prospect rich," James E. Sigmon, president and chief executive officer, told the meeting, adding TXCO participated in 24 wells in the first quarter and that brisk drilling activity has continued in the current quarter. "We are on track to meet our ambitious, 93-well drilling program for this year. Our goal is drill more wells in 2003 than we have in the past three years combined," he said. A copy of the meeting presentation, without audio feed, will be available on TXCO's web site at www.txco.com

Among the wells currently under way are the Taylor 132-1 on TXCO's Paloma lease. The exploratory well will be the first to test the deep Jurassic formation in the Maverick Basin. Sigmon said 11 3/4-inch casing has been set in the well at 7,800 feet and drilling continues. The well has been permitted to 18,500 feet. Drilling began in late March and it is expected to take approximately 75 to 100 additional days to finish the well. TXCO's partner in the well is Blue Star Oil & Gas Ltd., Dallas.

More than 80 percent of the Company's shares were represented at the session. TXCO shareholders approved the following measures during the business portion of the meeting:

- Re-election of two Class B directors, Stephen M. Gose, chairman of the board, and Alan L. Edgar to three-year terms.
- Amendments to the Company's 1995 Flexible Incentive Plan to increase the maximum number of shares of common stock that may be issued under the plan.
- Ratification of the appointment of Akin, Doherty, Klein & Feuge, P.C., certified public accountants, as independent auditors for 2003.

– More –



About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market^(sm) under the symbol "TXCO."

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to drilling plans, including the timing, number and cost of wells to be drilled, mechanical difficulties, geologic formations encountered and expected response. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the Company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarter ended March 31, 2003. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge upon request from the Company.



**For Immediate Release
Monday, June 16, 2003**

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NEWS RELEASE

THE EXPLORATION COMPANY UNVEILS ENHANCED WEB SITE

SAN ANTONIO – June 16, 2003 – The Exploration Company (Nasdaq:TXCO) today posted its newly enhanced corporate Web site on the Internet.

“We want our shareholders and the public to be fully informed about our progress,” said James E. Sigmon, president and chief executive officer. “This new Web site is a cornerstone of our communications plan.”

The enlarged site features background information on TXCO’s Maverick Basin operations area, news releases, annual reports, investor presentations and important corporate governance information. It also features links to the Edgar Web site of the Securities and Exchange Commission, so visitors may review TXCO’s recent SEC filings, and to the Nasdaq Stock Market^(sm) Web site, providing current TXCO stock quotes and other information. The Company’s Web site address remains the same, www.txco.com. Visitors can use the site frequently to keep abreast of important TXCO developments.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol “TXCO.”

More

THE EXPLORATION COMPANY



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For Immediate Release
Tuesday, June 24, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES MANAGEMENT CHANGES

SAN ANTONIO – June 24, 2003 – To more effectively respond to ongoing rapid growth, the board of directors of The Exploration Company (Nasdaq:TXCO) today announced the following enhancements to its management team:

- **James J. “Jeff” Bookout**, P.E., has been named vice president and chief operating officer, a new position. He will direct all of the Company’s exploration, drilling and production functions. He has some 20 years’ experience in exploration and production operations, serving in operations positions with such firms as Pioneer Natural Resources USA Inc. (NYSE: PXD), Abraxas Petroleum Corp. (AMEX:ABP) and Venus Exploration Inc. (OTC:VENX.PK) before joining TXCO in 2002 as operations manager. He received a Bachelor of Science degree in petroleum engineering from Texas A&M University.
- **P. Mark Stark** has joined TXCO as vice president, treasurer and chief financial officer. He will oversee the Company’s accounting, finance and treasury functions. Mr. Stark has more than 25 years of corporate financial experience with an emphasis in the natural resources and agribusiness industries. He has held senior financial positions for such firms as Dawson Production Services Inc. and Venus Exploration. He received a Bachelor of Business Administration degree from the University of Texas at Austin and a Master of Business Administration degree from Southern Methodist University.
- **Roberto R. “Bob” Thomae** has been named vice president of capital markets, a new position, and continues as TXCO’s corporate secretary. He will be responsible for the Company’s financial markets and investment community contacts, investor relations and corporate communications. Mr. Thomae joined TXCO in 1995. He has served most recently as vice president of finance and chief financial officer, treasurer and corporate secretary. Mr. Thomae has nearly 30 years of experience in the energy industry and served as an international oil and gas industry consultant before joining TXCO. He holds a Bachelor of Business Administration with Honors degree from the University of Texas at Austin.

– More –



The three executives will report to James E. Sigmon, president and chief executive officer. The changes are effective immediately.

About The Exploration Company

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For Immediate Release
Monday, June 30, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS; OIL OUTPUT NEARLY DOUBLES AS ACTIVE DRILLING PROGRAM CONTINUES

SAN ANTONIO – June 30, 2003 – The Exploration Company (Nasdaq:TXCO) today announced oil production has increased more than 90 percent since March 31 in its latest Maverick Basin operations update.

TXCO's net oil output stood at 2,054 barrels of oil per day (BOPD) in mid June compared with 1,074 BOPD at the end of March. Natural gas production was 6.3 million cubic feet per day (MMcfd), a 3 percent decrease from March 31. Combined daily production reached 18.6 million cubic feet of gas equivalent per day, more than a 40 percent increase since the end of March 2003.

TXCO has participated in a record 41 new wells thus far in 2003, including a well spudded Friday in the Pena Creek Field – surpassing TXCO's previous record of 37 wells drilled during all of 2002. In addition, the Company has re-entered four existing wells this year. While the Company approaches mid-year 2003 slightly behind schedule on its original, 93-well target, TXCO anticipates accelerating its development program pending review of ongoing drilling results. Five drilling rigs are now working on TXCO's Maverick Basin lease block with a sixth and seventh currently scheduled to start in July. The Company's record annual capital budget of \$33.1 million includes \$26.4 million earmarked for drilling. Current drilling and operating highlights include:

Glen Rose Oil

TXCO completed the Comanche 4-111H well in mid June, the second of 13 horizontal wells planned for 2003 to the Glen Rose porosity interval. The well currently is producing approximately 1,380 BOPD and no water to TXCO and its operating partner, Saxet Energy Ltd. The well was drilled horizontally with a 4,300-foot lateral extension through the oil-bearing zone of the producing structure.

Production from the Comanche Halsell (6500) Field currently averages approximately 3,760 BOPD and 4,600 barrels of water per day (BWPD) from 11 producing wells. Seven wells are shut-in and remain under evaluation for horizontal recompletions. The field's first horizontal well, the Comanche 3-111H, went on production in April and is currently producing approximately 820 BOPD and 370 BWPD. Drilling is under way on a third horizontal well, the Comanche 1-117H, targeting a July completion.

– More –



TXCO spudded five of 13 vertical wells targeting the porosity interval in 2003. Four of those wells were spudded since the end of March. Two wells are currently drilling and one is awaiting completion. The fourth well, the Comanche 1-46, went on production in early May and at mid June was producing approximately 100 BOPD and 1,000 BWPD. In addition to increasing production, the vertical delineation wells will accelerate determination of the areal extent of the oil-bearing portion of the porosity interval, which was originally identified by 3-D seismic across approximately 20 square miles of TXCO's Maverick Basin lease block. Based on its success to date, TXCO expects to realize significant new Glen Rose oil reserve additions by year end.

Horizontal Glen Rose Shoal

TXCO has placed three horizontal Glen Rose shoal wells on production in recent months and a fourth is awaiting completion. One well began production in early April at 1.9 MMcfd and 12 BOPD. In May, the second well went on production at 917,000 cubic feet per day (Mcf) and the third in late May at just over 1 MMcfd. In mid June, the Chittim E. (Rodessa 5300) Field had gross production of 8.5 MMcfd and 30 BOPD, compared with 7.4 MMcfd and 35 BOPD at the end of the March. TXCO has drilled six of the 17 Glen Rose shoal horizontal wells budgeted this year.

Georgetown Deviated Wells

TXCO has realized mixed success to date in tapping the Georgetown formation through use of deviated well techniques. The wells are engineered to cut across the formation's nearly vertical faults at deviated angles, targeting higher flow rates and production compared to similarly situated conventional wells. TXCO has spudded the first eight of 25 Georgetown deviated wells planned for 2003, including three new wells spudded since the end of March. Of these new wells, one is on production, one awaits completion while one is shut in pending further geological and engineering evaluation. Drilling is scheduled to resume upon arrival of a new drilling rig in July that will replace a contractor released earlier this month. Gross Georgetown production rates in mid June reached 274 BOPD and 501 Mcfd from nine producing wells, sharply higher than the 5 BOPD and 121 Mcfd at March 31 from six wells.

San Miguel Waterflood

The Pena Creek Field remains a center of activity as TXCO continues its successful infill drilling program to reach bypassed reserves in the San Miguel formation. Seven Pena Creek wells were spudded since March, four of which are now on production while completion operations continue on the other three. In mid June, production from the Pena Creek waterflood project had risen to 423 BOPD and 1,645 BWPD, compared with 350 BOPD and 1,151 BWPD at March 31.

By the end of June, TXCO will have met its original, 15-well target for 2003 in the Pena Creek Field. Based on its success to date, TXCO plans to drill at least five additional infill wells this year and expects to realize significant new San Miguel oil reserve additions by year end. Ongoing geological, seismic and engineering review of the field has identified over 80 infill locations for future drilling.

Coalbed Methane

TXCO continues the dewatering phase of its Olmos/coalbed methane (CBM) project that began in 2001. At mid June, 36 wells were producing 183 Mcfd and 1,832 BWPD, compared with 171 Mcfd and 2,329 BWPD at the end of March. Three wells currently are shut in for operational reasons. Three other wells have achieved 50 percent to 100 percent increases in gas production during the last 30 days. The Company believes this significant increase in gas production could signify the beginning of the project's successful dewatering phase. The Company remains confident the CBM project will add significant reserves in coming years.



Jurassic

Drilling continues below 10,000 feet on the Taylor 1-132 wildcat, operated by TXCO's partner, Blue Star Oil & Gas Ltd. The well, permitted to 18,500 feet, is now projected to reach total depth in an additional 75 to 90 days following mechanical delays. Drilling began in late March. The well targets the basin's untested Jurassic formations beneath TXCO's Paloma lease. Because all other interior basins around the Gulf of Mexico have produced significant oil and gas from the Jurassic formation, TXCO believes the Jurassic in the Maverick Basin will ultimately prove to be productive.

Looking Ahead

James E. Sigmon, president and chief operating officer, said TXCO's record drilling program will continue in the second half of 2003. "We continue to prove the value of our multi-play/multi-pay strategy in the Maverick Basin," he said. "We are encouraged by the excellent results we have had thus far in 2003. The first two Comanche horizontal wells appear to have confirmed that horizontal drilling can increase oil recovery from the Glen Rose porosity. We're also closely monitoring the process of our CBM dewatering as we see increases in gas production and a corresponding decline in water output from three of the wells. This matches production trends established at other successful CBM projects. We also look forward to the Jurassic well reaching total depth during the third quarter."

About The Exploration Company

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For Immediate Release
August 4, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS SECOND-QUARTER RESULTS; ANNOUNCES \$16 MILLION PRIVATE PLACEMENT OF COMMON AND PREFERRED STOCK

SAN ANTONIO – August 4, 2003 – The Exploration Company (Nasdaq:TXCO) today reported results for the second quarter and first half of 2003. Separately, the Company announced the private placement of common stock and a preferred stock issue.

TXCO's revenues for the second quarter set a new quarterly record of \$9.9 million, a 142 percent increase from \$4.1 million reported for second-quarter 2002. Net income for the period was \$9,588 or \$0.0005 per diluted share, compared with \$542,647 or \$0.03 per diluted share, a year earlier.

For the first half, revenues were \$19 million, more than triple the \$6 million reported in 2002's first half. Net income was \$734,123 or \$0.04 per diluted share, compared with a net loss of \$173,579 or \$0.01 diluted per share in the first six months of 2002.

Net cash provided in operating activities in the first half was \$11.3 million, a 460 percent increase from \$2 million for the first half of 2002. Depreciation, depletion and amortization increased to \$4.5 million in the first half from \$1.9 million in first-half 2002 due primarily to increased production volumes and a higher number of wells, added both by drilling and the Pena Creek Field acquisition late in the first half of 2002. General and administrative costs were \$1.6 million compared with \$815,560 in the first half of 2002 due primarily to higher staffing levels consistent with the Company's higher levels of sustained operations.

Production/Drilling

TXCO produced 223,694 barrels of oil equivalent (BOE) in the April-June period, a 31 percent increase over second-quarter 2002, marking the Company's second-highest quarterly production ever. Oil made up 63 percent of second-quarter production, compared with 38 percent a year earlier. For the half, production was 396,690 BOE, a 33 percent increase from 297,240 BOE produced in the first half of 2002. The Company exited the second quarter producing 2,986 BOE per day, a 27 percent increase from the 2002 exit rate.

– More –

THE EXPLORATION COMPANY



TXCO continued its aggressive drilling program during the second quarter, participating in 21 new wells. At the end of July, 10 of these wells were on production, seven were under completion and four were being evaluated. In the first half, TXCO participated in 42 wells. By comparison, the Company participated in 37 wells during all of 2002. Six rigs were working on the Company's Maverick Basin lease block at the end of July.

Late in the second quarter, TXCO and its operating partner, Saxet Energy Ltd., completed the Comanche 4-111H, the second horizontal well to the promising Glen Rose porosity interval. The well started production at 1,380 barrels of oil per day (BOPD) and no water. Approximately 48,000 barrels of water were lost in the formation while the well was drilled horizontally with a 4,300-foot lateral through the producing formation's oil-bearing zone. The well currently is producing approximately 500 BOPD and 550 barrels of water per day (BWPD). Approximately 12,000 barrels of water have been recovered to date. Since this is only 25 percent of the water lost while drilling, it is too early to determine whether the well is producing formation water. The field's first horizontal well, the Comanche 3-111H, went on production in April and currently produces approximately 400 BOPD and 620 BWPD. Since late June, both wells have begun experiencing greater water production and reduced oil production. The operator is conducting tests to determine the water's source.

Production began in mid July on a third proposed horizontal well, the Comanche 1-117H, at approximately 100 BOPD and 190 BWPD. This well was not completed horizontally because it began flowing significant oil while drilling the curve for the lateral. Meanwhile, drilling began in late July on two additional horizontal wells targeting the porosity interval. Production from the Comanche Halsell (6500) Field currently averages approximately 2,910 BOPD and 8,660 BWPD from 14 producing wells. Seven wells remain shut-in and under evaluation as horizontal recompletion candidates.

The Pena Creek Field remains a center of activity as TXCO continues its successful infill drilling program. During the first half, 16 Pena Creek wells were drilled, including eight in the second quarter. All have been placed successfully on production.

Meanwhile, drilling continues below 14,000 feet on the Taylor 1-132 Jurassic test, operated by TXCO's partner, Blue Star Oil and Gas Ltd. For additional information on TXCO's recent operations, see its June 30 operations update.

Commodity prices for the Company's production remained strong during the first six months of 2003. TXCO's average realized price per barrel of oil was \$28.38, compared with \$22.16 in the prior-year period. The average realized gas price was double the year-ago period at \$5.88 per thousand cubic feet (Mcf) versus \$2.90 per Mcf. Gross margin per barrel of oil equivalent (oil and gas revenues, less lease operating costs, production taxes and G&A) was \$20.09 per barrel, compared to \$9.57 per barrel in the first half of 2002.

Reserves Increase

Proved reserves at mid-year 2003 were up 5 percent from year end and stood at 24.7 billion cubic feet of gas equivalent (Bcfe), as reported by Netherland, Sewell & Associates Inc., TXCO's reserve engineering consultants. The Company's proved crude oil reserves continued to increase. Oil represented 41 percent of TXCO's reserve mix at June 30, compared to 38 percent oil and 62 percent gas at year-end 2002. Company engineers remain confident that TXCO will realize substantial reserve additions from its current exploration and development program with additional production history.



Private Placement

TXCO has signed an agreement to privately issue \$16 million in Redeemable Preferred Stock and Common Shares. The shares will be purchased by two private investment funds, Kayne Anderson Energy Fund II L.P. and Gryphon Partners L.P. The Company intends to use the proceeds to fund the Company's active drilling program, acquisitions and general corporate purposes. The placement agent for the offering was Dallas-based Energy Capital Solutions, LLC. Terms of the placement include the following:

- The preferred shares are mandatorily redeemed on the sixth anniversary of the issuance date.
- At TXCO's option, the preferred issue may be redeemed anytime after issuance in whole at 100 percent of the stated amount (\$16 million) plus any accrued but unpaid dividends.
- The dividends for the preferred shares are payable quarterly at 8 percent per year for the first three years and thereafter at 10 percent per year.
- The investors will receive 2.13 million restricted common shares. TXCO retains a two-year option to repurchase up to 1.07 million of these shares at \$6 per share.
- TXCO will file a shelf registration for the new common shares with the Securities and Exchange Commission prior to the first anniversary of the preferred shares' issuance.
- The closing of the transaction, which is subject to customary closing conditions, is expected to occur later this month.

This news release is not an offer to purchase, nor a solicitation of an offer to sell, with respect to any securities. As noted, TXCO will make the requisite filings as regulated by the SEC. All of TXCO's SEC filings may be obtained at no charge from TXCO's web site, www.txco.com, or the SEC web site at www.sec.gov.

Management's Perspective

Commenting on the second quarter, James E. Sigmon, president and CEO said, "Although the quarter just completed did not meet our expectations for profitability, our active drilling program continues to be successful and is building a foundation for future growth and profitability. We continue to view 2003 as the most promising year in the Company's history.

"The new preferred stock issue is an important step that will give us the additional capital necessary to continue accelerating the development of our oil and gas reserve base. Our debt-to-asset ratio will remain low in comparison to our peers and we continue to work from a very sound financial structure," Sigmon added.

About The Exploration Company

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– More –

THE EXPLORATION COMPANY



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(Financial Information and Selected Operational Tables Follow)



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2003	December 31, 2002
Assets		
Current Assets:		
Cash	\$ 4,447,098	\$ 2,333,688
Accounts receivable, net	6,746,634	5,118,270
Prepaid expenses	666,807	503,176
Total Current Assets	11,860,539	7,955,134
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	54,543,202	39,327,867
Other Assets:		
Deferred tax asset	5,232,718	5,232,718
Other assets	511,504	520,600
Total Other Assets	5,744,222	5,753,318
Total Assets	\$72,147,963	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2003	December 31, 2002
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, trade	\$ 8,543,379	\$ 3,684,550
Other payables and accrued liabilities	5,666,688	3,187,174
Undistributed revenue	1,511,492	1,894,144
Current portion of long-term debt	1,611,461	1,073,773
Total Current Liabilities	17,333,020	9,839,641
Long-term Liabilities:		
Long-term debt, net of current portion	15,554,353	6,143,458
Asset retirement obligation	1,435,800	-
Minority Interest in Consolidated Subsidiaries	102,417	82,846
Stockholders' Equity:		
Preferred stock - series A, authorized 10,000,000 shares issued and outstanding -0- shares		
Common stock, par value \$.01 per share; authorized 50,000,000 shares; issued 20,109,516 shares, outstanding 20,009,716 shares	201,095	201,095
Additional paid-in capital	58,234,380	58,216,504
Accumulated deficit	(20,467,095)	(21,201,218)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	37,722,373	36,970,374
Total Liabilities and Stockholders' Equity	\$72,147,963	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002
Revenues		
Oil and gas sales	\$6,574,218	\$3,749,531
Gas gathering operations	3,291,401	151,213
Other operating income	3,150	178,455
	9,868,769	4,079,199
Costs and Expenses		
Lease operations	977,967	862,695
Production taxes	434,869	235,641
Exploration expenses	626,570	287,111
Impairment and abandonments	537,075	379,200
Gas gathering operations	3,417,324	106,561
Depreciation, depletion and amortization	2,821,148	1,086,622
General and administrative	854,798	413,541
Total costs and expenses	9,669,751	3,371,371
Income from Operations	199,018	707,828
Other Income (Expense)		
Interest income	5,955	16,009
Interest expense	(161,240)	(78,267)
	(155,285)	(62,258)
Income before income taxes, minority interest and cumulative effect of change in accounting principle	43,733	645,570
Minority interest in income of subsidiaries	15,855	(102,923)
Income before income taxes and cumulative effect of change in accounting principle	59,588	542,647
Income tax expense		
Cumulative effect of change in accounting principle, net of tax	(50,000)	-
Net Income	\$ 9,588	\$ 542,647
Earnings Per Share		
Basic:		
Earnings before cumulative effect of change in accounting principle	\$.00	\$.03
Cumulative effect of change in accounting principle	-	-
Net earnings per share	\$.00	\$.03
Diluted:		
Earnings before cumulative effect of change in accounting principle	\$.00	\$.03
Cumulative effect of change in accounting principle	-	-
Net earnings per share	\$.00	\$.03



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Revenues		
Oil and gas sales	\$12,456,934	\$5,568,309
Gas gathering operations	6,499,786	151,213
Other operating income	(78)	269,038
	<u>18,956,642</u>	<u>5,988,560</u>
Costs and Expenses		
Lease operations	2,052,316	1,545,970
Production taxes	803,273	361,121
Exploration expenses	1,001,601	582,301
Impairment and abandonments	876,150	742,900
Gas gathering operations	7,014,560	106,561
Depreciation, depletion and amortization	4,494,468	1,868,824
General and administrative	1,630,903	815,560
Total costs and expenses	<u>17,873,271</u>	<u>6,023,237</u>
Income (Loss) from Operations	1,083,371	(34,677)
Other Income (Expense)		
Interest income	10,560	21,674
Interest expense	(272,082)	(113,117)
	<u>(261,522)</u>	<u>(91,443)</u>
Income (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	821,849	(126,120)
Minority interest in income of subsidiaries	<u>36,274</u>	<u>(122,459)</u>
Income (loss) before income taxes and cumulative effect of change in accounting principle	858,123	(248,579)
Income tax expense	(50,000)	75,000
Cumulative effect of change in accounting principle, net of tax	(74,000)	-
	<u>(124,000)</u>	<u>-</u>
Net Income (Loss)	\$ 734,123	\$ (173,579)
Earnings (Loss) Per Share		
Basic:		
Earnings (loss) before cumulative effect of change in accounting principle	\$.04	\$(0.01)
Cumulative effect of change in accounting principle	-	-
Net earnings (loss) per share	<u>\$.04</u>	<u>\$(0.01)</u>
Diluted:		
Earnings (loss) before cumulative effect of change in accounting principle	\$.04	\$(0.01)
Cumulative effect of change in accounting principle	-	-
Net earnings (loss) per share	<u>\$.04</u>	<u>\$(0.01)</u>



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Operating Activities		
Net income (loss)	\$ 734,123	\$ (173,579)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	4,494,468	1,874,528
Impairment and abandonments	876,150	742,900
Minority interest in income of subsidiaries	(36,274)	122,459
Cumulative effect of change in accounting principle	74,000	-
Changes in operating assets and liabilities:		
Receivables	(1,628,364)	(1,119,962)
Prepaid expenses and other	(163,631)	(8,108)
Accounts payable and accrued expenses	6,955,691	571,921
Net cash provided in operating activities	<u>11,306,163</u>	<u>2,010,159</u>
Investing Activities		
Development and purchases of oil and gas properties	(18,932,655)	(15,369,554)
Purchase of other equipment	(282,401)	(95,227)
Proceeds from the sale of oil and gas properties	-	200,000
Contributions made by minority interests	55,844	1,200,000
Distributions to minority interests	-	(404,786)
Net cash used in investing activities	<u>(19,159,212)</u>	<u>(14,469,567)</u>
Financing Activities		
Issuance of common stock, net of offering costs	-	14,193,398
Proceeds from debt obligations	8,200,000	3,872,411
Proceeds from installment obligations	2,728,082	-
Deferred financing fees	17,876	(52,648)
Payments on debt obligations	(979,499)	(188,970)
Net cash provided in financing activities	<u>9,966,459</u>	<u>17,824,191</u>
Change in Cash and Equivalents	2,113,410	5,364,783
Cash and equivalents at beginning of period	<u>2,333,688</u>	<u>2,019,164</u>
Cash and Equivalents at End of Period	<u>\$4,447,098</u>	<u>\$7,383,947</u>



THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	Three Months Ended		Six Months Ended	
	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Net cash provided (used) in operating activities	\$ 4,965,666	\$ 3,577,326	\$ 11,306,163	\$ 2,010,159
Debt to asset ratio	23.8%	9.3%	23.8%	9.3%
 Production				
Oil:				
Production, in barrels	141,062	64,588	222,171	82,360
Average sales price per barrel	\$ 26.61	\$ 23.25	\$ 28.38	\$ 22.16
Natural Gas:				
Production, in Mcf	495,794	638,411	1,047,113	1,289,279
Average sales price per Mcf	\$ 5.69	\$ 3.52	\$ 5.88	\$ 2.90
Equivalent Basis:				
Production in Boe	223,694	170,989	396,690	297,240
Average sales price per Boe	\$ 29.39	\$ 21.93	\$ 31.40	\$ 18.73
Production in Mcfe	1,342,166	1,025,939	2,380,139	1,783,439
Average sales price per Mcfe	\$ 4.90	\$ 3.65	\$ 5.23	\$ 3.12
 Selected Operating Data				
Production volume - oil properties	138,447	58,000	215,169	69,757
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 1,023,176	\$ 357,633	\$ 1,652,454	\$ 550,497
Lifting costs per Barrel	\$ 7.39	\$ 6.17	\$ 7.68	\$ 7.89
Production volume - gas properties	492,537	636,508	1,041,768	1,285,295
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 396,990	\$ 672,440	\$ 1,235,999	\$ 1,243,394
Lifting costs per Mcf	\$ 0.81	\$ 1.06	\$ 1.19	\$ 0.97
Production volume excluding CBM properties	485,432	629,709	1,025,974	1,271,484
Lifting costs excluding CBM activities	\$ 286,196	\$ 504,265	\$ 1,024,885	\$ 934,218
Lifting costs per Mcf excluding CBM activities	\$ 0.59	\$ 0.80	\$ 1.00	\$ 0.73
Depletion cost per Boe	\$ 12.38	\$ 6.32	\$ 11.08	\$ 6.03
Depletion cost per Mcfe	\$ 2.06	\$ 1.05	\$ 1.85	\$ 1.01



**For Immediate Release
August 6, 2003**

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NEWS RELEASE

TXCO TO WEBCAST 8TH OIL & GAS CONFERENCE PRESENTATION

SAN ANTONIO – August 6, 2003 – The Exploration Company (NASDAQ:TXCO) will update investors and analysts this week in a presentation at the 8th Oil & Gas Conference in Denver. James E. Sigmon, president and CEO, and Roberto R. Thomae, vice president-capital markets, will review TXCO's 2003 drilling program and growth strategy in a session for conference attendees Wednesday afternoon.

Their presentation will be webcast on a delayed basis and will be available Thursday, Aug. 7, on the Internet at TXCO's web site, www.txco.com, and the conference web site, www.theoilandgasconference.com. The presentation will be posted on both web sites for 30 days.

The conference – hosted by EnerCom, Inc.; American Stock Exchange; Netherland, Sewell & Associates, Inc.; *Oil and Gas Investor* magazine; Credit Lyonnais Securities (USA) Inc.; Preng & Associates and KPMG LLP – is expected to draw more than 800 attendees from institutions, investment banks, commercial banks and the energy industry.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol "TXCO."

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to presentation times, acquisition and development of mineral interests or drilling locations. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarter ended March 31, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



For Immediate Release
Thursday, September 4, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS

SAN ANTONIO – Sept. 4, 2003 – The Exploration Company (Nasdaq:TXCO) today provided an operations update on its 480,000-acre lease block in the Maverick Basin of Southwest Texas.

TXCO's net daily production at the end of August was 1,692 barrels of oil per day (BOPD) and 6.6 million cubic feet of natural gas per day (MMcfd), compared with 1,886 BOPD and 6.6 MMcfd at the end of June. Combined daily production was 16.8 million cubic feet of gas equivalent. Record Company activity in the Maverick Basin continues with TXCO participating in 53 new wells during the first eight months of 2003, compared to 37 wells for all of 2002. In addition, TXCO has re-entered seven existing wells this year. It expects to have six rigs operating on its Maverick Basin lease block in September. Current drilling and operating highlights include:

Glen Rose Oil

Three additional horizontal wells to the Glen Rose porosity interval have been placed on production thus far in the third quarter. To date, TXCO has drilled five of the 13 horizontal wells planned for this year. The Comanche 1-117H began production in July at 100 BOPD, later increasing to 558 BOPD and 16 barrels of water per day (BWPD). In August, the Comanche 2-112H went on production at 755 BOPD and 67 BWPD and the Comanche 2-46H began production at 655 BOPD and no water.

TXCO also has spudded six of 13 vertical wells planned for 2003 that target the Glen Rose porosity, including one thus far in the third quarter. Currently, one is on production, three are awaiting completion, one is drilling and one was re-completed to the Georgetown formation. In addition to increasing overall Glen Rose oil production, the vertical delineation wells have been located to help determine the areal extent of the oil-bearing portion of the porosity interval. The target interval of more than 20 square miles was originally identified by a 3-D seismic survey across TXCO's Maverick Basin lease block.

At Aug. 31, gross production from the Comanche Halsell (6500) Field was 2,886 BOPD and 8,904 BWPD from 15 producing wells for TXCO and its operating partner, Saxet Energy Ltd. At the end of June, field production was 3,414 BOPD and 7,605 BWPD. As a result of 2003's record CAPEX expenditures and drilling success, TXCO believes it will realize significant new Glen Rose oil reserve additions by year end.

– More –

THE EXPLORATION COMPANY



Horizontal Glen Rose Shoal

TXCO has placed two additional horizontal Glen Rose shoal wells on production in the third quarter. A third well is in completion and drilling is under way on a fourth. The Chittim E. (Rodessa 5300) Field had gross production of 10.9 MMcfd and 58 BOPD at the end of August, compared with 9.9 MMcfd and 68 BOPD at June 30. To date, TXCO has drilled nine of the 17 Glen Rose shoal horizontal wells budgeted this year.

Georgetown

TXCO expects to place a new Georgetown deviated well on production in September following completion of a pipeline connection. In tests, the G.W. Vivian 1-687, drilled on the Pena Creek lease and originally targeting the Glen Rose oil porosity, flowed gas at rates of as much as 4.1 MMcfd with a trace of condensate on an 18/64-inch choke with flowing tubing pressure of 2,240 pounds per square inch. Absolute open flow was 26 MMcfd. TXCO has a 50 percent working interest in the well and is the operator.

Gross Georgetown production at the end of August was 121 BOPD and 1.2 MMcfd from 21 producing wells (not including the Vivian well), compared with 218 BOPD and 769,000 cubic feet per day (Mcf) at June 30. TXCO has had mixed success tapping the Georgetown formation through use of deviated well techniques. However, the Vivian well made use of new seismic processing that appears to enhance the chances of success. The wells are engineered to cut across the formation's nearly vertical faults at deviated angles, targeting higher flow rates and production compared to conventional, vertical wells. TXCO has drilled 11 of 25 Georgetown wells planned for this year.

Jurassic

The Taylor 132-1 wildcat continues drilling below 15,700 feet on TXCO's Paloma lease. Logging indicated good porosity (from 12 to 27 percent) and resistivity (over 50 ohms) in an interval between 14,936-15,009 feet. To protect the potentially productive zone and allow continued drilling, 9 7/8-inch intermediate casing was set at 15,620 feet. The well is permitted to 18,500 feet and is expected to reach target depth in approximately 30 days, pending any unexpected developments. Blue Star Oil & Gas Ltd. is the operator.

"We are very pleased with the results of drilling to date. We have encountered the marine sediments at these depths that we anticipated from our 3-D seismic studies," said James E. Sigmon, president and CEO. "The setting of casing not only protects the potentially productive zone but it also protects the well bore and is consistent with the well's original engineering design. We remain cautiously optimistic as drilling continues to depths never drilled previously in the Maverick Basin."

San Miguel Waterflood

TXCO continues its successful Pena Creek Field infill drilling program to reach bypassed San Miguel formation reserves. Six additional wells have started production in the third quarter and one well is in completion. At the end of August, production from the Pena Creek waterflood had increased to 453 BOPD and 1,253 BWP, compared with 371 BOPD and 1,724 BWP at the end of June.

TXCO has drilled 19 Pena Creek wells this year, surpassing its original, 15-well target. Based on its success to date, TXCO plans to drill additional infill wells in 2003 and expects to realize significant new San Miguel oil reserve additions by year end. Geological, seismic and engineering reviews of the field have identified more than 80 potential infill locations to date. TXCO expects to establish a significant number of additional infill locations as warranted by ongoing drilling results.

THE EXPLORATION COMPANY



Coalbed Methane

TXCO continues dewatering of its Olmos/coalbed methane (CBM) project, which began in 2001. At the end of August, 36 wells were producing 170 Mcfd and 1,841 BWPD, compared with 185 Mcfd and 1,947 BWPD at the end of the second quarter. Several wells have increased gas production in recent months, indicative of progress in the project's dewatering phase. The Company remains optimistic the CBM project will result in significant reserve and production growth in the future.

Looking Ahead

Added Sigmon, "We expect drilling activity to remain very brisk throughout the rest of 2003. We will have six rigs running this month, which is a very ambitious drilling program for a company of our size. The success of the Vivian well reaffirms the potential in our Georgetown deviated well strategy. Meanwhile, we continue to have good results with the Glen Rose porosity horizontal drilling program, the Pena Creek infill program and, of course, we remain very optimistic about the potential of the heretofore unexplored Jurassic. We believe the Taylor well could be only the beginning. TXCO holds rights to the Jurassic on approximately 300,000 acres."

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol "TXCO."

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to expected production levels, establishment of reserves, drilling plans, including the timing, category, number, depth, and cost of wells to be drilled, expected geological formations or the availability of specific services or technologies. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarters ended March 31, 2003, and June 30, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



**For Immediate Release
October 6, 2003**

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NEWS RELEASE

TXCO TO WEBCAST IPAA INVESTMENT SYMPOSIUM PRESENTATION

SAN ANTONIO – October 6, 2003 – The Exploration Company (NASDAQ:TXCO) will update investors and analysts in a presentation at the Independent Petroleum Association of America's Oil & Gas Investment Symposium West, set for Oct. 6-8 in San Francisco. Roberto R. Thomae, vice president-capital markets, will review TXCO's drilling program and growth strategy in a session on Wednesday afternoon, Oct. 8.

The 20-minute presentation will be webcast and is scheduled to start at 2:25 p.m., PDT (5:25 p.m., EDT). A link to the live presentation and a replay will be available on the Presentations page of the Investor Relations Section of TXCO's web site, www.txco.com. IPAA's first OGIS West, hosted at San Francisco's Palace Hotel, features oil service companies, private capital providers and leading exploration and production companies. It is modeled on the association's popular OGIS conference, held annually in New York.

About The Exploration Company

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Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to presentation times, acquisition and development of mineral interests or drilling locations. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarters ended March 31, 2003, and June 30, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



For Immediate Release
Thursday, October 23, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES CURRENT OPERATIONS IN THE MAVERICK BASIN

SAN ANTONIO – Oct. 23, 2003 – The Exploration Company (Nasdaq:TXCO) today provided an operations update on the record drilling program across its 480,000-acre lease block in the Maverick Basin of Southwest Texas.

Activity continues despite recent heavy rains that slowed drilling and a 3-D seismic survey just completed on TXCO's Burr Ranch lease. The Company has participated in 64 new wells to date in 2003 compared to 37 wells for all of last year. TXCO participated in 18 new wells spudded in the quarter ended Sept. 30, compared with 15 wells during third-quarter 2002. In addition, TXCO has re-entered seven wells this year. Current net production stands at 1,596 barrels of oil per day (BOPD) and 7.8 million cubic feet of gas per day (MMcfd). The Company exited the quarter ended Sept. 30 with daily net production rates of 1,299 BOPD and 6.1 MMcfd of natural gas. Drilling and operating highlights include:

Jurassic

The Taylor 132-1 wildcat continues drilling below 19,800 feet after being re-permitted to 20,000 feet. If successful, TXCO and its partners will receive the net revenue attributable to a 25 percent working interest at no cost until payout on the well. Costs to date total more than \$8 million.

“Because we are encountering promising marine sediments, our partner, Blue Star Oil & Gas, has decided to drill beyond the original target depth of 18,500 feet, enabling us to learn a great deal more about the Maverick Basin's untested Jurassic formation,” said James E. Sigmon, president and CEO. “The well has encountered several potentially productive intervals and has proven many of the projections made from our 3-D seismic interpretations. The information gained by drilling deeper will prove valuable as we continue to explore the Jurassic on the 300,000 gross acres of our lease block prospective for the interval. We remain cautiously optimistic about this well and are encouraged by the very positive indications we have found thus far.”

Glen Rose Oil

In recent weeks, TXCO participated in the re-entry of two vertical Glen Rose porosity wells (50% working interest) by drilling horizontal laterals. The Comanche 2-2 went on production in early October and currently is producing 767 BOPD and no water. TXCO proposed a new technique used for this well in which the 760-foot horizontal lateral was drilled parallel to rather than crossing faults within the porosity zone, specifically avoiding potentially water-productive faults. By drilling between the faults, the side-tracked well has successfully produced water-free oil to date from the high-porosity interval.

– More –

THE EXPLORATION COMPANY



The second re-entry is the Comanche 2-13. Saxet Energy Ltd., the operator, drilled this lateral to intersect faults and fractures above the porosity interval, using the technique applied in recent horizontal drilling with mixed results prior to the Comanche 2-2. On test, the well flowed at an average rate of 100 BOPD and no water.

“The operator continues to be challenged by which technique will result in the highest recovery of oil from this complex formation while minimizing water production,” Sigmon added. “The wells drilled perpendicular to the faults have not responded as expected, contributing to the decline in overall field production during the third quarter. TXCO engineers have believed for some time that drilling horizontal laterals parallel to rather than crossing faults within the porosity zone could result in enhanced oil production from this complex reservoir. The Comanche 2-2 well was the first to use this technique and the initial production results are very encouraging.

“We continue to discuss options with Saxet about which technique to employ on new wells and pending re-entry targets. We believe that the drilling program will go in a new direction after the hunting season moratorium expires early next year,” he said.

TXCO has participated in six of 13 budgeted horizontal development wells to test the porosity interval planned this year. The latest new well, the Comanche 1-113H, as well as three of the previous four horizontal wells, were drilled across the interval’s fractures but above the porosity interval.

TXCO has participated in seven of 13 vertical exploratory porosity wells budgeted for 2003 as it strives to gather additional data and to learn more about the zone. Currently, one is on production, two await completion, one was recompleted to another formation, one has been temporarily abandoned and two are shut in pending recompletion as horizontal wells. The vertical wells have been located to help determine the areal extent of the oil-bearing portion of the porosity zone. The target interval of more than 20 square miles was originally identified by a 3-D seismic survey across TXCO’s Maverick Basin lease block.

Currently, gross production from the Comanche Halsell (6500) Field is 2,726 BOPD and 9,920 barrels of water per day (BWPD) from 17 wells. At the end of June, field production was 3,414 BOPD and 7,605 BWPD from 13 wells. As a result of 2003’s record CAPEX program and drilling success, TXCO continues to believe it will realize significant new Glen Rose oil reserve additions in the future.

Horizontal Glen Rose Shoal

The Company has placed two new horizontal Glen Rose shoal wells on production this month. The Chittim 2-144 (47.3% WI) went on production in early October at 1.3 MMcfd and 17 BOPD. Meanwhile, the Chittim 4-143 (47.3% WI) flowed gas at the rate of 950 Mcfd (thousand cubic feet per day) and 10 BOPD and went on production last week. Currently, gross production from the Chittim E. (Rodessa 5300) Field is 11.4 MMcfd and 68 BOPD, compared with 9.9 MMcfd and 68 BOPD at June 30. TXCO has drilled 11 consecutive successful wells to date out of 17 Glen Rose shoal horizontal wells planned for in its 2003 CAPEX program. A 12th well will be completed prior to the start of a November-January hunting season moratorium.

THE EXPLORATION COMPANY



Georgetown

TXCO, as operator, placed a new Georgetown well, the Vivian 1-687 (50% WI), on production earlier this month. The well currently is flowing 3.5 MMcfd and 38 BOPD. Located on the Pena Creek lease, the well originally was drilled vertically to test the eastern extent of the Glen Rose porosity zone and found water. The well was plugged back, sidetracked and completed horizontally in the overlying Georgetown formation. Subsequently to being placed on line, production was halted briefly to permit installation of sour-gas treating equipment.

Gross Georgetown production currently stands at 140 BOPD and 4.2 MMcfd from 23 producing wells, compared with 218 BOPD and 769 Mcfd at June 30. TXCO has had mixed success tapping the Georgetown formation through use of deviated well techniques. However, the Vivian well made use of an advanced coherency processing seismic technique that appears to lower the risk associated with predicting faults and fractures. The wells are engineered to cut across the formation's nearly vertical faults and associated fractures at deviated angles, targeting higher flow rates and ultimate reserves compared to conventional, vertical wells.

TXCO has drilled nine of 25 Georgetown wells planned for this year but plans to drill as many as seven more wells by year end in an area not subject to a hunting moratorium. TXCO holds some 300,000 acres it believes to be prospective for the Georgetown.

San Miguel

TXCO continues its successful Pena Creek Field (100% WI) infill drilling program to reach bypassed San Miguel reserves. Six additional wells have spudded during the second half of 2003. Two are on production, three are in completion and one is drilling. Current Pena Creek San Miguel production is 426 BOPD and 1,053 BWPD, up from 371 BOPD and 1,724 BWPD at the end of June.

The Company has drilled and completed 20 of 21 Pena Creek wells spudded this year. Due to continued success, the Company has expanded its Pena Creek infill drilling program for this year to 23 wells from an initial 15-well target. TXCO expects to realize significant new San Miguel oil reserve additions by year end. Geological, seismic and engineering reviews of the field have identified more than 80 potential infill locations to date in the original producing sand alone.

TXCO's technical staff is studying the production potential of two overlying San Miguel sands. Whole coring and additional data gathering is currently under way to further identify the potential of these newly targeted, shallower sands.

Coalbed Methane

TXCO continues dewatering of its Olmos/coalbed methane (CBM) project (100% WI), which began in 2001. Currently, 35 wells are producing 177 Mcfd and 1,515 BWPD, compared with 185 Mcfd and 1,947 BWPD from 36 wells at the end of June. One well is shut in currently for testing. TXCO remains cautiously optimistic the CBM project will result in significant reserve and production growth in the future.



Escondido

TXCO has drilled the first five of 10 Escondido wells (100% WI) budgeted for 2003 since the end of June. Three of the wells have been completed and await pipeline connections, one is shut in pending further evaluation and one has been abandoned. Well tests indicate initial production of approximately 200 Mcfd per well from the Escondido/Olmos sands at 800 to 1,000 feet. The low cost associated with drilling at these shallow depths provides attractive opportunities for further development of these shallow sands.

Looking Ahead

“We have enjoyed excellent results this year in our drilling program as we pursue our multi-play/multi-pay strategy, focusing on the numerous horizons available across our Maverick Basin lease block,” Sigmon said. “Currently, we expect to drill between 80 and 90 new wells by year end, which will approximate the number of wells TXCO has drilled in the past three years combined.

“We’re particularly encouraged by the latest sedimentary environments penetrated by the Jurassic well as its approaches total depth and expect to begin testing shortly,” the CEO added. “The drillbit continues to find marine sediments that are very similar to Jurassic formations that have proved highly productive elsewhere around the Gulf of Mexico.”

Quarterly Production

TXCO’s estimated ending third-quarter 2003 net oil and gas production volumes and historical volumes from the comparable prior year period are presented below.

Cumulative Production Volumes						
	3Q 2003	3Q 2002	% Change	9 Mos. 2003	9 Mos. 2002	% Change
Natural gas/MMcf	475	626	-24.1	1,522	1,915	-20.5
Oil/Bbls	125,778	130,041	-3.3	347,951	212,402	+63.8
Natural Gas Equivalent/MMcfe	1,230	1,406	-12.5	3,610	3,190	+13.2
Oil Equivalent/BOE	205,000	234,387	-12.5	601,693	531,628	+13.2

Quarterly Earnings

TXCO now plans to release its third-quarter 2003 earnings statement Nov. 4.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol “TXCO.”

THE EXPLORATION COMPANY



Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to expected production levels, establishment of reserves, drilling plans, including the timing, category, number, depth, and cost of wells to be drilled, expected geological formations or the availability of specific services or technologies. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarters ended March 31, 2003, and June 30, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



For Immediate Release
Tuesday, November 4, 2003

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS THIRD-QUARTER EARNINGS

SAN ANTONIO – November 4, 2003 – The Exploration Company (Nasdaq:TXCO) today reported earnings for the third quarter and nine months ended Sept. 30, 2003. The Company also provided a brief operations update.

Revenues for the third quarter were \$9.4 million, a 58 percent increase from \$6.0 million reported in the third quarter of 2002. Oil and gas sales revenues were higher than in the year-earlier period on higher commodity prices, partially offset by lower production volumes. Quarterly net income was \$58,466, or \$0.003 per share, compared with \$931,953, or \$0.04 per share, for the year-earlier period. All per-share amounts are on a diluted basis. TXCO ended the quarter with 22.1 million shares outstanding, an 11 percent increase from 20.0 million shares outstanding at the same point in 2002.

Ebitda – earnings before interest, taxes, depreciation, depletion and amortization – was \$2.7 million, or \$0.12 per share, compared to \$2.5 million, or \$0.12 per share (each based on the then-outstanding per-share basis) for third-quarter 2002. See the accompanying table for a reconciliation of GAAP and non-GAAP measures utilized in calculating Ebitda.

Nine Months

For the nine months ended Sept. 30, 2003, revenues were \$28.4 million, up from \$11.9 million in the same period of the prior year. Oil and gas sales increased 68 percent from the 2002 period as both commodity prices and production volumes were higher than in the year-earlier period. Net income for the period was \$792,589, or \$0.04 per share, compared with \$758,374, also \$0.04 per share, for the period in 2002.

Ebitda was \$8.2 million, or \$0.47 per share, a 96 percent increase from \$4.2 million, \$0.24 per share, in the 2002 period. Cash flow, or net cash provided by operating activities, reached \$11.3 million, compared with \$4.0 million in the prior-year period. Depreciation, depletion and amortization increased to \$6.7 million, compared to \$3.4 million in the year-earlier period. General and administrative costs were \$2.6 million, or 9.3 percent of revenues, compared to \$1.3 million, or 11.1 percent of revenues, in the prior-year period. Technical and professional staffing levels and associated expenses increased in line with TXCO's higher drilling and operations levels. These increases also were consistent with the expanded compliance burden mandated by the Sarbanes-Oxley Act.

– More –



Production/Drilling

The Taylor 132-1 wildcat well reached a depth of 20,171 feet with logging completed late last week. Although drilling has now surpassed the original target depth, the well has not encountered basement rock. TXCO's partner, Blue Star Oil & Gas Ltd., remains committed to further exploration of the thickening sedimentary interval the drill bit has discovered to date and now plans to set 7³/₄-inch casing, re-permit the well and continue drilling to a deeper depth in an attempt to delineate the depth of the basin. Jurassic-age sedimentary beds encountered thus far have been very encouraging and multiple, potentially productive intervals have been encountered and await testing and completion attempts once final total depth has been reached.

Blue Star is carrying TXCO on all costs for the well, which to date total more than \$9 million. If successful, TXCO and its partners will receive the net revenue attributable to a 25 percent working interest at no cost until payout on the well.

The Comanche 2-2 (50% WI), a recently re-entered Glen Rose porosity well, continues to produce water-free oil. The well went on production in early October and produces approximately 750 barrels of oil per day (BOPD) and no water. The well was the first drilled using a new technique developed and recommended by TXCO's technical staff in which the well's horizontal lateral parallels potentially water-productive faults within the porosity interval. A November-to-January hunting season drilling moratorium is now in effect on a portion of the Company's acreage, including the Comanche Ranch, which includes the Glen Rose porosity prospects. TXCO expects to apply this technique for future wells planned following expiration of the hunting season drilling moratorium, as well as re-entries of many wells that already have been drilled.

In TXCO's Georgetown play, the Vivian 1-687 (50% WI), which went on production in early October, produces approximately 3.5 million cubic feet of gas per day and 32 BOPD. The well made use of new seismic processing techniques that appear to lessen the risk associated with predicting the formation's numerous faults and fractures. Drilling on the next Georgetown well location, selected using the same techniques, will start shortly.

Through Sept. 30, TXCO spent \$28.1 million in the development and purchase of oil and gas properties and other equipment, or 85 percent of its \$33.1 million CAPEX budget, with \$22.6 million for drilling, \$0.3 million for seismic and \$5.2 million for other capital projects. The Company participated in 60 wells during the nine months, including 18 wells in the third quarter. In 2002, TXCO drilled 27 new wells in the first nine months, including 15 in the third quarter. To date, TXCO has drilled 66 wells in 2003 and currently expects to drill 80 to 90 new wells for the year, approximating the number drilled in the previous three years combined. The Company drilled 37 wells in 2002. Currently, four rigs are operating on TXCO's Maverick Basin lease block.

Overall production increased in the current nine-month period compared to 2002 as growing oil output more than replaced a decline in gas production from maturing wells. For the nine months ended Sept. 30, the Company produced 347,951 barrels of oil (BO), compared to 212,402 BO in the same period of 2002. Natural gas production was 1.5 billion cubic feet (Bcf), down from 1.9 Bcf in the prior-year period. Production reached 601,693 barrels of oil equivalent (BOE), a 13.2 percent increase from 531,628 BOE for the 2002 period.

For a more complete discussion of TXCO's current Maverick Basin operations, see the Company's Oct. 23 operations update.



Management's Perspective

"I believe we are continuing to build the foundation for our long-term success," said James E. Sigmon, president and CEO. "We're encouraged by the positive results of our drilling program although financial results for the third quarter did not meet our expectations."

The Jurassic well has confirmed the presence of sediments that have proved highly productive elsewhere and has confirmed the findings of the extensive 3-D seismic study targeting the Jurassic across TXCO's lease block. In the Glen Rose porosity play, the Comanche 2-2 has now been on production for a month and still has produced no water. TXCO believes the new drilling technique employed with this well may allow the Company to produce much more oil from this challenging, yet lucrative, formation, ultimately leading to significant reserve additions from the Glen Rose. "We're also excited about the initial results we've seen from the first Georgetown well using our new geophysical techniques," Sigmon added.

"Investors know we're simultaneously proving up seven distinct producing horizons in the Maverick Basin through either wildcat exploration or lower-risk exploitation drilling," the CEO continued. "Once we've achieved our drilling objectives, I believe investors may see significant changes in our reserve base and production profile. To date, we have been less than satisfied with our reserve additions. Until we reach critical mass, we will continue aggressively working to develop the many opportunities in this under-explored basin."

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol "TXCO."

Forward-Looking Statements

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to future earnings, cash flow, oil and gas prices, capital expenditures, production levels, drilling plans, including the timing, number and cost of wells to be drilled, projects and expected response, and establishment of reserves. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarters ended March 31, 2003, and June 30, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.



Reconciliation of GAAP and Non-GAAP Measures

Ebitda represents net income before income taxes, interest expense, depreciation, depletion and amortization expense. We believe Ebitda provides a more complete analysis of TXCO's operating performance and debt servicing ability relative to other companies, and of our ability to fund capital expenditure and working capital requirements. This measure is widely used by investors and rating agencies. Ebitda, with certain negotiated adjustments, is referenced in TXCO's financial covenants and required in reporting under our credit facility. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations, or cash flow provided by operating activities prepared in accordance with GAAP.

(\$ in thousands)	<u>Three Months Ended Sept. 30,</u>		<u>Nine Months Ended Sept. 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net cash provided by operating activities	\$ (51)	\$ 2,013	\$11,256	\$ 4,023
Current taxes	—	—	50	(75)
Interest, net	397	65	659	157
Changes in assets and liabilities	<u>2,324</u>	<u>406</u>	<u>(3,754)</u>	<u>91</u>
Ebitda	2,670	2,484	8,211	4,196
Less:				
Interest, net	397	65	659	157
Income taxes	—	—	50	(75)
DD&A	<u>2,215</u>	<u>1,487</u>	<u>6,709</u>	<u>3,356</u>
Net Income	\$ <u>58</u>	\$ <u>932</u>	\$ <u>793</u>	\$ <u>758</u>

(Financial Information and Selected Operational Tables Follow)

THE EXPLORATION COMPANY



THE EXPLORATION COMPANY CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash	\$ 5,455,899	\$ 2,333,688
Accounts receivable, net	6,616,714	5,118,270
Prepaid expenses	1,010,363	503,176
Total Current Assets	13,082,976	7,955,134
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	60,628,466	39,327,867
Other Assets		
Deferred tax asset	5,232,718	5,232,718
Other assets	1,076,338	520,600
Total Other Assets	6,309,056	5,753,318
Total Assets	\$80,020,498	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2003	December 31, 2002
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 6,778,445	\$ 3,684,550
Other payables and accrued liabilities	4,621,493	3,187,174
Undistributed revenue	1,332,312	1,894,144
Current portion of long-term debt	1,660,046	1,073,773
Total Current Liabilities	14,392,296	9,839,641
Long-term Liabilities		
Long-term debt, net of current portion	10,490,983	6,143,458
Mandatorily redeemable preferred stock	9,928,149	-
Accrued dividends - preferred stock	17,733	-
Asset retirement obligation	1,502,200	-
Total Long-Term Liabilities	21,939,065	6,143,458
Minority Interest in Consolidated Subsidiaries	106,494	82,846
Stockholders' Equity		
Preferred stock - series A, authorized 10,000,000 shares issued and outstanding -0- shares		
Common stock, par value \$.01 per share; authorized 50,000,000 shares; issued 22,242,849 and 20,109,516 shares, outstanding 22,143,049 and 20,009,716 shares	222,428	201,095
Additional paid-in capital	64,014,850	58,216,504
Accumulated deficit	(20,408,628)	(21,201,218)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	43,582,643	36,970,374
Total Liabilities and Stockholders' Equity	\$80,020,498	\$53,036,319



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Revenues		
Oil and gas sales	\$6,027,088	\$5,410,090
Gas gathering operations	3,364,162	509,337
Other operating income	2,631	34,879
Total revenues	9,393,881	5,954,306
Costs and Expenses		
Lease operations	1,158,760	1,166,427
Production taxes	348,225	292,920
Exploration expenses	292,928	403,167
Impairment and abandonments	641,725	514,950
Gas gathering operations	3,309,515	577,975
Depreciation, depletion and amortization	2,214,530	1,487,466
General and administrative	990,733	507,434
Total costs and expenses	8,956,416	4,950,339
Income from Operations	437,465	1,003,967
Other Income (Expense)		
Interest income	10,754	15,144
Interest expense	(407,697)	(80,180)
Total other income (expense)	(396,943)	(65,036)
Income before income taxes, minority interest and cumulative effect of change in accounting principle	40,522	938,931
Minority interest in income (loss) of subsidiaries	17,944	(6,978)
Income before income taxes and cumulative effect of change in accounting principle	58,466	931,953
Income tax expense	-	-
Cumulative effect of change in accounting principle, net of tax	-	-
Net Income	\$ 58,466	\$ 931,953
Earnings Per Share		
Basic:		
Earnings before cumulative effect of change in accounting principle	\$0.00	\$0.05
Cumulative effect of change in accounting principle	-	-
Net earnings per share	\$0.00	\$0.05
Diluted:		
Earnings before cumulative effect of change in accounting principle	\$0.00	\$0.04
Cumulative effect of change in accounting principle	-	-
Net earnings per share	\$0.00	\$0.04



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Revenues		
Oil and gas sales	\$18,484,022	\$10,978,399
Gas gathering operations	9,863,948	660,550
Other operating income	2,553	303,917
Total revenues	<u>28,350,523</u>	11,942,866
Costs and Expenses		
Lease operations	3,211,075	2,712,397
Production taxes	1,151,498	654,041
Exploration expenses	1,294,529	985,468
Impairment and abandonments	1,517,875	1,257,850
Gas gathering operations	10,324,076	684,536
Depreciation, depletion and amortization	6,708,998	3,356,290
General and administrative	2,621,636	1,322,994
Total costs and expenses	<u>26,829,687</u>	10,973,576
Income from Operations	1,520,836	969,290
Other Income (Expense)		
Interest income	21,314	36,818
Interest expense	(679,779)	(193,297)
Total other income (expense)	<u>(658,465)</u>	(156,479)
Income before income taxes, minority interest and cumulative effect of change in accounting principle	862,371	812,811
Minority interest in income (loss) of subsidiaries	<u>54,218</u>	(129,437)
Income before income taxes and cumulative effect of change in accounting principle	916,589	683,374
Income tax expense	(50,000)	75,000
Cumulative effect of change in accounting principle, net of tax	<u>(74,000)</u>	-
Net Income	\$ 792,589	\$ 758,374
Earnings Per Share		
Basic:		
Earnings before cumulative effect of change in accounting principle	\$0.04	\$0.04
Cumulative effect of change in accounting principle	-	-
Net earnings per share	<u>\$0.04</u>	<u>\$0.04</u>
Diluted:		
Earnings before cumulative effect of change in accounting principle	\$0.04	\$0.04
Cumulative effect of change in accounting principle	-	-
Net earnings per share	<u>\$0.04</u>	<u>\$0.04</u>



THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Operating Activities		
Net income (loss)	\$ 792,589	\$ 758,374
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	6,708,998	3,366,396
Impairment and abandonments	1,517,875	1,257,850
Minority interest in (income) loss of subsidiaries	(54,218)	129,437
Cumulative effect of change in accounting principle	74,000	-
Accrued interest expense and accretion of liability - preferred stock	255,594	-
Changes in operating assets and liabilities:		
Receivables	(1,498,444)	(2,383,010)
Prepaid expenses and other	(507,187)	(409,882)
Accounts payable and accrued expenses	3,966,382	1,303,829
Net cash provided by operating activities	<u>11,255,589</u>	<u>4,022,994</u>
Investing Activities		
Development and purchases of oil and gas properties	(27,781,230)	(22,052,470)
Purchase of other equipment	(354,122)	(559,616)
Proceeds from sale of oil and gas properties	-	200,000
Contributions made by minority interests	71,205	1,272,000
Distributions to minority interests	6,660	(407,947)
Net cash used by investing activities	<u>(28,057,487)</u>	<u>(21,548,033)</u>
Financing Activities		
Issuance of redeemable preferred stock, net of offering costs	9,170,632	-
Issuance of common stock, net of offering costs	5,819,679	14,193,398
Proceeds from debt obligations	8,200,000	4,157,565
Proceeds from installment obligations	2,797,078	-
Deferred financing fees	-	(52,648)
Payments on debt obligations	(6,063,280)	(267,861)
Net cash provided by financing activities	<u>19,924,109</u>	<u>18,030,454</u>
Change in cash and equivalents	3,122,211	505,415
Cash and equivalents at beginning of period	<u>2,333,688</u>	<u>2,019,164</u>
Cash and Equivalents at End of Period	<u>\$5,455,899</u>	<u>\$ 2,524,579</u>



THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	Three Months Ended		Nine Months Ended	
	<u>Sept. 30, 2003</u>	<u>Sept. 30,</u> <u>2002</u>	<u>Sept. 30, 2003</u>	<u>Sept. 30,</u> <u>2002</u>
Net cash provided (used) in operating activities	\$ (50,574)	\$2,012,835	\$ 11,255,589	\$ 4,022,944
Debt to asset ratio	35.2%	9.3%	35.2%	9.3%
Production				
Oil:				
Production, in barrels	125,778	130,041	347,951	212,402
Average sales price per barrel	\$ 27.83	\$ 25.27	\$ 28.18	\$ 24.06
Natural Gas:				
Production, in Mcf	475,331	626,077	1,522,452	1,915,356
Average sales price per Mcf	\$ 5.32	\$ 3.39	\$ 5.70	\$ 3.06
Equivalent Basis:				
Production in Boe	205,000	234,387	601,693	531,628
Average sales price per Boe	\$ 29.40	\$ 23.08	\$ 30.72	\$ 20.65
Production in Mcfe	1,229,999	1,406,323	3,610,158	3,189,768
Average sales price per Mcfe	\$ 4.90	\$ 3.85	\$ 5.12	\$ 3.44
Selected Operating Data				
Production volume - oil properties	124,969	122,537	340,138	192,294
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 892,006	\$ 914,660	\$ 2,544,460	\$ 1,465,157
Lifting costs per Barrel	\$ 7.14	\$ 7.46	\$ 7.48	\$ 7.62
Production volume - gas properties	473,287	623,926	1,515,055	1,909,221
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 82,115	\$ 624,788	\$ 1,818,114	\$ 1,868,182
Lifting costs per Mcf	\$ 1.23	\$ 1.00	\$ 1.20	\$ 0.98
Production volume excluding CBM properties	464,948	613,193	1,490,922	1,884,677
Lifting costs excluding CBM activities	\$ 430,412	\$ 497,354	\$ 1,455,297	\$ 1,431,572
Lifting costs per Mcf excluding CBM activities	\$ 0.93	\$ 0.81	\$ 0.98	\$ 0.76
Depletion cost per Boe	\$ 10.54	\$ 6.10	\$ 10.90	\$ 6.06
Depletion cost per Mcfe	\$ 1.76	\$ 1.02	\$ 1.82	\$ 1.01



**For Immediate Release
December 9, 2003**

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES LATEST DRILLING RESULTS; JURASSIC WELL REACHES TOTAL DEPTH

SAN ANTONIO – December 9, 2003 – The Exploration Company (Nasdaq:TXCO) today announced the Taylor 132-1 well, a Jurassic exploratory drilling prospect on its Paloma lease in the Maverick Basin, has reached total depth of 22,400 feet with testing and completion to follow immediately.

Logging was completed over the weekend and a 5 1/2-inch liner will be set at total depth. Testing of multiple, potentially productive intervals will utilize the drilling rig currently on location. Originally permitted to 18,500 feet when spudded in March 2003, the well was cased and re-permitted to a lower depth to better delineate the untested Jurassic-age beds encountered. TXCO's partner, Blue Star Oil & Gas Ltd., Dallas, is operator. The Company holds rights to the Jurassic on approximately 300,000 acres of its 480,000-acre Maverick Basin lease block.

Separately, testing has been completed on the Kothman 1-673 (50% WI), the second horizontal well drilled to the Georgetown formation on TXCO's Pena Creek lease. The well tested at the rate of 3.3 million cubic feet of gas and 100 barrels of oil per day (BOPD) through a 20/64-inch choke with a flowing tubing pressure of 2,200 pounds per square inch. TXCO expects to place the well on production by late December following completion of a pipeline connection. The Company employed the same advanced seismic technique used in the successful, Vivian 1-687 Georgetown well (50% WI), placed on production in October. Two additional Georgetown wells are now drilling or in completion, utilizing the same seismic technique.

In TXCO's Glen Rose porosity play, the Comanche 2-2 sidetrack horizontal well (50% WI) began producing water at the end of November after flowing water-free oil since going on production in early October. Current production is approximately 200 BOPD and 300 barrels of water per day, down from initial levels of approximately 750 BOPD and no water. Cumulative oil production by early December had surpassed 42,000 barrels of oil, quickly recouping the well's recompletion cost.

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THE EXPLORATION COMPANY



TXCO's technical staff is studying the well to refine the technique used to drill it. The Comanche 2-2 was the first Glen Rose porosity well drilled in which the horizontal lateral was drilled within the producing interval but parallel to potentially water-productive faults instead of intersecting the faults. Unfortunately, the operator was able to drill less than 100 feet of horizontal lateral in the porosity zone due to drilling problems, limiting potential oil production. TXCO believes the technique may allow a higher recovery of oil in place within the challenging, yet lucrative, formation, ultimately leading to significant reserve additions. Additional Glen Rose porosity drilling will start when a hunting moratorium on TXCO's Comanche lease expires in mid January 2004.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin in Southwest Texas. Its long-term business strategy is to acquire undeveloped mineral interests and internally develop a multi-year drilling inventory through the use of advanced technologies, such as 3-D seismic and horizontal drilling. The Company accounts for its oil and gas operations under the successful efforts method of accounting and trades its common stock on the Nasdaq Stock Market under the symbol "TXCO."

Forward-Looking Statements

Statements in this press release which are not historical, including statements regarding TXCO's or management's intentions, hopes, beliefs, expectations, representations, projections, estimations, plans or predictions of the future, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include those relating to expected production levels, establishment of reserves, drilling plans and techniques, including the timing, category, number, depth, and cost of wells to be drilled, expected geological formations or the availability of specific services or technologies. It is important to note that actual results may differ materially from the results predicted in any such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the costs of exploring and developing new oil and natural gas reserves, the price for which such reserves can be sold, environmental concerns affecting the drilling of oil and natural gas wells, as well as general market conditions, competition and pricing. More information about potential factors that could affect the company's operating and financial results is included in TXCO's annual report on Form 10-K for the year ended December 31, 2002, and its Form 10-Q for the quarter and year-to-date period ended Sept. 30, 2003. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's website at www.txco.com. Copies are available without charge, upon request from the Company.