



For Immediate Release
Tuesday, January 20, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS; ANNOUNCES INITIAL 2004 CAPEX PLAN

SAN ANTONIO – Jan. 20, 2004 – The Exploration Company (Nasdaq:TXCO) today provided a year-end operations update on its 480,000-acre lease block in the Maverick Basin of Southwest Texas. It also announced an initial, \$23.4 million capital expenditure budget for 2004.

TXCO's net daily production at year end was 1,197 barrels of oil per day (BOPD) and 8.9 million cubic feet of natural gas per day (MMcfd), up from a 2002 exit rate of 1,036 BOPD and 7.8 MMcfd. For 2003, cumulative net production totaled 4.83 billion cubic feet equivalent (Bcfe), a 10.5 percent increase from 4.37 Bcfe in 2002. The Company's production at year end was 44 percent crude oil and 56 percent natural gas.

TXCO drilled or participated in 80 wells last year, including 71 new wells and nine re-entries or recompletions – nearly double the activity in 2002 and an all-time Company record. Some 56 wells were completed, 23 were in progress at Dec. 31 while one was dry. TXCO participated in 13 wells during fourth-quarter 2003 despite a hunting season drilling moratorium on several leases. Current drilling and operating highlights include:

Jurassic

Perforating and testing are now under way on the Taylor 132-1 Jurassic wildcat following delays encountered by TXCO's operating partner, Blue Star Oil & Gas Ltd., when approximately 4,000 feet of drillpipe was inadvertently left in the wellbore while cementing the final casing liner. The well found multiple, potentially productive intervals in the Jurassic and provided valuable geologic information about the formation, which should prove helpful in drilling future wells. TXCO believes that logging indicates the presence of the best porosity and most attractive completion targets are above 18,000 feet. With a total depth of 22,400 feet, the operator must carefully evaluate more than a mile of Jurassic-age zones, starting from the bottom up. Perforating and testing the multiple zones in succession, a process that has just begun, could continue for another 30 to 90 days. Management is cautiously optimistic that the well could ultimately be completed as a commercial producer of hydrocarbons from the Jurassic formation.

Final plans for a proposed second Jurassic well await testing and completion results of the Taylor well. TXCO holds rights to the Jurassic on approximately 300,000 acres of its Maverick Basin lease block with numerous potential locations identified by the Company's extensive seismic studies.

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Georgetown

On the Pena Creek lease block, the Company placed the Myers 1-684 (50% working interest) on production at the end of December, flowing 3.1 MMcfd and 40 BOPD from the Georgetown formation. It marks TXCO's third successful horizontal Georgetown gas well in a row. Earlier in December, the Kothman 1-673 (50% WI) went on production from the Georgetown and was flowing 1.8 MMcfd and 23 BOPD at Dec. 31. The first of the three, the Vivian 1-687 (50% WI), started production in October and by early January had cumulative production of 246 million cubic feet of gas and 2,000 barrels of oil and had achieved payout. At year end, the Vivian well was flowing at 2.2 MMcfd and 18 BOPD.

Drilling began on the Covert 1-690 horizontal well in late December. In January tests, the well flowed at the rate of 826 thousand cubic feet per day (Mcf/d) with no oil on a 15/64-inch choke with 650 psi flowing tubing pressure prior to an anticipated acid treatment. TXCO drilled these four wells using a new seismic processing technique that more accurately predicts formation faults and fractures. By using this technique, the Company has initially identified several hundred potential Georgetown well locations across its lease block. Since the Georgetown is a fractured reservoir, it is difficult to predict ultimate reserves for each well as such reservoirs typically have high initial production rates, which fall to lower, sustained rates. Overall, TXCO drilled or re-entered 18 Georgetown wells in 2003 with only the last four wells utilizing the new technique.

TXCO has spudded its first two horizontal Georgetown wells in 2004, the Kothman 1-691 and the Paloma 2-133, both using the same technique. Gross Georgetown production on TXCO's lease block reached 7.8 MMcfd and 227 BOPD from 27 wells at Dec. 31, up from 1 MMcfd and 16 BOPD from 13 wells at year-end 2002.

Glen Rose Oil

The hunting season drilling moratorium halted Glen Rose porosity interval drilling on TXCO's Comanche lease in November. The Company (50% WI) and its operating partner, Saxet Energy Ltd., plan to resume drilling in February after the moratorium expires this month.

At Dec. 31, gross production from the Comanche Halsell (6500) Field stood at 1,317 BOPD and 9,195 barrels of water per day (BWPD) from 16 producing wells. The 2002 exit rate was 1,720 BOPD and 3,600 BWPD from seven producing wells. During 2003, six horizontal wells and seven vertical wells – drilled to delineate the areal extent of the porosity's oil-bearing rock – were drilled, raising the combined number of wells since the oil play's discovery in February 2002 to 27. Saxet drilled five of the 2003 horizontal wells 50 to 150 feet above the porosity interval, only intersecting and draining those faults that extended above the zone. These wells have not responded as expected, contributing to the overall decline in field production late in the year. TXCO engineers have believed for some time that drilling horizontal laterals parallel to, rather than crossing faults, while staying within the porosity zone, could result in enhanced oil production from this complex reservoir. The Company has proposed using this technique for 2004 drilling in the porosity interval. Cumulative gross oil production has surpassed 1.4 million barrels of oil to date. The project remains very profitable and economics should improve as the partners better define the expansive play and perfect drilling techniques used to tap the oil in the formation.

Horizontal Glen Rose Shoal

TXCO continued its successful horizontal Glen Rose shoal drilling program last year, drilling 11 successful gas wells in a row (47% to 62% WI). The Kincaid 1-220 (100% WI), drilled on a new shoal complex, currently is pending completion. Three horizontal Glen Rose shoal wells started production in the fourth quarter. At Dec. 31, gross production from the Chittim E. (Rodessa 5300) Field was 9.7 MMcfd and 58 BOPD, compared with 7.6 MMcfd and 45 BOPD at year-end 2002.

San Miguel Waterflood

The Company had continuing success with its Pena Creek infill drilling program (100% WI) last year, drilling and completing 21 of 23 wells – surpassing its original, 15-well target. Four wells went on production in the fourth quarter, raising production to 463 BOPD and 1,404 BWPD at Dec. 31, up from 262 BOPD and 651 BWPD at year-end 2002.

TXCO continues to expect significant new San Miguel oil reserve additions. The Company's internal geologic, seismic and engineering reviews of the field have identified more than 80 potential infill locations to date. The Company expects to establish a significant number of additional infill locations as warranted by ongoing drilling results. Meanwhile, testing continues on the economic potential of two additional, overlying San Miguel sands.

Coalbed Methane

Gas production continues to rise as TXCO proceeds with the dewatering phase of its Olmos/coalbed methane (CBM) project. At Dec. 31, 36 wells were producing 208 Mcfd of natural gas and 1,837 BWPD, compared with 165 Mcfd and 1,319 BWPD from 34 wells at the end of September 2003. A few wells have had notable gas production increases in recent months, indicative of dewatering progress. The Company continues to believe that the CBM project will result in significant reserve and production growth in the future.

Escondido

TXCO drilled five Escondido wells (100% WI) in 2003 on the eastern portion of its Comanche lease. Of these, three are on production, one is shut in and one is abandoned. These producing wells flowed an average of 132 Mcfd at Dec. 31. The low cost associated with drilling at these shallow depths provides attractive development opportunities. Economic development of the shallow, Escondido/Olmos sands, located at approximately 800 to 1,000 feet, will accelerate as pipeline infrastructure grows along with the development of additional Georgetown gas production in the area.

Seismic Database Expansion

The Company completed a 3-D seismic survey covering more than 37 square miles of its Burr lease block in the fourth quarter. Initial interpretation has identified numerous drillable locations in the Georgetown, Glen Rose and Jurassic intervals. The Company now holds 3-D seismic data covering more than 720 square miles, or more than 95 percent of its 750-square-mile (480,000-acre) Maverick Basin lease block.

2004 CAPEX

TXCO's initial capital expenditure program has been set at approximately \$23.4 million. About 82 percent of the budget, or \$19.2 million, has been earmarked for drilling 51 new wells and four re-entries targeting five horizons. The remainder of the capital budget will go toward seismic acquisition, pipeline and infrastructure improvements. The budget may expand or contract based on drilling results, operational developments, unanticipated transaction opportunities, market conditions, commodity price fluctuations and working capital availability.

Approximately \$9.3 million will go to an expanded Georgetown drilling program. The budget calls for 25 wells, up from the 18 wells drilled in 2003. On the Glen Rose porosity oil play, TXCO has initially budgeted \$4 million for eight new wells and four re-entries.

In the Pena Creek Field, the budget sets aside \$2.7 million for 10 new wells as the Company continues its successful San Miguel waterflood expansion. An additional \$500,000 has been allocated for injection well conversions. Other proposed projects include eight Glen Rose shoal or reef wells valued at \$3.2 million. Provisions for CBM project expenditures have been excluded from the initial budget as TXCO continues evaluation of the dewatering program now under way.

TXCO's 2004 drilling budget also does not include expenditures for a second Jurassic well as the Company would have a 25 percent carried working interest should a second Jurassic well be drilled by Blue Star.

Management's Perspective

"We had the most ambitious drilling program in the Company's history in 2003, setting the stage for our 2004 CAPEX target, which should be the second-largest drilling program in the Company's history," said James E. Sigmon, president and CEO. "Our multi-play/multi-pay strategy in the Maverick Basin offers numerous – and promising – horizons to explore and develop. Although 2003 drilling results did not completely fulfill our expectations, I'm particularly encouraged by the recent improvement in results of our Georgetown horizontal well program. We expect to increase our focus on this expanding play.

"Testing started recently on Blue Star's Jurassic well and we remain cautiously optimistic about the potential of this unexplored formation. A successful Jurassic well could redefine the productive potential of the Maverick Basin for years to come. The Glen Rose porosity interval continues to be a technical challenge. Our talented staff of geologists, geophysicists and engineers have developed interpretive and mechanical techniques that we believe will greatly enhance oil recovery while minimizing water production. We look forward to employing these methods when we resume drilling next month."

TXCO Yearly and Quarterly Production Volumes								
	Annual 2003	Annual 2002	% chg.	4Q 2003	3Q 2003	% chg.	4Q 2002	% chg. 4Q 03 / 4Q 02
Natural Gas / MMcf	2,108	2,487	-15.2%	586	475	23.4%	571	2.5%
Oil / Bbls	454,043	314,439	44.4%	106,092	125,778	-15.7%	102,037	4.0%
Natural Gas Equivalents MMcfe	4,832	4,373	10.5%	1,222	1,230	-0.6%	1,184	3.3%
Oil Equivalents BOE	805,391	728,907	10.5%	203,698	205,003	-0.6%	197,279	3.3%

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2003 Earnings Announcement

TXCO plans to release its 2003 earnings statement on or about March 5.

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, including the timing, category, number, depth, cost and/or success 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. 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
February 2, 2004**

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NEWS RELEASE

THE EXPLORATION COMPANY TO PRESENT

AT FRIEDLAND CAPITAL'S OIL, GAS & ENERGY CONFERENCE IN HOUSTON

SAN ANTONIO – Feb. 2, 2004 – The Exploration Company (Nasdaq:TXCO) will update investors and analysts in a presentation at Friedland Capital's Oil, Gas & Energy Conference in Houston at approximately 11:40 a.m., central time, Wednesday, Feb. 4. Roberto R. Thomae, Vice President-Capital Markets, will discuss TXCO's 2004 drilling program and growth strategy in a session for conference attendees.

To view and listen to the presentation, click on the Investor Relations-Presentations page of TXCO's web site at www.txco.com or www.friedlandcapitalevents.com/Webcasts.htm. The replay will be available for 90 days.

About The Exploration Company

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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. 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
Monday, February 16, 2004

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NEWS RELEASE

The Exploration Company Assumes Operation of Maverick Basin Jurassic Wildcat

SAN ANTONIO – Feb. 16, 2004 – The Exploration Company (Nasdaq:TXCO) today announced it has assumed operation of the Taylor 132-1 Jurassic wildcat well on its Maverick Basin lease block in Southwest Texas.

“We welcome the opportunity to take over operations and test this exciting well, which we believe could redefine the productive potential of the entire Maverick Basin,” said TXCO President and CEO James E. Sigmon. “We now are moving ahead with plans to perforate and test upper Jurassic intervals at 14,942 to 15,140 feet and 15,292 to 15,400 feet. Although latest log processing results are inconclusive, we believe these zones may have the best porosity and represent the most attractive completion targets of the extensive Jurassic beds the well has encountered.”

Blue Star Oil & Gas Ltd., TXCO’s Dallas-based partner, was operator of the 22,400-foot well that is the first to penetrate the Jurassic interval in the Maverick Basin. Blue Star spudded the well in March 2003 following an extensive, 3-D seismic survey of the area. The well encountered numerous sands and shales as well as carbonates in the Jurassic interval. Blue Star has spent approximately \$14 million to drill the well, set casing and test multiple lower Jurassic zones between 18,438 and 21,956 feet, and one zone above 18,000 feet, between 16,829 to 16,888 feet, finding only non-commercial quantities of natural gas to date.

Prior to becoming operator, TXCO and its minority partners had no cost in the well as they benefited from a 25 percent carried interest under the original terms of the agreement with Blue Star. With assumption of operations, TXCO will own 62.5 percent of the well and will bear its proportionate cost of testing and completing the remaining untested portions of the well. TXCO’s long-standing minority partners will retain the remaining 37.5 percent working interest. Blue Star will not retain any interest in the well or the completion attempts that are currently estimated to cost TXCO and its partners under \$1 million. The Company plans to remove the existing drilling rig and utilize a workover rig for future testing and completion operations that it expects to commence within two weeks.

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By drilling the Taylor wildcat, Blue Star has earned a 25 percent working interest in all depths below the Sligo formation under the 50,000 acres included in TXCO's Paloma and Kincaid leases, except for the 640-acre drilling unit surrounding the Taylor well. Blue Star has confirmed its ongoing intention to drill a second Jurassic well under the original agreement, based on information obtained from the Taylor well. Under this agreement, should the second well be drilled within one year of the removal of the existing drilling rig, Blue Star could earn an additional 25 percent working interest, while TXCO and its partners would be carried once again for a 25 percent interest at no cost. Overall, TXCO holds rights to the Jurassic on approximately 300,000 acres of its 480,000-acre Maverick Basin lease block with numerous potential locations identified by the Company's 3-D seismic studies.

"The attractiveness of a multi-pay type basin like the Maverick is that there are numerous productive intervals with completion potential," Sigmon added. "By electing to assume operation of this well, we acquire a deep wellbore in which we have no drilling costs, only completion costs."

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Forward-Looking Statements

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For Immediate Release
Thursday, February 19, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES CONTINUED SUCCESS IN GEORGETOWN DRILLING PROGRAM; YEAR-END RESERVES RISE 21%

SAN ANTONIO – Feb. 19, 2004 – The Exploration Company (Nasdaq:TXCO) today announced the continued success of its Georgetown drilling program, keystone of its 2004 drilling plan, and higher year-end oil and gas reserves.

TXCO and its partners have recorded seven successful Georgetown horizontal gas wells in a row by using an improved seismic processing technique to better predict the location of the formation's faults and fractures, starting with the Vivian 1-687 that went on production in October 2003.

"We're very encouraged by our success in the gas-prone portion of the Georgetown," said TXCO President and Chief Executive Officer James E. Sigmon. "This series of successful wells is most impressive considering that the Georgetown has historically been a hit-or-miss play for Maverick Basin producers. We have demonstrated that our Georgetown success is repeatable at widely varied locations across the 300,000-acre portion of our lease block containing the play. The Georgetown play reaffirms organic growth from the drillbit continues to contribute to shareholder value."

On the southern portion of TXCO's lease block, where the Georgetown is gas prone, the Company, as operator, has drilled six successful Georgetown horizontal gas wells in a row, which have flow tested at rates as high as 6 million cubic feet of gas per day (MMcfd). Three of these wells are on production with current rates between 1.3 MMcfd and 1.9 MMcfd. Of the three remaining wells, one is completed and awaits a pipeline connection while two remaining wells are in completion. Initial reserve estimates prepared by Netherland, Sewell and Associates of Dallas, the Company's independent reservoir engineering firm, for the first three TXCO-operated Georgetown wells, have averaged 1.3 billion cubic feet equivalent (Bcfe) per well, with a high of 1.7 Bcfe, at year-end 2003. However, TXCO's internal reservoir engineers believe that reserves will increase once additional production history from the zone is obtained. In addition, TXCO's partner, Saxon Energy Ltd., put a seventh Georgetown well on production last week at 617 Mcfd and is currently drilling its next targeted location.

On the northern portion of the TXCO lease block, where the Georgetown produces both oil and gas, one well went on production in mid February at 38 barrels of oil per day (BOPD) while a second well flowed both oil and gas in tests and is in completion. TXCO's engineers continue to study the oil-producing wells to determine the ultimate reserves these wells may produce.

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The new seismic technique has identified several hundred potential Georgetown locations across TXCO's 480,000-acre lease block. To date, TXCO has drilled five of 25 Georgetown wells initially budgeted for this year. Georgetown projects represent the largest share of the Company's \$23.4 million, 2004 capital expenditure budget.

Oil and Gas Reserves Rise

TXCO's ongoing reserve growth trend continued last year. Estimated 2003 year-end, proved reserves rose to 28.4 Bcfe, a 21 percent increase from 23.5 Bcfe at year-end 2002 – virtually all from drilling. Since year-end 2000, the Company's reserves have increased over 400 percent with more than 80 percent of that increase from drilling. TXCO's proved reserve mix stands at 55 percent natural gas and 45 percent crude oil. Approximately 63 percent of both gas and oil reserves are proved developed. TXCO's reserve life index at year end reached 5.9 years, up from 5.3 years at the end of 2002.

The Company's estimated, pre-tax future net cash flows discounted at 10 percent (commonly known as the Securities and Exchange Commission PV-10 figure) for proved reserves at year end was \$56.8 million, a 25 percent increase from year-end 2002 PV-10 of \$45.4 million.

The 2003 PV-10 calculation used year-end commodity prices of \$27.50 per barrel of oil and \$5.76 per million Btu (MMBtu) of gas. These prices compare to year-end prices of \$26.25 per barrel of oil and \$4.49 per MMBtu of gas at December 2002. Netherland Sewell and Associates prepared the reserve estimates in accordance with SEC and Financial Accounting Standards Board requirements.

TXCO's cumulative net production in 2003 rose to 4.83 Bcfe, a 10.5 percent increase from 4.37 Bcfe in the prior year. The Company's production mix at year end was 44 percent oil and 56 percent gas. Net daily production at year end stood at 1,197 BOPD and 8.9 MMcfd, up from a 2002 exit rate of 1,036 BOPD and 7.8 MMcfd.

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 build shareholder value by acquiring 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."

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**For Immediate Release
March 4, 2004**

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NEWS RELEASE

THE EXPLORATION COMPANY FINANCES COMPLETION OF TAYLOR WELL; SIGNS LETTER OF INTENT FOR MAVERICK BASIN ACREAGE

SAN ANTONIO – March 4, 2004 – The Exploration Company (Nasdaq:TXCO) today announced it has financed completion of the Taylor 132-1 Jurassic wildcat and an associated 640-acre drilling unit. Separately, TXCO has signed a letter of intent to acquire an interest in leases totaling 12,200 acres in Maverick County, Texas.

Kayne Anderson Energy Fund II L.P., Los Angeles, has agreed to pay 48.75 percent of the Taylor well's completion costs in exchange for a 34.125 percent net profit interest in the well. Payment for Kayne Anderson's interest will be collected from dividends payable to Kayne Anderson on TXCO's Series B Redeemable Preferred Stock that Kayne Anderson acquired in August 2003. Kayne Anderson's net profits account will be credited with revenue from the sale of 34.125 percent of the oil and gas sold from the well, less proportionate charges for royalties and lease operating expenses.

TXCO retains a 40.625 percent working interest in the well while paying only 31.25 percent of the anticipated completion costs. TXCO's partner, Horizontal Co. of Wichita Falls, Texas, retains a 22.75 percent working interest while paying 17.5 percent of the anticipated completion costs. The Company's other partner, A.L.S. Oil and Gas Ltd., also of Wichita Falls, retains a 2.5 percent working interest. TXCO estimates completion costs will be under \$1 million.

"We are pleased to have arranged this financing with Kayne Anderson," said President and CEO James E. Sigmon. "We have increased our exposure to this exciting prospect from a 15.625 percent net carried interest under our original arrangement with Blue Star Oil & Gas Ltd. of Dallas to more than a 40 percent net working interest while exposing the Company to an estimated \$350,000 or less in completion costs."

Perforating and testing of the well – the first in the Maverick Basin to penetrate the Jurassic – is under way today. TXCO assumed operatorship of the well from its partner, Blue Star, in February and announced plans to test the upper Jurassic at 14,942 to 15,140 feet and 15,292 to 15,400 feet. Blue Star earlier had tested the Jurassic at lower intervals and found non-commercial quantities of rich, 1,200 MMBtu natural gas. Blue Star relinquished its interest in the well but remains a partner with TXCO and its partners in a 50,000-acre tract below the Sligo formation. Blue Star has announced its intention to drill a second Jurassic well based on information obtained from the Taylor well.

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Separately, TXCO announced it has signed a letter of intent with J. Charles Hollimon Ltd. of San Antonio to acquire a 50 to 75 percent working interest in a 12,200-acre prospect area located just south of TXCO's 480,000-acre Maverick Basin lease block. Terms were not announced. TXCO anticipates closing in mid March. A 3-D seismic survey of the prospect has been acquired and will be interpreted to locate prospective drilling locations.

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March 5, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS 2003 EARNINGS

SAN ANTONIO – March 5, 2004 – The Exploration Company (Nasdaq:TXCO) today reported earnings and financial results for the year ended Dec. 31, 2003.

The Company reported net income for 2003 of \$40,877, or \$0.002 per share, compared with a loss of \$310,970 or (\$0.016) per share for 2002. All per-share amounts are on a diluted basis. Total 2003 revenues rose to \$39.5 million, more than double 2002 revenues. TXCO's 2003 oil and gas sales increased by more than 50 percent from the prior year, primarily due to a 45 percent increase in oil production and higher realized commodity prices, partially offset by a 15 percent decrease in gas production. The Company's average realized product prices were \$5.05 per thousand cubic feet equivalent (Mcf), a 38 percent increase from \$3.67 per Mcf in 2002. Annual revenues from the Company's gas gathering operations were also sharply higher, reaching \$15.1 million versus \$2.6 million in 2002. The five-fold increase reflects the first full year of operation since the pipeline's acquisition in mid-2002, higher throughput volumes of third-party gas and higher realized gas prices. Total assets rose to a record \$84.2 million at year-end 2003, a 59 percent increase over the prior year.

Cash flow, or net cash provided by operating activities, rose to a record \$15.2 million, a 105 percent increase from \$7.4 million in 2002. Ebitda – earnings before income taxes, interest expense, depreciation, depletion, amortization, impairment and abandonment expense – reached \$12.6 million, or \$0.59 per share, a 66 percent increase from \$7.6 million, or \$0.40 per share, in 2002. See the accompanying table for a reconciliation of GAAP and non-GAAP measures utilized in calculating Ebitda.

TXCO achieved a 186 percent drillbit reserve replacement rate, in 2003. The Company's 2003 year-end proved oil and gas reserves rose 21 percent to a record 28.4 billion cubic feet equivalent (Bcfe), up from 23.5 Bcfe in 2002, as reported by Netherland, Sewell & Associates, Inc., its independent reservoir engineers. Overall oil and gas production in 2003 totaled 4.83 Bcfe, an 11 percent increase from 4.37 Bcfe produced in 2002.

Subsequent to Dec. 31, 2003, several European investors elected to exercise their warrants for the purchase of 1.238 million shares of TXCO common stock at \$3.00 per share, netting the Company \$3.5 million after expenses. Upon exercise of the warrants, TXCO's issued and outstanding common shares increased to approximately 23.38 million shares, compared to 22.14 million shares at year-end 2003.

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Management's Perspective

“Our prospects continue to be very bright as we mark another record-setting year,” said President and CEO James E. Sigmon. “The Company had a successful 2003, drilling a record number of wells, and our ambitious exploration and development program continues in 2004. Although we did not have the full measure of success we anticipated in 2003, the information gained from last year’s drilling program will be very beneficial as this year’s drilling program gets under way. Our expanding Georgetown horizontal gas play and the imminent completion attempt of our deep Jurassic wildcat well are only the beginning of an exciting new year for our shareholders. We continue to enjoy a solid financial structure, with record cash flows, growing reserves and conservative debt levels compared to our peers, allowing us to actively pursue the potential we see in the Maverick Basin’s multiple pay opportunities.”

Sigmon highlighted an expansive list of Company achievements in 2003, confirming his confidence in TXCO’s expanded opportunities and continued success:

- ◆ Drilled or participated in 80 oil and gas wells in seven separate plays
- ◆ Attained a four-year, 46 percent compounded annual asset growth rate
- ◆ Attained record cash flows from operations, extending a five year growth trend
- ◆ Grew Maverick Basin 3-D seismic database from 455 to over 720 square miles

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 build shareholder value by acquiring 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 establishment of reserves, drilling plans, including the timing, category, number, depth, cost and/or success 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. 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.

(Financial Information and Selected Operational Tables Follow)

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31	
	2003	2002
Assets		
Current Assets		
Cash and equivalents	\$ 6,180,560	\$ 2,333,688
Accounts receivable:		
Joint interest owners	564,116	744,395
Oil and gas production	4,273,849	4,373,875
Prepaid expenses and other	718,853	503,176
Total Current Assets	11,737,378	7,955,134
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	66,155,827	39,327,867
Other Assets		
Deferred tax asset	5,232,718	5,232,718
Other assets	1,080,290	520,600
Total Other Assets	6,313,008	5,753,318
Total Assets	\$84,206,213	\$53,036,319

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31	
	2003	2002
Liabilities And Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 8,186,705	\$ 3,695,160
Other payables and accrued liabilities	3,709,016	3,176,564
Undistributed revenue	416,399	1,894,144
Current portion of long-term debt	1,752,286	1,073,773
Total Current Liabilities	14,064,406	9,839,641
Long-Term Liabilities		
Long-term debt, net of current portion	15,425,598	6,143,458
Redeemable preferred stock, Series B (redemption value - \$16 million)	10,135,335	-
Accrued dividends - preferred stock	57,732	-
Asset retirement obligation	1,537,600	-
Total Long-Term Liabilities	27,156,265	6,143,458
Minority Interest in Consolidated Subsidiaries	193,441	82,846
Stockholders' Equity		
Preferred stock, Series A; authorized 10,000,000 shares, issued and outstanding -0- shares		
Common stock, par value \$0.01 per share; authorized 50,000,000 shares, issued 22,242,849 and 20,109,516 shares, and outstanding 22,143,049 and 20,009,716	222,428	201,095
Additional paid-in capital	63,976,021	58,216,504
Accumulated deficit	(21,160,341)	(21,201,218)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	42,792,101	36,970,374
Total Liabilities And Stockholders' Equity	\$84,206,213	\$53,036,319

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Years Ended December 31		
	2003	2002	2001
Revenues			
Oil and gas sales	\$24,390,767	\$16,049,798	\$13,350,699
Gas gathering operations	15,145,154	2,596,955	-
Other operating income	9,281	311,611	408,221
Total Revenues	<u>39,545,202</u>	<u>18,958,364</u>	<u>13,758,920</u>
Costs and Expenses			
Lease operations	4,408,205	4,081,162	2,406,688
Production taxes	1,501,041	973,078	959,143
Exploration expenses	2,187,216	1,567,098	2,986,036
Impairment and abandonments	2,522,548	1,246,495	2,652,705
Gas gathering operations	15,136,279	2,625,313	-
Depreciation, depletion and amortization	8,627,678	6,500,625	3,201,517
General and administrative	3,716,439	2,025,440	1,481,284
Total Costs and Expenses	<u>38,099,406</u>	<u>19,019,211</u>	<u>13,687,373</u>
Income (loss) from operations	1,445,796	(60,847)	71,547
Other Income (Expense)			
Interest income	26,626	46,663	188,061
Interest expense	(1,365,233)	(273,213)	(128,373)
Loan fee amortization	(17,604)	(14,507)	-
Total Other Income (Expense)	<u>(1,356,211)</u>	<u>(241,057)</u>	<u>59,688</u>
Income (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	89,585	(301,904)	131,235
Minority interest in income of subsidiaries	<u>75,292</u>	<u>(84,066)</u>	<u>(106,518)</u>
Income (loss) before income taxes and cumulative effect of change in accounting principle	164,877	(385,970)	24,717
Income tax (expense) benefit, net	(50,000)	75,000	(75,000)
Cumulative effect of change in accounting principle, net of tax	<u>(74,000)</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 40,877</u>	<u>\$ (310,970)</u>	<u>\$ (50,283)</u>
Earnings (Loss) Per Share:			
Basic earnings before cumulative effect of change in accounting principle	\$ 0.006	\$ (0.016)	\$ (0.003)
Cumulative effect of change in accounting principle	(0.004)	-	-
Basic Earnings Per Share	<u>\$ 0.002</u>	<u>\$ (0.016)</u>	<u>\$ (0.003)</u>
Diluted earnings before cumulative effect of change in accounting principle	\$ 0.005	\$ (0.016)	(0.003)
Cumulative effect of change in accounting principle	(0.003)	-	-
Diluted Earnings Per Share	<u>\$ 0.002</u>	<u>\$ (0.016)</u>	<u>\$ (0.003)</u>
Weighted average number of common shares outstanding:			
Basic	20,781,223	19,080,847	17,441,242
Diluted	21,295,257	19,080,847	17,441,242

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2003, 2002, 2001 AND 2000
(UNAUDITED)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</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	-	-	-	(50,283)	-	(50,283)
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 - net of expenses of \$946,112	2,499,667	24,997	14,026,896	-	-	14,051,893
Net loss for the year	-	-	-	(310,970)	-	(310,970)
Balance at December 31, 2002	20,109,516	201,095	58,216,504	(21,201,218)	(246,007)	36,970,374
Issuance of common stock - net of expenses of \$400,959	2,133,333	21,333	5,741,641	-	-	5,762,974
Other adjustments	-	-	17,876	-	-	17,876
Net income for the year	-	-	-	40,877	-	40,877
Balance at December 31, 2003	<u>22,242,849</u>	<u>\$222,428</u>	<u>\$63,976,021</u>	<u>\$(21,160,341)</u>	<u>\$(246,007)</u>	<u>\$42,792,101</u>

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

	Years Ended December 31		
	2003	2002	2001
Operating Activities			
Net income (loss)	\$ 40,877	\$ (310,970)	\$ (50,283)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	8,627,678	6,500,625	3,201,517
Impairments and abandonments	2,522,548	1,246,495	2,652,705
Minority interest in (income) loss of subsidiaries	(75,292)	84,066	106,518
Cumulative effect of change in accounting principle	74,000	-	-
Non-cash interest expense and accretion of liability - redeemable preferred stock	677,002	-	-
Changes in operating assets and liabilities:			
Receivables	280,305	(3,175,627)	1,462,023
Prepaid expenses and other	(215,677)	(229,573)	(46,687)
Accounts payable and accrued expenses	3,226,251	3,274,414	1,238,229
Net cash provided by operating activities	<u>15,157,692</u>	<u>7,389,430</u>	<u>8,564,022</u>
Investing Activities			
Development and purchases of oil and gas properties	(36,071,216)	(27,381,247)	(13,675,327)
Purchase of other equipment	(396,925)	-	-
Proceeds from sale of oil and gas properties	-	200,000	2,005,133
Changes in minority interests	185,886	(434,325)	(108,902)
Other changes	-	(39,036)	(116,007)
Net cash (used) by investing activities	<u>(36,282,255)</u>	<u>(27,654,608)</u>	<u>(11,895,103)</u>
Financing Activities			
Proceeds from issuance of redeemable preferred stock, net of offering costs	9,229,931	-	-
Proceeds from long-term debt obligations	11,190,530	7,439,915	153,231
Payments on long-term debt obligations	(1,229,876)	(1,084,861)	(486,244)
Proceeds from common stock transactions, net of expenses	5,780,850	14,224,648	31,250
Purchases of treasury stock	-	-	(246,007)
Net cash provided (used) by financing activities	<u>24,971,435</u>	<u>20,579,702</u>	<u>(547,770)</u>
Change in Cash and Equivalents	3,846,872	314,524	(3,878,851)
Cash and Equivalents at Beginning of Year	<u>2,333,688</u>	<u>2,019,164</u>	<u>5,898,015</u>
Cash and Equivalents at End of Year	<u>\$ 6,180,560</u>	<u>\$ 2,333,688</u>	<u>\$ 2,019,164</u>
Supplemental Disclosures:			
Cash paid for interest	\$ 1,200,230	\$ 273,213	\$ 128,373
Cash paid for income taxes	-	-	75,000

THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	<u>Year Ended Dec. 31,</u>	
	<u>2003</u>	<u>2002</u>
Net cash provided in operating activities	\$ 15,157,692	\$ 7,389,430
Debt to asset ratio	34.3%	13.6%
Production		
Oil:		
Production, in barrels	454,000	314,000
Average sales price per barrel	\$ 28.30	\$ 24.56
Natural Gas:		
Production, in Mcf	2,108,000	2,487,000
Average sales price per Mcf	\$ 5.48	\$ 3.35
Equivalent Basis:		
Production in Boe	805,400	728,500
Average sales price per Boe	\$ 30.28	\$ 22.03
Production in Mcfe	4,832,300	4,371,000
Average sales price per Mcfe	\$ 5.05	\$ 3.67
Selected Operating Data		
Production volume - oil properties in barrels	441,700	295,500
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 3,350,700	\$ 2,679,500
Lifting costs per barrel	\$ 7.59	\$ 9.07
Production volume - gas properties in Mcf	2,096,600	2,474,500
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 2,558,600	\$ 2,374,700
Lifting costs per Mcf	\$ 1.22	\$ 0.96
Production volume - gas properties, excluding CBM	2,063,500	2,442,100
Lifting costs-gas (Incl Prod & Sev Tax) excluding CBM	\$ 2,103,200	\$ 1,775,400
Lifting costs per Mcf excluding CBM activities	\$ 1.02	\$ 0.73
Depletion cost per Boe	\$ 10.45	\$ 8.36
Depletion cost per Mcfe	\$ 1.74	\$ 1.39

Reconciliation of GAAP and Non-GAAP Measures

Ebitda represents net income before income taxes, interest expense, depreciation, depletion, amortization, impairment and abandonment 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>2003</u>	<u>2002</u>
Net cash provided by operating activities	\$ 15,158	\$ 7,389
Current taxes	50	(75)
Impairment & abandonments	2,523	1,246
Interest, net	1,356	241
Changes in assets and liabilities	<u>(6,489)</u>	<u>(1,199)</u>
 Ebitda	 12,598	 7,602
 Less:		
Impairment and abandonments	2,523	1,246
Interest, net	1,356	241
Income taxes	50	(75)
DD&A	<u>8,628</u>	<u>6,501</u>
 Net Income	 <u>\$ 41</u>	 <u>\$ (311)</u>



**For Immediate Release
April 2, 2004**

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS

SAN ANTONIO – April 2, 2004 – The Exploration Company (Nasdaq:TXCO) today provided an operations update on its Maverick Basin lease block in Southwest Texas.

To date, TXCO has spudded 11 of 51 wells projected in its initial 2004 drilling plan – the second-largest program of new wells in its history. At March 31, net production stood at 1,022 barrels of oil per day (BOPD) and 10.0 million cubic feet of gas per day (MMcfd), a 24 percent increase on an equivalent basis from March 2003's exit rate of 1,074 BOPD and 6.5 MMcfd. Current drilling and operating highlights include:

Georgetown

TXCO placed two Georgetown horizontal gas wells on production in March, bringing to nine the number of successful Georgetown wells drilled in a row. The Kothman 1-675 (50% working interest) went on production this week at 2.2 MMcfd and 18 BOPD. The Kothman 1-691 (50% WI) started production earlier in the month and currently is producing at a rate of 2.2 MMcfd and 23 BOPD. Both wells are on TXCO's Pena Creek lease. Two additional Georgetown horizontal gas wells await pipeline connections, two wells are pending completion and one well is drilling.

The Company has spudded eight of 25 Georgetown wells projected for this year. The Georgetown represents the largest share of TXCO's drilling program for 2004.

Horizontal Glen Rose Shoal

The Company found gas with a horizontal well in a second Glen Rose shoal that is 180 feet above the Glen Rose C shoal. All of TXCO's previous horizontal Glen Rose shoal wells produce from the C shoal. The Company drilled a horizontal lateral in the Glen Rose D shoal after drilling a horizontal lateral in the Glen Rose C with the Chittim 4-128 (47.3% WI). The well had good gas shows and currently awaits production equipment to produce both shoals simultaneously.

Development of the Glen Rose D shoal could provide a number of new horizontal drilling locations. Also, the Company may be able to book undeveloped Glen Rose D reserves for certain wells that currently produce from the Glen Rose C shoal with the Glen Rose D behind casing. Drilling began in the first quarter on three of eight Glen Rose shoal and reef wells scheduled for this year.

– More –

Jurassic

TXCO will attempt to complete the Sligo and/or Pearsall intervals from the Taylor 132-1 wildcat, the first well to penetrate the Jurassic in the Maverick Basin. The Company assumed operation of the exploratory well in February under an agreement with its partner, Blue Star Oil & Gas Ltd. of Dallas. During March, TXCO perforated and tested two upper Jurassic zones at 14,942 to 15,140 feet and 15,292 to 15,400 feet. The lower zone had gas shows but very low permeability while the upper zone produced salt water with better permeability and porosity. Earlier, Blue Star had tested lower Jurassic intervals below 16,800 feet, finding non-commercial quantities of rich, high-Btu gas. TXCO's net cost to test the Jurassic interval was less than \$250,000.

Blue Star has indicated it still plans to drill a second Jurassic wildcat in the Maverick Basin and will use data gained from the Taylor wildcat to select a location. TXCO's 2004 drilling budget includes nothing for a second well since Blue Star would cover 100 percent of drilling costs while carrying TXCO for a 25 percent working interest if a second well is drilled on TXCO's lease block.

Glen Rose Oil

Saxet Energy Ltd. of Houston, the Company's partner in developing the Glen Rose porosity oil play, this week announced a major change in the structure of the company. In conjunction with a large capital infusion, new management has been installed and the company's name has been changed to CMR Energy L.P. CMR will operate the properties. TXCO expects drilling on the Comanche lease to resume immediately. Initial work on the play will include re-entries of existing, non-producing Glen Rose oil wells as well as new drilling in the Georgetown gas play.

Hollimon Lease

The Company closed this week on an agreement with J. Charles Hollimon Ltd. of San Antonio to earn a 59.9 percent working interest in a 12,200-acre area located south of TXCO's existing lease block. A 3-D seismic survey of the prospect has been made and will be interpreted to locate drilling locations. The lease is prospective for the same plays as the Company's existing lease block. Addition of the Hollimon prospect raises the Company's position in the Maverick Basin to some 492,000 gross acres.

Management's Perspective

"We had a busy and productive first quarter that sets the stage for all of our 2004 drilling program," said President and CEO James E. Sigmon. "Our Georgetown play continues to prove very successful. We're also very encouraged to find a new productive zone in the Glen Rose shoal, one of our most reliable gas producers. Looking ahead, we're excited about resuming work on the Glen Rose porosity so that we will have the opportunity to employ new drilling techniques that we believe will maximize oil recovery and minimize produced water.

"We believe that the management change at Saxet will be beneficial to TXCO and our shareholders," Sigmon added. "By way of example, the first five producing Georgetown wells that TXCO operates on the Pena Creek acreage have had an average maximum production rate of 2.7 MMcfd while the one Georgetown well that Saxet operated produced only 1.1 MMcfd. We believe that the prospects were similar and that the only difference is our approach to operations. We feel that the new management of CMR Energy shares our approach to operations and we will see improved results as they begin drilling both Georgetown and Glen Rose wells."

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Forward-Looking Statements

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**For Immediate Release
Monday, April 19, 2004**

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THE EXPLORATION COMPANY TO WEBCAST **IPAA INVESTMENT SYMPOSIUM PRESENTATION**

SAN ANTONIO – April 19, 2004 – The Exploration Company (Nasdaq:TXCO) will webcast its presentation Wednesday at the 2004 Independent Petroleum Association of America Oil & Gas Investment Symposium (OGIS) in New York.

President and CEO James E. Sigmon will give an update on TXCO's Maverick Basin growth strategy to institutional investors and securities analysts. The 20-minute webcast is scheduled to start at approximately 1:30 p.m., EDT, Wednesday, April 21. A link to the live presentation will be on the Company's Web site at www.txco.com and a replay will be available for 90 days. IPAA's 10th annual OGIS, hosted at the Sheraton New York Hotel and Towers, features leading exploration and production companies, oil service firms and capital providers.

About The Exploration Company

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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 Dec. 31, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's Web site at www.txco.com. Copies are available without charge upon request from the Company.



For Immediate Release
Wednesday, May 5, 2004

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THE EXPLORATION COMPANY REPORTS FIRST-QUARTER RESULTS;
TOTAL REVENUES INCREASE 25%, PRODUCTION RISES 8.7%

SAN ANTONIO – May 5, 2004 – The Exploration Company (Nasdaq:TXCO) today reported results for the quarter ended March 31, 2004.

Revenues were \$11.4 million, 25 percent higher than the \$9.1 million recorded in the first quarter of 2003. Oil and gas sales revenues were \$6.2 million, up from \$5.9 million in the year-earlier period. Lower gas prices partially offset higher production volumes. Gas gathering operating revenues were \$5.2 million, up from \$3.2 million in the prior-year period, reflecting higher third-party gas volume throughput over first-quarter 2003. TXCO recorded quarterly net income of \$68,917 equal to \$0.003 per share, compared to first-quarter 2003 net of \$724,535, or \$0.036 per share. All per-share amounts are on a diluted basis.

Net income for the period reflects the impact of a 40 percent increase in depreciation, depletion and amortization attributable to over 50 new oil and gas wells added subsequent to the prior-year period. The increase in depletion rates also reflect the maturing profile of currently producing wells. In addition, interest expense increased by \$624,000, reflecting the impact of the \$16 million preferred stock issuance in the third quarter of 2003.

First-quarter cash flow from operating activities was \$3.8 million compared to \$6.3 million in the comparative prior-year period. Adjusting for changes in operating assets and liabilities, first-quarter cash flow from operating activities reached \$3.5 million in 2004 compared to \$2.8 million for the first quarter of 2003. This reflects a 25 percent increase over the same period a year earlier. Ebitdax – earnings before income taxes, interest, depreciation, depletion, amortization, impairment, abandonment and exploration expense – was \$3.9 million compared to \$3.3 million in the first quarter of 2003. Ebitda – Ebitdax less exploration expense – was \$3.7 million compared to \$2.9 million in the earlier period. See TXCO's Web site at www.txco.com for a reconciliation of non-GAAP financial measures.

TXCO produced a net 187,995 barrels of oil equivalent (BOE) in the quarter, up 8.7 percent from 172,996 BOE during first-quarter 2003. Gas production rose 15.8 percent, primarily due to new Georgetown gas wells placed on line during the last three months of 2003 and first three months of 2004. Oil output increased slightly. TXCO exited the quarter with a net daily production rate of 1,022 barrels of oil per day (BOPD) and 10.0 million cubic feet of gas per day (MMcfd), compared to its Dec. 31, 2003, exit rate of 1,197 BOPD and 8.9 MMcfd.

– More –

Management's Perspective

"We expect activity on our Maverick Basin lease block to increase substantially in the second quarter," said President and CEO James E. Sigmon. "A combination of poor weather and corporate restructuring by one of our partners reduced drilling activity during the first three months of this year.

"TXCO continues to enjoy success with our multi-play/multi-pay strategy," Sigmon added. "We have changed the Georgetown from a hit-or-miss target to a consistent producer by employing our seismic processing technique that allows us to accurately target the formation's multiple fractures. Drilling will soon resume on the Glen Rose porosity play after six months of inactivity as our new partner resumes drilling. We remain very positive about the potential of this large oil play. We expect oil production levels to grow as drilling ramps up."

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 build shareholder value by acquiring 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, including the timing, category, number, depth, cost and/or success 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 Dec. 31, 2003. This and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's Web site at www.txco.com. Copies are available without charge, upon request from the Company.

(Financial Information and Selected Operational Tables Follow)

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2004	December 31, 2003
Assets		
Current Assets:		
Cash and equivalents	\$ 4,861,107	\$ 6,180,560
Accounts receivable, net	6,127,783	4,837,965
Prepaid expenses	351,614	718,853
Total Current Assets	<u>11,340,504</u>	11,737,378
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	69,504,919	66,155,827
Other Assets:		
Deferred tax asset	5,232,718	5,232,718
Other assets	1,079,781	1,080,290
Total Other Assets	<u>6,312,499</u>	6,313,008
	<u>\$87,157,922</u>	\$84,206,213

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET S
(UNAUDITED)

	March 31, 2004	December 31, 2003
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, trade	\$ 8,181,343	\$ 8,186,705
Other payables and accrued liabilities	5,042,306	3,709,016
Undistributed revenue	692,898	416,399
Current portion of long-term debt	2,154,810	1,752,286
Total Current Liabilities	16,071,357	14,064,406
Long-term Liabilities:		
Long-term debt, net of current portion	12,509,058	15,425,598
Redeemable preferred stock, Series B (redemption value - \$16 million)	10,342,867	10,135,335
Accrued dividends - preferred stock	97,731	57,732
Asset retirement obligation	1,581,100	1,537,600
Total Long-Term Liabilities	24,530,756	27,156,265
Minority Interest in Consolidated Subsidiaries	203,357	193,441
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 23,480,945 and 22,242,849 shares, outstanding 23,381,145 and 22,143,049 shares	234,809	222,428
Additional paid-in capital	67,455,074	63,976,021
Accumulated deficit	(21,091,424)	(21,160,341)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	46,352,452	42,792,101
Total Liabilities and Stockholders' Equity	\$87,157,922	\$84,206,213

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Revenues		
Oil and gas sales	\$ 6,155,182	\$5,882,716
Gas gathering operations	5,208,893	3,208,385
Other operating income	3,322	(3,228)
	<u>11,367,397</u>	<u>9,087,873</u>
Costs and Expenses		
Lease operations	1,247,386	1,074,349
Production taxes	386,580	368,404
Exploration expenses	174,397	375,031
Impairment and abandonments	516,900	339,075
Gas gathering operations	4,894,134	3,597,236
Depreciation, depletion and amortization	2,335,297	1,673,319
General and administrative	1,005,621	776,106
Total costs and expenses	<u>10,560,315</u>	<u>8,203,520</u>
Income from Operations	807,082	884,353
Other Income (Expense)		
Interest income	3,924	4,605
Interest expense	(729,993)	(106,441)
Loan fee amortization	(5,256)	(4,401)
	<u>(731,325)</u>	<u>(106,237)</u>
Income before income taxes, minority interest and cumulative effect of change in accounting principle	75,757	778,116
Minority interest in income of subsidiaries	<u>18,160</u>	<u>20,419</u>
Income before income taxes and cumulative effect of change in accounting principle	93,917	798,535
Income tax expense	(25,000)	-
Cumulative effect of change in accounting principle, net of tax	-	(74,000)
Net Income	<u>\$ 68,917</u>	<u>\$ 724,535</u>
Earnings Per Share		
Basic earnings before cumulative effect of change in accounting principle	\$ 0.003	\$ 0.040
Cumulative effect of change in accounting principle	-	0.004
Basic earnings per share	<u>\$ 0.003</u>	<u>\$ 0.036</u>
Diluted earnings before cumulative effect of change in accounting principle	\$ 0.003	\$ 0.040
Cumulative effect of change in accounting principle	-	0.004
Diluted earnings per share	<u>\$ 0.003</u>	<u>\$ 0.036</u>

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

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Operating Activities		
Net income	\$ 68,917	\$ 724,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	2,335,297	1,673,319
Impairment and abandonments	516,900	339,075
Minority interest in (income) loss of subsidiaries	(18,160)	(20,419)
Cumulative effect of change in accounting principle	-	74,000
Non-cash interest expense and accretion of liability - redeemable preferred stock	567,532	-
Changes in operating assets and liabilities:		
Receivables	(1,289,818)	(1,356,843)
Prepaid expenses and other	367,239	(296,797)
Accounts payable and accrued expenses	1,284,426	5,203,627
Net cash provided by operating activities	<u>3,832,333</u>	<u>6,340,497</u>
Investing Activities		
Development and purchases of oil and gas properties	(6,125,299)	(10,405,829)
Purchase of other equipment	(31,978)	(128,271)
Changes in minority interests	28,075	21,748
Net cash (used) by investing activities	<u>(6,129,202)</u>	<u>(10,512,352)</u>
Financing Activities		
Proceeds from issuance of common stock, net of expenses	3,491,433	-
Proceeds from long-term debt obligations	-	2,700,000
Payments on long-term debt obligations	(1,050,000)	(812,944)
Proceeds from installment obligations	(1,464,017)	2,644,671
Net cash provided (used) by financing activities	<u>977,416</u>	<u>4,531,727</u>
Change in Cash and Equivalents	(1,319,453)	359,872
Cash and equivalents at beginning of period	<u>6,180,560</u>	<u>2,333,688</u>
Cash and Equivalents at End of Period	<u>\$ 4,861,107</u>	<u>\$ 2,693,560</u>

THE EXPLORATION COMPANY
SELECTED OPERATING DATA

Three Months Ended
March 31, 2004 March 31, 2003

Net cash provided in operating activities	\$ 3,832,335	\$ 6,340,497
Ebitdax *	3,851,836	3,292,198
Ebitda *	3,677,440	2,917,167
Debt to asset ratio	35.2%	18.1%
Production		
Oil:		
Production, in barrels	81,553	81,109
Average sales price per barrel	\$ 31.98	\$ 31.45
Natural Gas:		
Production, in Mcf	638,650	551,319
Average sales price per Mcf	\$ 5.55	\$ 6.04
Equivalent Basis:		
Production in Boe	187,995	172,996
Average sales price per Boe	\$ 32.74	\$ 34.01
Production in Mcfe	1,127,968	1,037,973
Average sales price per Mcfe	\$ 5.46	\$ 5.67
Other Operating Data		
Total lifting costs	\$ 1,633,966	\$ 1,574,007
Lifting costs per Mcfe	\$ 1.45	\$ 1.52
Production volume - oil properties - barrels	75,771	76,722
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 942,086	\$ 629,278
Lifting costs per Barrel	\$ 12.43	\$ 8.20
Production volume - gas properties - Mcf	632,924	549,231
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 691,880	\$ 839,009
Lifting costs per Mcf	\$ 1.09	\$ 1.53
Production volume excluding CBM properties - Mcf	626,022	540,542
Lifting costs excluding CBM activities	\$ 578,027	\$ 738,689
Lifting costs per Mcf excluding CBM activities	\$ 0.92	\$ 1.37
Depletion cost per Boe	\$ 12.13	\$ 9.40
Depletion cost per Mcfe	\$ 2.02	\$ 1.57

* Please see TXCO's Web site at www.txco.com for a reconciliation of these non-GAAP financial measures.



For Immediate Release
Tuesday, May 18, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES \$16 MILLION EQUITY PLACEMENT TO INCREASE ITS CAPEX AND EXPEDITE MAVERICK BASIN DEVELOPMENT

SAN ANTONIO – May 18, 2004 – The Exploration Company (Nasdaq:TXCO) today announced that it entered into purchase agreements with certain accredited investors for the private placement of 4,266,669 shares of its common stock at a purchase price of \$3.75 per share for gross proceeds of \$16 million. Proceeds will be used primarily to accelerate development of the Company's 492,000-acre Maverick Basin lease block in Southwest Texas.

Included are warrants for an additional 1,280,000 common shares exercisable at \$4.25 per share. The warrants may be exercised no earlier than six months after closing and expire three-and-one-half years thereafter. Purchasers were private, U.S.-based investment funds, led by Crestview Capital Master LLC of Northbrook, Ill. TXCO will file a registration statement with the Securities and Exchange Commission within 30 days after completion of the transaction, covering the resale of shares of common stock sold in the private placement or issuable upon exercise of the warrants. First Albany Capital and C.K. Cooper & Co. served as placement agents for the transaction.

Proceeds of \$15.04 million, net of expenses, will allow the Company to expand the drilling portion of its 2004 capital expenditure program by more than 50 percent. TXCO plans to use \$8 million of the proceeds to drill wells targeting Glen Rose reefs seismically defined on its 80,000-acre Burr/Wipff prospect. TXCO owns a 100 percent working interest in this portion of its Maverick Basin acreage block. The remaining \$7 million will increase drilling activity on the Company's Comanche prospect, restore balance sheet liquidity and complement TXCO's ongoing operations, development and general corporate activities.

"Our limiting factor has been capital – not prospects," said President and CEO James E. Sigmon. "The Company's multi-play/multi-pay strategy has been highly successful, allowing us to identify numerous attractive targets. This new funding will help us accelerate development of one of our most-promising plays – the gas-charged Glen Rose reefs. These reefs have been a consistent producer for years in the Maverick Basin. We have just finished analyzing new 3-D seismic from a portion of the Burr/Wipff prospect. It identifies as many as 15 reefs and we anticipate an immediate start of drilling. Our technical staff estimates that if we are successful in placing only half of these reefs on production, we can expose the Company to approximately 28 billion cubic feet of new gas reserves by year end.

– More –

“TXCO has a very large leasehold position for a company of our size. Recent headlines in the exploration and production industry have reflected high valuations on firms with large, undeveloped acreage positions in proven oil and gas provinces,” Sigmon added. “Accelerating our drilling and development activities will enable TXCO to leverage its growing prospect inventory, better reflecting the full potential of its Maverick Basin acreage.”

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 build shareholder value by acquiring 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended March 31, 2004. 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 7, 2004**

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THE EXPLORATION COMPANY TO WEBCAST
RBC CAPITAL MARKETS PRESENTATION

SAN ANTONIO – June 7, 2004 – The Exploration Company (Nasdaq:TXCO) will webcast its presentation Tuesday, June 8, at RBC Capital Markets’ North American Energy and Power Conference in Boston.

Vice President-Capital Markets Roberto R. Thomae will give an update on TXCO’s Maverick Basin growth strategy and 2004 drilling program to institutional investors and securities analysts attending the conference. The 25-minute webcast is scheduled to start at approximately 3:50 p.m., EDT, Tuesday, June 8. A link to the live presentation will be on the Company’s Web site at www.txco.com and a replay will be available for 90 days.

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 increase shareholder value by acquiring undeveloped mineral interests and internally developing its 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 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended March 31, 2004. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO’s Web site at www.txco.com. Copies are available without charge upon request from the Company.



For Immediate Release
Friday, June 18, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS

SAN ANTONIO – June 18, 2004 – The Exploration Company (Nasdaq:TXCO) today provided an update on current operations on its 492,000-acre lease block in the Maverick Basin of Southwest Texas.

TXCO has spudded 23 new wells this year plus four re-entries. The Company announced an expanded, \$33.4 million capital expenditure program in May targeting 65 new wells in 2004 – the second-largest drilling program in its history. The Company's net daily production at June 15 stood at 968 barrels of oil per day (BOPD) and 10.7 million cubic feet of gas per day (MMcfd) for a combined rate of 16.5 million cubic feet equivalent per day (MMcfe), up from a 16.1 MMcfe exit rate at March 31. Gas production was higher due to new production from recently completed Georgetown and Glen Rose shoal wells. Current drilling and operating highlights include:

Georgetown

The Company's success continues with its Georgetown horizontal drilling program through the application of improved seismic processing techniques. The Comanche 2-8H (50 percent working interest) went on production this week at a rate of 720 thousand cubic feet (Mcf) and 11 BOPD. In late May, the Comanche 1-604 (50% WI) went on production flowing 2.0 MMcfd and 20 BOPD. TXCO began a 3-D seismic acquisition project this week on a 32-square mile portion of its lease block east of the Pena Creek field, which is particularly prospective for the Georgetown and San Miguel intervals. This acquisition will increase the Company's 3-D seismic database in the Maverick Basin to over 800 square miles.

Of 16 wells spudded since the horizontal program began in late 2003, 11 have been completed, three are in evaluation and two are drilling. In 2004 to date, TXCO has spudded 12 of 25 Georgetown wells projected in the current year's CAPEX budget. Georgetown gas wells typically have hyperbolic production profiles with high initial flow rates that provide a quick payout potential, followed by a comparatively sharp decline, then longer-term production at lower rates.

– More –

Glen Rose Shoal/Reef

Effective March 1, TXCO acquired working interests in approximately 1,817 additional gross acres, including seven producing wells, adjoining its Chittim and Paloma leases from EXCO Resources Inc. of Dallas for \$990,000, or \$0.77 per Mcf, including \$495,000 cash and 123,750 shares of TXCO's common stock. The purchased working interests in the acreage tracts range from 66 percent to 99.3 percent. Effective June 1, the Company assumed operatorship of the seven wells, with net aggregate production of approximately 240 Mcfd from Glen Rose and Georgetown intervals. The acquisition adds 715 MMcf net proved producing reserves and 578 MMcf net proved undeveloped reserves to the Company's total reserve base.

Thus far in 2004, the Company has spudded six Glen Rose shoal wells proposed in its initial CAPEX program. Current net Glen Rose shoal production is 4.3 MMcfd and 21 BOPD. The Chittim 5-128H (47.3% WI) went on production in early June, flowing 266 Mcfd. In late May, the Chittim 1-160H (47.3% WI) went on production at a rate of 1.7 MMcfd and 30 BOPD, also from the Glen Rose shoal. Five Glen Rose shoal wells drilled this year have been completed and placed on production, while drilling is under way on a sixth.

Drilling also is under way on a Glen Rose reef well on TXCO's Paloma lease. In May, TXCO announced plans to use \$8 million from its recent private placement of common stock for an additional 15-well program targeting Glen Rose reefs across its 80,000-acre Burr/Wipff (100% WI) prospect. These reefs, recently identified using new 3-D seismic data, are on trend with nearby, gas-producing Glen Rose reefs on TXCO's lease block. Drilling on the first reef prospect is expected to commence the week of June 21.

Jurassic/Taylor well

The Taylor 132-1 well has been shut in for a pressure build-up test following a 30-day production test of Sligo perforations via temporary production facilities. The well flowed gas at rates as high as 900 Mcfd from the Sligo without stimulation. TXCO engineers currently are evaluating Sligo pressure and production data to determine whether production from the formation can be enhanced with stimulation. If stimulation does not prove to be an option, TXCO will then perforate and test the overlying Pearsall formation. Both lower Cretaceous intervals lie below the Glen Rose formation at approximately 7,000-8,000 feet.

Glen Rose Oil

CMR Energy L.P. of Houston, the Company's new operating partner in the Glen Rose porosity oil play, and TXCO are preparing to re-enter, deepen and drill horizontally in the Glen Rose porosity zone in two existing wells, the Comanche 1-112 and Comanche 1-14 (50% WI). TXCO's budget now calls for four new Glen Rose porosity wells and four re-entries in existing wells this year. However if the operator does not begin drilling operations shortly, not all of these wells may be drilled this year due to this fall's hunting season moratorium.

San Miguel Waterflood

TXCO has spudded five new San Miguel oil wells on its Pena Creek unit (100% WI) so far this year. Three have been completed, one is pending completion and drilling continues on one. TXCO also has completed 11 injection well workovers – part of an ongoing project to enhance water injection and oil production in the field. The Company has budgeted 10 new San Miguel wells this year.

Management's Perspective

"We expect to accelerate drilling operations during the rest of the year as we continue to pursue development of the multiple targets on our Maverick Basin lease block," said President and CEO James E. Sigmon. "Of particular interest right now is the Glen Rose reef system across the northern end of our lease block. These structures appear very similar in 3-D seismic images to reefs on our adjoining leases that have produced gas for years. Our technical staff estimates that if we can successfully place only half of them on production, we can expose TXCO to approximately 28 billion cubic feet of new gas reserves by the end of this year.

"I'm pleased that our recent success in the Georgetown appears to be repeatable," Sigmon added. "As our success here continues, we expect to establish attractive reserve levels per well, allowing this program to expand rapidly. We also expect drilling on the Glen Rose porosity to resume now that a new operator is in place, allowing us to try new drilling techniques that offer the potential to significantly increase oil recovery."

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 build shareholder value by acquiring 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended March 31, 2004. 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
Tuesday, July 27, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES FIRST-HALF 2004 OPERATIONS; SIGNS NEW \$50 MILLION CREDIT FACILITY; ADDS TO MAVERICK BASIN RIG COUNT AND ACREAGE POSITION

SAN ANTONIO – July 27, 2004 – The Exploration Company (Nasdaq:TXCO) today provided an update on its Maverick Basin operations and key transactions.

- Seven rigs currently are in operation for TXCO's account, matching last year's record pace.
- Production at July 15 stood at 16.9 million cubic feet equivalent (MMcfe) per day. For the second quarter, daily production averaged 12.9 MMcfe. Second-quarter production was negatively impacted by severe weather conditions, a drilling curtailment by a key operating partner due to corporate restructuring and limited rig availability.
- In the first half, TXCO spent \$15 million, 45 percent of its \$33.4 million, 2004 capital expenditure program. The Company participated in 28 new wells through June 30 of this year, compared to 42 wells at the same point in 2003.
- TXCO secured a new \$50 million credit facility with Guaranty Bank, Houston.
- The Company acquired seismic lease options for 62,089 acres, bringing its gross Maverick Basin acreage to 554,089 acres.

“Having overcome operating delays and interruptions we faced earlier this year, our activity is now accelerating,” said President and CEO James E. Sigmon. “We expect to see a substantial increase in drilling and production in the second half. Having seven rigs running on our Maverick Basin lease block should enable us to fulfill our aggressive 2004 drilling program. Our continuing success in the Georgetown and the meaningful reserve and production potential from the Glen Rose reef play offer the Company exceptional promise for higher valuation.

“The acquisition of the new seismic options solidifies our position as the dominant player in the region that we know best,” Sigmon added. “These parcels have very similar geology to our existing lease block and are prospective for many of the same plays. We now hold interests in more than a half-million acres in our focus area. This will allow us to further expand our multi-year drilling prospect inventory and continue TXCO's trend of rapid growth. Finally, the new credit facility offers us continued access to capital and improved operational flexibility with better terms and pricing, allowing us to accelerate our growth plans going forward.”

– More –

Drilling/Production

Through June 30, TXCO spudded 28 of 65 new Maverick Basin wells projected in its expanded 2004 drilling plan. TXCO participated in 17 new wells and two re-entries in the second quarter alone. The Company placed a seventh rig in operation on its lease block last week. By comparison, there were as few as two rigs running during portions of first-half 2004.

TXCO Cumulative Production Volumes						
	2Q 2004	2Q 2003	%Change	1H 2004	1H 2003	% Change
Natural gas/Mcf	782,926	495,794	+57.9%	1,421,576	1,047,113	+35.8%
Oil/Bbls	65,596	141,062	-53.5%	147,149	222,171	-33.8%
Natural Gas Equivalent/Mcfe	1,176,502	1,342,166	-12.3%	2,304,470	2,380,139	-3.2%
Barrels Oil Equivalent/BOE	196,084	223,694	-12.3%	384,078	396,690	-3.2%

Higher natural gas production for the 2004 second-quarter and first-half periods reflects TXCO's continuing success in the Georgetown and Glen Rose shoal plays. This increase was offset by lower oil production, primarily due to a decline in the number of oil wells drilled by operating partners, compared to the same 2003 periods. The lower operating levels in the first half contributed to a 3.2 percent decline in overall production levels from first-half 2003.

The Company's June 30 net exit rate was 837 barrels of oil per day (BOPD) and 10.1 million cubic feet per day (MMcfd) of natural gas, equal to 2,522 BOE or 15.1 MMcfe. Net daily production at July 15 rose to 1,081 BOPD and 10.4 MMcfd, equal to 2,814 BOE or 16.9 MMcfe. Three wells completed in June await pipeline connections and will go on production shortly. Current drilling and operating highlights include:

Georgetown

TXCO spudded six new Georgetown wells in the second quarter in addition to two re-entries. At June 30, one was on production, two were completed awaiting pipeline connections, three were drilling and one was shut in pending further stimulation. Through this week, one well drilling at quarter end flow tested at rates as high as 3.3 MMcfd, while a re-entry well flow tested at rates as high as 456 BOPD.

Two additional Georgetown horizontal wells were spudded in mid July. In the first six months, the Company spudded 14 of 25 Georgetown wells projected in its 2004 capital budget. The Georgetown represents the largest share of TXCO's drilling program this year. Net Georgetown production at June 30 was 4.2 MMcfd and 115 BOPD. Georgetown gas wells typically have hyperbolic production profiles with high initial flow rates that provide a quick payout potential, followed by a comparatively sharp decline, then longer-term production at lower rates.

Glen Rose Shoal

In the second quarter, TXCO spudded four Glen Rose shoal wells. Glen Rose shoal gas production began in mid July from the Chittim 3-130H, 49.9 percent working interest (WI). In tests, the well flowed at rates as high as 1.7 MMcfd on a 24/64-inch choke with 170 pounds per square inch (psi) flowing tubing pressure from the Glen Rose C shoal. Completion began last week on the Chittim 3-142H (38.1% WI). In tests, the well flowed as much as 1.05 MMcfd and 2 BOPD on a 24/64-inch choke with 400 psi flowing tubing pressure. At June 30, two new wells were on production, one was completed and awaiting a pipeline connection while drilling continued on another.

In the first six months, the Company spudded seven Glen Rose shoal wells proposed in its 2004 CAPEX program and spudded an eighth well last week. Net Glen Rose shoal production at June 30 was 4.1 MMcfd and 12 BOPD.

Glen Rose Reefs

To date, four new reef wells have been spudded, including three in the 15-well Glen Rose reef drilling program on the Burr/Wipff prospect (100% WI) announced in May. Initial drilling had been delayed by a lack of rig availability and inclement weather. The 15 reefs were identified using new 3-D seismic data and are on trend with similarly situated gas-producing Glen Rose reefs on TXCO's lease block nearby.

Meanwhile, the Paloma E 1-54 (62.5% WI), went on production in mid July. In tests, the well flowed at rates as high as 1.6 MMcfd and 5 BOPD on an 18/64-inch choke with 1,015 psi flowing tubing pressure. Net Glen Rose reef production at June 30 was 1.4 MMcfd and 13 BOPD.

Glen Rose Oil

TXCO (50% WI) and its operating partner, CMR Energy L.P., Houston, spudded the first new oil porosity well of 2004 in mid July, the Comanche 2-39H. Petrohawk Energy Corp. (Nasdaq:HAWK), Houston, is acting operator under contract to CMR. The vertical well may be converted to a horizontal completion depending on test results. Third-quarter plans include re-entering two existing vertical Glen Rose porosity wells for horizontal re-completions as a workover rig becomes available.

CMR's recent corporate restructuring has delayed 2004 Glen Rose drilling activity to date. By comparison, six Glen Rose porosity wells were drilled during the first half of 2003 while none were drilled in the first half of 2004. Glen Rose oil production has continued to decline since the last porosity well was spudded in September 2003. TXCO's budget now calls for four new Glen Rose porosity wells and four re-entries prior to the end of 2004.

San Miguel Waterflood

TXCO spudded five San Miguel oil wells on its Pena Creek unit (100% WI) in the second quarter. At June 30, two were on production while three were in completion. Three additional wells were spudded in July with two currently in completion and one still drilling. To date, 11 injection well workovers have been completed as part of a program to enhance water injection efficiency and increase oil output. The Company has budgeted 10 new San Miguel oil wells this year. Severe weather and flooding interrupted Pena Creek-area operations multiple times during the first-half 2004, temporarily reducing San Miguel oil production at June 30 to 293 BOPD. By July 15, net production had reached 315 BOPD as wells continued to be placed back on production.

Sligo/Pearsall

The Taylor 132-1 well (62.5% WI) has been producing gas through temporary production facilities from Sligo perforations while Company engineers evaluated the formation. They have determined Sligo production could not be enhanced with stimulation. Consequently, TXCO plans to perforate and test the overlying Pearsall formation. Both of these lower Cretaceous intervals lie below the Glen Rose formation but above 7,500 feet.

Coalbed Methane

New horizontal well technology may increase gas production from TXCO's Olmos/coalbed methane (CBM) project by year end. The Company is re-entering two existing CBM dewatering wells (100% WI), to attempt horizontal re-completions using new multiple short-radius lateral (MSRL) technology. If successful, the MSRL technique could significantly increase dewatering volumes and associated CBM gas production.

New Credit Facility

The Company closed on a \$50 million senior secured revolving credit facility with Guaranty Bank, Houston, on June 30. The new credit facility has a three-year term expiring in 2007. It replaces TXCO's prior \$25 million credit facility with Hibernia Bank of New Orleans. The new credit facility constitutes an expanded source of working capital for general corporate purposes and includes additional terms and conditions consistent with current industry terms for companies similar to TXCO.

The new credit facility is collateralized by all of the Company's proven oil and gas properties, with an initial borrowing base of \$12.3 million based on current levels of TXCO's oil and gas reserves and features bi-annual redeterminations. The current outstanding balance of \$6.1 million was advanced at closing, repaying the outstanding balance under the prior facility. Interest under the new facility will be as much as 0.25 percentage point less than the former credit agreement, ranging from, at TXCO's option, (a) the London Interbank Offered Rate plus an applicable margin ranging from 2.00 percent to 2.5 percent or (b) prime plus an applicable margin ranging from 0.00 percent to 0.25 percent.

Seismic Options

TXCO has acquired a 75 percent working interest in existing seismic option agreements on 62,089 gross acres from various private parties. Two parcels, located in Maverick, Kinney and Val Verde counties of Texas, consist of the 7,415-acre Quemado and the 54,674-acre Lonesome Dove prospects. The agreements give the Company an option to purchase oil and gas leases, and operate, on the acreage after acquiring and interpreting 3-D seismic data. Further terms were not disclosed. The parcels are adjacent to TXCO's existing Burr and Wipff leases and enlarge the Company's Maverick Basin position to 554,089 gross acres on a pro forma basis.

Earnings Announcement

TXCO plans to release its second-quarter and year-to-date earnings statement on or before Aug. 6, 2004.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin of Southwest Texas. Headquartered in San Antonio, TXCO is celebrating its 25th anniversary. The Company has a consistent record of long-term growth in its proved oil and gas reserves, leasehold acreage position, production and cash flow through its established exploration and development programs. Its business strategy is to build shareholder value by acquiring 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 budget plans, interest rates, capital expenditures, ongoing access to additional capital, production levels, drilling plans, equipment availability, including the timing, number, type of and cost of wells to be drilled, completed, re-entered, placed on production, planned projects and expected responses, establishment and evaluation of reserves, continuing overall success and the future exercise of seismic or lease options. 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended March 31, 2004. 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, July 30, 2004**

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THE EXPLORATION COMPANY TO WEBCAST
9TH OIL & GAS CONFERENCE PRESENTATION

SAN ANTONIO – July 30, 2004 – The Exploration Company (Nasdaq:TXCO) will webcast its presentation at the 9th annual Oil & Gas Conference in Denver scheduled for Monday, Aug. 2.

Vice President-Capital Markets Roberto R. Thomae will give an update on TXCO's Maverick Basin growth strategy and 2004 drilling program to institutional investors and securities analysts attending the conference. The presentation will be webcast on a delayed basis and will be available Monday afternoon, Aug. 2, 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; Calyon Corporate Investment Bank; Netherland, Sewell & Associates; Rivington Capital Advisors LLC; Sterne, Agee & Leach Inc.; and First Albany Capital Inc. – is expected to draw more than 1,000 attendees from institutions, investment banks, commercial banks and the energy industry.

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**For Immediate Release
Friday, August 6, 2004**

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS EARNINGS; SECOND-QUARTER NET INCOME UP SHARPLY, RECORD REVENUE AND ASSET GROWTH

SAN ANTONIO – Aug. 6, 2004 – The Exploration Company (Nasdaq:TXCO) today reported financial results for the second quarter and first half of 2004.

TXCO's net income in the second quarter rose to \$372,309, a significant increase from \$9,588 reported in the second quarter of 2003. On a per-share basis, earnings rose to \$0.014 from a fractional \$0.0005 in the prior-year period. All per-share amounts are on a diluted basis. Revenues rose to a record \$14.6 million, 48 percent above \$9.9 million for the year-earlier quarter. Income from operations for the second quarter of 2004 was approximately \$1.1 million, an increase of approximately \$0.9 million, a significant increase from the second quarter of 2003. This increase in operating income was due largely to a positive contribution from gas gathering and marketing activities in 2004, versus a negative contribution in 2003. The Company's assets at June 30 stood at a record \$100.1 million, 19 percent higher than the \$84.2 million reported at the end of June 2003.

Higher gas production and oil and gas prices in the April-June 2004 period led to record revenue levels, while partially offset by a temporary decline in oil production. Gas gathering revenues increased 133 percent over the year-earlier quarter, resulting in a record gas-gathering gross margin of \$626,000 in the second quarter, compared with a \$126,000 negative margin for the prior-year period.

For the first half of 2004, revenues were approximately \$26.0 million, a 37 percent increase from approximately \$19.0 million for the first six months of 2003. Income from operations for the first six months of 2004 was approximately \$2.0 million, an increase of approximately \$0.9 million, or 80 percent, from the 2003 period. This increase in operating income was due largely to a positive contribution from gas gathering and marketing activities in 2004 versus a negative contribution in 2003. Gas gathering gross margin reached \$941,000 for the six months, compared with a negative margin of \$515,000 in the first half of 2003.

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Net income for the first six months was \$441,226, a 39.9 percent decrease from \$734,123, a year earlier. 2004 earnings per share were \$0.018 in the first half, compared with \$0.036 in the prior period. The decline in current-year, first-half net income compared to first-half 2003 was due primarily to higher interest expense relating to redeemable preferred stock issued in August 2003.

Net cash provided by operating activities before changes in operating assets and liabilities was \$6.7 million, a 10 percent increase from \$6.1 million in the prior-year period. First-half cash flow from operating activities was \$5.2 million, compared with \$11.3 million in the first half of 2003. Ebitdax – earnings before income taxes, interest, depreciation, depletion, amortization, impairment, abandonment and exploration expense – was \$8.5 million, a 14 percent increase from \$7.5 million in the year-earlier period. Ebitda – Ebitdax less exploration expense – rose 20 percent to \$7.8 million from \$6.5 million in 2003’s first half. See TXCO’s Web site at www.txco.com for a reconciliation of non-GAAP financial measures.

Management’s Perspective

“We believe TXCO is on track for a successful 2004, with higher reserves and production as our field activity increases,” said President and CEO James E. Sigmon. “Our first-half results were impacted by severe weather in our Maverick Basin operating area, a curtailment in drilling by an important operating partner as it underwent a corporate restructuring and by limited rig availability. I’m pleased that we now have these issues behind us.

“Our current drilling activity is significantly higher than it was at any point in the first half of the year,” Sigmon added. “Currently, we have seven rigs running on our Maverick Basin, compared with as few as two rigs at some points in the first half. Indicative of this increased activity, TXCO’s net daily production rate at July 31 reached 18 million cubic feet of gas equivalent, a 19 percent increase from the 15.1 million cubic feet equivalent we produced on June 30.”

About The Exploration Company

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(Financial Information and Selected Operational Tables Follow)

The following tables should be read in conjunction with the Company's latest audited consolidated financial statements and notes thereto, as reported in its Form 10-K for the year ended Dec. 31, 2003.

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2004	December 31, 2003
Assets		
Current Assets		
Cash and equivalents	\$7,352,143	\$ 6,180,560
Accounts receivable, net	10,101,547	4,837,965
Prepaid expenses	1,485,260	718,853
Total Current Assets	18,938,950	11,737,378
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	74,843,434	66,155,827
Other Assets		
Deferred tax asset	5,232,718	5,232,718
Other assets	1,110,098	1,080,290
Total Other Assets	6,342,816	6,313,008
	\$100,125,200	\$84,206,213

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2004	December 31, 2003
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$9,734,405	\$ 8,186,705
Other payables and accrued liabilities	6,002,882	3,709,016
Undistributed revenue	1,127,759	416,399
Current portion of long-term debt	1,725,405	1,752,286
Total Current Liabilities	<u>18,590,451</u>	14,064,406
Long-term Liabilities		
Long-term debt, net of current portion	6,061,914	15,425,598
Redeemable preferred stock, Series B (redemption value - \$16 million)	10,550,572	10,135,335
Accrued dividends - preferred stock	137,730	57,732
Asset retirement obligation	1,648,600	1,537,600
Total Long-Term Liabilities	<u>18,398,816</u>	27,156,265
Minority Interest in Consolidated Subsidiaries	214,856	193,441
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 28,058,863 and 22,242,849 shares, outstanding 27,959,063 and 22,143,049 shares	280,588	222,428
Additional paid-in capital	83,605,611	63,976,021
Accumulated deficit	(20,719,115)	(21,160,341)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	<u>62,921,077</u>	42,792,101
Total Liabilities and Stockholders' Equity	<u>\$100,125,200</u>	<u>\$84,206,213</u>

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Revenues		
Oil and gas sales	\$ 6,956,443	\$6,574,218
Gas gathering operations	7,666,582	3,291,401
Other operating income	1,484	3,150
Total revenues	14,624,509	9,868,769
Costs and Expenses		
Lease operations	1,428,241	977,967
Production taxes	455,660	434,869
Exploration expenses	575,385	626,570
Impairment and abandonments	516,900	537,075
Gas gathering operations	7,040,536	3,417,324
Depreciation, depletion and amortization	2,437,143	2,821,148
General and administrative	1,027,040	854,798
Total costs and expenses	13,480,905	9,669,751
	1,143,604	199,018
Income from Operations		
Other Income (Expense)		
Interest income	15,487	5,955
Interest expense	(727,910)	(156,839)
Loan fee amortization	(53,695)	(4,401)
Total Other Income (Expense)	(766,118)	(155,285)
Income before income taxes and minority interest	377,486	43,733
Minority interest in income of subsidiaries	19,823	15,855
Income before income taxes	397,309	59,588
Income tax expense	(25,000)	(50,000)
Net Income	\$ 372,309	\$ 9,588
Earnings Per Share		
	\$0.015	\$0.000
Basic earnings per share		
	\$0.014	\$0.000
Diluted earnings per share		

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenues		
Oil and gas sales	\$13,111,625	\$12,456,934
Gas gathering operations	12,875,475	6,499,786
Other operating income	4,806	(78)
	<u>25,991,906</u>	<u>18,956,642</u>
Costs and Expenses		
Lease operations	2,675,627	2,052,316
Production taxes	842,240	803,273
Exploration expenses	749,782	1,001,601
Impairment and abandonments	1,033,800	876,150
Gas gathering operations	11,934,670	7,014,560
Depreciation, depletion and amortization	4,772,440	4,494,468
General and administrative	2,032,661	1,630,903
Total costs and expenses	<u>24,041,220</u>	<u>17,873,271</u>
Income from Operations	1,950,686	1,083,371
Other Income (Expense)		
Interest income	19,411	10,560
Interest expense	(1,457,903)	(263,280)
Loan fee amortization	(58,951)	(8,802)
Total Other Income (Expense)	<u>(1,497,443)</u>	<u>(261,522)</u>
Income before income taxes, minority interest and cumulative effect of change in accounting principle	453,243	821,849
Minority interest in income of subsidiaries	<u>37,983</u>	<u>36,274</u>
Income before income taxes and cumulative effect of change in accounting principle	491,226	858,123
Income tax expense	(50,000)	(50,000)
Cumulative effect of change in accounting principle, net of tax	-	(74,000)
Net Income	\$ 441,226	\$ 734,123
Earnings Per Share		
Basic earnings before cumulative effect of change in accounting principle	\$0.018	\$0.040
Cumulative effect of change in accounting principle	-	(0.003)
Basic earnings per share	<u>\$0.018</u>	<u>\$0.037</u>
Diluted earnings before cumulative effect of change in accounting principle	\$0.018	\$0.040
Cumulative effect of change in accounting principle	-	(0.004)
Diluted earnings per share	<u>\$0.018</u>	<u>\$0.036</u>

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

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Operating Activities		
Net income	\$ 441,226	\$ 734,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	4,772,440	4,494,468
Impairment and abandonments	1,033,800	876,150
Minority interest in income of subsidiaries	(37,983)	(36,274)
Cumulative effect of change in accounting principle	-	74,000
Non-cash interest expense and accretion of liability - redeemable preferred stock	535,238	-
Net cash provided by operating activities, before changes in operating assets and liabilities:	6,744,721	6,142,467
Changes in operating assets and liabilities:		
Receivables	(5,263,582)	(1,628,364)
Prepaid expenses and other	(766,407)	(163,631)
Accounts payable and accrued expenses	4,512,923	6,955,691
Net cash provided by operating activities	5,227,655	11,306,163
Investing Activities		
Development and purchases of oil and gas properties	(13,026,412)	(18,932,655)
Purchase of other equipment	(150,618)	(282,401)
Net changes in minority interests	59,398	55,844
Net cash used by investing activities	(13,117,632)	(19,159,212)
Financing Activities		
Proceeds from issuance of common stock, net of expenses	18,452,125	-
Proceeds from long-term debt obligations	116,739	10,928,082
Payments on long-term debt obligations	(9,507,304)	(979,499)
Deferred financing fees	-	17,876
Net cash provided by financing activities	9,061,560	9,966,459
Change in Cash and Equivalents	1,171,583	2,113,410
Cash and equivalents at beginning of period	6,180,560	2,333,688
Cash and Equivalents at End of Period	\$7,352,143	\$4,447,098

THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	Three Months Ended		Six Months Ended	
	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Net cash provided in operating activities (NCPIOA)	\$ 1,395,322	\$ 4,965,666	\$ 5,227,655	\$ 11,306,163
NCPIOA, excluding changes in operating assets and liabilities	\$ 3,274,235	3,351,957	6,744,721	6,142,467
Ebitdax *	4,692,855	4,199,667	8,544,691	7,491,864
Ebitda *	4,117,470	3,573,097	7,794,909	6,490,263
Debt to asset ratio	23.8%	23.8%	23.8%	23.8%
Production				
Oil:				
Production, in barrels	65,696	141,062	147,149	222,171
Average sales price per barrel	\$ 34.70	\$ 26.61	\$ 33.20	\$ 28.38
Natural Gas:				
Production, in Mcf	782,926	495,794	1,421,576	1,047,113
Average sales price per Mcf	\$ 5.98	\$ 5.69	\$ 5.79	\$ 5.88
Equivalent Basis:				
Production in barrels of oil equivalent (Boe)	196,084	223,694	384,078	396,690
Average sales price per Boe	\$ 35.48	\$ 29.39	\$ 34.14	\$ 31.40
Production in Mcfe	1,176,502	1,342,166	2,304,470	2,380,139
Average sales price per Mcfe	\$ 5.91	\$ 4.90	\$ 5.69	\$ 5.23
Other Operating Data				
Total lifting costs	\$ 1,883,902	\$ 1,412,836	\$ 3,517,867	\$ 2,855,589
Lifting costs per Mcfe	\$ 1.60	\$ 1.05	\$ 1.53	\$ 1.20
Production volume - oil properties - barrels	60,689	138,447	136,460	215,169
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 874,245	\$ 1,023,176	\$ 1,816,331	\$ 1,652,454
Lifting costs per Barrel	\$ 14.41	\$ 7.39	\$ 13.31	\$ 7.68
Production volume - gas properties - Mcf	775,320	492,537	1,408,244	1,041,768
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 1,009,657	\$ 396,990	\$ 1,701,536	\$ 1,235,999
Lifting costs per Mcf	\$ 1.30	\$ 0.81	\$ 1.21	\$ 1.19
Production volume excluding CBM properties - Mcf	769,110	485,432	1,395,132	1,025,974
Lifting costs excluding CBM activities	\$ 912,058	\$ 286,196	\$ 1,490,084	\$ 1,024,885
Lifting costs per Mcf excluding CBM activities	\$ 1.19	\$ 0.59	\$ 1.07	\$ 1.00
Depletion cost per Boe	\$ 12.14	\$ 12.38	\$ 12.14	\$ 11.08
Depletion cost per Mcfe	\$ 2.02	\$ 2.06	\$ 2.02	\$ 1.85

* Please see TXCO's Web site at www.txco.com for a reconciliation of these non-GAAP financial measures.



For Immediate Release
Tuesday, September 14, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY UPDATES THIRD-QUARTER MAVERICK BASIN OPERATIONS; PRODUCTION UP SHARPLY, DRILLING REMAINS BRISK

SAN ANTONIO – Sept. 14, 2004 – The Exploration Company (Nasdaq:TXCO) today provided an update on its current Maverick Basin operations.

Net production at Sept. 10 stood at approximately 1,270 barrels of oil per day (BOPD) and 10.6 million cubic feet per day (MMcfd), a combined rate of 18.2 million cubic feet equivalent (MMcfe) per day, up 20.5 percent from the Company's daily production rate at June 30.

"It's gratifying to see production rise, particularly our oil production, as we accelerate our drilling program following the delays we encountered during the first half of this year," said President and CEO James E. Sigmon. "In addition to the substantially higher production we achieved during July and August, we currently have two new gas wells shut in and awaiting pipeline connections, plus two additional new gas wells on temporarily curtailed production due to limited capacity on a third-party pipeline. As these wells come on, we expect daily production to reach 20 MMcfe by the end of September. Our busy third-quarter drilling program has placed TXCO on track to fulfill our 2004 drilling target, which we believe will enable us to achieve significantly higher production and hit record reserve levels."

To date, TXCO spudded 17 wells in the third quarter as its drilling program accelerated. Since the first of the year, the Company spudded 45 wells of its 66-well drilling program in the Maverick Basin, in addition to six re-entries to date. Currently, six rigs are operating. Drilling and operations highlights include:

Glen Rose

TXCO and its operating partner, CMR Energy L.P., Houston, spudded the first 2004 Glen Rose porosity well in July. The Comanche 2-39H (50 percent working interest) horizontal well flow tested at rates as high as 1,920 BOPD with no water on a 24/64-inch choke with 580 pounds per square inch (psi) flowing tubing pressure. The well was placed on production in mid August at a reduced rate to minimize potential water intrusion and was flowing 394 BOPD with 800 psi flowing tubing pressure with no water at Aug. 31. This is the first porosity well drilled using a technique developed by Company engineers in which a horizontal wellbore parallels fractures within the formation to lessen potential water intrusion. Engineers believe producing the well at a restricted rate will improve ultimate recovery and reserve estimates.

– More –

Third-quarter plans include re-entering two existing vertical Glen Rose porosity wells for horizontal re-completions as a workover rig becomes available. TXCO's budget calls for four new Glen Rose porosity wells and four re-entries prior to the end of 2004. CMR's recent corporate restructuring delayed first-half 2004 Glen Rose drilling activity.

The Company has spudded five of the scheduled 15 Glen Rose reef wells on its Burr/Wipff prospect in the third quarter and six wells overall since the program was announced in May. The reefs were identified using new 3-D seismic data and are on trend with similar gas-producing Glen Rose reefs on TXCO's lease block. The Burr 1-56 (100% WI) flow tested at rates as high as 1.7 MMcfd on a 20/64-inch choke with 900 psi flowing tubing pressure from a Glen Rose reef. The well has been completed and awaits a pipeline connection. Two wells targeting Glen Rose reefs were wet and TXCO is now completing them in the Georgetown formation. Two additional wells targeting Glen Rose reefs also were wet and are shut in pending evaluation for re-completion to the Georgetown. At Aug. 31, net Glen Rose reef production was 1.7 MMcfd and 22 BOPD, not including the Burr 1-56 which is shut in awaiting a pipeline connection.

TXCO has spudded two Glen Rose shoal wells thus far in the third quarter. The Chittim 2-159H (47% WI) flow tested at rates as high as 2.2 MMcfd on a 20/64-inch choke with 875 psi flowing tubing pressure from the C shoal. The well went on production Aug. 31, flowing 1.5 MMcfd. Drilling continues on the second shoal well. Net Glen Rose shoal production at the end of August stood at 4.3 MMcfd and 13 BOPD.

Georgetown

TXCO has spudded two new Georgetown wells on the Comanche lease in the third quarter to date. One Comanche well awaits completion while drilling continues on the other. In addition, the Company is re-completing two recently drilled, vertical Glen Rose reef wells on the Burr lease by drilling horizontal laterals to test the Georgetown interval. The Burr 1-231.5 (100% WI) flow tested at rates as high as 1.8 MMcfd on an 18/64-inch choke with 950 psi flowing tubing pressure from the Georgetown. The well awaits a pipeline connection, while completion continues on the second well.

To date, TXCO has spudded 17 of 25 new Georgetown wells projected for 2004 – the largest share of the Company's drilling program this year. Net Georgetown production at Aug. 31 stood at 3.9 MMcfd and 230 BOPD with production from two wells temporarily curtailed due to pipeline capacity restraints.

Other Plays

Oil production from TXCO's Pena Creek unit (100% WI) has returned to approximately 400 BOPD following completion of six new San Miguel wells and continuation of a water injection optimization program. Severe weather and flooding hampered Pena Creek production earlier in the year. All 10 San Miguel Pena Creek wells drilled this year have been successfully drilled with four awaiting completion.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin of Southwest Texas. Headquartered in San Antonio, TXCO is celebrating its 25th anniversary. The Company has a consistent record of long-term growth in its proved oil and gas reserves, leasehold acreage position, production and cash flow through its established exploration and development programs. Its business strategy is to build shareholder value by acquiring 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 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended June 30, 2004. 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, Sept. 24, 2004

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THE EXPLORATION COMPANY TO WEBCAST
IPAA INVESTMENT SYMPOSIUM PRESENTATION

SAN ANTONIO – Sept. 24, 2004 – The Exploration Company (Nasdaq:TXCO) will update investors and analysts on its Maverick Basin growth strategy at the Independent Petroleum Association of America's Oil & Gas Investment Symposium West, set for Sept. 27-29 in San Francisco.

Vice President-Capital Markets Roberto R. Thomae will give a 20-minute presentation scheduled to start at 1:10 p.m. PDT (4:10 p.m. EDT) Tuesday, Sept. 28. Audio will be available on TXCO's Web site at www.txco.com/presentation.html, approximately one hour after the presentation. Slides to be used are available now on the same Web page.

IPAA's 2nd annual OGIS West 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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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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended June 30, 2004. These and all previously filed documents are on file at the Securities and Exchange Commission and can be viewed on TXCO's Web site at www.txco.com. Copies are available without charge upon request from the Company.



For Immediate Release
Wednesday, October 6, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES OIL AND GAS PRODUCTION HEDGES

SAN ANTONIO – Oct. 6, 2004 – The Exploration Company (Nasdaq:TXCO) announced today it has hedged a portion of its oil and gas production for the coming year.

The Company entered into financial price hedges for 15,000 barrels of oil per month and 140,000 MMBtu per month of gas through October 2005. Macquarie Bank Ltd. serves as counter party under the agreement. The hedges put into place are ratio swaps, which give TXCO floor prices of \$39.10 per barrel for West Texas Intermediate and \$5.37 per MMBtu on a basis adjusted to Houston Ship Channel prices. The ratio swaps allow the Company to participate in 75 percent of potential upside price movement above the floor levels.

“These ratio swaps are consistent with our credit facility and provide us with downside price protection on approximately 40 percent of our current production if oil and gas prices fall while we retain 75 percent of the potentially higher commodity prices and cash flow if prices continue to move higher,” said President and CEO James E. Sigmon. “Thanks to our active drilling program, we believe the Company’s oil and gas production and reserves will continue to rise in the coming months, allowing us to further participate in the current, strong price environment.”

The Macquarie Group is a diversified international provider of specialist trading, investment banking and financial services, with over 6,000 people in 23 countries. The Macquarie Group comprises Macquarie Bank Ltd., a publicly listed company authorized under the Banking Act 1959 (Cth) to conduct banking business in Australia, and its worldwide affiliated entities. At March 31, 2004, Macquarie Bank Ltd. had total assets of \$US33.4 billion and credit ratings of P1/A2 (Moody’s), A1/A (Standard & Poor’s) and F1/A+ (Fitch).

About The Exploration Company

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– More –

Forward-Looking Statements

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For Immediate Release
Thursday, November 4, 2004

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NEWS RELEASE

**THE EXPLORATION COMPANY UPDATES MAVERICK BASIN OPERATIONS;
 PRODUCTION UP 5.4% IN THIRD QUARTER FROM PRIOR-YEAR PERIOD**

SAN ANTONIO – November 4, 2004 – The Exploration Company (Nasdaq:TXCO) today provided an operations update on its 554,000-acre lease block in the Maverick Basin of Southwest Texas.

TXCO's estimated, third-quarter net production rose to 1.297 billion cubic feet equivalent (Bcfe), up 5.4% from 1.23 Bcfe in the prior-year quarter. Gas output increased 69.8% from third-quarter 2003, more than offsetting an oil production decline of 35.1%. For the first nine months of 2004, cumulative net production was 3.6 Bcfe, essentially equivalent to production in the prior-year period. Increased gas output offset lower oil production. Quarterly and year-to-date production was negatively impacted by severe weather, a key operating partner's drilling curtailment and limited rig availability.

TXCO Cumulative Production Volumes						
	3Q 2004	3Q 2003	%Change	9 Mos. 2004	9 Mos. 2003	%Change
Natural gas/MMcf	807	475	+69.8%	2,228	1,522	+46.4%
Oil/Bbls	81,602	125,778	-35.1%	228,751	347,951	-34.3%
Natural Gas Equivalent/MMcfe	1,297	1,230	+5.4%	3,601	3,610	-0.3%
Barrels Oil Equivalent/BOE	216,085	205,000	+5.4%	600,163	601,693	-0.3%

The Company exited third-quarter 2004 producing 1,296 barrels of oil per day (BOPD) and 9.6 million cubic feet per day (MMcfd), a combined 17.4 million cubic feet equivalent per day (MMcfe), 25 percent above its Sept. 30, 2003, exit rate of 13.9 MMcfe and 15 percent over its June 30, 2004, exit rate of 15.1 MMcfe. At Oct. 31, TXCO's net daily production had increased an additional 14.4 percent since Sept. 30 to 19.9 MMcfe as wells completed in the third quarter were placed on production.

Through late October, TXCO had spudded 56 new wells plus seven re-entries this year in the Maverick Basin – its second-largest annual drilling program ever.

– More –

“We’re pleased that TXCO’s production is now right at the 20 million cubic feet equivalent per day we projected, the positive result of our drilling program in the third quarter,” said President and CEO James E. Sigmon. “The quarter would have been even stronger had it not been for record rains and continuing pipeline hookup delays that kept us from realizing the full benefit of that drilling sooner. We continue to expect higher production levels and record reserves by year end.” The annual hunting season drilling moratorium on certain leases begins this week and extends into January 2005.

Current drilling and operating highlights include:

Glen Rose

For 2004, TXCO has spudded 18 of 28 planned wells, plus three re-entries, targeting multiple Glen Rose plays. Net Glen Rose production at Oct. 31 stood at 629 BOPD and 6.0 MMcfd.

In the Glen Rose porosity oil play, the Comanche 2-14H (50 percent working interest) went on production in late October, flowing approximately 500 BOPD and no water on a 10/64-inch choke with 705 pounds per square inch (psi) flowing tubing pressure. Meanwhile, the Comanche 2-39H (50% WI) continued to flow 370 BOPD in late October and has produced water-free oil since it began production in August. Both wells were drilled using a new technique in which the horizontal wellbore parallels fractures within the formation, minimizing water intrusion from a separate, lower zone.

In the Glen Rose reef play, TXCO placed the Burr C 1-56 (100% WI) on production in late October flowing 1.2 MMcfd. Weather and pipeline construction delays postponed the start of production since the well’s completion in the third quarter. Meanwhile, three wells originally targeting Glen Rose reefs, which proved wet, have been successfully completed as horizontal Georgetown wells.

Georgetown

For 2004, TXCO has spudded 23 of 28 planned new Georgetown wells in addition to the three Georgetown completions originally targeting Glen Rose reefs. Net Georgetown production at Oct. 31 stood at 5.1 MMcfd and 254 BOPD.

Fifteen Georgetown wells were drilled on the southern portion of TXCO’s acreage block in 2004 year to date, including five spud in the third quarter. Of these, nine have been placed on production, five are in progress or awaiting completion while one had a mechanical failure. The Comanche W 1-2H (50% WI) flow tested from the Georgetown formation at rates as high as 1.4 MMcfd and 15 BOPD on a 12/64-inch choke with 1,840 psi flowing tubing pressure. The well went on production in late October at 1.0 MMcfd.

On the northern portion of the Company’s acreage block, eight Georgetown wells were drilled year to date, including one spud in the third quarter and three in October. Of these, one is producing, two await completion, one is drilling while four are shut in pending further evaluation.

As to the three former Glen Rose reef wells, the Burr C 1-231.5H (100% WI) was placed on production in October flowing 860 thousand cubic feet per day (Mcf). The Burr C 1-53H, (100% WI) went on production in early October pumping 157 BOPD. The Burr C 1-60 (100% WI) was placed on production in early November pumping 161 BOPD. In the Glen Rose shoal play, the Chittim 1-131H, (52% WI) went on production in late October at 825 Mcfd.

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Other Plays

The Company has drilled 13 San Miguel oil wells this year, including 10 wells budgeted for its Pena Creek project. TXCO spudded three wells on its Comanche lease to test a new area in the San Miguel formation. Both wells were fracture stimulated and placed on pump as testing continues. Separately, the Farias 1-108 flowtested gas at rates as high as 237 Mcfd from the San Miguel following a workover.

The Taylor 132-1 well (97.5% WI) is flowing to sales through a temporary connection from Pearsall perforations following fracture stimulation. The well has been producing 200 Mcfd while it continues to flow back fracture treatment fluids. Further testing continues.

In the Olmos/coalbed methane (CBM) play (100% WI), mechanical difficulties delayed horizontal re-completion attempts in two CBM dewatering wells using multiple short-radius lateral (MSRL) technology. Design engineers are working to refine the MSRL tool design. The horizontal drilling technique could significantly increase dewatering volumes and associated CBM gas production. At the end of October, TXCO was producing 145 Mcfd from 36 CBM dewatering wells.

Earnings Announcement

TXCO plans to release its third-quarter and year-to-date earnings statement on or before Nov. 8, 2004, and expects to release selected 2005 guidance in December.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin of Southwest Texas. Headquartered in San Antonio, TXCO is celebrating its 25th anniversary. The Company has a consistent record of long-term growth in its proved oil and gas reserves, leasehold acreage position, production and cash flow through its established exploration and development programs. Its business strategy is to build shareholder value by acquiring 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

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For Immediate Release
Monday, November 8, 2004

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NEWS RELEASE

THE EXPLORATION COMPANY REPORTS EARNINGS; CASH FLOWS, REVENUES, ASSETS SET RECORDS

SAN ANTONIO – Nov. 8, 2004 – The Exploration Company (Nasdaq:TXCO) today reported improved financial results for the third quarter and first nine months of 2004.

TXCO's net income in the third quarter was \$599,820, substantially above the \$58,466 reported by the Company for the third quarter of 2003. On a per-share basis, earnings rose to \$0.021 from a fractional \$0.003 in the prior-year period. Adjusted for a one-time, non-cash compensation charge of \$237,333 for changes on a stock option and warrant, earnings per share on a pro forma basis would have been \$0.029 per share for the quarter. All per-share amounts are on a fully diluted basis. Income from operations was \$1.3 million, more than triple the \$437,465 reported in the third quarter of 2003. Total quarterly revenues rose to a record \$15.3 million, 63 percent higher than the \$9.4 million reported for the year-earlier quarter. At Sept. 30, the Company's assets were a record \$106 million, up 26 percent from \$84.2 million at Sept. 30, 2003.

For the first nine months of 2004, TXCO's net income was \$1.0 million, a 31 percent increase from \$792,589 recorded in the same period of 2003. On a per-share basis year to date, earnings rose to \$0.040 from \$0.038 a year earlier. Adjusted for the same, one-time charge that impacted the quarter, earnings per share on a pro forma basis would have been \$0.049 per share. The Company's revenues were a record \$41.3 million, a 46 percent increase from \$28.4 million for January-September 2003. Income from operations for this year's first nine months was approximately \$3.3 million, more than double the \$1.5 million of the 2003 period.

Gas production, commodity prices and gas gathering revenues were higher than in the year-earlier periods, offset partially by lower oil production. Exploration, lease operating and gas gathering expenses were higher while impairment and abandonment expenses declined. The Company exited the third quarter of 2004 producing 17.4 million cubic feet of gas equivalent per day (MMcfed), which further increased 14.4 percent to 19.9 MMcfed at Oct. 31.

– More –

For the first nine months of this year, net cash provided by operating activities was a record \$15.4 million, compared with \$11.3 million for the comparable 2003 period. Ebitdax – earnings before income taxes, interest, depreciation, depletion, amortization, impairment, abandonment and exploration expense – was \$13.7 million in the nine-month period this year, a 24 percent increase from \$11.1 million a year earlier. Ebitda – Ebitdax less exploration expense – rose 25 percent to \$12.3 million from \$9.8 million in January-September 2003. See the Company's Web site at www.txco.com for a reconciliation of non-GAAP financial measures.

Management's Perspective

"We had an excellent third quarter," said P. Mark Stark, vice president, treasurer and CFO. "We are particularly encouraged by these strong financial results in light of the new capital structure put in place just over a year ago during the third quarter of 2003.

"With our comparatively low debt, efficient cost structure and the upside potential in the ratio swap hedging agreement we recently put in place, TXCO should be able to take full financial advantage of our growing production and reserves," Stark added. "Further affirming our production and reserve growth was the significant increase in the borrowing base of the Company's senior credit facility. Coupled with the hedges put in place in early October, our borrowing base has now risen to \$20.75 million from \$12.3 million. We were hopeful to get this increase finalized prior to the end of the third quarter but it took longer than we anticipated. This will certainly make our balance sheet look better going forward."

About The Exploration Company

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(Financial Information and Selected Operational Tables Follow)

The following tables should be read in conjunction with the Company's latest audited consolidated financial statements and notes thereto, as reported in its Form 10-K for the year ended Dec. 31, 2003.

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2004	December 31, 2003
Assets		
Current Assets		
Cash and equivalents	\$ 4,841,420	\$ 6,180,560
Accounts receivable, net	6,733,357	4,837,965
Prepaid expenses	1,518,055	718,853
Total Current Assets	13,092,832	11,737,378
Property and Equipment , net - successful efforts method of accounting for oil and gas properties	86,559,878	66,155,827
Other Assets		
Deferred tax asset	5,232,718	5,232,718
Other assets	1,102,242	1,080,290
Total Other Assets	6,334,960	6,313,008
Total Assets	\$105,987,670	\$84,206,213

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2004	December 31, 2003
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 13,237,844	\$ 8,186,705
Other payables and accrued liabilities	4,903,512	3,709,016
Undistributed revenue	1,298,208	416,399
Current portion of long-term debt	1,604,340	1,752,286
Total Current Liabilities	21,043,904	14,064,406
Long-term Liabilities		
Long-term debt, net of current portion	8,561,276	15,425,598
Redeemable preferred stock, Series B (redemption value - \$16 million)	10,766,056	10,135,335
Accrued dividends - preferred stock	177,729	57,732
Asset retirement obligation	1,648,600	1,537,600
Total Long-Term Liabilities	21,153,661	27,156,265
Minority Interest in Consolidated Subsidiaries	-	193,441
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 28,073,863 and 22,242,849 shares, outstanding 27,974,063 and 22,143,049 shares	280,738	222,428
Additional paid-in capital	83,874,670	63,976,021
Accumulated deficit	(20,119,296)	(21,160,341)
Less treasury stock, at cost, 99,800 shares	(246,007)	(246,007)
Total Stockholders' Equity	63,790,105	42,792,101
Total Liabilities and Stockholders' Equity	\$105,987,670	\$84,206,213

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Revenues		
Oil and gas sales	\$ 7,846,365	\$6,027,088
Gas gathering operations	7,464,545	3,364,162
Other operating income	6,120	2,631
Total Revenues	15,317,030	9,393,881
Costs and Expenses		
Lease operations	1,242,615	1,158,760
Production taxes	446,183	348,225
Exploration expenses	696,430	292,928
Impairment and abandonments	579,968	641,725
Gas gathering operations	7,030,025	3,309,515
Depreciation, depletion and amortization	2,562,483	2,214,530
General and administrative	1,429,527	990,733
Total Costs and Expenses	13,987,231	8,956,416
Income from Operations	1,329,799	437,465
Other Income (Expense)		
Interest income	8,313	10,754
Interest expense	(679,010)	(403,296)
Loan fee amortization	(9,486)	(4,401)
Total Other Income (Expense)	(680,183)	(396,943)
Income before income taxes and minority interest	649,616	40,522
Minority interest in income of subsidiaries	(3,094)	17,944
Income before income taxes	646,522	58,466
Income tax expense	(46,702)	-
Net Income	\$ 599,820	\$ 58,466
Earnings Per Share		
Basic earnings per share	\$0.022	\$0.003
Diluted earnings per share	\$0.021	\$0.003

THE EXPLORATION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues		
Oil and gas sales	\$20,957,990	\$18,484,022
Gas gathering operations	20,340,020	9,863,948
Other operating income	10,926	2,553
Total Revenues	41,308,936	28,350,523
Costs and Expenses		
Lease operations	3,918,242	3,211,075
Production taxes	1,288,423	1,151,498
Exploration expenses	1,446,212	1,294,529
Impairment and abandonments	1,613,768	1,517,875
Gas gathering operations	18,964,695	10,324,076
Depreciation, depletion and amortization	7,334,923	6,708,998
General and administrative	3,462,188	2,621,636
Total Costs and Expenses	38,028,451	26,829,687
Income from Operations	3,280,485	1,520,836
Other Income (Expense)		
Interest income	27,724	21,314
Interest expense	(2,136,913)	(666,576)
Loan fee amortization	(68,437)	(13,203)
Total Other Income (Expense)	(2,177,626)	(658,465)
Income before income taxes, minority interest and cumulative effect of change in accounting principle	1,102,859	862,371
Minority interest in income of subsidiaries	34,889	54,218
Income before income taxes and cumulative effect of change in accounting principle	1,137,748	916,589
Income tax expense	(96,702)	(50,000)
Cumulative effect of change in accounting principle, net of tax	-	(74,000)
Net Income	\$ 1,041,046	\$ 792,589
Earnings Per Share		
Basic earnings before cumulative effect of change in accounting principle	\$0.041	\$0.043
Cumulative effect of change in accounting principle	-	(0.004)
Basic earnings per share	\$0.041	\$0.039
Diluted earnings before cumulative effect of change in accounting principle	\$0.040	\$0.041
Cumulative effect of change in accounting principle	-	(0.003)
Diluted earnings per share	\$0.040	\$0.038

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

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Operating Activities		
Net income	\$1,041,046	\$ 792,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	7,334,923	6,708,998
Impairment and abandonments	1,613,768	1,517,875
Minority interest in income of subsidiaries	(34,889)	(54,218)
Cumulative effect of change in accounting principle	-	74,000
Non-cash compensation expense on stock options and warrants	237,333	-
Non-cash interest expense and accretion of liability - redeemable preferred stock	750,722	255,594
Net cash provided by operating activities, before changes in operating assets and liabilities	10,942,903	9,294,838
Changes in operating assets and liabilities:		
Receivables	(1,895,392)	(1,498,444)
Prepaid expenses and other	(799,202)	(507,187)
Accounts payable and accrued expenses	7,127,440	3,966,382
Net cash provided by operating activities	15,375,749	11,255,589
Investing Activities		
Development and purchases of oil and gas properties	(27,807,179)	(27,781,230)
Purchase of other equipment	(220,890)	(354,122)
Net changes in minority interests	(158,552)	77,865
Net cash used by investing activities	(28,186,621)	(28,057,487)
Financing Activities		
Issuance of redeemable preferred stock, net of offering costs	-	9,170,632
Proceeds from issuance of common stock, net of expenses	18,484,000	5,819,679
Proceeds from long-term debt obligations	116,739	5,997,078
Payments on long-term debt obligations	(7,129,007)	(1,063,280)
Net cash provided by financing activities	11,471,732	19,924,109
Change in Cash and Equivalents	(1,339,140)	3,122,211
Cash and equivalents at beginning of period	6,180,560	2,333,688
Cash and Equivalents at End of Period	\$4,841,420	\$ 5,455,899

THE EXPLORATION COMPANY
SELECTED OPERATING DATA

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
Net cash provided in operating activities	\$ 10,148,094	\$ (50,574)	\$ 15,375,749	\$ 11,255,589
Ebitdax *	5,165,586	3,604,592	13,710,277	11,096,456
Ebitda *	4,469,156	3,311,664	12,264,065	9,801,927
Debt to asset ratio	24.7%	35.2%	24.7%	35.2%
Production				
Oil:				
Production, in barrels	81,602	125,778	228,751	347,951
Average sales price per barrel	\$ 40.61	\$ 27.83	\$ 35.84	\$ 28.18
Natural Gas:				
Production, in Mcf	806,895	475,331	2,228,471	1,522,452
Average sales price per Mcf	\$ 5.62	\$ 5.32	\$ 5.73	\$ 5.70
Equivalent Basis:				
Production in Boe	216,085	205,000	600,163	601,693
Average sales price per Boe	\$ 36.31	\$ 29.40	\$ 34.92	\$ 30.72
Production in Mcfe	1,296,507	1,229,999	3,600,977	3,610,158
Average sales price per Mcfe	\$ 6.05	\$ 4.90	\$ 5.82	\$ 5.12
Other Operating Data				
Total lifting costs	\$ 1,688,798	\$ 1,506,985	\$ 5,206,665	\$ 4,362,573
Lifting costs per Mcfe	\$ 1.30	\$ 1.23	\$ 1.45	\$ 1.21
Production volume - oil properties - barrels	74,829	124,969	211,289	340,138
Lifting costs-oil (Incl Prod & Sev Tax)	\$ 798,847	\$ 892,006	\$ 2,615,178	\$ 2,544,460
Lifting costs per Barrel	\$ 10.68	\$ 7.14	\$ 12.38	\$ 7.48
Production volume - gas properties - Mcf	793,433	473,287	2,201,677	1,515,055
Lifting costs-gas (Incl Prod & Sev Tax)	\$ 889,951	\$ 582,115	\$ 2,591,487	\$ 1,818,114
Lifting costs per Mcf	\$ 1.12	\$ 1.23	\$ 1.18	\$ 1.20
Production volume excluding CBM properties - Mcf	788,093	464,948	2,183,225	1,490,922
Lifting costs excluding CBM activities	\$ 742,427	\$ 430,412	\$ 2,232,511	\$ 1,455,297
Lifting costs per Mcf excluding CBM activities	\$ 0.94	\$ 0.93	\$ 1.02	\$ 0.98
Depletion cost per Boe	\$ 11.58	\$ 10.54	\$ 11.94	\$ 10.90
Depletion cost per Mcfe	\$ 1.93	\$ 1.76	\$ 1.99	\$ 1.82

* Please see TXCO's Web site at www.txco.com for a reconciliation of these non-GAAP financial measures.



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NEWS RELEASE

THE EXPLORATION COMPANY ANNOUNCES INITIAL 2005 CAPEX PLAN; ENGAGES RAYMOND JAMES & ASSOCIATES TO PURSUE STRATEGIC ALTERNATIVES

SAN ANTONIO – December 16, 2004 – The Exploration Company (Nasdaq:TXCO) today announced it has established its 2005 capital expenditure budget and hired Raymond James & Associates, Inc. to pursue strategic alternatives for the Company.

CAPEX

TXCO's board of directors has approved a CAPEX program for next year ranging from \$29 million to \$33 million. The budget continues the stepped-up drilling program TXCO began in 2003 and may expand, based on drilling results, operational developments, unanticipated transaction opportunities, market conditions, commodity price fluctuations and the availability of working capital. More than 90 percent of the initial \$29 million outlay will go for drilling 64 projected new wells and three re-entries.

"We have an abundance of prospects across our 554,000-acre Maverick Basin block and we want to ensure that we explore and develop this acreage in a manner that will yield the maximum value for our shareholders," said President and CEO James E. Sigmon. "The bulk of our 2005 CAPEX will focus on Georgetown and Glen Rose wells and will be financed through cash flow, in addition to further borrowings on our existing reserve-backed senior credit facility. This will allow us to maintain our traditional, conservative debt profile. Longer term, we want to assure our shareholders that we consider all of the strategic alternatives available to us."

The largest share of the initial drilling budget, \$18.8 million, will go to 43 proposed Georgetown gas and oil wells. The budget allocates \$5.3 million for 14 Glen Rose wells, including four new wells and three re-entries targeting the Glen Rose porosity oil play. In the Pena Creek Field, the budget sets aside \$2.9 million for 10 new vertical wells as the Company continues its successful San Miguel waterflood expansion. The budget also includes expenditures for a seismic survey on the Burr and Quemado leases and further improvements to the Pena Creek waterflood.

Raymond James

The Company has retained Raymond James to assist in actively pursuing strategic alternatives designed to enhance shareholder value, including a merger or sale of TXCO. No formal decisions have been made and no agreements have been reached at this time. There can be no assurances that any particular alternative will be pursued or that any transaction will occur, or on what terms.

– More –

“The Exploration Company is pleased to announce the engagement of Raymond James to assist the board of directors in pursuing strategic alternatives,” Sigmon said. “We have continued to demonstrate strong financial performance while growing production and increasing our base of proved reserves. While our track record has been strong, we are still at an early stage of development, considering our vast acreage position and prospect inventory. Accordingly, we are exploring all strategic alternatives to maximize value for our shareholders, including a merger or sale.”

Operations Update

“We have had a successful drilling program this year despite record rainfall that has slowed our Maverick Basin production and drilling operations significantly,” added Sigmon. “The area received double its average annual precipitation in 2004 with very heavy rains in October and November. Many of our lease roads and drilling locations have been left under water and impassable for days at a time, causing delays and curtailments in production.”

TXCO’s net production at Nov. 30 stood at approximately 1,169 barrels of oil per day and 10.6 million cubic feet per day, a combined rate of 17.6 million cubic feet equivalent per day (MMcfed) even though it was partially curtailed, up from 17.4 MMcfed per day at Sept. 30 and 17 percent above its June 30 exit rate of 15.1 MMcfed. TXCO believes that production will be over 20 MMcfed at yearend just by getting all existing wells on production. Through early December, TXCO had spudded 60 new wells plus nine re-entries – its second-largest annual drilling program ever.

About The Exploration Company

The Exploration Company is an independent oil and gas enterprise with interests primarily in the Maverick Basin of Southwest Texas. Headquartered in San Antonio, TXCO is celebrating its 25th anniversary. The Company has a consistent record of long-term growth in its proved oil and gas reserves, leasehold acreage position, production and cash flow through its established exploration and development programs. Its business strategy is to build shareholder value by acquiring 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 budget and drilling plans, strategic alternatives the Company may pursue if any, interest rates, capital expenditures, ongoing access to capital, oil and gas prices, production levels, 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 Dec. 31, 2003, and its Form 10-Q for the quarter and year-to-date period ended Sept. 30, 2004. 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.