

HOUSTON EXPLORATION CO
Form 11-K
June 29, 2004

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

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED DECEMBER 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

THE HOUSTON EXPLORATION COMPANY
401(k) PLAN & TRUST
(Full title of the Plan and address of the Plan,
if different from that of the issuer named below)

THE HOUSTON EXPLORATION COMPANY
1100 LOUISIANA STREET, SUITE 2000
HOUSTON, TEXAS 77002-5215
(713) 830-6800
(Name of issuer of securities held pursuant to the Plan
and address of its principal executive office)

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THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

| | |
|---|--|
| Report of Independent Registered Public Accounting Firm..... | |
| Statements of Net Assets Available for Benefits as of December 31, 2003 and 2002 | |
| Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2003 and 2002..... | |
| Notes to Plan Financial Statements..... | |
| Supplemental Schedule: Schedule H, Part IV, Line 4i - Schedule of Assets Held at End of Year December 31, 2003 and 2002..... | |

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Supplemental Schedule: Schedule H, Part IV, Line 4a - Non-Exempt Transactions
Supplemental Schedule: Schedule H, Part IV, Line 4j - Reportable Transactions
Index to Exhibits.....
Signatures.....

Note: All other schedules are omitted since they are not applicable or are not required based on the disclosure requirements of the Employee Retirement Income Security Act of 1974 and applicable regulations issued by the Department of Labor.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Houston Exploration Company:

We have audited the accompanying statements of net assets available for benefits of The Houston Exploration Company 401(k) Plan & Trust (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Houston, Texas
June 28, 2004

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2

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2003 AND 2002

| | DECEMBER 31, | |
|---|---------------|--------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Investments at fair market value: | \$ 9,983,704 | \$ 7,000,000 |
| Other assets at cost, which approximates fair market value: | | |
| Contributions receivable | 110,053 | |
| Participant loans | 311,011 | |
| | ----- | ----- |
| Total other assets at cost | 421,064 | |
| | ----- | ----- |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 10,404,768 | \$ 7,000,000 |
| | ===== | ===== |

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

3

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | YEAR ENDED DECEMBER 31, | |
|--|-------------------------|-------------|
| | 2003 | 2002 |
| | ----- | ----- |
| ADDITIONS: | | |
| Investment income gain (loss): | | |
| Interest, dividends and other realized gains (losses), net | \$ 168 | \$ 168 |
| Interest from participant loan repayments | 17,020 | |
| Net appreciation (depreciation) in market value of investments | 1,601,384 | (1,601,384) |
| | ----- | ----- |
| Total investment gain (loss) | 1,618,572 | (1,601,384) |
| Contributions: | | |
| Employee | 1,121,079 | |
| Employer | 1,117,471 | |
| Participant rollovers | 2,162 | |
| | ----- | ----- |
| Total contributions | 2,240,712 | 1,117,471 |
| | ----- | ----- |
| TOTAL ADDITIONS | 3,859,284 | (483,913) |

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DEDUCTIONS:

| | | |
|--|---------------|-------|
| Benefits paid to participants | 730,993 | |
| Participant loan defaults and other adjustments | 18,775 | |
| Administrative expenses | 1,920 | |
| | ----- | ----- |
| TOTAL DEDUCTIONS | 751,688 | |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | 3,107,596 | |
| NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR | 7,297,172 | 7 |
| | ----- | ----- |
| NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR | \$ 10,404,768 | \$ 7 |
| | ===== | ===== |

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

4

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
NOTES TO THE PLAN FINANCIAL STATEMENTS

NOTE 1 -- DESCRIPTION OF THE PLAN

The Houston Exploration Company 401(k) Plan & Trust (the "Plan") is a tax-qualified defined contribution plan. Contributions are made by employees and matched by The Houston Exploration Company (the "Company" or "Houston Exploration"). The following description of the Plan provides only general information of Plan provisions during the years ended December 31, 2003 and 2002. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Participation in the Plan is voluntary. All employees of the Company become eligible to participate in the Plan upon reaching 21 years of age and completing one month of service. Plan entry dates are the first of each calendar quarter or January 1st, April 1st, July 1st, and October 1st. Participants may elect to reduce their gross compensation by any percentage amount between 1% and 12.5% and have this amount deposited into the Plan as pre-tax contributions. In accordance with Internal Revenue Service ("IRS") guidelines, employee contributions were limited to \$12,000 and \$11,000, respectively, for the years ended December 31, 2003 and 2002.

Beginning in 2002, the limit on elective deferrals by employees increases by \$1,000 each year until the limit reaches \$15,000 in 2006. After 2006, the limit will be subject to cost-of-living increases. In addition, also beginning in 2002, Plan participants who are age 50 or over at the end of the calendar year are permitted to make a catch-up contribution. The catch-up contribution for was \$2,000 for 2003 and \$1,000 for 2002. The catch-up contribution increases by \$1,000 each year until it reaches \$5,000 in 2006. The catch-up contribution cannot exceed the lesser of the catch-up contribution limit or the excess of the participant's compensation over the elective deferrals that are not catch-up contributions.

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The Company may, at its discretion, make certain matching contributions based on employee contributions. During 2003 and 2002, the Company elected to match 100% of employee contributions up to a maximum of 12.5%. In order for the Plan to satisfy various nondiscrimination tests required under applicable Federal regulations, certain employees designated as highly compensated employees under Internal Revenue Code may be limited, from time to time, in the amount they may contribute to the Plan. For any Plan participant, total annual contributions (the sum of employee plus employer contributions) may not exceed the lesser of \$40,000 or 100% participant compensation for both 2003 and 2002.

Participants are fully vested in their contributions at the time the contributions are made. Participants commence vesting in the Company's contributions and any earnings thereon, upon completion of one year of service at the rate of 20% per year and become fully vested upon completion of their fifth year of service. Death or disability of a participating employee results in immediate full vesting of Company matching contributions. If employment is terminated for reasons other than death or disability unvested participant account balances are forfeited back to the Plan. Forfeitures of employer's matching contributions can be used by the Plan to reduce future employer contributions. Forfeitures totaled \$7,671 and \$13,825, respectively during 2003 and 2002, none of which were used to reduce the Company's match.

Funds are available for withdrawal or distribution from the Plan at retirement (defined by the Plan as age 65), death, disability, hardship (as defined by the IRS) or termination of employment with the Company. Distributions prior to age 59 1/2 may be subject to an early withdrawal penalty imposed by the IRS of 10% in addition to Federal withholding tax required on the distributed funds. Participants are permitted to rollover 401(k) money from previous employer plans and employees leaving the Company have the option to rollover Plan money into an Individual Retirement Account ("IRA").

Participant loans are permitted in accordance with the loan provisions in the Plan document. A participant may borrow up to 50% of their vested account balance not to exceed a maximum of \$50,000. The minimum loan amount is \$1,000. The interest rate charged on participant loans is commensurate with the prevailing interest rate charged on similar commercial loans. Loans are repaid through payroll deductions. Upon termination of employment, the participant may either repay any outstanding loan balance in full or incur a tax liability on the unpaid balance.

5

It is the intention of the Company that the Plan will continue, although the Plan may be amended or discontinued at any time subject to the provisions of ERISA. In the event the Plan is terminated, Plan assets and income will be distributed (after payment of Plan expenses) exclusively to active and retired participants.

Plan assets are invested in an unallocated group annuity contract with ING Life Insurance and Annuity Company ("ILIAC"). ILIAC uses two investment vehicles for Plan funds:

- o an allocated annuity contract which is referred to as a "General or Fixed Account"; and
- o a "Separate Variable Annuity Account D" which is a pooled separate account established under Connecticut State Insurance law.

Funds held in the General Account earn interest at market rates and funds held in the Separate Variable Annuity Account D are invested in various mutual funds. ILIAC is the principal insurance company in the ING Financial Services ("ING") group of companies controlled by the ING Group ("ING").

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Various mutual funds, both third party funds and funds owned and controlled by ING, together with Houston Exploration common stock, are available as investment options for Plan contributions. ING purchases shares of the various mutual funds or common stock and depending on the investment vehicle selected, ING will fund the investment acquisition through ILIAC's general account or through ILIAC's pooled separate account D. Plan participants individually direct the investment of both their contributions and their share of the Company's matching contributions. See Note 7 -- Investments, for discussion of realized and unrealized gains and losses on Plan assets.

NOTE 2 -- PLAN SPONSOR, ADMINISTRATOR AND TRUSTEE

Houston Exploration is the Plan Sponsor and Administrator. Houston Exploration contracts with a third party, a "Third Party Administrator", to provide various accounting and record keeping services for the Plan. ING serves as the Plan custodian as the Plan's assets are invested in ILIAC's allocated annuity contract and its variable annuity separate account D. ING National Trust is the Plan's trustee and is the Plan's third party administrator providing all accounting and record keeping services for the Plan. ING Investment Services, LLC is the Plan's broker to provide brokerage services. With the exception of brokerage fees, which are built into the unit cost of a fund, all expenses of administering the Plan are paid by Houston Exploration. See Note 8 - Subsequent Events for discussion of change in trustee and third party administrator on January 1, 2004 pursuant to the January 1, 2004 adoption of a new plan agreement.

NOTE 3 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The accounting records of the Plan are maintained on a cash basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Investment Valuation. Investments in the mutual funds are reported at fair market value as determined by the unit value reported by ING. Participant loans are stated at fair value. Investments in Houston Exploration common stock are valued at a quoted market price. Any other assets are reported at cost, which in the opinion of management approximates fair value.

NOTE 4 -- FEDERAL INCOME TAXES

The IRS issued a determination letter, dated November 7, 2001, stating that the Plan, as designed, meets the requirements of Section 401 (a) of the Internal Revenue Code and was exempt from taxation. The Plan Administrator believes the Plan continues to operate in accordance with IRS regulations and therefore continues to be tax-exempt.

6

NOTE 5 -- RELATED PARTIES

During 2003 and 2002, the Plan had a total of 20 investment options that included the follow

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- o 10 funds controlled by ING Financial Services;
- o nine third party mutual funds; and
- o the common stock of Houston Exploration, the Plan Sponsor and Administrator.

NOTE 6 -- OTHER INFORMATION

Prohibited Transactions. As required by ERISA Section 2510.3-102, the Houston Exploration is required to segregate employee contributions to the Plan from its general assets as soon as practicable, but in no event more than 15 business days following the end of the month in which amounts are withheld from wages. Due to the change in Plan administrator from ING to MFS during the fourth quarter of 2003 (see Note 8 - Subsequent Events), contributions from the November 30, 2003 payroll were not able to be transferred to and accepted by the new Third Party Plan Administrator (MFS) until December 30, 2003, which exceeded the 15 business day limitation by 7 business days. Total contributions and loan repayments for the November 30, 2003 pay period were \$60,160, of which \$28,780 represented employee contributions, \$27,681 represented the Company's matching contributions and \$3,699 represented loan repayments. Contributions for this pay period are considered a prohibited transaction. The Company made an interest payment of \$2,587 to compensate the Plan for lost investment earnings relating to this prohibited transaction. There were no prohibited transactions during 2002.

The Plan had no lease commitments or leases in default and no loans or fixed income obligations in default, as defined by ERISA Section 2520.103(b)(3)(E) for the years ended December 31, 2003 and 2002.

NOTE 7 -- INVESTMENTS

The fair market value of individual investments that represent 5% or more of the Plan's total net assets as of December 31, 2003 and 2002:

| | DECEMBER 31, | |
|--|---------------|--------|
| | 2003 | 2002 |
| | ----- | |
| ING non-interest bearing cash (see Note 8) | \$ 9,983,704 | \$ |
| ING Fixed Account | - | 2,5 |
| Fidelity VIP Growth Portfolio | - | 1,2 |
| ING Growth and Income VP | - | 6 |
| Fidelity VIP Equity-Income Portfolio | - | 6 |
| ING Money Market VP | - | 4 |
| | ----- | |
| Total comprising 5% or more of total Plan assets | 9,983,704 | 5,5 |
| All other Plan assets as a group | 421,064 | 1,7 |
| | ----- | |
| Total Plan assets | \$ 10,404,768 | \$ 7,2 |
| | ===== | |

For the year ended December 31, 2003, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated in fair value by \$1,601,384. For the year ended December 31, 2002, the Plan's investments (including investments bought, sold, as well as held during the year) depreciated in fair value by \$1,160,663.

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There are no dividends or realized and unrealized gains with respect to separate account units of participation. Dividends and realized and unrealized gains and losses for the underlying funds are factored into the value of the separate account funds. The value of the separate account unit of participation is determined by dividing the total value of the separate account by the total number of units of participation held by the plans invested in the separate account. The value of the separate account includes the dividends earned and any realized or unrealized gains or losses associated with the underlying investments. The table below provides the change in fair value during the respective year for each of the Plan's investment vehicles. The net appreciation or (depreciation) in fair value includes both realized and unrealized gains.

7

| | Year Ended December 31 | 2003 | 2002 |
|--|-------------------------------|-----------|---------------|
| | ----- | | |
| | Change in Value during Period | | |
| (1) General Account: | | | |
| ING Fixed Account | \$ | 228,507 | \$ 111,000 |
| (2) Pooled Separate Accounts: | | | |
| ING Growth and Income VP | | 164,087 | (259,000) |
| ING Money Market VP | | 1,186 | 3,000 |
| ING Bond VP | | 14,041 | 9,000 |
| ING Balanced Fund | | 55,190 | (13,000) |
| ING Ascent | | 1,280 | (1,000) |
| ING Crossroads | | 2,891 | (2,000) |
| ING Index Plus Large Cap VP | | 43,419 | (19,000) |
| ING Value Opportunity VP | | 47,423 | (29,000) |
| ING Index Plus Mid Cap VP | | 61,704 | (11,000) |
| JP Morgan Fleming International Portfolio | | 30,119 | (43,000) |
| ING Salomon Brothers Aggressive Growth Portfolio | | 80,050 | (148,000) |
| MFS Capital Opportunities | | 15,118 | (9,000) |
| Fidelity VIP Overseas Portfolio | | 45,088 | (22,000) |
| Fidelity VIP Equity-Income Portfolio | | 242,002 | (128,000) |
| Fidelity VIP Growth Portfolio | | 426,973 | (522,000) |
| Janus Aspen Growth | | 23,077 | (15,000) |
| Janus Aspen Aggressive Growth | | 48,405 | (21,000) |
| Janus Aspen Worldwide Growth | | 36,288 | (27,000) |
| Houston Exploration common stock | | 34,536 | (10,000) |
| Net appreciation (depreciation) in Plan assets | \$ | 1,601,384 | \$(1,160,000) |
| | | ===== | ===== |

(1) General Account investment vehicle is the ING Fixed Account and is made available through an annuity contract issued by ILIAC. Amounts allocated to the Fixed Account are held in ILIACS general account, which supports insurance and annuity obligations. Investments are guaranteed a minimum interest rate for the life of the contract.

(2) Pooled Separate Accounts represent investments in mutual funds. As denoted by the name of the fund, each utilizes various strategies by pooling stocks, bonds and other securities to achieve separate investment objectives and employing different levels of risk.

NOTE 8 -- SUBSEQUENT EVENTS

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Effective January 1, 2004, Houston Exploration adopted a new Plan agreement with MFS Retirement Services, Inc., a division of Massachusetts Financial Services ("MFS"). All of the terms and conditions of the new Plan agreement with MFS are substantially the same as the previous agreement with ING, with the exception of the investment option of Houston Exploration company stock that was discontinued with the adoption of the new Plan. In conjunction with the adoption of the new Plan agreement with MFS, the Company entered into a new trustee agreement with MFS Heritage Trust Company and a new Third Party Administrator agreement with MFS Corporate Plan Services. At December 31, 2003, all Plan assets held at ING were converted to cash in preparation for the transfer to MFS on January 2, 2004. Participant fund balances were "mapped" from ING funds to new MFS funds and investments in Houston Exploration common stock were liquidated and reallocated among various other Plan investment options prior to transfer. Plan assets transferred from ING to MFS on January 2, 2004 totaled \$10,294,715 that included \$9,983,704 in cash and \$311,011 in participant loans. At December 31, 2003, MFS held Plan assets comprised of contributions from the Company's November 30 and December 31, 2003 payroll totaling \$109,883 plus \$170 in interest and dividends totaling \$110,053.

8

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
IRS FORM 5500 - SCHEDULE H, PART IV, LINE 4I

SCHEDULE OF ASSETS HELD AT END OF YEAR
DECEMBER 31, 2003 AND 2002

| ISSUER, BORROWER, LESSOR OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT | UNITS/SHARES DECEMBER 31, | | |
|--|---|------------------------------|--------|----|
| | | 2003 | 2002 | |
| (1) ING | ING non-interest bearing cash account | - | - | \$ |
| (2) ING | ING Fixed Account | - | -- | |
| (2) ING | ING Growth and Income VP | - | 44,801 | |
| (2) ING | ING Money Market VP | - | 28,093 | |
| (2) ING | ING Bond VP | - | 10,724 | |
| (2) ING | ING Balanced Fund | - | 13,393 | |
| (2) ING | ING Ascent | - | 262 | |
| (2) ING | ING Crossroads | - | 136 | |
| (2) ING | ING Index Plus Large Cap VP | - | 6,278 | |
| (2) ING | ING Value Opportunity VP | - | 8,004 | |
| (2) ING | ING Index Plus Mid Cap VP | - | 8,759 | |
| JP Morgan | JP Morgan Fleming International Portfolio | - | 10,382 | |
| Salomon Brothers | Salomon Brothers Aggressive Growth | - | 17,463 | |
| MFS Group | MFS Capital Opportunities | - | 2,960 | |
| Fidelity Investments | Fidelity VIP Overseas Portfolio | - | 7,756 | |
| Fidelity Investments | Fidelity VIP Equity-Income Portfolio | - | 31,626 | |
| Fidelity Investments | Fidelity VIP Growth Portfolio | - | 68,056 | |
| Janus Funds | Janus Aspen Growth | - | 3,334 | |
| Janus Funds | Janus Aspen MidCap Growth | - | 6,587 | |
| Janus Funds | Janus Aspen Worldwide Growth | - | 4,926 | |
| (2) Employer | Houston Exploration common stock | - | 5,979 | |

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| | | |
|----------|--|---|
| | Investments at fair market value | 9 |
| (3) MFS | Contributions held at MFS | |
| Employee | Participant Loans (rates between 5% - 11%) | |

Total Investments

\$ 10
=====

-
- (1) All investments that were held with ING during 2003 were liquidated to cash at December 31, 2003, immediately prior to the transfer of the Plan assets to MFS, the new Plan Administrator and Trustee. Plan assets were held in a non-interest bearing account at ING until transfer to MFS on January 2, 2004. See Note 8 - Subsequent Events.
 - (2) Represents a party in interest.
 - (3) Represents contributions made by the Company pursuant to the November 30th and December 31st payrolls during 2003 that were held by MFS prior to the January 1, 2004 adoption of a new Plan agreement and transfer of all Plan assets to MFS Retirement Services on January 2, 2004. See Note 8 - Subsequent Events.

9

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
IRS FORM 5500 - SCHEDULE H, PART IV, LINE 4A

SCHEDULE OF NON-EXEMPT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

| Party | Relationship to Plan | Description of Transaction | Transa |
|---------------------------------------|-----------------------------------|--|-------------|
| ----- | | | |
| The Houston Exploration Company | Plan Sponsor and Administrator | Failure to remit participant contributions and loan repayments withheld from the November 15, 2003 payroll within 15 business days of the month ending November 30, 2003 (1) | |
| | | Employee contributions | \$ |
| | | Loan repayments | |
| | | Transaction total | \$ ===== |

-
- (1) Due to the suspension of all Plan activity with ING on prior to the scheduled change in third party administrator and trustee from ING to MFS on January 1, 2004, contributions from the Company's November 15, 2003 payroll were not accepted by MFS, the new Plan administrator, until December 29, 2003, which exceeded the 15 business day requirement by seven business days. The Company made an interest payment of \$2,587 to the Plan to compensate the Plan for lost investment earnings relating to the late

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payment.

10

THE HOUSTON EXPLORATION COMPANY 401(k) PLAN & TRUST
IRS FORM 5500 - SCHEDULE H, PART IV, LINE 4J

SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

| Party | Relationship To Plan | Description of Assets/Fund | Selling Price per Share/Unit | Units Sold | Value of A on Transac Date |
|---------------------------------------|----------------------|--------------------------------------|------------------------------|------------|----------------------------|
| ING(1) | Plan Trustee | ING Fixed Account | \$ 17.6407 | 174,241 | \$ 3, |
| ING(1) | Plan Trustee | ING Growth and Income VP | \$ 18.6868 | 41,464 | |
| ING(1) | Plan Trustee | ING Money Market VP | \$ 14.5126 | 32,966 | |
| ING(1) | Plan Trustee | ING Bond VP | \$ 17.7062 | 16,340 | |
| ING(1) | Plan Trustee | ING Balanced Fund | \$ 23.0751 | 15,964 | |
| ING(1) | Plan Trustee | ING Ascent | \$ 17.7319 | 576 | |
| ING(1) | Plan Trustee | ING Crossroads | \$ 17.0507 | 3,650 | |
| ING(1) | Plan Trustee | ING Index Plus Large Cap VP | \$ 17.8017 | 14,874 | |
| ING(1) | Plan Trustee | ING Value Opportunity VP | \$ 17.2833 | 13,749 | |
| ING(1) | Plan Trustee | ING Index Plus Mid Cap VP | \$ 16.9381 | 20,051 | |
| ING(1) | Plan Trustee | JP Morgan Fleming International | \$ 15.6430 | 10,081 | |
| ING(1) | Plan Trustee | Salomon Brothers Aggressive Growth | \$ 16.1853 | 18,807 | |
| ING(1) | Plan Trustee | MFS Capital Opportunities | \$ 11.4016 | 7,531 | |
| ING(1) | Plan Trustee | Fidelity VIP Overseas Portfolio | \$ 14.4418 | 13,024 | |
| ING(1) | Plan Trustee | Fidelity VIP Equity-Income Portfolio | \$ 25.9159 | 39,177 | 1, |
| ING(1) | Plan Trustee | Fidelity VIP Growth Portfolio | \$ 23.6431 | 76,803 | 1, |
| ING(1) | Plan Trustee | Janus Aspen Growth | \$ 19.2524 | 5,852 | |
| ING(1) | Plan Trustee | Janus Aspen MidCap Growth | \$ 17.5923 | 13,786 | |
| ING(1) | Plan Trustee | Janus Aspen Worldwide Growth | \$ 23.1986 | 6,998 | |
| Total assets/funds liquidated to cash | | | | | \$ 9, ===== |

(1) Due to the pending change in Plan Trustee and Third Party Administrator together with the adoption of a new Plan agreement, effective January 1, 2004, all Plan assets held at ING (with the exception of Participant loans) were liquidated to cash on December 31, 2003 prior to the transfer of the Plan assets to the new Plan Trustee and Third Party Administrator, MFS, on January 2, 2004. See Note 8 - Subsequent Events.

11

INDEX TO EXHIBITS

| EXHIBIT | DESCRIPTION |
|---------|--------------------------------------|
| *23.1 | -- Consent of Deloitte & Touche LLP. |

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* Filed herewith.

12

SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities Exchange Act of 1934, The Houston Exploration Company has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HOUSTON EXPLORATION COMPANY
401(k) PLAN & TRUST

Dated: June 28, 2004

By: /s/ James F. Westmoreland

James F. Westmoreland
Plan Administrator

13