

MILLER PETROLEUM INC  
Form 10KSB  
August 13, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

---

**FORM 10-KSB**

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended April 30, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 033-02249-FW

**MILLER PETROLEUM, INC.**

(Name of Small Business Issuer in its Charter)

Tennessee  
(State or Other Jurisdiction of  
Incorporation or Organization)

62-1028629  
(I.R.S. Employer  
Identification No.)

3651 Baker Highway  
Huntsville, Tennessee 37756  
(Address of Principal Executive Offices)

(423) 663-9457  
(Issuer's Telephone Number, Including Area Code)

Securities Registered Under Section 12(b) of the Act: None

Securities Registered Under Section 12(g) of the Act: None

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The Issuer's revenues for the fiscal year ended April 30, 2008 were \$829,342.

The aggregate market value of the Common Stock held by non-affiliates, based on the average closing bid and asked price of the Common Stock on August 12, 2008 was \$3,149,468.

There are approximately 6,846,670 shares of common voting stock of the Registrant held by non-affiliates. On August 12, 2008 the average bid and asked price was \$0.46.

As of August 12, 2008, there were 14,566,856 shares of common stock outstanding.

Transitional Small Business Disclosure Format: Yes  No

---

## Forward-Looking Statements

This annual report on Form 10-KSB ("Annual Report") for the period ending April 30, 2008 ("fiscal year 2008"), contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "could", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Disclosure Regarding Forward-Looking Statements: Included in this annual report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-KSB which address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements.

As used in this Annual Report, the terms "we", "us", "our" and the "Company" mean "Miller Petroleum, Inc."

## Glossary of Terms

We are engaged in the business of exploring for and producing oil and natural gas. Oil and gas exploration is a specialized industry. Many of the terms used to describe our business are unique to the oil and gas industry. The following glossary clarifies certain of these terms that may be encountered while reading this report:

**"Bcf"** means billion cubic feet, used in this Annual Report in reference to gaseous hydrocarbons.

**"BcfE"** means billions of cubic feet of gas equivalent, determined using the ratio of six thousand cubic feet of gas to one barrel of oil, condensate or gas liquids.

**"Farmout"** involves an entity's assignment of all or a part of its interest in or lease of a property in exchange for consideration such as a royalty.

**"Gross"** oil or gas well or "gross" acre is a well or acre in which we have a working interest.

**"Mcf"** means thousand cubic feet, used in this Annual Report to refer to gaseous hydrocarbons.

**"McfE"** means thousands of cubic feet of gas equivalent, determined using the ratio of six thousand cubic feet of gas to one barrel of oil, condensate or gas liquids.

**"MMcf"** means million cubic feet, used in this Annual Report to refer to gaseous hydrocarbons.

**"MBbl"** means thousand barrels, used in this Annual Report to refer to crude oil or other liquid hydrocarbons.

*"Net"* oil and gas wells or "net" acres are determined by multiplying "gross" wells or acres by our percentage interest in such wells or acres.

*"Oil and gas lease"* or *"Lease"* means an agreement between a mineral owner, the lessor, and a lessee which conveys the right to the lessee to explore for and produce oil and gas from the leased lands. Oil and gas leases usually have a primary term during which the lessee must establish production of oil and or gas. If production is established within the primary term, the term of the lease generally continues in effect so long as production occurs on the lease. Leases generally provide for a royalty to be paid to the lessor from the gross proceeds from the sale of production.

*"Prospect"* means a location where both geological and economical conditions favor drilling a well.

**"Proved oil and gas reserves"** are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Reservoirs are considered proved if economic recovery by production is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (B) the immediately adjoining portions not yet drilled, but which can reasonably be judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

**"Proved developed oil and gas reserves"** are those proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas reserves expected to be obtained through the application of fluid injection or other improved secondary or tertiary recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed recovery program has confirmed through production response that increased recovery will be achieved.

**"Proved undeveloped oil and gas reserves"** are those proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with reasonable certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves attributable to any acreage do not include production for which an application of fluid injection or other improved recovery technique is required or contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

**"Royalty interest"** is a right to oil, gas, or other minerals, that is not burdened by the costs to develop or operate the related property.

**"Working interest"** is an interest in an oil and gas property that is burdened with the costs of development and operation of the property.

**FORM 10-KSB**  
**FOR THE FISCAL YEAR ENDED APRIL 30, 2008**

**INDEX**

		Page
<b><u>PART I</u></b>		
Item 1.	Description of Business.	5
Item 2.	Description of Property.	9
Item 3.	Legal Proceedings.	11
Item 4.	Submission of Matters to a Vote of Security Holders.	11
<b><u>PART II</u></b>		
Item 5.	Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.	12
Item 6.	Management's Discussion and Analysis or Plan of Operation.	13
Item 7.	Financial Statements.	16
Item 8.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	37
Item 8A.	Controls and Procedures.	37
Item 8B.	Other Information.	37
<b><u>PART III</u></b>		
Item 9.	Directors, Executive Officers, Promoters, Control Persons, and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.	38
Item 10.	Executive Compensation.	40
Item 11.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	42
Item 12.	Certain Relationships and Related Transactions, and Director Independence.	43
Item 13.	Exhibits.	44
Item 14.	Principal Accountant Fees and Services.	45

## PART I

### Item 1. Description of Business.

#### Introduction

##### *Corporate History*

We were founded in 1967 by Deloy Miller, the Chairman of our Board of Directors, as a sole proprietorship. On January 22, 1978, we were incorporated under the laws of the State of Tennessee as “Miller Contract Drilling, Inc.” We changed our name to Miller Petroleum, Inc. on January 13, 1997.

##### *Principal Products or Services and Markets*

The principal markets for our crude oil and natural gas are refining companies, utility companies and private industry end users. Direct purchases of our crude oil are made statewide at our well sites by Barrett Oil Purchasing Company.

Our natural gas has multiple markets throughout the eastern United States through gas transmission lines. Access to these markets is presently provided by four companies in North-Eastern Tennessee. Cumberland Valley Resources (“CV Resources”) purchases our natural gas that is produced from the "Delta Leases." Nami Resources Company (“Nami Resources”) purchases our gas from the Jellico West field and Tensasco services the Swan Creek production. Local markets in Tennessee are served by Citizens Gas Utility District (“Citizens Gas”) and the Powell Clinch Utility District. Surplus gas is placed in storage facilities or transported to East Tennessee Natural Gas which serves Tennessee and Virginia.

We anticipate that our products will be sold to the aforementioned companies; however, no assurance can be given that we will be able to make such sales or that if we do, we will be able to receive a price that is sufficient to make our operations profitable.

We sold to Atlas America, LLC approximately 30,000 acres of oil and gas leases on June 13, 2008 for \$19.625 million. The fields are known as Koppers South and Koppers North. As part of this sale, we entered into a two-year drilling contract to drill wells for Atlas America, LLC. We have acquired two used drilling rigs to perform under this contract. See Management’s Discussion and Analysis or Plan of Operation and the Subsequent Events footnote for more information on this transaction.

##### *Distribution Methods of Products or Services*

Crude oil is stored in tanks at the well site until the purchaser retrieves it by tank truck. Natural gas is delivered to the purchaser via gathering lines into the main gas transmission line.

##### *Competitive Business Conditions*

Our oil and gas exploration activities in Tennessee are undertaken in a highly competitive and speculative business environment. In seeking any other suitable oil and gas properties for acquisition, we compete with a number of other companies located in Tennessee and elsewhere, including large oil and gas companies and other independent operators, many with greater financial resources than us.

At the local level, we have several competitors in the areas of the acreage which we have under lease in the State of Tennessee, five of which may be deemed to be significant. These are Consol Energy, Inc., Can Argo Energy Corporation (“CNR”), Champ Oil, John Henry Oil and Tensasco. These companies are in competition with us for oil

and gas leases in known producing areas in which we currently operate, as well as other potential areas of interest.

Although, our management generally does not foresee difficulties in procuring logging, cementing and well treatment services in the area of our operations, several factors, including increased competition in the area, may limit the availability of logging equipment, cementing and well treatment services in the future. If such an event occurs, it may have a significant adverse impact on the profitability of our operations.

The prices of our products are controlled by the world oil market and the United States natural gas market; thus, competitive pricing behaviors in this regard are considered unlikely; however, competition in the oil and gas exploration industry exists in the form of competition to acquire the most promising acreage blocks and obtaining the most favorable prices for transporting the product.



***Dependence on One or a Few Major Customers***

We are dependent on local purchasers of hydrocarbons to purchase our products in the areas where our properties are located. The loss of one or more of our primary purchasers may have a substantial adverse impact on our sales and on our ability to operate profitably.

Currently, we are selling oil and natural gas to the following purchasers:

- Barrett Oil Purchasing purchases crude oil from the Koppers Field. Barrett's purchase price is based on West Texas postings less \$4.75.
- Cumberland Valley Resources purchases the gas produced from the joint venture with Delta Producers, Inc. in the Jellico East Field, Tennessee. The sales price is Appalachian Index minus Columbia transportation and fuel. CV Resources purchases approximately 20% of total natural gas sales.
- Nami Resources LLC purchases natural gas from the Jellico Field. The sales price varies each month, but will not be less than \$6.00 per Mcf.

***Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts***

Royalty agreements relating to oil and gas production are standard in the industry. The amounts of the royalty payments which we receive varies from lease to lease. (See Description of Business - "Current Business" in this Annual Report.)

***Governmental Approval and Regulation***

The production and sale of oil and gas are subject to regulation by federal, state and local authorities. None of the principal products that we offer require governmental approval, although permits are required for the drilling of oil and gas wells.

Our sales of natural gas are affected by intrastate and interstate gas transportation regulation. Beginning in 1985, the Federal Energy Regulatory Commission ("FERC"), which sets the rates and charges for transportation and sale of natural gas, adopted regulatory changes that have significantly altered the transportation and marketing of natural gas. The stated purpose of FERC's changes are to promote competition among the various sectors of the natural gas industry. In 1995, FERC implemented regulations generally grandfathering all previously approved interstate transportation rates and establishing an indexing system for those rates by which adjustments are made annually based on the rate of inflation, subject to certain conditions and limitations. These regulations may tend to increase the cost of transporting oil and natural gas by pipeline. Every five years, FERC will examine the relationship between the change in the applicable index and the actual cost changes experienced by the industry. We are not able to predict with certainty what effect, if any, these regulations will have on us.

Tennessee law requires that we obtain state permits for the drilling of oil and gas wells and to post a bond with the Tennessee Gas and Oil Board (the "Oil and Gas Board") to ensure that each well is reclaimed and properly plugged when it is abandoned. The reclamation bonds cost \$1,500 per well. The cost for the plugging bonds are \$2,000 per well or \$10,000 for ten wells. Currently, we have several of the \$10,000 plugging bonds. For most of the reclamation bonds, we have deposited a \$1,500 Certificate of Deposit with the Oil and Gas Board.

The state and regulatory burden on the oil and natural gas industry generally increases our cost of doing business and affects our profitability. While we believe we are presently in compliance with all applicable federal, state and local laws, rules and regulations, continued compliance (or failure to comply) and future legislation may have an adverse

impact on our present and contemplated business operations. Because such federal and state regulation are amended or reinterpreted frequently, we are unable to predict with certainty the future cost or impact of complying with these laws.

***Research and Development***

We did not incur any research and development expenditures during the fiscal year ended April 30, 2008.

***Environmental Compliance***

We are subject to various federal, state and local laws and regulations governing the protection of the environment, such as the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”), and the Federal Water Pollution Control Act of 1972, as amended (the “Clean Water Act”), which affect our operations and costs. In particular, our exploration, development and production operations, our activities in connection with storage and transportation of oil and other hydrocarbons and our use of facilities for treating, processing or otherwise handling hydrocarbons and related wastes may be subject to regulation under these and similar state legislation. These laws and regulations:

- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal fines and penalties or the imposition of injunctive relief. Changes in environmental laws and regulations occur regularly, and any changes that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could materially adversely affect our operations and financial position, as well as those in the oil and natural gas industry in general. While we believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements would not have a material adverse impact on us, there is no assurance that this trend will continue in the future.

As with the industry generally, compliance with existing regulations increases our overall cost of business. The areas affected include:

- unit production expenses primarily related to the control and limitation of air emissions and the disposal of produced water;
- capital costs to drill exploration and development wells primarily related to the management and disposal of drilling fluids and other oil and natural gas exploration wastes; and
- capital costs to construct, maintain and upgrade equipment and facilities.

CERCLA, also known as “Superfund,” imposes liability for response costs and damages to natural resources, without regard to fault or the legality of the original act, on some classes of persons that contributed to the release of a “hazardous substance” into the environment. These persons include the “owner” or “operator” of a disposal site and entities that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the Environmental Protection Agency (“EPA”) and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. In the course of our ordinary operations, we may generate waste that may fall within CERCLA’s definition of a “hazardous substance.” We may be jointly and severally liable under CERCLA or comparable state statutes for all or part of the costs required to clean up sites at which these wastes have been disposed.

We currently lease properties that for many years have been used for the exploration and production of oil and natural gas. Although we and our predecessors have used operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed or released on, under or from the properties owned or leased by us or on, under or from other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose actions with respect to the treatment and disposal or release of hydrocarbons or other wastes were not under our control. These properties and wastes disposed on these properties may be subject to CERCLA and analogous state laws. Under these laws, we could be required:

- to remove or remediate previously disposed wastes, including wastes disposed or released by prior owners or operators;

- to clean up contaminated property, including contaminated groundwater; or to perform remedial operations to prevent future contamination.
- to clean up contaminated property, including contaminated groundwater; or to perform remedial operations to prevent future contamination.

At this time, we do not believe that we are associated with any Superfund site and we have not been notified of any claim, liability or damages under CERCLA.

The Resource Conservation and Recovery Act (“RCRA”) is the principal federal statute governing the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements and liability for failure to meet such requirements on a person who is either a “generator” or “transporter” of hazardous waste or an “owner” or “operator” of a hazardous waste treatment, storage or disposal facility. At present, RCRA includes a statutory exemption that allows most oil and natural gas exploration and production waste to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. As a result, we are not required to comply with a substantial portion of RCRA’s requirements because our operations generate minimal quantities of hazardous wastes. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Repeal or modification of the exemption by administrative, legislative or judicial process, or modification of similar exemptions in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us to incur increased operating expenses.

The Clean Water Act imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. The Clean Water Act requires us to construct a fresh water containment barrier between the surface of each drilling site and the underlying water table. This involves the insertion of a seven-inch diameter steel casing into each well, with cement on the outside of the casing. The cost of compliance with this environmental regulation is approximately \$10,000 per well. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters. Further, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans.

The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges for oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

Our operations are also subject to laws and regulations requiring removal and cleanup of environmental damages under certain circumstances. Laws and regulations protecting the environment have generally become more stringent in recent years, and may in certain circumstances impose "strict liability," rendering a corporation liable for environmental damages without regard to negligence or fault on the part of such corporation. Such laws and regulations may expose us to liability for the conduct of operations or conditions caused by others, or for acts which may have been in compliance with all applicable laws at the time such acts were performed. The modification of existing laws or regulations or the adoption of new laws or regulations relating to environmental matters could have a material adverse effect on our operations.

In addition, our existing and proposed operations could result in liability for fires, blowouts, oil spills, discharge of hazardous materials into surface and subsurface aquifers and other environmental damage, any one of which could result in personal injury, loss of life, property damage or destruction or suspension of operations. We have an Emergency Action and Environmental Response Policy Program in place. This program details the appropriate response to any emergency that management believes to be possible in our area of operations. We believe we are presently in compliance with all applicable federal and state environmental laws, rules and regulations; however, continued compliance (or failure to comply) and future legislation may have an adverse impact on our present and contemplated business operations.

The foregoing is only a brief summary of some of the existing environmental laws, rules and regulations to which our business operations are subject, and there are many others, the effects of which could have an adverse impact on our business. Future legislation in this area will no doubt be enacted and revisions will be made in current laws. No assurance can be given as to what effect these present and future laws, rules and regulations will have on our current future operations.

### ***Insurance***

Our operations are subject to all the risks inherent in the exploration for, and development and production of oil and gas including blowouts, fires and other casualties. We maintain insurance coverage customary for operations of a similar nature, but losses could arise from uninsured risks or in amounts in excess of existing insurance coverage.

### ***Employees***

We currently have 20 full-time employees.

8

---

**Reports to Security Holders**

This annual report will contain audited financial statements. We file all of our required reports and other information with the Commission. The public may read and copy any materials that are filed by us with the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The statements and forms filed by us with the Commission have also been filed electronically and are available for viewing or copying on the Commission maintained Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission. The Internet address for this site can be found at <http://www.sec.gov>.

**Item 2. Description of Property.**

Our executive offices presently comprise approximately 6,300 square feet on 14 acres of land in Huntsville, Tennessee that the Company owns.

**Oil and Gas Leases**

We are an exploration and production company that utilizes seismic data, and other technologies for geophysical exploration and development of oil and gas wells. In addition to our engineering and geological capabilities, we have work-over rigs, dozers, roustabout crews and equipment to set pumping units, tanks and lay flow lines, winch trucks and trailers for traveling support, backhoes, ditchers, fusion machines and welders for pipeline and compression installation, as well as other equipment necessary to take a drilling program from the development stage to completion. The company also sells rigs, oilfield trailers, compressors and other miscellaneous oil and gas production equipment.

**Existing Production** – We have partial ownership in fifteen producing oil wells and twenty-five producing gas wells. The total production and our ownership is as follows:

**Oil Production (Bbls)**

		Total All Wells	Miller's %
Total	April 30, 2006	430,846	269,562
Produced	April 30, 2007	8,900	4,529
Total	April 30, 2007	439,746	274,091
Produced	April 30, 2008	9,264	4,984
Total	April 30, 2008	449,010	279,075

**Gas Production (Mcf)**

		Total All Wells	Miller's %
Total	April 30, 2006	2,668,560	775,245
Produced	April 30, 2007	216,096	55,531
Total	April 30, 2007	2,884,656	830,776
Produced	April 30, 2008	206,388	39,507
Total	April 30, 2008	3,091,044	870,283

**Oil and Gas Reserve Analyses**

Our estimated net proved oil and gas reserves and the present value of estimated cash flows from those reserves are summarized below. The reserves were estimated at April 30, 2008 by *Lee Keeling and Associates, Inc.*, independent petroleum consultants, in accordance with regulations of the Securities and Exchange Commission, using market or contract prices at the end of each of the years presented in the consolidated financial statements. These prices were held constant over the estimated life of the reserves.

Ownership interests in estimated quantities of proved oil and gas reserves and changes in net proved reserves, all of which are located in the continental United States, are summarized below for each of the years presented in the consolidated financial statements.

9

---



	Oil (Bbl)	Gas (Mcf)
<b>Proved Reserves</b>		
Balance April 30, 2006	91,279	980,730
Discoveries and extensions	-	-
Revisions of previous estimates	(24,977)	(224,155)
Production	(4,898)	(54,765)
<b>Balance, April 30, 2007</b>	<b>61,404</b>	<b>701,810</b>
Discoveries and extensions	-	-
Revisions of previous estimates	17,993	(662,302)
Return of proved undeveloped properties to Company	-	1,851,858
Production	(4,984)	(39,508)
<b>Balance, April 30, 2008</b>	<b>74,413</b>	<b>1,851,858</b>
<b>Proved developed producing reserves at April 30, 2008</b>	<b>63,068</b>	<b>510,825</b>
<b>Proved developed producing reserves at April 30, 2007</b>	<b>48,591</b>	<b>624,404</b>

The return of the proved undeveloped properties resulted from the return of the leases from Wind Mill to the Company due to settlement of all litigation.

Our standardized measure of discounted future net cash flows from our estimated proved oil and gas reserves is provided for the financial statement user as a common base for comparing oil and gas reserves of enterprises in the industry and may not represent the fair market value of our oil and gas reserves or the present value of future cash flows of equivalent reserves due to various uncertainties inherent in making these estimates. Those factors include changes in oil and gas prices from year-end prices used in the estimates, unanticipated changes in future production and development costs and other uncertainties in estimating quantities and present values of oil and gas reserves.

The following table presents the standardized measure of discounted future net cash flows from our ownership interests in proved oil and gas reserves as of the end of each of the years presented in the consolidated financial statements. The standardized measure of future net cash flows as of April 30, 2008 and 2007 are calculated using weighted average prices in effect as of those dates. Those prices were \$9.36 and \$7.96 respectively, per Mcf of natural gas, and \$103.31 and \$55.77 respectively, per barrel of oil. The resulting estimated future cash inflows are reduced by estimated future costs to develop and produce the estimated proved reserves based on year-end cost levels. Future income taxes are based on year-end statutory rates, adjusted for any operating loss carry forwards and tax credits. The future net cash flows are reduced to present value by applying a 10% discount rate.

Standardized measures of discounted future net cash flows at April 30, 2008 and 2007 are as follows:

	2008	2007
Future cash flows	\$ 25,456,619	\$ 8,422,828
Future production costs and taxes	(3,597,397)	(2,402,638)
Future development costs	(1,471,400)	(13,900)
Future income tax expense	(6,320,225)	(1,861,950)
Future cash flows	14,067,597	4,144,340
Discount at 10% for timing of cash flows	(7,323,458)	(2,144,700)
<b>Discounted future net cash flows from proved reserves</b>	<b>\$ 6,744,139</b>	<b>\$ 1,999,640</b>

## Changes in Standardized Measure of Discounted Future Net Cash Flows

The following table summarized the changes in the standardized measure of discounted future net cash flows from estimated production of our proved oil and gas reserves after income taxes for each of the years presented in the consolidated financial statements.

The following table sets forth the changes in the standardized measure of discounted future net cash flows from proved reserves for April 30, 2008 and 2007.

	2008	2007
Balance, beginning of year	\$ 1,999,640	\$ 3,132,740
Sales, net of production costs and taxes	(504,265)	(453,670)
Changes in prices and production costs	2,134,824	1,008,950
Revisions of quantity estimates and return of proved undeveloped properties	6,853,630	(3,015,904)
Sale of minerals in place	(714,788)	-
Development costs incurred	-	474
Net changes in income taxes	(3,024,902)	1,327,050
Balances, end of year	\$ 6,744,139	\$ 1,999,640

The reserves presented in this Report were evaluated in accordance with Rule 4-10 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”).

**Item 3. Legal Proceedings.**

CNX Gas Company, LLC (CNX) commenced litigation in the Chancery Court of Campbell County, State of Tennessee on June 11, 2008 (CNX Gas Company, LLC vs. Miller Petroleum Inc., Civil Action No. 08-071) to enjoin the Registrant from assigning or conveying certain leases described in the Letter of Intent signed by CNX and the Registrant on May 30, 2008 (the “Letter of Intent”); to compel the Registrant to specifically perform the assignments as described in the Letter of Intent; and for damages. A Notice of Lien Lis Pendens was issued June 11, 2008. The court refused to grant a restraining order pending a hearing of the matter on the merits; however, the order entered into with the court with respect thereto prohibits Atlas from conveying the leases for 60 days from the date of the order. Effective June 13, 2008, all of such leases were assigned by the Company to Atlas America LLC. Should CNX prevail in the proceedings described above, Atlas may be obligated to assign the leases to CNX in consideration of payment to the Registrant of up to approximately \$13.3 million, in which event the Registrant would be obligated to repay Atlas the sum of \$19.625 million.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No proposals were submitted for approval by our shareholders during the fourth fiscal quarter ended April 30, 2008.

## PART II

**Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.****Market Information**

Our common stock is quoted on the National Association of Securities Dealers Pink Sheets under the symbol "MILL.PK." The following quotations, obtained from National Quotation Bureau, reflect the high and low bids for our shares for the periods indicated and are based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter Ended:	Bid Prices (\$)	
	High	Low
July 31, 2007	0.25	0.25
October 31, 2007	0.07	0.07
January 31, 2008	0.08	0.08
April 30, 2008	0.22	0.10
July 31, 2006	0.95	0.80
October 31, 2006	0.41	0.40
January 31, 2007	0.35	0.35
April 30, 2007	0.32	0.32

**Holdings**

There were approximately 363 stockholders of record of our common stock as of April 30, 2008.

**Dividends**

We have not paid or declared any cash dividends to date and do not anticipate paying any in the foreseeable future. There are no present restrictions that limit our ability to pay dividends or that are likely to do so in the future. We intend to retain earnings, if any, to support the growth of our business.

**Shares Issuable Under Equity Compensation Plans**

The table below provides information, as of April 30, 2008, concerning securities authorized for issuance under equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights		Weighted average exercise price of outstanding options and rights		Number of securities Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(a)	(b)	(c)
Equity compensation plans approved by shareholders	—	—	—	—	—
Equity compensation plans not Approved by shareholders	175,000	0.7882	—	—	—
Total	175,000	0.7882	—	—	—

***Recent Sales of Unregistered Securities***