

MILLER PETROLEUM INC  
Form 10KSB  
August 13, 2008

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

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**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

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## 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**

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## 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.

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**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.

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|  | 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***

None.

***Share Repurchases***

None.

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**Item 6. Management's Discussion and Analysis or Plan of Operation.****Executive Summary**

The following discussion is intended to facilitate an understanding of our business and results of operations and includes forward-looking statements that reflect our plans, estimates and beliefs. It should be read *in conjunction with our audited consolidated financial statements and the accompanying notes to the consolidated financial statements* included herein. Our actual results could differ materially from those discussed in these forward-looking statements.

## Overview / Recent Events

In order to obtain sufficient working capital to continue our operations for the foreseeable future, we decided to sell some of our major assets. We sold approximately 30,000 acres of oil and gas leases to Atlas America LLC for \$19.625 million on June 13, 2008. These leases were generally known as Koppers North and Koppers South and included eight proved gas wells, which were drilled but not completed.

After, and as a part of the sale, the following actions were taken:

- We paid Wind City Oil & Gas, LLC \$10.6 million for 2.9 million shares of our common stock, a 1991 RD20 drilling rig and air compressor, eight drilled but uncompleted gas wells, and two producing gas wells in settlement of all litigation with Wind City Oil & Gas, LLC and related entities.

- We paid transaction fees in the amount of \$900,000.

- We paid all our accounts and notes payable, totaling approximately \$1,470,000.

After the above was accomplished, we had approximately \$6.4 million of cash available to fund our future operations.

As part of the Atlas transaction, we agreed to contract with Atlas for two rigs for two years to drill wells, commencing a significant commitment to contract drilling. To give Atlas the level of service required, we also purchased a 2007 Atlas RD20 III drilling rig and related equipment for approximately \$1.9 million. We expect to begin drilling for Atlas in August 2008, and expect to drill 45 to 52 wells by the fiscal year end. We will also be drilling on our remaining leases and are actively pursuing other oil and gas leases. At present we have 13,491 acres of oil and gas leases. We retained a 5% royalty interest on a 1,930 acre tract that we expect to be the subject of Atlas drilling. Additionally, we retained the right to participate in up to ten wells with a 25% working interest without promote.

We are working with several investor groups to secure additional drilling capital for our leases and for additional leases we expect to secure.

**Results of Operations**

| For the Fiscal Year Ended    | April 30,<br>2008 | April 30,<br>2007 | Increase<br>(Decrease)<br>2007 to 2008 |
|------------------------------|-------------------|-------------------|--|
| <b>REVENUES</b>              |                   |                   |  |
| Oil and gas revenue          | \$ 566,478        | \$ 509,742        | \$ 56,736                              |
| Service and drilling revenue | 262,864           | 834,679           | (571,815)                              |
| Total Revenue                | 829,342           | 1,344,421         | (515,079)                              |

|  |                       |                       |                     |
|--|-----------------------|-----------------------|---------------------|
| <b>COSTS AND EXPENSES</b>                |                       |                       |                     |
| Cost of oil and gas revenue              | 62,213                | 56,072                | 6,141               |
| Cost of service and drilling revenue     | 297,942               | 815,535               | (517,593)           |
| Selling, general and administrative      | 1,747,659             | 1,646,788             | 100,871             |
| Depreciation, depletion and amortization | 227,974               | 207,082               | 20,892              |
| Impairment loss                          | 666,073               | -                     | 666,073             |
| <b>Total Costs and Expenses</b>          | <b>3,001,861</b>      | <b>2,725,477</b>      | <b>276,384</b>      |
| <b>INCOME (LOSS) FROM OPERATIONS</b>     | <b>(2,172,519)</b>    | <b>(1,381,056)</b>    | <b>(791,463)</b>    |
| <b>OTHER INCOME (EXPENSE)</b>            |                       |                       |                     |
| Interest income                          | 2,099                 | 1,256                 | 843                 |
| Gain on sale of equipment                | 102,119               | -                     | 102,119             |
| Interest expense and financing cost      | (367,496)             | (163,950)             | (203,546)           |
| <b>Total Other Income (Expense)</b>      | <b>(263,278)</b>      | <b>(162,694)</b>      | <b>(100,584)</b>    |
| <b>NET INCOME (LOSS)</b>                 | <b>\$ (2,435,797)</b> | <b>\$ (1,543,750)</b> | <b>\$ (892,047)</b> |

Revenue

Oil and gas revenue was \$566,478 for the year ended April 30, 2008 as compared to \$509,742 for the year ended April 30, 2007, an increase of \$56,736. This increase is primarily from the increase in the price of oil.

Service and drilling revenue was \$262,864 for the year ended April 30, 2008 as compared to \$834,679 for the year ended April 30, 2007, a decrease of \$571,815. This decrease resulted from the fact that all of the work for the Wind Mill Joint Venture terminated. For the year ended April 30, 2007, \$535,000 of the Company's service and drilling revenue was from work for the Wind Mill Joint Venture.

Cost and Expense

The cost of oil and gas revenue was \$62,213 for the year ended April 30, 2008 as compared to \$56,072 for the year ended April 30, 2007, an increase of \$6,141. This increase resulted from an increase in production cost.

The cost of service and drilling revenue was \$297,942 for the year ended April 30, 2008 as compared to \$815,535 for the year ended April 30, 2007, a decrease of \$517,593. This decrease is due to the fact that work for the Wind Mill Joint Venture ceased.

Selling, general and administrative expense was \$1,747,659 for the year ended April 30, 2008 as compared to \$1,646,788 for the year ended April 30, 2007, an increase of \$100,871. This increase resulted from legal and other costs associated with the lawsuit.

Depreciation, depletion and amortization expense was \$227,974 for the year ended April 30, 2008 as compared to \$207,082 for the year ended April 30, 2007, an increase of \$20,892. This increase resulted from additional amortization of oil and gas properties.

The Company expensed an impairment loss of \$666,073 for the year ended April 30, 2008 as compared to no impairment loss for the year ended April 30, 2007. This impairment loss resulted from management's review of oil and gas properties, well equipment and supplies and the write-off of old, unused equipment.

Interest expense and financing cost was \$367,496 for the year ended April 30, 2008 as compared to \$163,950 for the year ended April 30, 2007, an increase of \$203,546. This resulted from the increased cost of borrowing.

| Fiscal Year | Average Net Production |    | Sales Price / MBTU |
|-------------|------------------------|----|--------------------|
|             | Gas / MBTU             |    |                    |
| 2007        | 54,766                 | \$ | 5.65               |
| 2008        | 39,507                 | \$ | 7.29               |

  

| Fiscal Year | Average Net    |    | Sales Price / Bbl |
|-------------|----------------|----|-------------------|
|             | Barrels of Oil |    |                   |
| 2007        | 4,898          | \$ | 47.88             |
| 2008        | 4,984          | \$ | 77.25             |



|                                    | 2006   | 2007  | 2008  |
|------------------------------------|--------|-------|-------|
| Net Productive Wells               | 22.84  | 25.66 | 24.32 |
| Developed Acreage                  | 1,840  | 2,240 | 2,900 |
| Undeveloped Acreage                | 46,920 | 3,100 | 9,529 |
| Net Productive Exploratory Wells   | 0      | 0     | 0     |
| Net Dry Exploratory Wells          | 1.20   | 0     | 0     |
| Net Productive Developmental Wells | 2.64   | 0     | 0     |
| Net Dry Developmental Wells        | 0      | 0     | 0     |

### *Liquidity*

Cash used by operating activities was \$760,341 for fiscal 2008, an increase of \$483,921 from cash used by operating activities in fiscal 2007 of \$276,420. Our principal source of liquidity has been oil and gas revenues, loans from unrelated parties, loans from related parties and directors, private placement transactions of our common stock, and participation with investors in various oil and gas wells. During the current year we sold eight gas wells and a pipeline for \$576,500. The increase in oil and gas prices enhances our ability to attract investors and to pursue joint ventures in oil and gas.

We sold approximately 30,000 acres of oil and gas leases to Atlas America, LLC on June 13, 2008 for \$19.625 million. We settled our litigation with Wind City Oil & Gas and related entities, LLC for \$10.6 million, and received back 2.9 million shares of our common stock, a 1991 RD20 drilling rig and related equipment and two producing gas wells. We also paid transaction fees of \$900K, paid off most of the Company's accounts payable, all of our notes payable, and had \$6.4 million of cash remaining to fund our operations. We purchased a 2007 Atlas RD20 III drilling rig and related equipment for \$1.9 million with a note secured by a certificate of deposit.

Our long-term cash flows are subject to a number of variables including the level of production and prices as well as various economic conditions that have historically affected the oil and gas business. A material drop in oil and gas prices or a reduction in production and reserves would reduce our ability to fund capital expenditures, reduce debt, meet financial obligations and remain profitable. We operate in an environment with numerous financial and operating risks, including, but not limited to, the inherent risks of the search for, development and production of oil and gas, the ability to buy properties and sell production at prices which provide an attractive return and the highly competitive nature of the industry. Our ability to expand our reserve base is, in part, dependent on obtaining sufficient capital through internal cash flow or the issuance of debt or equity securities.

**Item 7. Financial Statements.**

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MILLER PETROLEUM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2008 and 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors Miller Petroleum, Inc. and Subsidiary  
Huntsville, Tennessee

We have audited the accompanying consolidated balance sheets of Miller Petroleum, Inc. and its Subsidiary as of April 30, 2008 and April 30, 2007 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor was it engaged to perform, an audit of internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referenced above present fairly, in all material respects, the financial position of Miller Petroleum, Inc. and its Subsidiary as of April 30, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Rodefer Moss & Co, PLLC

Knoxville, Tennessee  
DATE

MILLER PETROLEUM, INC.  
Consolidated Balance Sheets

|   | April 30<br>2008    | April 30<br>2007    |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                   |                     |                     |
| <b>CURRENT ASSETS</b>                           |                     |                     |
| Cash  | \$ 42,436           | \$                  |
| Accounts receivable                             | 131,302             | 67,276              |
| Accounts receivable – related parties           | 5,144               | 180,699             |
| Notes receivable                                | -                   | 7,900               |
| Inventory                                       | 65,856              | 114,691             |
| <b>Total Current Assets</b>                     | <b>244,738</b>      | <b>370,566</b>      |
| <b>FIXED ASSETS</b>                             |                     |                     |
| Machinery                                       | 571,318             | 912,592             |
| Vehicles  | 248,062             | 344,427             |
| Buildings                                       | 315,835             | 315,835             |
| Office equipment                                | 25,804              | 30,083              |
|   | 1,161,019           | 1,602,937           |
| Less: accumulated depreciation                  | (595,362)           | (862,717)           |
| <b>Net Fixed Assets</b>                         | <b>565,657</b>      | <b>740,220</b>      |
| <b>OIL AND GAS PROPERTIES</b>                   | <b>1,544,577</b>    | <b>1,462,439</b>    |
| (On the basis of successful efforts accounting) |                     |                     |
| <b>PIPELINE FACILITIES</b>                      | <b>-</b>            | <b>181,597</b>      |
| <b>OTHER ASSETS</b>                             |                     |                     |
| Investment in joint venture at cost             | -                   | 801,319             |
| Land  | 496,500             | 496,500             |
| Investments                                     | -                   | 500                 |
| Well equipment and supplies                     | -                   | 427,948             |
| Cash – restricted                               | 83,000              | 83,000              |
| <b>Total Other Assets</b>                       | <b>579,500</b>      | <b>1,809,267</b>    |
| <b>TOTAL ASSETS</b>                             | <b>\$ 2,934,472</b> | <b>\$ 4,564,089</b> |

See notes to consolidated financial statements.

MILLER PETROLEUM, INC.  
Consolidated Balance Sheets

|  | April 30<br>2008    | April 30<br>2007    |
|--|---------------------|---------------------|
| <b>LIABILITIES, TEMPORARY EQUITY AND PERMANENT STOCKHOLDERS' EQUITY (DEFICIT)</b>  |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |
| Bank overdraft   | \$                  | \$ 16,933           |
| Accounts payable – trade   | 389,275             | 276,783             |
| Accounts payable – related party   | -                   | 88,809              |
| Accrued expenses   | 210,198             | 93,874              |
| Notes payable – related parties  | 80,200              | 114,500             |
| Current portion of notes payable   | 646,430             | 202,234             |
| Liability for stock repurchase   | 4,350,000           | -                   |
| <b>Total Current Liabilities</b>   | <b>5,676,103</b>    | <b>793,133</b>      |
| <b>LONG-TERM LIABILITIES</b>   |                     |                     |
| Notes payable  |                     |                     |
| Other  | -                   | 326,880             |
| <b>Total Long-term Liabilities</b>   | <b>-</b>            | <b>326,880</b>      |
| <b>Total Liabilities</b>   | <b>5,676,103</b>    | <b>1,120,013</b>    |
| <b>TEMPORARY EQUITY</b>  |                     |                     |
| Common stock, subject to put rights, 2,900,000 shares  | -                   | 4,350,000           |
| <b>PERMANENT STOCKHOLDERS' EQUITY</b>  |                     |                     |
| Common stock: 500,000,000 shares authorized at \$0.0001 par value, 11,666,856 and 11,466,856 shares issued and outstanding, respectively | 1,166               | 1,146               |
| Additional paid-in capital   | 7,123,761           | 7,936,724           |
| Unearned compensation  | (174,000)           | (1,587,033)         |
| Accumulated deficit  | (9,692,558)         | (7,256,761)         |
| <b>Total Stockholders' Equity (Deficit)</b>  | <b>(2,741,631)</b>  | <b>(905,924)</b>    |
| <b>TOTAL LIABILITIES, TEMPORARY EQUITY AND PERMANENT STOCKHOLDERS' EQUITY</b>  | <b>\$ 2,934,472</b> | <b>\$ 4,564,089</b> |

See notes to consolidated financial statements.

MILLER PETROLEUM, INC.  
Consolidated Statements of Operations

|   | For the<br>Year Ended<br>April 30,<br>2008 | For the<br>Year ended<br>April 30,<br>2007 |
|---|--|--|
| <b>REVENUES</b>   |  |  |
| Oil and gas revenue   | \$ 566,478                                 | \$ 509,742                                 |
| Service and drilling revenue                                  | 262,864                                    | 834,679                                    |
| <b>Total Revenue</b>  | <b>829,342</b>                             | <b>1,344,421</b>                           |
| <b>COSTS AND EXPENSES</b>                                     |  |  |
| Oil and gas cost  | 62,213                                     | 56,072                                     |
| Service and drilling cost                                     | 297,942                                    | 815,535                                    |
| Selling, general and administrative                           | 1,747,659                                  | 1,646,788                                  |
| Depreciation, depletion and amortization                      | 227,974                                    | 207,082                                    |
| Impairment loss   | 666,073                                    | -  |
| <b>Total Costs and Expenses</b>                               | <b>3,001,861</b>                           | <b>2,725,477</b>                           |
| <b>INCOME (LOSS) FROM OPERATIONS</b>                          | <b>(2,172,519)</b>                         | <b>(1,381,056)</b>                         |
| <b>OTHER INCOME (EXPENSE)</b>                                 |  |  |
| Interest income   | 2,099                                      | 1,256                                      |
| Gain on sale of equipment                                     | 102,119                                    | -  |
| Interest expense and financing cost                           | (367,496)                                  | (163,950)                                  |
| <b>Total Other Expense</b>                                    | <b>(263,278)</b>                           | <b>(162,694)</b>                           |
| <b>INCOME TAXES</b>   |  |  |
| <b>NET LOSS</b>   | <b>\$ (2,435,797)</b>                      | <b>\$ (1,543,750)</b>                      |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>                       | <b>\$ (0.17)</b>                           | <b>\$ (0.11)</b>                           |
| <b>BASIC WEIGHTED AVERAGE NUMBER OF SHARE<br/>OUTSTANDING</b> | <b>14,454,288</b>                          | <b>14,366,856</b>                          |

See notes to consolidated financial statements.

MILLER PETROLEUM, INC.  
Consolidated Statements of Permanent Stockholders' Equity

|  | Common<br>Shares | Shares<br>Amount | Additional<br>Paid-in<br>Capital | Unearned<br>Compensation | Accumulated<br>Deficit | Total       |
|--|------------------|------------------|----------------------------------|--------------------------|------------------------|-------------|
| Balance, April 30, 2006  | 11,466,856       | 1,146            | 6,624,683                        | (751,990)                | (5,713,011)            | 160,828     |
| To reflect compensation earned for the year ended April 30, 2007 |                  |                  |                                  | 376,669                  |                        | 376,669     |
| Issuance of warrants for financing cost penalty                  |                  |                  | 79,000                           |                          |                        | 79,000      |
| Issuance of warrants for financing cost                          |                  |                  | 40,453                           | (22,759)                 |                        | 17,694      |
| Stock options issued   |                  |                  | 3,635                            |                          |                        | 3,635       |
| Issue of warrants as payment for services                        |                  |                  | 1,188,953                        | (1,188,953)              |                        |             |
| Net loss for the year ended April 30, 2007                       |                  |                  |                                  |                          | (1,543,750)            | (1,543,750) |
| Balance, April 30, 2007  | 11,466,856       | 1,146            | 7,936,724                        | (1,587,033)              | (7,256,761)            | (905,924)   |
| Amortization of unearned compensation                            |                  |                  |                                  | 375,321                  |                        | 375,321     |
| Amortization of financing cost warrants                          |                  |                  |                                  | 22,759                   |                        | 22,759      |
| Adjustment of warrants for services                              |                  |                  | (1,014,953)                      | 1,014,953                |                        |             |
| Issuance of warrants for financing cost                          |                  |                  | 153,010                          |                          |                        | 153,010     |
| Issuance of stock for financing cost                             | 200,000          | 20               | 48,980                           |                          |                        | 49,000      |
| Net loss for the year ended April 30, 2008                       |                  |                  |                                  |                          | (2,435,797)            | (2,435,797) |
| Balance April 30, 2008   | 11,666,856 \$    | 1,166 \$         | 7,123,761 \$                     | (174,000)\$              | (9,692,558)\$          | (2,741,631) |

See notes to consolidated financial statements.

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MILLER PETROLEUM, INC.  
Consolidated Statements of Cash Flows

|   | April 30,<br>2008 | April 30,<br>2007 |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                   |                   |
| Net loss  | \$ (2,435,797)    | \$ (1,543,750)    |
| Adjustments to Reconcile Net Loss to<br>Net Cash from Operating Activities: |                   |                   |
| Depreciation, depletion and amortization                                    | 227,974           | 207,082           |
| Gain on sale of equipment   | (102,119)         | -                 |
| Impairment loss   | 666,073           | -                 |
| Amortization of unearned compensation                                       | 375,321           | 376,669           |
| Warrants issued for financing cost  | 175,769           | 100,329           |
| Issuance of stock for financing cost  | 49,000            | -                 |
| Changes in Operating Assets and Liabilities:                                |                   |                   |
| Accounts receivable   | 111,529           | 410,371           |
| Inventory   | 48,835            | (4,539)           |
| Unbilled service and drilling cost  | -                 | 76,944            |
| Bank overdraft  | (16,933)          | (10,320)          |
| Accounts payable  | 23,683            | 60,099            |
| Accrued expenses  | 116,324           | 50,695            |
| <b>Net Cash from Operating Expenses</b>                                     | <b>(760,341)</b>  | <b>(276,420)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                   |                   |
| Purchase of equipment   | -                 | (61,275)          |
| Proceeds from sale of equipment   | 117,451           | -                 |
| Purchase of oil and gas properties  | -                 | (475)             |
| Proceeds from sale of well equipment and supplies                           | 18,000            | -                 |
| Proceeds from sale of pipeline  | 576,500           | -                 |
| Changes in note receivable  | 7,900             | 35,100            |
| <b>Net Cash from Investing Activities</b>                                   | <b>719,851</b>    | <b>(26,650)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                   |                   |
| Payments on notes payable   | (267,550)         | -                 |
| Proceeds from borrowings  | 350,476           | 299,500           |
| Adjustment on notes payable   | -                 | 3,580             |
| <b>Net Cash from Financing Activities</b>                                   | <b>82,926</b>     | <b>303,080</b>    |
| <b>NET (INCREASE) DECREASE IN CASH</b>                                      | <b>42,436</b>     | <b>0</b>          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                         | <b>0</b>          | <b>0</b>          |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                               | <b>\$ 42,436</b>  | <b>\$ 0</b>       |

See notes to consolidated financial statements.

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MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 1 - Basis of Presentation, Liquidity and Continuing Operations

a. Organization and Basis of Presentation

These consolidated financial statements include the accounts of Miller Petroleum, Inc. and the accounts of its subsidiary, Miller Pipeline Company, Inc. All inter-company balances have been eliminated in consolidation.

The Company's principal business consists of oil and gas exploration, production and related property management in the Appalachian region of eastern Tennessee. The Company's corporate offices are in Huntsville, Tennessee. The Company operates as one reportable business segment, based on the similarity of activities.

The Company formed Miller Pipeline Corporation Inc. ("MPC, Inc."), a wholly-owned subsidiary, to manage the construction and operation of the gathering system used to transport natural gas to market. This pipeline was sold in December 2007.

b. Continuing Operations

For the past two years we have been involved in a lawsuit with Wind City Oil & Gas, LLC and related entities.

On June 13, 2008 we sold approximately 30,000 acres of oil and gas leases and eight drilled but not completed wells to Atlas America, LLC (Atlas) for \$19.625 million. At that time Wind City Oil & Gas, LLC and related entities were paid \$10.6 million for 2.9 million shares of Miller's stock, eight drilled but not completed gas wells, two producing gas wells, and a RD20 drilling rig and related equipment in settlement of all litigation between the parties. See Note 11 for additional information on this subsequent event.

The Company entered into a two-year drilling agreement with Atlas to drill wells for them. We have acquired a second drilling rig to assist in drilling the wells.

See Note 11 - Subsequent Events for more information regarding this transaction.

c. Accounting Method

The Company follows the successful efforts method of accounting for its oil and gas activities. Accordingly, costs associated with the acquisition, drilling and equipping of successful exploratory wells are capitalized. Geological and geophysical costs, delay and surface rentals and drilling costs of unsuccessful exploratory wells are charged to expense as incurred. Costs of drilling development wells are capitalized. Upon the sale or retirement of oil and gas properties, the cost thereof and the accumulated depreciation or depletion are removed from the accounts and any gain or loss is credited or charged to operations.

Depreciation, depletion and amortization of capitalized costs of proved oil and gas properties is provided on a pooled basis using the units-of-production method based upon proved reserves. Acquisition costs of proved properties are amortized by using total estimated units of proved reserves as the denominator. All other costs are amortized using total estimated units of proved developed reserves.

Pipeline facilities are stated at original cost. Depreciation of pipeline facilities is provided on a straight-line basis over the estimated useful life of the pipeline of forty years. The pipeline was sold in December 2007.



MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 1 - Basis of Presentation, Liquidity and Continuing Operations (continued)

d. Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires that an asset be evaluated for impairment when the carrying amount of an asset exceeds the sum of the undiscounted estimated future cash flows of the asset. In accordance with the provisions of SFAS 144, the Company reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be recoverable. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Individual assets we grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, generally on a field-by-field basis. The fair value of impaired assets is determined based on quoted market prices in active markets, if available, or upon the present values of expected future cash flows using discount rates commensurate with the risks involved in the asset group. The long-lived assets of the Company, which are subject to evaluation, consist primarily of oil and gas properties. For the year ended April 30, 2008 the Company expensed \$409,948 of equipment and well supplies in inventory to reflect the new, significant emphasis on drilling activities.

The Company also expensed assets of approximately \$179,000 for impaired oil and gas wells and approximately \$77,000 for old unused equipment. Collectively, these write-offs are included in the Company's statement of income for the year ended April 30, 2008 under the caption "Impairment Loss".

e. Net Earnings (Loss) per Share:

The Company presents "basic" earnings (loss) per share and, if applicable, "diluted" earnings per share pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Basic earnings (loss) per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding during each period. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, such as those issuable upon the exercise of stock options and warrants, were issued during the period.

Since the Company had a net loss for the years ended April 30, 2008 and 2007, the assumed effects of the exercise of the options and warrants to purchase 7,535,000 and 7,055,000 shares of common stock that were outstanding at April 30, 2008 and 2007, respectively, and the application of the treasury stock method would have been anti-dilutive. Therefore, there are no diluted per share amounts in the 2008 and 2007 statements of operations.

f. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

g. Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary MPC, Inc. All significant intercompany transactions have been eliminated.

h. Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization are computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives are as follows:

| Class                   | Lives in Years |
|-------------------------|----------------|
| Building                | 40             |
| Machinery and equipment | 5-20           |
| Vehicles                | 5-7            |
| Office equipment        | 5              |

Depreciation expense for the years ended April 30, 2008 and 2007 was \$70,821 and \$92,096 respectively.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 1 - Basis of Presentation, Liquidity and Continuing Operations (continued)

i. Revenue Recognition

Oil and gas production revenue is recognized as income as production is extracted and sold. Service and drilling income is recognized at the time it is both earned and we have a contractual right to receive the revenue. Turnkey contracts not completed at year end are reported on the completed contract method of accounting. There were no uncompleted contracts at the end of fiscal 2008 and 2007. Sales of various parts and equipment is immaterial for the years ended April 30, 2008 and 2007 and has been combined with service and drilling revenue.

j. Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company places its cash investments, which at times may exceed federally insured amounts, in highly rated financial institutions.

Accounts receivable arise from sales of gas and oil, equipment and services. Credit is extended based on the evaluation of the customer's creditworthiness, and generally collateral is not required. Accounts receivable more than 45 days old are considered past due. The Company does not accrue late fees or interest income on past due accounts. Management uses the aging of accounts receivable to establish an allowance for doubtful accounts. Credit losses are written off to the allowance at the time they are deemed not to be collectible. Credit losses have historically been minimal and within management's expectations. The allowance for doubtful accounts was \$15,000 at April 30, 2008 and \$5,183 April 30, 2007. Accounts receivable more than 90 days old were \$18,971 at April 30, 2008 and \$177,427 at April 30, 2007. Bad debt expense for the year ended April 30, 2008 was \$51,066.

k. Inventory

Inventory consists primarily of crude oil in tanks and is carried at cost. Inventory was previously recorded at fair market value, but after a review by management, it was deemed more appropriate to carry it at cost.

l. Well Equipment and Supplies

Well equipment held by the Company in the approximate amount of \$410,000 was written off during the year ended April 30, 2008. With the Company's significant redirection into drilling activities, the Company assessed this equipment for impairment and charged the remaining balance to expense. See Impairment note at (d) above.

m. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The most significant assumptions are for asset retirement obligation liabilities and estimated reserves of oil and gas. Oil and gas reserve estimates are developed from information provided by the Company's management to Lee Keeling & Associates, Inc. of Tulsa, Oklahoma for the years ended April 30, 2008 and 2007, respectively.

n. Reclassifications

Certain amounts and balances pertaining to the April 30, 2007 financial statements have been reclassified to conform with the April 30, 2008 financial statement presentations.

o. Stock Warrants

The Company measures its equity transactions with non-employees using the fair value based method of accounting prescribed by Statement of Financial Accounting Standards No. 123R.

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MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 1 - Basis of Presentation, Liquidity and Continuing Operations (continued)

p. Income Taxes

The Company accounts for income taxes using the “asset and liability method.” Accordingly, deferred tax liabilities and assets are determined based on the temporary differences between the financial reporting and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets arise primarily from net operating loss carry forwards. Management evaluates the likelihood of realization of such assets at year-end reserving any such amounts not likely to be recovered in future periods.

q. Recent Accounting Pronouncements

In June 2006, FIN 48, “*Accounting for Uncertainty in Income Taxes*,” an interpretation of SFAS No. 109, clarifies the accounting for uncertainties in income taxes recognized in an enterprise’s financial statements. The Interpretation requires that we determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority. If a tax position meets the more likely than not recognition criteria, FIN 48 requires the tax position be measured at the largest amount of benefit greater than fifty percent (50%) likely of being realized upon ultimate settlement. This accounting standard is effective for fiscal years beginning after December 15, 2006. The effect of adopting FIN 48 did not have a material affect on our financial position and results of operations.

In September 2006, the Staff of the SEC issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB No. 108”). SAB No. 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of determining whether the current year’s financial statements are materially misstated. SAB 108 is effective for the Company’s fiscal year 2007 annual financial statements. The adoption of SAB 108 did not have an impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS 157”). This standard defines fair value, establishes the framework for measuring fair value in accounting principles generally accepted in the United States and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the requirements of SFAS No. 157 and have not yet determined the impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FAS 115 (“SFAS No.159”). SFAS No. 159 allows companies to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and will be applied prospectively. We are currently evaluating the impact of adopting SFAS No. 159 on our financial position, results of operations or cash flows.

In December 2007, the SEC staff issued Staff Accounting Bulletin (“SAB”) 110, “Share-based Payment”, which amends SAB 107, “Share-based Payment”, to permit public companies, under certain circumstances, to use the simplified method in SAB 107 for employee option grants after December 31, 2007. Use of the simplified method after December 2007 is permitted only for companies whose historical data about their employees’ exercise behavior does not provide a reasonable basis for estimating the expected term of the options. The Company adopted SAB 110 on January 1, 2008. The adoption of this pronouncement did not have a material effect on the Company’s consolidated financial statements.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 1 - Basis of Presentation, Liquidity and Continuing Operations (continued)

q. Recent Accounting Pronouncements (continued)

In December 2006, the FASB issued FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements, (“FSP No. EITF 00-19-2”), which addresses an issuer’s accounting for registration payment arrangements. FSP No. EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. The guidance in FSP No. EITF 00-19-2 amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, and FASB Interpretation No. 45, Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, to include scope exceptions for registration payment arrangements. FSP No. EITF 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles (GAAP) without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. FSP No. EITF 00-19-2 shall be effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of FSP No. EITF 00-19-2. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of FSP No. EITF 00-19-2, this guidance shall be effective for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years. We adopted FSP No. EITF 00-19-2 effective January 1, 2007. We have not had any transactions subject to EITF 00-19-2 since its adoption, so there has been no material impact to the Company’s financial position, results of operations or cash flows.

r. Major Customers

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

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

Oil: Barrett Oil Purchasing purchases oil from the Koppers Fields. Barrett accounted for \$320,034 of the Company’s total revenue, which was about 38% of the Company’s total revenue.

Gas: Cumberland Valley Resources purchases natural gas produced from the joint venture with Delta Producers, Inc. in the Jellico East Field. Delta Producers Inc. accounted for \$355,641 of the Company’s total revenue, which was about 37% of the Company’s total revenue.

Tri-Global Holdings, LLC, Montello Resources, LLC and Delta Producers accounted for \$196,831, which was about 75% of the Company’s service and drilling revenue.

Note 2 - Statements of Cash Flows Supplemental Disclosure

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|   | 2008      | 2007      |
|---|-----------|-----------|
| <b>Cash Paid For:</b>                               |           |           |
| Interest  | \$ 52,652 | \$ 53,247 |
| <b>Non-Cash Financing Activities:</b>               |           |           |
| Financing costs from issuance of warrants and stock | 224,769   | 96,694    |
| Common stock issued for services                    | -         | 380,304   |

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MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 3 - Oil and Gas Properties - Pipeline Facilities

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs carrying and retaining unproved properties are expensed. The Company amortizes the oil and gas properties using the unit-of-production method based on total proved reserves. The Company capitalized \$0 and \$475 of oil and gas properties for the years ended April 30, 2008 and 2007, respectively, and recorded \$157,153 and \$114,986 of amortization expense for the years ended April 30, 2008 and 2007, respectively. The pipeline and eight gas wells were sold on December 14, 2007 for a total consideration of \$576,500.

For the year ended April 30, 2008 the Company expensed approximately \$179,000 of impaired oil and gas wells.

Note 4 - Long-Term Debt

The Company had the following debt obligations at April 30, 2008 and April 30, 2007

|  | April 30, 2008 | April 30, 2007 |
|--|----------------|----------------|
| <i>Notes Payable – Related Parties:</i>  |                |                |
| Note payable to the Company's CEO and Chairman of the Board of Directors, Deloy Miller, secured by equipment and truck titles, interest at 10.750%, due October 18, 2008   | \$ 80,200      | \$ 0           |
| Note payable to board member Herman Gettlefinger, unsecured, dated February 21, 2007, bearing interest at 11% and due November 1, 2007. This note was paid December 14, 2007                                       |                | 42,000         |
| Notes payable to Sharon Miller, Unsecured, dated April 5, 2007 to May 17, 2007, bearing interest at 11%, due November 1, 2007. This note was paid December 14, 2007  |                | 72,500         |
|  | 80,200         | 114,500        |
| <i>Notes Payable – Other</i>   |                |                |
| Note payable to American Fidelity Bank, secured by a trust deed on property, bearing interest at prime, due in monthly payments of \$2,500, with the final payment due in August 2008                              | 346,430        | 344,114        |
| Note payable to Jade Special Strategy, LLC, unsecured, dated March 7, 2007, bearing interest based on a sliding scale approximating 120% and due April 30, 2008, and now accruing interest at 18% (see note below) | 110,000        | 110,000        |
| Note payable to Jade Special Strategy, LLC, unsecured, dated April 17, 2007, bearing interest based on a sliding scale approximating   | 40,000         | 40,000         |

120% and due April 30, 2008, and now accruing interest at 18% (see note below)

Note Payable to Jade Special Strategy, LLC, unsecured, dated August 2, 2007, bearing interest based on a sliding scale approximating 120% and due April 30, 2008, and now accruing interest at 18% (see note below)

65,000 0

Note payable to Petro Capital Securities, unsecured, dated May 24, 2007, bearing interest at 10% and due June 30, 2008

35,000 35,000

Note payable to P & J Resources, Inc., unsecured, dated April 2, 2008 bearing interest at 8%

50,000 0

|  |         |         |
|--|---------|---------|
|  | 646,430 | 529,114 |
| Total Notes Payable                                    | 726,630 | 643,614 |
| Less current maturities on related party notes payable | 80,200  | 114,500 |
| Less current maturities on other notes payable         | 646,430 | 202,234 |
| Notes Payable – Long-term                              | 0       | 326,880 |

All of the above notes were paid off during June 2008.

MILLER PETROLEUM, INC.  
 Notes to the Consolidated Financial Statements  
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Note 4 - Long-Term Debt (continued)

On February 14, 2008 Jade Special Strategy, LLC agreed to extend the notes to April 30, 2008 at a nominal interest rate of 18% per annum, the re-pricing of 200,000 warrants from \$0.33 and \$0.29 to \$0.01, and the issuance of an additional 100,000 warrants at par value. The options represent loan fees and were valued at \$59,000.

Note 5 - Related Party Transactions

At April 30, 2008 and 2007 the Company has an account receivable from Herman Gettlefinger, a member of the board of directors, and his wife in the amount of \$5,145 and \$3,676, respectively for work performed on oil and gas wells.

The Company had notes payable to Sharon Miller (wife of Deloy Miller, majority stockholder) for \$72,500 and a note payable to Herman Gettlefinger for \$42,000 at April 30, 2007. These notes were paid off in December 2007.

Note 6 - Asset Retirement Obligation

In 2001, the Financial Accounting Standards Board approved the issuance of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement requires companies to record the present value of obligations associated with the retirement of tangible long-lived assets in the period in which it is incurred. The liability is capitalized as part of the related long-lived asset's carrying amount. Over time, accretion of the liability is recognized as an operating expense and the capitalized cost is depreciated over the expected useful life of the related asset.

The changes in the Company's liability for the years ended April 30, 2008 and 2007 as follows:

|  |    |        |
|--|----|--------|
| Asset retirement obligation as of April 30, 2006 | \$ | 17,549 |
| Accretion expense for 2007                       |    | 16,000 |
| Asset retirement obligation as of April 30, 2007 |    | 33,549 |
| Accretion expense for 2008                       |    | 16,000 |
| Asset retirement obligation as of April 30, 2008 | \$ | 49,549 |

The asset retirement obligation is included in the accompanying balance sheet under the caption "Accrued Expenses".

In addition to this accrual, the Company has \$83,000 in restricted cash in escrow for well permits.

Note 7 - Income Taxes

The Company provides deferred income tax assets and liabilities using the liability method for temporary differences between book and taxable income.

A reconciliation of the statutory U. S. Federal income tax and the income tax provision included in the accompanying consolidated statements of operations is as follows:





MILLER PETROLEUM, INC.  
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## Note 7 - Income Taxes (continued)

|  | 2008         | 2007         |
|--|--------------|--------------|
| <b>Current Year Addition:</b>                          |              |              |
| Federal statutory rate                                 | 34%          | 34%          |
| Federal tax benefit at statutory rate                  | \$ 828,240   | \$ 520,000   |
| State income tax, net of benefit                       | 104,504      | 68,700       |
| Stock compensation                                     |              | (128,000)    |
| Stock warrants   |              | (34,100)     |
|  | 932,744      | 426,600      |
| Increase in valuation allowance                        | 932,744      | (426,600)    |
|  |              |              |
| Increase in deferred tax asset and valuation allowance | \$ 0         | \$ 0         |
| <b>Cumulative Tax Benefit:</b>                         |              |              |
| Net operating loss carryforward                        | \$ 4,504,500 | \$ 2,964,600 |
| Stock warrants   | -            | 40,000       |
| Valuation allowance                                    | (4,504,500)  | (3,004,600)  |
|  |              |              |
| Net deferred tax benefit                               | \$ 0         | \$ 0         |

The Company recorded a valuation allowance at April 30, 2008 and 2007 equal to the excess of deferred tax assets over deferred tax liabilities, as management is unable to determine that these tax benefits are more likely than not to be realized.

The Company had available, to offset taxable income, cumulative net operating loss carry forwards arising from the periods since the year ended April 30, 1998 of approximately \$10,500,000 at April 30, 2008. The carry forwards begin expiring in 2013.

The open tax years years April 30, 2005, 2006, 2007 and 2008.

## Note 8 - Stockholders' Equity

For the year ended April 30, 2007, no shares were issued. The Company issued 480,000 warrants in connection with the Prospect / Petro loan at an average exercise price of \$1.15 per share during the years ended April 30, 2008 and 2007. On April 30, 2007 the Company engaged consultants to assist in the unwind of the Wind City agreement (note 2) in exchange for options to acquire 5,000,000 shares of the Company's common stock. The options are to be issued upon board approval of the services and are exercisable at \$0.21 per share. Additionally, the Company issued 200,000 warrants in connection with borrowings in March and April of 2007 at an average exercise price of \$0.29 per share.

On February 14, 2008 Jade Special Strategy, LLC agreed to extend the notes to April 30, 2008 at a nominal interest rate of 18% per annum, the re-pricing of 200,000 warrants from \$0.33 and \$0.29 to \$0.01, and the issuance of an additional 100,000 shares of stock at grant-date fair value. The options represent loan fees and are valued at \$59,000.

Additionally, the Company has warrants and options outstanding from prior periods. All warrants must be adjusted in the event of any forward or reverse split of outstanding common stock. The warrants have no voting rights or

liquidation preferences, unless exercised in accordance with the particular warrant.

Prior to adoption of SFAS 123R, the fair value of the options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in fiscal year 2006: 50% volatility, two and a half year life, zero dividend yield, and risk-free interest rate of 4.50%.

For 2007, the Company continued to use the simplified method for determining estimated option life, due to significant structural changes in its business. Option grants were valued using two and a half to three year lives and volatility of 300%.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

## Note 8 - Stockholders' Equity (continued)

Information regarding the options and warrants at April 30, 2008 and 2007 is as follows:

|   | 2008               |                           | 2007               |                           |
|---|--------------------|---------------------------|--------------------|---------------------------|
|   | Weighted<br>Shares | Average<br>Exercise Price | Weighted<br>Shares | Average<br>Exercise Price |
| Options outstanding,<br>beginning of year                         | 7,055,000          | \$ 0.37                   | 1,550,000          | \$ 0.81                   |
| Options canceled  |                    |                           | 200,000            | 2.00                      |
| Options exercised   |                    |                           | -                  | -                         |
| Options granted   | 480,000            | \$ 1.15                   | 5,705,000          | \$ 0.53                   |
| Options outstanding,<br>end of year                               | 7,535,000          |                           | 7,055,000          | \$ 0.38                   |
| Options exercisable,<br>end of year                               | 2,535,000          |                           | 2,055,000          | \$ 0.77                   |
| Option price range,<br>end of year                                |                    | \$ 0.01 to<br>1.15        |                    | \$ 0.21 to<br>1.15        |
| Option price range,<br>exercised shares                           |                    | n/a                       |                    | n/a                       |
| Options available for grant<br>at end of year                     |                    | n/a                       |                    | n/a                       |
| Weighted average fair value of<br>options granted during the year |                    | \$ 0.20                   |                    | \$ 0.23                   |

## Note 9 - Contingencies

The Company's activities are subject to federal, state and local laws and regulations governing environmental quality and pollution control in the United States. The company cannot predict what effect future regulations or legislation, enforcement policies, and claims for damages to property, employees, other persons and the environment resulting from the Company's operations could have on its activities. Although no assurances can be made, the Company's management believes that absent the occurrence of an extraordinary event, compliance with existing laws, rules and regulations regulating the release of materials in the environment or otherwise relating to the protection of the environment will not have a material effect upon the Company's financial position.

## Note 10 - Disclosures about Fair Value of Financial Instruments

The carrying amount reported on the balance sheet for cash, accounts and notes receivable, accounts payable and accrued liabilities approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying value of notes payable approximate fair value due to the settlement at carrying value of these obligations subsequent to the balance sheet date.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 11 – Subsequent Events / Litigation / Employment of New CEO

The Company sold approximately 30,000 acres of oil and gas leases and eight drilled, proved, but uncompleted gas wells for a total consideration of \$19.625 million on June 13, 2008. As part of this transaction, the Company paid Wind City Oil & Gas, LLC and related companies \$10.6 million in return for 2.9 million shares of Miller's common stock, the return of all of the Company's oil and gas leases, a used RD20 drilling rig, compressor and related components, eight drilled but uncompleted gas wells, and two producing gas wells in settlement of all litigation between the Company and Wind City Oil & Gas, LLC.

After the sale was completed, the Company paid off all notes, all undisputed payables, transaction fees of \$600,000 to Cresta Capital/Consortium, and paid a transaction fee of \$300,000 to Scott Boruff, the new CEO of Miller (see Employment of New CEO below), a former associate of Cresta and a son-in-law of Deloy Miller the former CEO and current Chairman of the Board of Directors.

Cresta was also granted a warrant to purchase one million shares of the Company's common stock for \$1.00 per share for a period expiring three years after the grant date and cancelled the five million performance warrants that it held.

The following proforma balance sheet reflects the sale:

|   | April 30, 2008      | Adjustment           | After<br>Adjustment |
|---|---------------------|----------------------|---------------------|
| <b>Assets</b>                                 |                     |                      |                     |
| Cash  | \$ 42,436           | \$ 6,400,000         | \$ 6,442,436        |
| Other Current Assets                          | 202,302             |                      | 202,302             |
| <b>Total Current Assets</b>                   | <b>244,738</b>      |                      | <b>6,644,738</b>    |
| <b>Net Fixed Assets</b>                       | <b>565,657</b>      | <b>810,000</b>       | <b>1,375,657</b>    |
| Oil & Gas Properties                          | 1,544,577           | (801,319)<br>250,000 | 993,258             |
| Other Assets                                  | 579,500             |                      | 579,500             |
| <b>Total Assets</b>                           | <b>\$ 2,934,472</b> |                      | <b>\$ 9,593,153</b> |
| <b>Liabilities &amp; Stockholders' Equity</b> |                     |                      |                     |
| <b>Liabilities</b>                            |                     |                      |                     |
| Accounts Payable &<br>Accrued Expenses        | \$ 599,473          | \$ (500,000)         | \$ 99,473           |
| Notes Payable                                 | 726,630             | (726,630)            | -                   |
| Liability for Stock Repurchase                | 4,350,000           | (4,350,000)          | -                   |
| <b>Total Liabilities</b>                      | <b>5,676,103</b>    |                      | <b>99,473</b>       |
| <b>Stockholders' Equity</b>                   | <b>(2,741,631)</b>  | <b>12,235,311</b>    | <b>9,493,680</b>    |

|                                |    |           |    |           |
|--------------------------------|----|-----------|----|-----------|
| <b>Total Liabilities &amp;</b> |    |           |    |           |
| <b>Stockholders' Equity</b>    | \$ | 2,934,472 | \$ | 9,593,153 |

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MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

Note 11 - Subsequent Events / Litigation / Employment of New CEO (continued)

On June 20, 2008 the Company purchased a 2007 Atlas COPCO Model RD III drilling rig and related equipment for approximately \$1.9 million. This equipment was financed with a \$1.85 million loan secured by a certificate of deposit.

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 by 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 by CNX of up to approximately \$13.3 million, in which event the Registrant would be obligated to repay Atlas the sum of \$19,625,000.

Management's opinion is that CNX has no proof or basis of its claims in law or in fact, and management's opinion is that this lawsuit will be dismissed.

On August 6, 2008 the Board of Directors employed Scott M. Boruff as CEO of the Company. The employment contract provided for the following compensation:

- Base salary of \$250,000 per annum, with provision for cost-of-living increases.
- Sign-on bonus of \$300,000, payable immediately in connection with Mr. Boruff's assistance with the Atlas Transaction.
- Options to purchase 250,000 shares of the Registrant's common stock at an exercise price per share of \$0.33, with vesting in equal annual installments over a period of four years.
- A restricted stock grant of 250,000 shares of common stock, with vesting in equal annual installments over a period of four years.
- Incentive Compensation – For each year of the employment term, (i) cash up to 100% of base salary and (ii) up to 100,000 shares of restricted common stock, in both instances based upon, and subject to, two performance benchmarks, gross revenue and EBITDA. One half of each element of incentive compensation is earned if the gross revenue benchmark is achieved, and the other half of each element is earned if the EBITDA benchmark is achieved.

Mr. Boruff is the son-in-law of Deloy Miller, the former CEO and current Chairman of the Board of Directors.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

## Note 12 - S.F.A.S. 69 Supplemental Disclosures (Unaudited)

a. Capitalized Costs Relating to Oil and Gas Producing Activities at April 30, 2008 and 2007 are as follows:

|   | 2008         | 2007         |
|---|--------------|--------------|
| Proved oil and gas properties and related lease equipment |              |              |
| Developed   | \$ 2,736,509 | \$ 2,783,855 |
| Non-developed   | 2,736,509    | 2,783,855    |
| Accumulated depletion                                     | (1,191,931)  | (1,321,416)  |
| Net Capitalized Costs                                     | \$ 1,544,578 | \$ 1,462,439 |

b. Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities

|   |    |    |     |
|---|----|----|-----|
| Acquisition of Properties Proved and Unproved | \$ | \$ | -   |
| Exploration Costs                             |    |    | -   |
| Development Costs                             |    |    | 474 |
| Total   | \$ | \$ | 474 |

c. Results of Operations for Producing Activities

|   | 2008       | 2007       |
|---|------------|------------|
| Production revenues   | \$ 566,478 | \$ 509,742 |
| Production costs  | (62,213)   | (56,072)   |
| Depreciation and amortization   | (157,153)  | (144,496)  |
| Results of operations for producing activities<br>(excluding corporate overhead and interest costs) | \$ 347,112 | \$ 309,174 |

d. Reserve Quantity Information

The following schedule estimates proved oil and natural gas reserves attributable to the Company. Proved reserves are estimated quantities of oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those which are expected to be recovered through existing wells with existing equipment and operating methods. Reserves are stated in barrels of oil (Bbls) and thousands of cubic feet of natural gas (Mcf). Geological and engineering estimates of proved oil and natural gas reserves at one point in time are highly interpretive, inherently imprecise and subject to ongoing revisions that may be substantial in amount. Although every reasonable effort is made to ensure that the reserve estimates reported represent the most accurate assessments possible, these estimates are by their nature generally less precise than other estimates presented in connection with financial statement disclosures.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

## Note 12 - S.F.A.S. 69 Supplemental Disclosures (Unaudited) (Continued)

|  | Oil (Bbls)    | 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        | 151,669          |
| Return of proved undeveloped properties to the Company       | -             | 1,037,857        |
| Productions  | (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.

In addition to the proved developed producing oil and gas reserves reported in the geological and engineering reports, the Company holds ownership interests in various proved undeveloped properties. The reserve and engineering reports performed for the Company were by Lee Keeling & Associates, Inc. for the years ended April 30, 2008 and April 30, 2007. Although wells have been drilled and completed in each of these four properties, certain production and pipeline facilities must be installed before actual gas production will be able to commence. The most recent development plan for these properties indicates that facilities installation and commencement of production as soon as possible. However, such timing as well as the actual financing arrangements that will be secured by the Company is uncertain at this time.

The following schedule presents the standardized measure of estimated discounted future net cash flows from the Company's proved developed reserves for the years ended April 30, 2008 and 2007. Estimated future cash flows were based on independent reserves evaluation from Lee Keeling & Associates, Inc. for the years ended April 30, 2008 and April 30, 2007. Because the standardized measure of future net cash flows was prepared using the prevailing economic conditions existing at April 30, 2008 and 2007, it should be emphasized that such conditions continually change. Accordingly, such information should not serve as a basis in making any judgment on the potential value of the Company's recoverable reserves or in estimating future results of operations.

Estimated future net cash flows represent an estimate of future net revenues from the production of proved reserves using current sales prices, along with estimates of the operating costs, production taxes and future development and



abandonment costs (less salvage value) necessary to produce such reserves. The average prices used at April 30, 2008 and 2007 were \$103.31 and \$55.77 per barrel of oil and \$9.36 and \$7.15 per Mcf gas, respectively. No deduction has been made for depreciation, depletion or any indirect costs such as general corporate overhead or interest expense.

MILLER PETROLEUM, INC.  
Notes to the Consolidated Financial Statements  
April 30, 2008 and 2007

## Note 12 - S.F.A.S. 69 Supplemental Disclosures (Unaudited) (Continued)

Operating costs and production taxes are estimated based on current costs with respect to producing gas properties. Future development costs are based on the best estimate of such costs assuming current economic and operating conditions.

Income tax expense is computed based on applying the appropriate statutory tax rate to the excess of future cash inflows less future production and development costs over the current tax basis of the properties involved.

The future net revenue information assumes no escalation of costs or prices, except for gas sales made under terms of contracts which include fixed and determinable escalation. Future costs and prices could significantly vary from current amounts and, accordingly, revisions in the future could be significant.

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)  |
| Discounted future net cash flows from proved reserves | \$ 6,744,139  | \$ 1,999,640 |

Of the Company's total proved reserves as of April 30, 2008 and 2007, approximately 83% and 57%, respectively, were classified as proved developed producing, 17% and 31%, respectively, were classified as proved developed non-producing and 0% and 12%, respectively, were classified as proved undeveloped. All of the Company's reserves are located in the continental United States.

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.

|   | April 30,    |              |
|---|--------------|--------------|
|   | 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 |

Among “revisions of quantity estimates”, the Company has accounted for the effects of changed economic circumstances, including the effects of the change in the Company’s relationship with Wind City, which was the subject of final arbitration in March of 2008. The resolution of the Wind City dispute resulted in the reclassification of several proved undeveloped properties from the Company’s “Investment in Joint Venture” on the April 2007 Balance Sheet, including discounted reserves of approximately \$4,648,000.

**Item 8. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure.**

None.

**Item 8A. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Issuer in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15 d 0 15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on the evaluation and communication from Rodefer Moss & Co to our Audit Committee in August, 2008 that identified a material weakness, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are not effective.

The material weakness identified was that our accounting resources are not adequate to allow sufficient time for the accounting department to (i) perform a review of the consolidation and supporting financial statement disclosure schedules independent of the preparer (ii) adequately prepare for our quarterly reviews and annual audit and (iii) research all applicable accounting pronouncements as they relate to our financial statements and underlying disclosures. Inadequate levels of accounting personnel have also caused us difficulty in filing our 10-Q's and 10-K within the required time frame.

Due to this material weakness, in preparing our financial statements for the year ended April 30, 2008 we performed additional analysis and other post close procedures to ensure that such financial statements were stated fairly in all material respects in accordance with U.S. generally accepted accounting principles.

*Changes in Internal Control over Financial Reporting.*

There were no changes in our internal control over financial reporting identified in connection with the evaluation of internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Given the identification of the above material weakness, we have decided on a course of action that we anticipate will remediate this material weakness. This includes plans to hire additional experienced accounting staff to provide sufficient time and resources to review the consolidation and supporting financial statement disclosure schedules independent of the preparer and research all applicable accounting pronouncements as they relate to our financial statements and underlying disclosures.

**Item 8B. Other Information.**

None.



**PART III****Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.****Directors and Executive Officers**

The following table shows the names, ages and positions held by our executive officers, directors and significant employees.

| Name                   | Age | Position                           |
|------------------------|-----|------------------------------------|
| Scott Boruff           | 45  | Chief Executive Officer            |
| Deloy Miller           | 61  | Chairman of the Board of Directors |
| Lyle H. Cooper         | 65  | Chief Financial Officer            |
| Gary Bible             | 58  | Vice President of Geology          |
| Teresa Cotton          | 45  | Secretary and Treasurer            |
| Charles M. Stivers     | 46  | Director                           |
| Herman E. Gettlefinger | 75  | Director                           |

## **Business Experience**

**Scott M. Boruff**, elected as director and appointed as Chief Executive Officer of Miller Petroleum August 6, 2008, is a seasoned executive with a diverse business background that includes proven entrepreneurial ventures, a track record of successful development projects and vast deal making experience. Over the past two years, Scott has been a licensed investment banker and director with a New York investment banking firm that was responsible for closing transactions in the \$150 to \$200 million category. Scott specialized in investment banking consulting services that included structuring of direct financings, recapitalizations, mergers and acquisitions and strategic planning with an emphasis in the gas and oil field. Scott has developed a nationwide network of investors in gas and oil, business, real estate and investment properties. As a commercial real estate broker for over twenty years Scott developed condominium projects, hotels, convention centers, golf courses, apartments and residential subdivisions. Prior to his development career, Scott created several start-up ventures that grew into multi-million dollar companies. As a consultant to Miller Petroleum, Scott led the last three major financial transactions completed by the company. Scott holds a Bachelor of Science Degree in Business Administration from ETSU.

**Deloy Miller** has been Chairman of the Board of Directors since December 1996, and was Chief Executive Officer from December 1997 to August 2008. Mr. Miller is a seasoned gas and oil professional with more than 30 years of experience in the drilling and production business in the Appalachian basin. During his years as a drilling contractor, he acquired extensive geological knowledge of Tennessee and Kentucky and received training in the reading of well logs. A native Tennessean, Miller is credited with being the leader in converting the Appalachian Basin from cable tool drilling to air drilling, using the Ingersoll-Rand T3 Drillmaster rigs. The introduction of air drilling sparked the 1969 drilling boom and Miller soon became a successful drilling contractor in the southern Appalachian basin. He served two terms as president of the Tennessee Oil & Gas Association and in 1978 the organization named Miller the Tennessee Oil Man of the Year. He continues to serve on the board of that organization. Mr. Miller was appointed by the Governor of Tennessee to be the petroleum industry's representative on the Tennessee Oil & Gas Board, the state agency that regulates gas and oil operations in the state.

**Lyle H. Cooper** was appointed Chief Financial Officer on January 20, 2006. Mr. Cooper owns a private CPA firm where since 1991 he has specialized in providing accounting, auditing, tax and SEC related services. Mr. Cooper participated as principal in an oil drilling venture in Clinton County, Kentucky in 2003 and 2004.

**Charles M. Stivers** has been a Director since 2004. He also served as our Chief Financial Officer from 2004 until January 2006. Mr. Stivers has over 18 years accounting experience and over 12 years of experience within the energy industry. He owns and operates Charles M. Stivers, C.P.A., which specializes in the oil and gas industry and has clients located in eight different states. His responsibilities include all forms of SEC audit work, SEC quarterly financial statement filings, oil and gas consulting work, and income tax work. Mr. Stivers served as Treasurer and CFO for Clay Resource Company and Senior Tax and Audit Specialist for Gallaher and Company. He received a Bachelor of Science degree in accounting from Eastern Kentucky University.

**Herman Gettelfinger** has been a Director since 1997. Mr. Gettelfinger is a co-owner of Kelso Oil Company, Knoxville Tennessee and has been the President of Kelso since 1960. Kelso is one of eastern Tennessee's largest distributors of motor oils, fuels and lubricants to the industrial and commercial market. Mr. Gettelfinger has been active in the gas and oil drilling and exploration business for more than 35 years and has been associated with Miller Petroleum for more than 25 years.

**Dr. Gary Bible** was appointed Vice President of Geology in September 1997. Dr. Bible came from Alamco, where he had served since May of 1991 as Manager of Geology and Senior Geologist. Dr. Bible earned his BS Degree in Geology from Kent State University and his Msc. and PhD. Degrees in Geology from Iowa State University. He is a proven hydrocarbon finder who drilled his first successful wildcat as a Trainee Geologist. Dr. Bible brings to the Company 20 years experience as a Petroleum Geologist. In addition, Dr. Bible has spent more than 10 years in the

Appalachian Basin in the exploration and development of reserves in the Big Lime, Devonian Shale and in deeper horizons. He is credited with managing a drilling program at Alamco that kept its finding cost the lowest in the nation.

**Teresa Cotton** was appointed Secretary/Treasurer in December 2001. Prior to joining the Miller Team, Mrs. Cotton was employed by Halliburton Services. She has more than twenty years experience in the oil and gas industry. Mrs. Cotton, a Tennessee native, earned an A.S. in Business Administration at Roane State Community College in Huntsville, Tennessee.

#### **Term of Office**

Our officers are appointed by our board of directors and hold office until removed by the board.



**Audit Committee Financial Expert**

We have an audit committee consisting of Scott M. Boruff, Herman Gettelfinger and Charles Stivers. Our board of directors has determined that Mr. Stivers is an “audit committee financial expert”, as such term is defined in Section 407(b) of the Sarbanes-Oxley Act of 2002, based on his qualification as a certified public accountant and his prior experience. Mr. Stivers is a member of the Board and is not independent.

**Compliance with Section 16(a)**

We have no securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We file our periodic and annual reports pursuant to Section 15(d) thereof. Accordingly, our directors, executive officers and 10% stockholders are not required to file statements of beneficial ownership of securities under Section 16(a) of the Exchange Act.

**Code of Ethics**

We have adopted a Code of Ethics that applies to our President, Chief Executive Officer, Chief Accounting Officer or Controller and any other persons performing similar functions. Our Code of Ethics is attached as an exhibit to our annual report on Form 10-KSB for the fiscal year ended April 30, 2004. This Code provides written standards that we believe are reasonably designed to deter wrongdoing and promote (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and (2) full, fair, accurate, timely and understandable disclosure in reports we file with the Securities Exchange Commission. Copies of our Code of Conduct may be obtained without charge by written request to our Secretary, Teresa Cotton, at Miller Petroleum, Inc., 3651 Baker Highway, Huntsville, TN 37756.

**Item 10. Executive Compensation.****Summary Compensation Table**

The following table sets forth certain information for the periods indicated concerning compensation paid by the Company to our Chief Executive Officer and each of our other executive officers who received the highest compensation for services rendered to us with respect to the years ended April 30 2008 and 2007:

| Name and Principal Position                        | Year | Salary    | Bonus | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Non-Qualified Deferred Compensation Earnings | All Other Compensation | Total     |
|--|------|-----------|-------|--------------|---------------|--|--|------------------------|-----------|
| Deloy Miller<br>Chairman of the Board of Directors | 2008 | \$200,000 | 0     | 0            | 0             | 0                                      | 0  | 0                      | \$200,000 |
|  | 2007 | \$200,000 | 0     | 0            | 0             | 0                                      | 0  | 0                      | \$200,000 |
| Scott M. Boruff<br>Chief Executive Officer         | 2008 | N/A       | N/A   | N/A          | N/A           | N/A                                    | N/A  | N/A                    | N/A       |
|  | 2007 | N/A       | N/A   | N/A          | N/A           | N/A                                    | N/A  | N/A                    | N/A       |

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|                         |      |          |   |   |   |   |   |   |          |
|-------------------------|------|----------|---|---|---|---|---|---|----------|
| Lyle H. Cooper          | 2008 | \$66,000 | 0 | 0 | 0 | 0 | 0 | 0 | \$66,000 |
| Chief Financial Officer | 2007 | \$66,000 | 0 | 0 | 0 | 0 | 0 | 0 | \$66,000 |

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**Outstanding Equity Awards at Fiscal Year End**

The following table sets forth certain information with respect to the value of all equity awards that were outstanding at April 30, 2008.

| Name            | OPTION AWARDS   |   |   |   |                        | STOCK AWARDS   |  |   |   |  |
|-----------------|---|---|---|---|------------------------|--|--|---|---|--|
|                 | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Equity Incentive Plan Awards: Exercise Price (\$) | Option Expiration Date | Market Value of Shares or Units of Stock that Have Not Vested (\$) | Market Value of Shares or Units of Stock that Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Units, or Rights that Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Rights that Have Not Vested (\$) |  |
| Deloy Miller    | 0   | 0   | 0   | N/A   | N/A                    | 0  | N/A  | N/A   | N/A   |  |
| Scott M. Boruff | 0   | 0   | 0   | N/A   | N/A                    | 0  | N/A  | N/A   | N/A   |  |
| Lyle H. Cooper  | 0   | 0   | 0   | N/A   | N/A                    | 0  | N/A  | N/A   | N/A   |  |

We have a three-year contract with our President beginning February 21, 2006. In connection with this contract, the President was issued 500,000 shares of common stock.

Our Company has no plans or arrangements in respect to remuneration received or that may be received by named executive officers of our Company in fiscal year 2006 to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

We do not have any long-term incentive plans, pension plans, or similar compensatory plans for our directors and executive officers.

**Compensation of Directors**

The following table summarizes compensation paid to our non-management directors during the fiscal year ended April 30, 2008:

| Name                | Fees Earned or Paid in Cash | Stock Awards (\$) | Option Awards (\$) | Non-equity Incentive Plan Information (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total |
|---------------------|-----------------------------|-------------------|--------------------|--|--|-----------------------------|-------|
|                     |                             |                   |                    |  |  |                             |       |
| Charles M. Stivers  | \$ 500                      | 0                 | 0                  | 0  | 0  | 0                           | 0     |
| Herman Gettelfinger | \$ 500                      | 0                 | 0                  | 0  | 0  | 0                           | 0     |

Directors receive an annual fee for Board service of \$0 as compensation as well as attendance fees of \$500 for each meeting of the Board attended in person and \$0 for each meeting attended by telephone. No attendance fees were paid to directors for the fiscal year ended April 30, 2008.

*Long-term Incentive Plan:*

There have been no awards under any long-term incentive plan during the last completed fiscal year.

*Employment Contracts, Termination of Employment and Change in Control Arrangements*

On August 6, 2008, we entered into an employment agreement with Scott M. Boruff, our Chief Executive Officer, for an initial term of five years. The employment agreement provides for a base annual salary of \$250,000, a sign-on bonus of \$300,000, incentive compensation and other customary benefits. The employment agreement also includes two-year non-competition and non-solicitation covenants.

**Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.****Equity Compensation Plan Information**

| Plan Category  | (a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|--|--|---|--|
| Equity Compensation Plans Approved by Security Holders     | N/A  | N/A   | N/A  |
| Equity Compensation Plans Not Approved by Security Holders | N/A  | N/A   | N/A  |
| Total  | N/A  | N/A   | N/A  |

**Security Ownership of Certain Beneficial Owners**

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of August 11, 2008 by: (i) each person (including any group) known to us to own more than five percent (5%) of our common stock, (ii) each of our directors and each of our named executive officers and (iii) officers and directors as a group.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and is not necessarily indicative of beneficial ownership for any other purpose. Shares of Common Stock that a person has a right to acquire within 60 days are deemed outstanding for purposes of computing the percentage ownership of that person, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. We based our calculations of the percentage owned on 14,566,856 shares outstanding on August 11, 2008.

Except as otherwise indicated, each director and named executive officer (1) has sole investment and voting power with respect to the securities indicated or (2) shares investment and/or voting power with that individual's spouse. The address of each director and named executive officer listed in the table below is c/o Miller Petroleum, Inc. 3651 Baker Highway, Huntsville, Tennessee 37756.

| Name of Beneficial Owner                         | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|---|------------------|
| <b><i>Directors and Officers</i></b>             |   |                  |
| Scott M. Boruff                                  | 400,000                                   | 2.75%            |
| Deloy Miller                                     | 4,090,343                                 | 28.08%           |
| Charles M. Stivers                               | 20,000                                    | *                |
| Herman E. Gettelfinger                           | 309,845 <sup>(1)</sup>                    | 2.12%            |
| All directors and executive officers (6 persons) | 4,870,188 <sup>(2)</sup>                  | 34.72%           |
| <b><i>Beneficial Owner of More Than 5%</i></b>   |   |                  |
| Prospect Energy Corporation                      | 2,160,000 <sup>(3)</sup>                  | 14.83%           |

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\* Represents less than 1% of our outstanding common stock.

(1) Includes 100,000 shares held by Mr. Gettelfinger's spouse.

(2) Includes 50,000 shares issuable to officers upon the exercise of presently exercisable stock options.

(3) Represents 2,160,000 shares issuable upon the exercise of presently exercisable warrants.

**Item 12. Certain Relationships and Related Transactions and Director Independence.**

The Company had an account receivable from Herman Gettelfinger, a member of the Board of Directors, and his wife, at April 30, 2008 and April 30, 2007 in the amount of \$5,144 and \$3,676, respectively for work performed on oil and gas wells.

The Company had notes payable to Sharon Miller (wife of Deloy Miller, majority stockholder) for \$72,500 and a note payable to Herman Gettelfinger for \$42,000 at April 30, 2007. These notes were paid off in December 2007.

**Director Independence**

Other than the transactions disclosed above, there have been no material transactions, series of similar transactions or currently proposed transactions, to which we, or any of our subsidiaries was or is to be a party, in which the amount involved exceeds the lesser of \$120,000 or one percent of our total assets at year end for the last three completed fiscal years and in which any director or executive officer or any security holder who is known to us to own of record or beneficially more than 5% of the Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

**Employment Agreements**

See "Item 10. Executive Compensation - Employment Contracts, Termination of Employment, and Change in Control Arrangements" which is incorporated by reference herein.

**Item 13. Exhibits.**

EXHIBIT

| NO.  | DESCRIPTION  |
|------|--|
| 3.1  | Articles of Incorporation of Miller Petroleum Inc. (1)   |
| 3.2  | By-laws of Miller Petroleum Inc. (1)   |
| 10.1 | Purchase and Sale Agreement by and between Atlas America, LLC and Miller Petroleum, Inc., dated as of June 11, 2008 (2)                            |
| 10.2 | Employment Agreement with Scott M. Boruff, dated as of August 1, 2008 (2)  |
| 23.1 | Consent of Independent Registered Public Accounting Firm.  |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.  |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.  |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(1) Incorporated by reference from our Annual Report on Form 10-KSB, filed on August 7, 1996.

(2) Filed herewith.



**Item 14. Principal Accountant Fees and Services.**

The aggregate fees we paid to Rodefer Moss & Company, PLLC for the years ended April 30, 2008 and 2007 were as follows:

|   | <b>2008</b>      | <b>2007</b>      |
|---|------------------|------------------|
| Audit Fees                                | \$ 70,341        | \$ 77,743        |
| Audit-Related Fees                        |                  | -                |
| <i>Total Audit and Audit-Related Fees</i> | 70,341           | 77,743           |
| Tax Fees                                  |                  | -                |
| All Other Fees                            |                  | -                |
| <b>Total</b>                              | <b>\$ 70,341</b> | <b>\$ 77,743</b> |

The Audit Committee's policy is that all audit and non-audit services to be performed by our independent auditors must be approved in advance. The policy permits the Audit Committee to delegate pre-approval authority to one or more of its members and requires any member who pre-approves such services pursuant to that authority to report his decision to the Committee.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MILLER PETROLEUM, INC.

By: */s/ Scott M. Boruff*  
Scott M. Boruff  
Chief Executive Officer

Dated: August 13, 2008

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

*/s/ Deloy Miller*  
Deloy Miller  
Chairman of the Board of Directors

*/s/ Lyle H. Cooper*  
Lyle H. Cooper  
Chief Financial Officer

*/s/ Charles M. Stivers*  
Charles M. Stivers  
Director

*/s/ Herman E. Gettelfinger*  
Herman E. Gettelfinger  
Director