

MILLER PETROLEUM INC  
Form 10QSB  
September 19, 2007

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

For the quarterly period ended July 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

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

Commission File No. 33-2249-FW

**MILLER PETROLEUM, INC.**

(Exact name of small business issuer as specified in its Charter)

TENNESSEE                      62-1028629  
(State or Other Jurisdiction of   (I.R.S. Employer I.D. No.)  
Incorporation or organization)

3651 Baker Highway  
Huntsville, Tennessee, 37756  
(Address of principal executive offices)

(423) 663-9457  
Issuer's telephone number

N/A

\_\_\_\_\_  
(Former name, former address and former fiscal year if changed from last report.)

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

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

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As of July 31, 2007, the registrant had a total of 14,366,856 shares of Common Stock, \$0.00001 par value, outstanding.

Transitional Small Business Disclosure Format (check one): Yes  No

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**MILLER PETROLEUM, INC.**  
**Form 10-QSB**  
**For the Quarter Ended July 31, 2007**  
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**MILLER PETROLEUM, INC.**  
**Condensed Consolidated Balance Sheets**

	July 31, 2007 Unaudited	April 30, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$	\$
Accounts receivable	97,862	67,276
Accounts receivable - related parties	188,961	180,699
Note receivable	7,900	7,900
Inventory	114,647	114,691
<b>Total Current Assets</b>	<b>409,370</b>	<b>370,566</b>
<b>FIXED ASSETS</b>		
Machinery	912,592	912,592
Vehicles	328,474	344,427
Buildings	315,835	315,835
Office equipment	30,083	30,083
	1,586,984	1,602,937
Less: accumulated depreciation	(871,145)	(862,717)
<b>Net Fixed Assets</b>	<b>715,839</b>	<b>740,220</b>
<b>OIL AND GAS PROPERTIES</b>		
(On the basis of successful efforts accounting)	1,431,658	1,462,439
<b>PIPELINE FACILITIES</b>		
	178,509	181,597
<b>OTHER ASSETS</b>		
Investment in joint venture at cost	801,319	801,319
Land	496,500	496,500
Investments	500	500
Well equipment and supplies	427,948	427,948
Cash - restricted	83,000	83,000
<b>Total Other Assets</b>	<b>1,809,267</b>	<b>1,809,267</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,544,643</b>	<b>\$ 4,564,089</b>

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

**MILLER PETROLEUM, INC.**  
**Condensed Consolidated Balance Sheets**

	July 31, 2007 Unaudited	April 30, 2007
<b>LIABILITIES, TEMPORARY EQUITY AND PERMANENT STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 31,998	\$ 16,933
Accounts payable - trade	399,554	276,783
Accounts payable - related parties	140,804	88,809
Accrued expenses	124,079	93,874
Notes payable - related parties	269,935	114,500
Current portion of notes payable	230,934	202,234
<b>Total Current Liabilities</b>	<b>1,197,304</b>	<b>793,133</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable - other	323,000	326,880
<b>Total Long-term Liabilities</b>	<b>323,000</b>	<b>326,880</b>
<b>TEMPORARY EQUITY</b>		
Common stock, subject to put rights, 2,900,000 shares	4,350,000	4,350,000
<b>PERMANENT STOCKHOLDERS' DEFICIT</b>		
Common stock, 500,000,000 shares authorized at \$0.00001 par value, 11,466,856 shares issued and outstanding	1,146	1,146
Additional paid-in capital	7,936,724	7,936,724
Unearned compensation	(1,495,345)	(1,587,033)
Accumulated deficit	(7,768,186)	(7,256,761)
<b>Total Stockholders' Deficit</b>	<b>(1,325,661)</b>	<b>(905,924)</b>
<b>TOTAL LIABILITIES, TEMPORARY EQUITY AND PERMANENT STOCKHOLDERS' DEFICIT</b>	<b>\$ 4,544,643</b>	<b>\$ 4,564,089</b>

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

**MILLER PETROLEUM, INC.**  
**Condensed Consolidated Statements of Operations**  
**(UNAUDITED)**

	For the Three Months Ended July 31, 2007	For the Three Months Ended July 31, 2006
<b>REVENUES</b>		
Oil and gas revenue	\$ 136,198	\$ 134,350
Service and drilling revenue	72,908	397,568
<b>Total Revenue</b>	<b>209,106</b>	<b>531,918</b>
<b>COSTS AND EXPENSES</b>		
Cost of oil and gas revenue	14,982	14,779
Cost of service and drilling revenue	171,187	354,509
Selling, general and administrative, net of joint venture reimbursements of \$0 and \$217,364, respectively	447,929	223,239
Depreciation, depletion and amortization	51,869	42,278
<b>Total Costs and Expenses</b>	<b>685,967</b>	<b>634,805</b>
<b>LOSS FROM OPERATIONS</b>	<b>(476,861)</b>	<b>(102,887)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	89	52
Interest expense	(34,653)	(4,362)
Penalty warrants		(24,000)
<b>Total Other Income (Expense)</b>	<b>(34,564)</b>	<b>(28,310)</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (511,425)</b>	<b>\$ (131,197)</b>
<b>BASIC AND DILUTED - LOSS PER SHARE</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>BASIC AND DILUTED - SHARES OUTSTANDING</b>	<b>14,366,856</b>	<b>14,366,856</b>

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

**MILLER PETROLEUM, INC.**  
**Condensed Consolidated Statement of Stockholders' Deficit**  
**(UNAUDITED)**

	Common Shares	Shares Amount	Additional Paid-in Capital	Unearned Compensation	Accumulated Deficit	Total
Balance, May 1, 2007	11,466,856	\$ 1,146	\$ 7,936,724	\$ (1,587,033)	\$ (7,256,761)	\$ (905,924)
To reflect compensation earned for the quarter ended July 31, 2007				91,688		91,688
Net loss for the quarter ended July 31, 2007					(511,425)	(511,425)
Balance, July 31, 2007	11,466,856	\$ 1,146	\$ 7,936,724	\$ (1,495,345)	\$ (7,768,186)	\$ (1,325,661)

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

**MILLER PETROLEUM, INC.**  
**Condensed Consolidated Statement of Cash Flows**  
**(UNAUDITED)**

	For the Three Months Ended July 31, 2007	For the Three Months Ended July 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (511,425)	\$ (131,197)
Depreciation, depletion and amortization	51,869	42,278
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Gain on sale of equipment		
Issuance of stock for services	91,688	94,941
Warrant cost		24,000
Changes in Operating Assets and Liabilities:		
Accounts receivable	(38,848)	244,353
Inventory	44	(9,756)
Bank overdraft	15,065	(27,253)
Unbilled service and drilling cost		76,944
Accounts payable	174,766	(197,901)
Accrued expenses	30,205	12,383
Net Cash Provided (Used) by Operating Activities	(186,636)	128,792
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment		(57,618)
Proceeds from sale of equipment	6,381	11,350
Net Cash Provided (Used) by Investing Activities	6,381	(46,268)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(72,945)	(3,423)
Proceeds from borrowing	253,200	
Proceeds from collections on note receivable		35,100
Net Cash Provided by Financing Activities	180,255	31,677
NET INCREASE IN CASH	0	114,201
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		
	0	0
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 0</b>	<b>\$ 114,201</b>
<b>CASH PAID FOR</b>		
INTEREST	\$ 11,625	\$ 4,362
INCOME TAXES	\$	\$



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

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**MILLER PETROLEUM, INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(UNAUDITED)**

**(1) INTERIM REPORTS / GOING CONCERN**

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. However, in addition to successive losses for three years, declining revenues, a net loss of \$511,425 for the quarter ended July 31, 2007, and a deficit in net equity of \$1,325,661 as of July 31, 2007, the Company was informed on August 30, 2006 by Wind City Oil & Gas, LLC that it planned to exercise a put option as of September 30, 2006 to require the company to redeem the stock in the amount of \$4,350,000. Management believes that the Company will therefore need total additional financing of approximately \$5,000,000 to effect the repurchase and continue to operate as planned during the nine month period subsequent to July 31, 2007. These conditions, along with the Company being in default on two notes, raise substantial doubt about the Company's ability to continue as a going concern.

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the Registrant's April 30, 2007 Annual Report on Form 10-KSB. The results of operations for the period ended July 31, 2007 are not necessarily indicative of operating results for the full year. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included.

**(2) PARTICIPANT RECEIVABLES AND RELATED PARTY RECEIVABLES**

Participant and related party receivables consist of receivables contractually due from our various joint venture partners in connection with routine exploration, betterment and maintenance activities. Our collateral for these receivables generally consists of lien rights over the related oil producing properties at both April 30, 2007 and July 31, 2007. Approximately \$179,000 included in the balance sheet among Participant Receivables is due from Wind Mill Oil & Gas, LLC, a related party. See Note 4 regarding the status of the Wind Mill Joint Venture.

**(3) LONG-TERM DEBT, WARRANTS, LOAN FEES AND RESTRICTED CASH**

The Company had the following debt obligations at July 31, 2007 and April 30, 2007

	July 31, 2007	April 30, 2007
<i>Notes Payable - Related Parties:</i>		
Note payable to Deloy Miller, secured by equipment and truck titles, interest at 10.752%, due October 18, 2007	\$ 150,200	\$
Note payable to Herman Gettlefinger, unsecured, dated February 21, 2007 bearing interest at 11% and due November 1, 2007	42,000	42,000
Note payable to Sharon Miller, Unsecured, dated April 5, 2007 to May 17, 2007, bearing interest at 11%, due November 1, 2007	77,735	72,500
	269,935	114,500
<b>Notes Payable - Other</b>		
	343,934	344,114

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

Note payable to Jade Special Strategy, LLC, unsecured, dated March 7, 2007, bearing interest based on a sliding scale approximating 120% and due September 4, 2007, the note is in default

110,000

110,000

Note payable to Jade Special Strategy, LLC, unsecured, dated April 17, 2007, bearing interest based on a sliding scale approximating 120% and due October 15, 2007

40,000

40,000

**MILLER PETROLEUM, INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(UNAUDITED)**

## (3) LONG-TERM DEBT, WARRANTS, LOAN FEES AND RESTRICTED CASH (CONTINUED)

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 Delta Producers, dated June 20, 2007, due July 20, 2007, with interest at 11%, the note is in default	25,000	
	553,934	529,114
<b>Total Notes Payable</b>	<b>823,869</b>	<b>643,614</b>
Less current maturities on related party notes payable	269,935	114,500
Less current maturities on other notes payable	230,934	202,234
Notes Payable - Long-term	323,000	326,880

## (4) WIND MILL OIL&amp; GAS, LLC JOINT VENTURE

On December 23, 2005 the Company executed an LLC agreement with Wind City Oil & Gas, LLC (“Wind City”) to form Wind Mill Oil & Gas, LLC (“Wind Mill”) for the purpose of locating, producing and selling oil and gas. Wind City contributed \$10,000,000 of cash and received a 50.1% interest in Wind Mill. The Company contributed approximately 43,000 acres of oil and gas leases with a stated value of \$3,000,000 and a cost basis of \$801,319, and received a 49.9% interest in Wind Mill.

Under the Wind Mill agreement the Company is reimbursed for administrative salaries and receives revenue for Wind Mill’s use of the Company’s production equipment and employees. Reimbursements and revenues from Wind Mill were as follows:

For the period from December 23, 2005 to April 30, 2006 the Company received salary reimbursements of \$276,491 and drilling and service revenue of \$153,096. From May 1, 2006 to April 30, 2007 the Company received \$353,640 of salary reimbursements and drilling and service revenue of \$534,944. From May 1, 2007 to July 31, 2007 the company received no salary reimbursements or service and drilling revenue.

Under the Wind Mill agreement Wind City is to be allocated all of the initial losses until its capital account is reduced to zero, and then will be allocated all initial profits until the profits are equal to the initial losses allocated.

The Wind Mill agreement contains a provision to unwind the LLC at the option of Wind City based on certain well results from the initial drilling. The four commercial wells drilled have exceeded the minimum requirements contained in the agreement.

In the event that the Wind Mill agreement becomes subject to the unwind provision, the Company has no responsibility for funding any losses and would receive a reassignment of the oil and gas leases transferred by the Company to Wind Mill.

As part of the Wind Mill agreement Wind City purchased 2,900,000 shares of the Company’s common stock for \$1.50 per share for a total of \$4,350,000. Part of the stock purchase agreement allows Wind City to put the stock back to the Company if notification is given prior to September 30, 2006. The Company would then be required to repurchase the

stock for the original selling price of \$4,350,000.

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**MILLER PETROLEUM, INC.**  
**Notes to the Condensed Consolidated Financial Statements**

(4) WIND MILL OIL& GAS, LLC JOINT VENTURE (CONTINUED)

*Litigation*

Wind City requested to put back their 2,900,000 shares of stock in August 2006. Reimbursement for certain salaried employees and revenue for providing labor and equipment was stopped by Wind City in September 2006. In October 2006 Wind City was advised that the stock repurchase request could not be effective because they had not timely exercised the right under the terms of the contract. As a result, in November 2006 Wind City filed a lawsuit against the Company in New York. On December 21, 2006 the proceedings were stayed to put the case before arbitration in Tennessee to determine if the operating agreement was properly terminated, thus triggering the obligation on Miller's part to repurchase the stock. It is expected that arbitration will take place in December 2007 or January 2008. Miller has filed a counterclaim against Wind City for causing it damages in the amount of \$13,000,000 due to its attempt to terminate the LLC without a proper basis and for breach of the contracts. Wind City has likewise filed a claim against Miller for breach of contract, asserting damages in the amount of \$10,000,000.

As of this date there has been no discovery in the arbitration and at this early stage of the dispute Management is unable to assess the likelihood of an adverse outcome, or the likely range of damages that might be awarded in the event of an adverse verdict. Accordingly, no provision for loss, if any, is reflected in these consolidated financial statements.

(5) STOCKHOLDERS' EQUITY

Penalty warrants for 120,000 common shares at a price of \$1.15 per share, and a five-year term were issued during the three months ended July 31, 2007. The warrants were valued at \$0.

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. 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 three month periods ended July 31, 2007 and 2006, and for the year ended April 30, 2007, the assumed effects from the exercise of outstanding options and warrants would have been anti-dilutive, and, therefore only basic earnings per share is presented.

(6) 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, if any, 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.

**MILLER PETROLEUM, INC.**  
**Notes to the Condensed Consolidated Financial Statements**

(6) RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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 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.



## Item 2 Management's Discussion and Analysis of Financial Condition and Plan of Operations

### Introduction

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 contained in Form 10-KSB for the year ended April 30, 2007. Our actual results could differ materially from those discussed in these forward-looking statements.

### Overview

We are actively engaged in the exploration, development, production and acquisition of crude oil and natural gas primarily in eastern Tennessee. In December 2005, we entered into an LLC agreement with Wind City Oil & Gas, LLC ("Wind City") to form Wind Mill Oil & Gas, LLC ("Wind Mill"). We have a 49.9% interest in Wind Mill and Wind City's interest is 50.1%. We contributed approximately 43,000 acres, which we held under lease in Tennessee, to Wind Mill for oil and gas exploration, development and exploitation of undeveloped wells. Wind City contributed \$10,000,000. The LLC only encompasses new drilling projects. We retain our working interest in the developed and producing wells located on contributed leases. We also retained all additional producing properties. Under certain conditions, the agreement allows for the contributed acreage to return to us upon dissolution of Wind Mill. Relative to the development of wells by Wind Mill, we received reimbursement for certain salaried employees and revenue for providing labor and equipment. Including the leases that were contributed to the Wind Mill, we have approximately 50,000 acres under lease. About 90% of these leases are held by production.

An additional "Stock Purchase" agreement was made with "Wind City" in December 2005, whereby Wind City purchased 2,900,000 shares of Miller stock at \$1.50 per share or \$4,350,000.00. With the condition of the Operating Agreement being timely terminated, "Wind City" could put the stock back to Miller at the same price. The agreement has a conditional 30 day notice prior to the resell.

Wind City requested to put back their 2,900,000 shares of stock in August, 2006. Reimbursement for certain salaried employees and revenue for providing labor and equipment was stopped by Wind City in September 2006. In October 2006, Wind City was advised that the stock repurchase request could not be effective because they had not timely exercised the right under the terms of the contract. As a result, in November 2006, Wind City filed a lawsuit against us in New York. On December 21, 2006 the proceedings were stayed to put the case before arbitration in Tennessee, to determine if the Operating Agreement was properly terminated, thus triggering an obligation on Miller's part to repurchase the stock. It is expected that the arbitration will take place in December 2007 or January 2008. Miller has filed a counterclaim against Wind City for causing it damages in the amount of \$13,000,000 due to its attempt to terminate the LLC without a proper basis and for breach of the contracts. Wind City has likewise filed a claim against Miller for breach of contract, asserting damages in the amount of \$10,000,000.

Indicative of these proceedings, we recognize a continued opportunity to fully develop the mentioned properties. We have greatly benefited from drilling in the LLC for the continued development of producing properties and discovery of the Koppers South gas field.

**Results of Operations**

For the Three Months Ended	July 31, 2007	July 31, 2006	Increase(Decrease) 2006 to 2007
REVENUES			
Oil and gas revenue	\$ 136,198	\$ 134,350	\$ 1,848
Service and drilling revenue	72,908	397,568	(324,660)
Total Revenue	209,106	531,918	(322,812)
COSTS AND EXPENSES			
Cost of oil and gas revenue	14,982	14,779	203
Cost of service and drilling revenue	171,187	354,509	(183,322)
Selling, general and administrative	447,929	223,239	224,690
Depreciation, depletion and amortization	51,869	42,278	9,591
Total Costs and Expenses	685,967	634,805	51,162
INCOME (LOSS) FROM OPERATIONS	(476,861)	(102,887)	(373,974)
OTHER INCOME (EXPENSE)			
Interest income	89	52	37
Interest expense	(34,653)	(4,362)	(30,291)
Interest expense and financing cost		(24,000)	24,000
Total Other Income (Expense)	(34,564)	(28,310)	(6,254)
NET INCOME (LOSS)	\$ (511,425)	\$ (131,197)	\$ (380,228)

**Revenue**

Oil and gas revenue was \$136,198 for the three months ended July 31, 2007 as compared to \$134,350 for the three months ended July 31, 2006, an increase of \$1,848. This increase resulted from a minor increase in production.

Service and drilling revenue was \$72,908 for the three months ended July 31, 2007 as compared to \$397,568 for the three months ended July 31, 2006, a decrease of \$324,660. This decrease resulted from the fact that all of the drilling for 2007 was performed in the Wind Mill Joint Venture and the construction of certain equipment for the joint venture.

**Cost and Expense**

The cost of oil and gas revenue was \$14,982 for the three months ended July 31, 2007 as compared to \$14,779 for the three months ended July 31, 2006, an increase of \$203. This increase resulted from a minor increase in production.

The cost of service and drilling revenue was \$171,187 for the three months ended July 31, 2007 as compared to \$354,509 for the three months ended July 31, 2006, a decrease of \$183,322. This decrease is due to the fact that all of the drilling for 2007 was performed in the Wind Mill Joint Venture and the construction of certain equipment for the

joint venture. The service and drilling cost is in excess of service and drilling revenue due to the fact that a number of employees were retained in anticipation of expected financing to begin a new drilling program.

Selling, general and administrative expense was \$447,929 for the three months ended July 31, 2007 as compared to \$223,239 for the three months ended July 31, 2006, an increase of \$224,690. This increase resulted from the cessation of salary reimbursements from the Wind Mill Joint Venture, which were \$217,364 for the three months ended July 31, 2006.

Depreciation, depletion and amortization expense was \$51,869 for the three months ended July 31, 2007 as compared to \$42,278 for the three months ended July 31, 2006, an increase of \$9,591. This increase resulted from an increase in the amount of amortization due to declining reserves.

Interest expense was \$34,653 for the three months ended July 31, 2007 as compared to \$4,362 for the three months ended July 31, 2006, an increase of \$30,291. This increase resulted from additional borrowings in 2007.

### *Liquidity*

Cash used by operating activities was \$186,636 for the three months ended July 31, 2007, a reduction of \$315,428 from cash provided by operating activities for the three months ended July 31, 2006 of \$128,792. Our principal source of liquidity has been oil and gas revenues, loans from related parties and directors, private placement transactions of our common stock, and participation with investors in various oil and gas wells.

On December 23, 2005 we entered into the Wind Mill Oil & Gas LLC Agreement (“Wind Mill”) and also sold 2,900,000 shares of common stock to Wind City Oil & Gas, LLC (“Wind City”) for \$4,350,000. These funds were used to pay off the \$4,150,000 of loans and to provide some working capital. Wind City also contributed \$10,000,000 to Wind Mill and we contributed oil and gas leases as part of the Wind Mill agreement. For the three months ended July 31, 2006 we received \$217,364 of administrative salary reimbursements and revenue of \$314,527 for various labor, parts and use of equipment. For the three months ended July 31, 2007 we received no salary reimbursements or reimbursements for equipment, parts and labor.

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. We are presently seeking substantial financing to buy Wind City and Wind Mill out of the joint venture, but there can be no assurance that we will be successful in raising this financing.

### **Item 3. Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of a date as of the end of the period covered by the report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy our disclosure obligations under the Securities Exchange Act of 1934.

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. There was no change in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1 Legal Proceedings**

As discussed in Note 4 to the financial statements, we are involved in litigation with Wind City Oil & Gas, LLC and Wind Mill Oil & Gas, LLC. See Note 4 for details of this litigation.

### **Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

None

### **Item 3 Defaults Upon Senior Securities**

None

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

None

### **Item 5 Other Information**

None

### **Item 6 Exhibits**

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MILLER PETROLEUM, INC.

Date: September 19, 2007

By: /s/ Deloy Miller

\_\_\_\_\_  
Deloy Miller  
Chief Executive Officer, principal executive officer

Date: September 19, 2007

By: /s/ Lyle H. Cooper

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Lyle H. Cooper  
Chief Financial Officer, principal financial and  
accounting officer