MILLER PETROLEUM INC
Form 10QSB/A
December 20, 2001

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB-A1

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2001

[ ] 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.
(Name of Small Business Issuer in its Charter)

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

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

Issuer's Telephone Number: (423) 663-9457

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 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 the past 90 days.

(1) Yes X No ___   (2) Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

November 30, 2001

8,578,856

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of Miller Petroleum, Inc., a Tennessee corporation (the "Company"), required to be filed with this Quarterly Report were prepared by management and reviewed by Charles M. Stivers, Certified Public Accountant of Manchester, Kentucky and commence on the following page, together with related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

MILLER PETROLEUM, INC.
Consolidated Balance Sheets

ASSETS

	October 31, 2001 Unaudited	April 30, 2001
CURRENT ASSETS		
Cash	$ 254,341	$ 224,550
Accounts receivable - trade-, net	903,702	1,143,300
Inventory	591,421	439,113
Prepaid expenses	41,832	74,011
Total Current Assets	1,791,296	1,880,974
FIXED ASSETS		
Machinery and equipment	1,266,531	1,249,511
Vehicles	412,331	438,851
Buildings	313,335	313,335
Office Equipment	78,379	87,172
Less: accumulated depreciation	(762,915)	(881,690)
Total Fixed assets	1,307,661	1,207,179
OIL AND GAS PROPERTIES	1,665,883	1,050,687
(On the basis of successful efforts accounting)		
PIPELINE FACILITIES	305,091	336,635
OTHER ASSETS		

Land	511,500	511,500
Investments	500	500
Organization Costs	0	119
Total Other Assets	512,000	512,119
TOTAL ASSETS	$5,581,931	$4,987,594

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable - trade	$ 227,711	$ 134,275
Accrued expenses	78,154	91,910
Notes payable - current portion	527,948	577,270
Total Current Liabilities	833,813	803,455
LONG-TERM LIABILITIES		
Notes payable - related	0	89,968
Notes payable	1,690,375	1,207,530
Total Long-Term Liabilities	1,690,375	1,297,498
Total Liabilities	2,524,188	2,100,953
STOCKHOLDERS' EQUITY		
Common Stock: 500,000,000 shares authorized at $0.0001 par value, 8,578,856 and 8,218,656 shares issued and outstanding	858	822
Additional paid-in capital	3,884,144	3,566,480
Retained Earnings	(827,259)	(680,661)
Total Stockholders' Equity	3,057,743	2,886,641
TOTAL LIABILITIES AND STOCKHOLDERS'S EQUITY	$5,581,931	$4,987,594

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

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

	For the Three Months Ended October, 31		For the Six Months Ended October, 31	
	2001	2000	2001	2000
REVENUES				
Oil and gas revenue	$1,244,982	$840,796	$1,843,735	$1,524,364
Sale of equipment and oil and gas properties				125,404
Total Revenue	1,244,982	840,796	1,843,735	1,649,768
COSTS AND EXPENSES				

Cost of oil and gas sales	789,156	345,484	1,008,234	599,111
Selling, general and administrative	94,758	131,210	313,722	237,950
Salaries and wages	194,265	169,856	373,777	350,993
Depreciation, depletion and amortization	120,996	78,443	216,845	174,946
Interest expense	27,745	54,533	77,755	152,386
Total Costs and Expenses	$1,226,920	$779,526	$1,990,333	$1,515,386
NET INCOME (LOSS)	18,062	61,270	(146,598)	134,382
NET EARNING(LOSS) PER SHARE	0.00	0.01	(0.02)	0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,343,856	7,392,124	8,318,856	7,116,191

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

MILLER PETROLEUM, INC.
Consolidated Statement of Stockholders' Equity
(UNAUDITED)

	Common Shares		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance April 30, 2000	7,110,691	$711	$2,462,138	($935,063)	$1,527,786
Common stock issued for cash at $1.00 per share	1,077,600	108	1,077,492	-	1,077,600
Common stock issued for cash at $0.90 per share	50,000	5	44,995	-	45,000
Common stock issued for services at $1.00 per share	5,500	1	5,499	-	5,500
Common stock issued for equipment at $1.00 per share	23,000	2	22,998	-	23,000
Common stock repurchased for $2.00 per share	(45,000)	(5)	(89,995)	-	(90,000)
Common stock repurchased for $1.60 per share	(3,135)	-	(5,000)	-	(5,000)
Warrants (1,123,500) issued for services			48,353		48,353

Net income for the year ended April 30, 2001				$254,402	$254,402
Balance April 30, 2001	8,218,656	$822	$3,566,480	($680,661)	$2,886,641
Common stock issued for cash at $1.00 per share	110,000	11	109,989	-	110,000
Stock options exercised at $0.575 per share	100,000	10	57,490	-	57,500
Common stock issued for equipment at $1.00 per share	150,000	15	149,985	-	150,000
Common stock issued for services at $1.00 per share	200		200		200
Net loss for the three months ended October 31, 2001				($146,598)	($146,598)
Balance October 31, 2001	$8,578,856	$858	$3,884,144	($827,259)	$3,057,743

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

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

	Six Months Ended October 31,2001	Six Months October 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(146,598)	$134,382
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation, depletion and amortization	216,845	174,946
Allowance for bad debts		17,233
Common stock issued for services	200	5,500
Common stock issued for inventory	150,000	
Changes in Operating Assets and Liabilities:		
Decrease (increase) in accounts receivable	239,598	263,480
Decrease (increase) in inventory	(152,308)	3,000
Decrease (increase) in organizational costs	119	59
Decrease (increase) in prepaid expenses	32,179	27,988
Increase (decrease) in accounts payable	93,436	(142,051)
Increase (decrease) in accrued expenses	(13,756)	8,197
Net Cash Provided (Used) by Operating Activities	419,715	492,734

CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(158,470)	(211,211)
Sale of oil and gas properties	0	1,757,031
Purchase of oil and gas properties	(725,036)	(262,497)
Sale of equipment	0	97,470
Net Cash Provided (Used) by Investing Activities	(883,506)	1,380,793
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(173,828)	(2,074,464)
Sale of common stock	167,500	595,000
Repurchase of common stock	0	(95,000)
Proceeds from borrowing	500,000	88,695
Net Cash Provided (Used) by Financing Activities	$ 493,672	(1,485,769)
NET INCREASE IN CASH	$ 29,881	$ 387,758
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	224,550	39,556
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 254,431	$ 427,314
CASH PAID FOR		
Interest	($77,755)	($152,386)
Income taxes	-	-
NON-CASH FINANCING ACTIVITIES:		
Common stock issued for services	200	$ 5,500
Common stock issued for inventory	150,000	

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

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements

(1) 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, 2001 Annual Report on Form 10KSB. The results of operations for the period ended October 31, 2001 are not necessarily indicative of operating results for the full year.

The consolidated financial statements and other information furnished herein reflect all adjustment which are, in the opinion of management of the Registrant, necessary for a fair presentation of the results of the interim periods covered by this report.

(2) RELATED PARTY TRANSACTIONS

On September 7, 2001, we executed two promissory notes, each for $250,000. The notes are in favor of Sherri Ann Parker Lee and William Parker Lee (a director), respectively. The notes are due September 7,

2003, and bear interest at the rate of 10% during the first year and 7% during the second year. Each note is payable quarterly in arrears, beginning November 31, 2001.
Any amounts not paid when due will bear interest after maturity at the lesser of 20% per annum or the maximum rate allowable under applicable law. The notes are secured by five gas wells in the Swan Creek field.

During the second quarter, Herman Gettelfinger, a director exercised a stock option to purchase 100,000 shares of the Company's common stock. In addition, Mr. Gettelfinger purchased working interests in oil and/or gas wells totaling $72,496.

(3) SFAS No. 133. "Accounting for Derivative Instruments and Hedging Activities," as amended, is effective for all fiscal years beginning after June 15, 2000 (as amended by FAS 138). This statement requires recognition of all derivative contracts as either assets or liabilities in the balance sheet and the measurement of them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of any gains or losses on the hedge with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For aderivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. Historically, the Company has not entered into any material derivative contracts either to hedge existing risks or for speculative purposes. The adoption of the new standard on January 1, 2001 did not affect the Company's financial statements.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements" which outlines the basic criteria that must be met to recognize revenue and provided guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. Adoption of SAB No. 101 did not have a material impact on the Company's financial position or its results of operations.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations" and SFAS No. 142. "Goodwill and Other Intangible Assets". SFAS No. 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination and SFAS No. 142 addresses this initial recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. These standards require all future business combinations to be accounted for using the purchase method of accounting. Goodwill will no longer be amortized but instead will be subject to impairment tests at least annually. The Company is required to adopt SFAS No. 141 and 142 on a prospective basis as of January 1, 2002, however, certain provisions of these new Standards may also apply to any acquisitions concluded subsequent to June 30, 2001. Presently, the adoption of these new standards is not expected to have a material impact on the Company's financial condition or results of operations.

Item 2. Management's Discussion and Analysis or Plan of Operation.

Miller Petroleum has more than 40,000 acres held by production in Tennessee. This acreage is made up primarily of development drilling locations. It produces both gas and oil, mainly from the Mississippian age Big Lime Formation. The existing properties contain a minimum three-year inventory of conventional drilling locations. The Company is also actively pursuing the acquisition of additional high potential acreage in eastern Tennessee. As of December 17, 2001, the Company has acquired more than 6,000 acres in the current leasing program. A recent "high volume" (Tennessee Mining, Inc. #22B, drilled in August of 2000, has produced in excess of 10,400 barrels of oil through November 30, 2001) development oil well drilled on one of these properties showed that the oil reservoir has not yet been pressure depleted. The Koppers 26B, which was drilled in August of 2,001, had 22 feet of oil pay at the base of the Big Lime Formation with an initial production rate of 58 barrels per day. The Koppers 27B had 24 feet of oil pay at the base of the Big Lime formation with an initial production rate of 70 barrels oil per day. These wells strongly indicate that the oil field extends into an adjacent 4,700-acre block of property, which the owners have agreed to lease to Miller Petroleum. The company plans to begin development of this lease in early 2002. The company also plans to drill an additional four to five oil wells on its existing Koppers lease, as well as begin the exploitation of the field's gas cap. About 40,000 Tennessee acres are presently being evaluated for their CBM potential. A well drilled in June of 2001 by the company encountered numerous coal seams below 750 feet depth on a 5,000-acre lease that the Company has recently acquired. These coal seams reach a maximum thickness of six feet and are presently being evaluated for their CBM potential. In addition, this well has made a conventional Big Lime gas discovery. As of the date of this report, Miller Petroleum has drilled four successful development wells in this new field discovery. In addition, the Company has installed or purchased more than three miles of 3 and 4 inch gathering lines and we will begin selling gas from these wells to Powell-Clinch Utility District before the end of the year. Management expects that initial sales will be in the 750 to 800 Mcf/day. A portion of this acreage where geological mapping indicates a second Big Lime gas field may be present. The Company has drilled two CBM test wells on another 8,000-acre block of Company leases, which are strategically located near an existing pipeline. The second well has found an apparent commercial, conventional natural gas discovery. Three locations have been staked offsetting this well, and Miller Petroleum plans to begin a development-drilling program as soon as plans have been finalized for a pipeline connection.

Miller Petroleum's exploration effort is continuing to be concentrated in the East Tennessee portion of the Eastern Overthrust Belt. Management feels that this area has tremendous potential for both oil and gas production, as shown by the development of Swan Creek Field. Knox Dolomite wells in this field have reserves in excess of two Bcf gas per well. Swan Creek Field is also producing substantial amounts of oil from two separate shallower reservoirs.

Miller Petroleum has obtained a 20-well farmout from Tengasco, Inc. in the Swan Creek Field area. On this farmout, and the Swan Creek lease, Miller has drilled four successful Knox Dolomite wells in Swan Creek Field proper, and development drilling is continuing. A fifth Knox well drilled by Miller has resulted in a new field discovery on a separate structure from Swan Creek.

The Dewey Sutton #1 was the first well that established oil production for Miller Petroleum on the Swan Creek farmout. This well was drilled in August of 2000 and is presently producing 12 BOPD. The initial offset to this well has been successfully stimulated and is currently awaiting production facilities. Four of the five Knox wells that the Company has drilled in Swan Creek have encountered oil shows in the shallower Trenton and Stones River Formations indicating an oil field extenting over this structure, and Miller Petroleum plans to continue the development of its share of these reserves.

At this time Miller Petroleum management has identified 12 additional large structures similar to Swan Creek Field in the Tennessee portion of the Eastern Overthrust Belt. After completing a preliminary analysis of seismic data, the Company is continuing to acquire leases on two of these features.

Both of these structures have been found to be associated with active hydrocarbon seeps. Miller plans to test these structures as aggressively as possible while continuing to identify additional targets in the Eastern Overthrust Belt.

Liquidity and Capital Resources

We estimate that we will be able to adequately fund our development and production plans, with the exception of the acquisition of additional properties, for the next 12 months. Sources of funds for us will be revenue from operations, in particular sales of working interests in wells that we drill; receipts from the private placement of our securities; and loans.

We also borrow funds to finance equipment purchases. On September 7, 2001, we executed two promissory notes, each for $250,000. The notes are in favor of Sherri Ann Parker Lee and William Parker Lee, respectively. The notes are due September 7, 2003, and bear interest at the rate of 10% during the first year and 7% during the second year. Each note is payable quarterly in arrears, beginning November 31, 2001. Any amounts not paid when due will bear interest after maturity at the lesser of 20% per annum or the maximum rate allowable under applicable law. The notes are secured by five gas wells in the Swan Creek field.

We believe that our current cash flow will be sufficient to support our cash requirements for development and production over the next 12 months.

Results of Operations

The Company had revenues of $1,244,982 for the second quarter of its fiscal year 2002, up from the $840,796 in revenues recognized during the second quarter of fiscal year 2001.

The Company's net profit for the current quarter was $18,062, compared to net income of $61,270 for the second quarter of fiscal 2002.

Cost of sales for the second quarter of fiscal 2002 was $789,156, up from $345,484 in the second quarter of fiscal 2001, due primarily to the increase in drilling activity.

Selling, general and administrative expenses were $94,758, down from $131,210 in the second quarter of fiscal 2001. This decrease was primarily due to decreases in legal and professional fees.

Depreciation, depletion and amortization for the second quarter of fiscal 2002 was $120,996 up from $78,443 in the second quarter of 2001. This increase was due to the increased number of wells put on production.

Interest expense was $27,745, down from the $54,533 reported for the first quarter of fiscal 2001. This decrease was due to the payoff of Bank One during fiscal 2001.

The Company had revenues of $1,843,735 for the six months ended October 31, 2001, up from the $1,649,768 in revenues recognized during six months October 31, 2000.

The Company's net loss for the six months ended October 31, 2001 was ($146,598), compared to net income of $134,382 for the six months ended October 31, 2000. The net loss was due primarily to equipment failure and repairs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On or about January 20, 2000, the Company filed a complaint against Blue Ridge Group, Inc. in the Chancery Court of Hawkins County at Rogersville, Tennessee, Case No. 13951, asserting that Blue Ridge had breached a Footage Drilling Contract with the Company. Miller asserted that Blue Ridge had breached the said contract by quitting the job without drilling to the required depth, failing to drill a straight hole, and by damaging the well bore by failing to conduct its operations in a good and workmanlike manner in accordance with good industry practice. The plaintiff has asked that it be awarded its initial payment of $37,000.00 to Blue Ridge, damages occasioned by the improper deviation of the hole from the vertical plane; damages for the cost of re-drilling and/or re-working the hole, damages allowed by the parties contract, further and equitable relief to which it may be entitled, and to assess the costs of this cause, including Miller's discretionary costs, to Blue Ridge.

The Blue Ridge action is pending and the Company believes that its contract with the plaintiff was breached. However, a decision for the defendant would not have a material effect on the Company.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

On December 7, 2001, which is subsequent to the period covered by this Report, the Securities and Exchange Commission declared effective our Registration Statement on Form SB-2, as amended. The Registration Statement covers a total of 2,761,152 shares of common stock that may be sold by certain of our security holders. See the Exhibit Index, Item 6 below.

On December 17, 2001, which is subsequent to the period covered by this Report, the Company's Board of Directors resolved that William Parker Lee be appointed as a director effective October 1, 2001; and further resolved that the Incentive Stock Option Plan of Miller Petroleum, Inc. be extended to expire on January 29, 2005; and further resolved that Employee Stock Options granted to Gary G. Bible, 40,000; Teresa A. Cotton, 10,000; Melvin C. Myers, 40,000; Steve W. Letner, 20,000; Stephen R. Burchfield, 30,000; Roger Butler, 30,000; Lawrence LaRue, 100,000; and Ernest F. Payne, 75,000; be adopted, ratified and approved. These options have a term of eight years and a strike price of $0.805.

Item 6. Exhibits and Reports on Form 8-K.*

(a) Exhibits.

Registration Statement on Form SB-2 as amended.**

(b) Reports on Form 8-K.

None.

* A summary of any Exhibit is modified in its entirety by reference to the actual Exhibit.

** This document has previously been filed with the Securities and Exchange Commission and may be viewed on the Commission's web site: www.sec.gov.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

MILLER PETROLEUM, INC.

Date: 12/19/01 By: /s/ Deloy Miller
Deloy Miller, CEO and Director

Date: 12/19/01 By: /s/ Lawrence L. LaRue
Lawrence L. LaRue, CFO and Director

Date: 12/19/01 By: /s/ Herbert J. White
Herbert J. White Vice President and Director