

POWDER RIVER BASIN GAS CORP  
Form 10QSB  
November 14, 2007

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

**FORM 10-QSB**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007.

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION FROM \_\_\_\_\_ TO \_\_\_\_\_.

COMMISSION FILE NUMBER: **000-31945**

**POWDER RIVER BASIN GAS CORP.**

(Exact name of registrant as specified in its charter)

**COLORADO**

**84-1521645**

(State or other jurisdiction of incorporation (I.R.S. Employer Identification No.)  
or organization)

**Suite 202, 1212 31st Ave NE, Calgary, Alberta, Canada T2E 7S8**

(Address of principal executive offices)

Issuer's telephone number: **(403) 263-5010**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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. 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

At November 2, 2007, there were outstanding 147,845,980 shares of the Registrant's Common Stock, \$.001 par value.

Transitional Small Business Disclosure Format: Yes  No

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**PART I**

**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet at September 30, 2007 and our audited balance sheet at December 31, 2006; the related unaudited statements of operations for the three and nine month periods ended September 30, 2007 and 2006; and the related unaudited statement of cash flows for the nine month periods ended September 30, 2007 and 2006, are attached hereto.

**POWDER RIVER BASIN GAS CORP**

## Consolidated Balance Sheets

ASSETS

|  | September<br>30,<br>2007<br>(Unaudited) | December 31,<br>2006 |
|--|---|----------------------|
| <b>CURRENT ASSETS</b>  |   |                      |
| Cash and cash equivalents                                    | \$ 3,325,992                            | \$ 2,733,437         |
| Accounts receivable related parties, net                     | 613,297                                 | 513,625              |
| Accounts receivable  | 2,759,511                               | 4,251,599            |
| Deferred tax asset   | 376,849                                 | 376,849              |
| Total Current Assets   | 7,075,649                               | 7,875,510            |
| <b>PROPERTY AND EQUIPMENT (Net)</b>                          | 53,822                                  | 22,327               |
| <b>OIL AND GAS PROPERTIES USING<br/>FULL COST ACCOUNTING</b> |   |                      |
| Properties not subject to amortization                       | 9,994,592                               | 8,798,061            |
| Properties being amortized                                   | 12,473,654                              | 7,930,631            |
| Accumulated amortization                                     | (241,884)                               | (113,974)            |
| Net Oil and Gas Properties                                   | 22,226,362                              | 16,614,718           |
| <b>OTHER ASSETS</b>  |   |                      |
| Prepaid production payments                                  | 2,473,963                               | -                    |
| Deposits and other assets                                    | 407,663                                 | 382,500              |
| Total Other Assets   | 2,881,626                               | 382,500              |
| <b>TOTAL ASSETS</b>  | <b>\$ 32,237,459</b>                    | <b>\$ 24,895,055</b> |

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



**POWDER RIVER BASIN GAS CORP**  
Consolidated Balance Sheets  
LIABILITIES AND STOCKHOLDERS' EQUITY

|   | September<br>30,<br>2007<br>(Unaudited) | December<br>31,<br>2006 |
|---|---|-------------------------|
| <b>CURRENT LIABILITIES</b>  |   |                         |
| Accounts payable  | \$ 555,000                              | \$ 233,626              |
| Stock Deposits  | -                                       | 446,286                 |
| Accrued expenses  | 422,670                                 | 322,620                 |
| Income taxes payable  | 4,820,221                               | 3,224,256               |
| Notes payable - current portion   | 5,431,000                               | 6,983,000               |
| Total Current Liabilities   | 11,228,891                              | 11,209,788              |
| <b>LONG-TERM LIABILITIES</b>  |   |                         |
| Note payable  | 100,000                                 | -                       |
| Deferred tax liability  | 67,735                                  | -                       |
| Total Long-Term Liabilities   | 167,735                                 | -                       |
| Total Liabilities   | 11,396,626                              | 11,209,788              |
| <b>STOCKHOLDERS' EQUITY</b>   |   |                         |
| Common stock, 200,000,000 shares authorized of \$0.001<br>par value, 147,845,980 and 137,123,194 shares issued<br>and outstanding, respectively | 147,846                                 | 137,120                 |
| Capital in excess of par value  | 11,826,327                              | 10,380,513              |
| Subscriptions receivable  | (360,000)                               | (330,000)               |
| Other comprehensive income  | 2,705                                   | 2,705                   |
| Accumulated earnings (deficit)  | 9,223,955                               | 3,494,929               |
| Total Stockholders' Equity  | 20,840,833                              | 13,685,267              |



|   |    |            |    |            |
|---|----|------------|----|------------|
| TOTAL LIABILITIES AND<br>STOCKHOLDERS' EQUITY | \$ | 32,237,459 | \$ | 24,895,055 |
|---|----|------------|----|------------|

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

**POWDER RIVER BASIN GAS CORP**Consolidated Statements of Operations and Other Comprehensive Income  
(Unaudited)

|  | For the<br>Three Months Ended<br>September 30, |            |
|--|--|------------|
|  | 2007   | 2006       |
| <b>REVENUE</b>                           |  |            |
| Oil and gas sales                        | \$ 546,211                                     | \$ 225,828 |
| Property and working interest sales      | 2,181,971                                      | 3,972,145  |
| Total Revenue                            | 2,728,182                                      | 4,197,973  |
| <b>EXPENSES</b>                          |  |            |
| Depreciation, depletion and amortization | 51,240   | 91,970     |
| General and administrative               | 613,517  | 555,763    |
| Marketing administration                 | -  | -          |
| Bonuses                                  | 16,232   | -          |
| Lease operating costs                    | 1,234,023                                      | 94,334     |
| Total Expenses                           | 1,915,012                                      | 742,067    |
| NET OPERATING INCOME                     | 813,170  | 3,455,906  |
| <b>OTHER INCOME (EXPENSE)</b>            |  |            |
| Other expenses                           | -  | -          |
| Interest income                          | 13,057   | 12,756     |
| Interest expense                         | -  | -          |
| Total Other Income (Expense)             | 13,057   | 12,756     |
| NET INCOME BEFORE INCOME TAXES           | 826,227  | 3,468,662  |

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|   |    |             |              |
|---|----|-------------|--------------|
| INCOME TAXES  |    | (280,917)   | (1,287,682)  |
| NET INCOME  | \$ | 545,310     | \$ 2,180,980 |
| BASIC INCOME PER COMMON SHARE                           | \$ | 0.00        | \$ 0.02      |
| WEIGHTED AVERAGE NUMBER OF<br>COMMON SHARES OUTSTANDING |    | 146,740,499 | 120,694,807  |
| OTHER COMPREHENSIVE INCOME                              |    |             |              |
| NET INCOME  | \$ | 545,310     | \$ 2,180,980 |
| Foreign currency translation adjustment                 |    | -           | -            |
| Total Other Comprehensive Income                        |    | -           | -            |
| NET COMPREHENSIVE INCOME                                | \$ | 545,310     | \$ 2,180,980 |

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

**POWDER RIVER BASIN GAS CORP**Consolidated Statements of Operations and Other Comprehensive Income  
(Unaudited)

|  | For the<br>Nine Months Ended<br>September 30, |                    |
|--|---|--------------------|
|  | 2007  | 2006               |
| <b>REVENUE</b>                           |   |                    |
| Oil and gas sales                        | \$ 1,913,044                                  | \$ 1,021,625       |
| Property and working interest sales      | 11,722,814                                    | 13,187,145         |
| Total Revenue                            | 13,635,858                                    | 14,208,770         |
| <b>EXPENSES</b>                          |   |                    |
| Depreciation, depletion and amortization | 139,314                                       | 124,202            |
| General and administrative               | 2,683,248                                     | 1,788,675          |
| Marketing administration                 | 455,445                                       | -                  |
| Bonuses                                  | 689,907                                       | -                  |
| Lease operating costs                    | 2,067,523                                     | 637,524            |
| Total Expenses                           | 6,035,437                                     | 2,550,401          |
| <b>NET OPERATING INCOME</b>              | <b>7,600,421</b>                              | <b>11,658,369</b>  |
| <b>OTHER INCOME (EXPENSE)</b>            |   |                    |
| Other expense                            | -   | (300,000)          |
| Interest income                          | 39,533  | 13,773             |
| Interest expense                         | -   | (11,549)           |
| Total Other Income (Expense)             | 39,533  | (297,776)          |
| <b>NET INCOME BEFORE INCOME TAXES</b>    | <b>7,639,954</b>                              | <b>11,360,593</b>  |
| <b>INCOME TAXES</b>                      | <b>(1,910,927)</b>                            | <b>(3,970,939)</b> |

|   |    |             |    |             |
|---|----|-------------|----|-------------|
| NET INCOME  | \$ | 5,729,027   | \$ | 7,389,654   |
| BASIC INCOME PER COMMON SHARE                           | \$ | 0.04        | \$ | 0.06        |
| WEIGHTED AVERAGE NUMBER OF<br>COMMON SHARES OUTSTANDING |    | 143,141,122 |    | 119,946,529 |
| OTHER COMPREHENSIVE INCOME                              |    |             |    |             |
| NET INCOME  | \$ | 5,729,027   | \$ | 7,389,654   |
| Foreign currency translation adjustment                 |    | -           |    | -           |
| Total Other Comprehensive Income                        |    | -           |    | -           |
| NET COMPREHENSIVE INCOME                                | \$ | 5,729,027   | \$ | 7,389,654   |

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

**POWDER RIVER BASIN GAS CORP**

## Consolidated Statements of Cash Flows

(Unaudited)

|  | For the Nine Months Ended<br>September 30, |              |
|--|--|--------------|
|  | 2007                                       | 2006         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |  |              |
| Net income   | \$ 5,729,027                               | \$ 7,389,654 |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |  |              |
| Depreciation, depletion and amortization   | 139,313                                    | 124,202      |
| Additional expense for the extension of warrants                                     | 201,399                                    | -            |
| Common stock issued for services rendered  | -  | 399,000      |
| Changes in operating assets and liabilities:   |  |              |
| Increase in accounts receivable  | 1,392,416                                  | (5,787,401)  |
| Increase in deposits, prepaids and other assets                                      | (2,499,125)                                | (276,037)    |
| Increase in prepaid stock offering costs   | -  | (59,000)     |
| Increase in deferred tax liability   | 67,735                                     | -            |
| Increase in taxes payable  | 1,595,965                                  | 3,970,939    |
| Increase in accounts payable and accrued expenses                                    | 421,424                                    | 37,578       |
| Net Cash Provided by Operating<br>Activities   | 7,048,154                                  | 5,798,935    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |  |              |
| Expenditures for oil and gas property development                                    | (5,739,554)                                | (2,731,095)  |
| Expenditures for property and equipment  | (42,899)                                   | (4,602)      |
| Net Cash Used by Investing<br>Activities   | (5,782,453)                                | (2,735,697)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |  |              |
| Stock deposits received  | -  | 755,375      |
| Payments on notes payable and long-term liabilities                                  | (1,552,000)                                | (1,973,602)  |
| Cash paid to repurchase shares   | (83,145)                                   | -            |

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|  |              |              |
|--|--------------|--------------|
| Proceeds from issuance of common stock           | 862,000      | 116,000      |
| Net Cash Used by Financing Activities            | (773,145)    | (1,102,227)  |
| NET INCREASE (DECREASE) IN CASH                  | 492,556      | 1,961,011    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 2,733,437    | 382,861      |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD       | \$ 3,225,993 | \$ 2,343,872 |

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

**POWDER RIVER BASIN GAS CORP**  
 Consolidated Statements of Cash Flows (Continued)  
 (Unaudited)

|   | For the Nine Months Ended<br>September 30, |              |
|---|--|--------------|
|   | 2007                                       | 2006         |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |  |              |
| <b>CASH PAID FOR:</b>   |  |              |
|   | \$ -                                       | \$ 11,549    |
| Interest  | \$ 240,000                                 | \$ -         |
| Income taxes  |  |              |
| <b>NON-CASH FINANCING ACTIVITIES</b>  |  |              |
| Stock issued for acquired oil and gas properties                                    | \$ -                                       | \$ 115,000   |
| Oil and gas properties acquired through the issuance of debt                        | \$ -                                       | \$ 1,750,000 |
| Stock issued for subscriptions receivable   | \$ -                                       | \$ 280,000   |
| Stock issued through the exercise of warrants pursuant to a subscription receivable | \$ 30,000                                  | \$ -         |
| Additional expense for the extension of warrants                                    | \$ 210,399                                 | \$ -         |

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



**POWDER RIVER BASIN GAS CORP.**

Notes to the Consolidated Financial Statements

September 30, 2007 and December 31, 2006

NOTE 1 -

**BASIS OF PRESENTATION**

The financial information included herein is unaudited and has been prepared consistent with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, these financial statements do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2006. In the opinion of management, these financial statements contain all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period presented.

The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 -

**BASIC AND FULLY DILUTED INCOME PER SHARE**

Following is a reconciliation of the basic income per share for the three and nine months ended September 30, 2007 and 2006:

| For the Three Months Ended |      | For the Nine Months Ended |      |
|----------------------------|------|---------------------------|------|
| September 30,              |      | September 30.             |      |
| 2007                       | 2006 | 2007                      | 2006 |

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|   |             |              |              |              |
|---|-------------|--------------|--------------|--------------|
| Net income available to common shareholders               | \$ 545,310  | \$ 2,180,980 | \$ 5,729,027 | \$ 7,389,654 |
| Weighted average shares                                   | 146,740,499 | 120,694,807  | 143,141,122  | 119,946,529  |
| Basic income per share (based on weighted average shares) | \$ 0.00     | \$ 0.02      | \$ 0.04      | \$ 0.06      |

Following is a reconciliation of the fully diluted income per share for the three and nine months ended September 30, 2007 and 2006:

|   | For the Three Months Ended<br>September 30, |              | For the Nine Months Ended<br>September 30, |              |
|---|---|--------------|--|--------------|
|   | 2007  | 2006         | 2007                                       | 2006         |
| Net income available to common shareholders                 | \$ 545,310                                  | \$ 2,180,980 | \$ 5,729,027                               | \$ 7,389,654 |
| Weighted average shares                                     | 146,740,499                                 | 120,694,807  | 143,141,122                                | 119,946,529  |
| Effect of dilutive securities                               | 6,700,000                                   | 8,100,000    | 6,877,289                                  | 8,246,154    |
| Diluted income per share (based on weighted average shares) | \$ 0.00                                     | \$ 0.02      | \$ 0.04                                    | \$ 0.06      |

The diluted income per share for the three and nine months ended September 30, 2007 and 2006 includes common stock equivalents, consisting of 6,700,000 and 8,100,000 warrants, respectively, which were granted during 2005.

**POWDER RIVER BASIN GAS CORP.**

Notes to the Consolidated Financial Statements

September 30, 2007 and December 31, 2006

NOTE 3 -

**OIL AND GAS PROPERTIES**

The full cost method is used in accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized. In addition, depreciation on property and equipment used in oil and gas exploration and interest costs incurred with respect to financing oil and gas acquisition, exploration and development activities are capitalized in accordance with full cost accounting. Capitalized interest for the nine months ended September 30, 2007 and 2006 was \$0. All capitalized costs of proved oil and gas properties subject to amortization are being amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects not subject to amortization are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. As of September 30, 2007 and December 31, 2006, proved oil and gas reserves had been identified on certain of the Company's oil and gas properties. During the nine months ended September 30, 2007 and 2006, the Company recorded depletion of \$127,910 and \$119,363 on its producing properties. All other wells are incomplete as of September 30, 2007 and December 31, 2006.

NOTE 4 -

**SIGNIFICANT TRANSACTIONS**

During the nine months ended September 30, 2007, the Company issued the following shares of common stock:

-

2,200,000 shares through the exercise of common stock warrants at prices ranging from \$0.06 to \$0.20 per share, for total proceeds of \$230,000 and a subscription receivable of \$30,000.

-

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5,966,212 shares through the exercise of common stock warrants at prices ranging from \$0.05 to \$0.28 per share, for total proceeds of \$687,857.

-

559,575 shares through the exercise of common stock warrants at prices ranging from \$0.05 to \$0.28 per share, for total proceeds of \$85,000.

-

2,000,000 shares for expenses incurred on drilling projects and property development, at \$0.23 per share for a total cost of \$460,000.

In May 2007, the Company extended the maturity date on 2,000,000 common stock warrants, exercisable at prices ranging from \$0.12 to \$0.16 per share. The extension of these warrants resulted in an additional expense of \$201,399 for the nine months ended September 30, 2007.

The Company uses the Black-Scholes model to value stock options. The Black-Scholes model requires the use of employee exercise behavior data and the use of a number of assumptions, including volatility of the Company's stock price, the weighted average risk-free rate, and the weighted average expected life of the options. Because the Company does not pay dividends, the dividend rate variable in the Black-Scholes model is zero. The Company estimated the fair value of the stock options at the grant date based on the following weighted average assumptions:

|                         | For the nine<br>month period<br>ended Sep. 30,<br>2007 | For the nine<br>month period<br>ended Sep. 30,<br>2006 |
|-------------------------|--|--|
| Risk free interest rate | 4.93%  | N/A  |
| Expected life           | 1.25 years   | N/A  |
| Expected volatility     | 58.10%   | N/A  |
| Dividend yield          | 0.00%  | N/A  |



**POWDER RIVER BASIN GAS CORP.**

Notes to the Consolidated Financial Statements

September 30, 2007 and December 31, 2006

NOTE 4 -

**SIGNIFICANT TRANSACTIONS (Continued)**

During the nine months ended September 30, 2007 the Company repurchased and cancelled 302,800 shares of its own stock on the open market at prices ranging from \$0.25 to \$0.31 per share. The total cost of these shares was \$83,145. This program was determined to be ineffective by the Company, and will no longer be pursued.

In May 2006, the Company purchased a 95% working interest in a separate property in Texas for a total of \$500,000. In addition, the Company also implemented a plan to sell 25% of their working interest in the property in increments of 2.5% as follows:

-

During the year ended December 31, 2006, the Company sold 7.5% of their working interest in this property for a total of \$4,800,000, net of selling cost.

-

During the three months ended March 31, 2007, the Company sold 7.5% of their working interest in this property for a total of \$4,800,000, net of selling cost.

-

During the six months ended June 30, 2007, the Company sold 7.5% of their working interest in this property for \$4,800,000, net of selling cost.

-

During the three months ended September 30, 2007, the Company sold the final 2.5% increment of their 25% working interest in this property for \$1,600,000, net of selling cost. The receivable balance related to this transaction at

September 30, 2007 was \$8,000.

In May 2007, the Company purchased a 95% working interest in a separate property in Texas for a total of \$94,000. In addition, the Company also implemented a plan to sell 30% of their working interest in the property as follows:

-

During the three months ended September 30, 2007, the Company sold approximately 10% of their working interest in this property for a total of \$2,824,000, net of selling cost. The receivable balance related to this transaction at September 30, 2007 was \$1,668,000.

Since the Company is in the business of buying and selling working interests in producing oil and gas properties, the sale of working interests is being recorded as revenue in the accompanying statements of operations for the three months and nine months ended September 30, 2007 and 2006.

#### Employment Agreements

On May 10, 2007 the Company entered into an employment agreement with its Chief Executive Officer (CEO), effective January 1, 2007. Per the terms of the agreement the Company is to pay the CEO a salary of \$600,000 per year, payable semi-monthly. In addition, the Company will also pay a cash bonus of 10% of the Company's net income before taxes to the Company that exceeds \$750,000 per quarter. For the three months ended September 30, 2007, the amount of bonus related to this agreement was \$9,246.

Effective August 15, 2007 the Company entered into an employment agreement with its Chief Financial Officer (CFO). Per the terms of the agreement the Company is to pay the CFO a salary of \$180,000 per year, payable semi-monthly. In addition, the Company will also pay a cash bonus of 3% of the Company's net income before taxes as determined at the end of each fiscal quarter, on net income before taxes to the Company that exceeds \$750,000 per quarter. For the three months ended September 30, 2007, the amount of bonus related to this agreement was \$2,774.





**POWDER RIVER BASIN GAS CORP.**

Notes to the Consolidated Financial Statements

September 30, 2007 and December 31, 2006

NOTE 4 -

SIGNIFICANT TRANSACTIONS (Continued)

Employment Agreements (continued)

During August 2007 the Company appointed two non-employee directors. In connection with these appointments, the Company adopted a compensation plan which includes base annual compensation of \$36,000 per director. Board members may also be awarded performance bonuses based on increases in the profitability of the Company, and may be granted options under the 2007 Incentive Stock Option Plan. Details of the performance bonus arrangements and potential option grants have not been finalized.

NOTE 5 -

SUBSEQUENT EVENTS

On October 30, 2007, the Board of Directors approved an amended employment agreement with Jeff Johnson effective November 1, 2007, extending the term of his employment agreement as Chief Financial Officer to December 31, 2010 and adding a signing bonus of 1,500,000 shares of restricted common stock with forfeiture provisions for early termination of the employment agreement. The annual compensation and bonus provisions remain the same.

On October 30, 2007, the Board of Directors approved a retainer agreement with Frederick K. Slicker, Esq., effective November 1, 2007 to December 31, 2010, for services as the Company's general counsel. The agreement provides for a minimum monthly payment of \$10,000 and includes the grant of warrants for the purchase of 500,000 shares of the Company's common stock at an exercise price of \$.25 per share, exercisable until December 31, 2010.

On October 30, 2007, the Board of Directors approved the extension of certain outstanding warrants as follows:

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| Warrant Holder | Number of Warrants | Exercise Price | Grant Date | Original Expiration | New Expiration |
|----------------|--------------------|----------------|------------|---------------------|----------------|
| Brian Fox      | 2,000,000          | \$0.185        | 8/01/2005  | 12/31/2007          | 12/31/2010     |
| Mark Chang     | 1,000,000          | \$0.18         | 1/31/2005  | 7/31/2008           | 12/31/2010     |

On October 30, 2007, the Board of Directors approved the issuance of new warrants for the purchase of the Company's common stock as follows:

| Warrant Holder  | Number of Warrants | Exercise Price | Grant Date | Expiration |
|-----------------|--------------------|----------------|------------|------------|
| Brian Fox       | 1,000,000          | \$0.25         | 10/30/2007 | 12/31/2010 |
| Mark Chang      | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |
| Jon Havelock    | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |
| Fred K. Slicker | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |



**POWDER RIVER BASIN GAS CORP.**

Notes to the Consolidated Financial Statements

September 30, 2007 and December 31, 2006

NOTE 5 -

SUBSEQUENT EVENTS (Continued)

On October 30, 2007, the Board of Directors approved an exclusive Investment Banking Agreement with Sunrise Securities Corporation ( Sunrise ) wherein Sunrise will act as the Company's exclusive financial advisor and investment banker to render financial and other general advice to the Company including without limitation advice relating to capital structure, enhancing shareholder value and allocation of corporate assets, as well as advice with respect to any financings or transactions. Sunrise will assist the Company in identifying, analyzing, structuring, negotiating and financing suitable business opportunities. The term of the agreement is five years. As compensation to Sunrise, the Company will issue warrants for the purchase of 7,500,000 shares of its common stock at an exercise price of \$0.25 per share exercisable for five years. In the event that the Company completes a financing transaction during the term of the agreement, the Company will also pay Sunrise a commission of 8 %. If the transaction involves equity, Sunrise will also be entitled to warrants representing 7 % of the equity issuance.

On October 31, 2007, the Board of Directors approved a stock purchase agreement (the Agreement) with Texoma Oil Field Services, Inc. (Texoma), a Nevada corporation, whereby the Company will enter into a long-term drilling and oil field services agreement pursuant to which Texoma is engaged on a priority basis to serve the needs of the Company with customary terms and conditions. The Agreement stipulates that the Company will purchase 50% of the issued and outstanding shares of Texoma, and in exchange the Company agrees to pay the following; the Company will issue 2,000,000 shares of common stock of the Company at an agreed price of \$1.00 per share, plus warrants to purchase an additional 2,000,000 shares of the Company, exercisable at \$0.25 per share on or before October 31, 2010. In addition, the Company will issue an 8 % promissory note in the principle amount of \$500,000 to Texoma payable in five payments of \$100,000, with the final payment along with any accrued but unpaid interest to be made no later than November 1, 2008.

The Agreement also has a purchase price guarantee, whereby the Company agrees that if the fair market value (FMV) of its common stock on the OTC BB or other market in which the Company's common stock is trading on October 31, 2009 is not equal to or above \$1.00 per share, then the Company will purchase at the Seller's option that number of shares (up to 2,000,000) as shall equal \$2,000,000 paid for at the FMV on October 31, 2009. FMV shall mean for shares traded on the OTC BB, the average between the bid and the ask on the 20 trading days prior to the date in question and if traded on an exchange, then the average closing price on the 20 days prior to the date in question.



## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### Cautionary Statement Regarding Forward-looking Statements

This report may contain "forward-looking" statements. Examples of forward-looking statements include, but are not limited to: (a) projections of revenues, capital expenditures, growth, prospects, dividends, capital structure and other financial matters; (b) statements of plans and objectives of our management or Board of Directors; (c) statements of our future economic performance; (d) statements of assumptions underlying other statements and statements about us and our business relating to the future; and (e) any statements using the words "anticipate," "expect," "may," "project," "intend" or similar expressions.

General. The Company is in the business of acquiring and developing working interests in oil and gas properties with the intent of reselling a portion of the working interests acquired. The Company reviews and evaluates geological and other applicable technical data in order to determine the likely viability and possible profitability of commencing and completing multiple well drilling programs on the properties covered by the leases. If the Company determines such programs to be viable, it engages third party contractors to explore for, drill, re-work and further develop the properties in order to maximize economically justified oil and gas production from the leases in a cost effective manner.

During 2006, the Company acquired a 95% working interest in the Brookshire Salt Dome project in Waller County, Texas, containing approximately 647 acres. Two wells are currently in production. During the three months ended September 30, 2007, the Company sold 2.5% of its working interest in this property for a total of \$1,600,000, net of selling cost. The receivable balance on this transaction at September 30, 2007 was \$8,000. Since the Company is in the business of buying and selling working interest in producing oil and gas properties, the sale of working interests is being recorded as revenue in the accompanying statements of operations for the three months and nine ended September 30, 2007.

During May 2007, the Company acquired a 95% working interest in the Biamante project in Goliad County, Texas, containing approximately 489 acres. One well is currently in production. During the three months ended September 30, 2007, the Company sold approximately 10% of their working interest in this property for a total of \$2,824,000, net of selling cost. The receivable balance on this transaction at September 30, 2007 was \$1,668,000. Since the Company is in the business of buying and selling working interest in producing oil and gas properties, the sale of working interests is being recorded as revenue in the accompanying statements of operations for the three months ended September 30, 2007 and 2006.

### Employment Agreements

On May 10, 2007 the Company entered into an employment agreement with its Chief Executive Officer (CEO), effective January 1, 2007. Per the terms of the agreement the Company is to pay the CEO a salary of \$600,000 per year, payable semi-monthly. In addition, the Company will also pay a cash bonus of 10% of the Company's net income before taxes to the Company that exceeds \$750,000 per quarter. For the three months ended September 30, 2007 the amount of bonus related to this agreement was \$9,246.

Effective August 15, 2007 the Company entered into an employment agreement with its Chief Financial Officer (CFO). Per the terms of the agreement the Company is to pay the CFO a salary of \$180,000 per year, payable semi-monthly. In addition, the Company will also pay a cash bonus of 3% of the Company's net income before taxes as determined at the end of each fiscal quarter, on net income before taxes to the Company that exceeds \$750,000 per quarter. For the three months ended September 30, 2007, the amount of bonus related to this agreement was \$2,774.

### **Results of Operations for the Three and Nine Months Ended September 30, 2007 compared with 2006**

Revenues: Total revenues decreased to \$2,181,971 in the three months ended September 30, 2007 from \$4,197,973 in the prior year period. During the three months ended September 30, 2007, the Company had revenues from oil and gas sales of \$546,211, an increase of \$320,383 or approximately 142% compared to \$225,828 for the three months ended September 30, 2006. The Company also had revenues from property and working interest sales of \$2,181,971, a decrease of \$1,790,174 or approximately 45% compared to \$3,972,145 for the three months ended September 30, 2006. The decrease in revenues from property and working interest sales for the three months ended September 30, 2007 is due primarily to the transition between the Brookshire Salt Dome project and the new Biamante project that started during the period. The Company anticipates that the revenue from property and working interest sales will increase during the next period. Based on the increased number of lease acquisitions and

the continued effort to produce oil and gas from these leases, the Company anticipates that oil and gas sales in the balance fiscal 2007 will increase but expects that sales of property and working interests will continue to produce the majority of the Company's revenues.

**Revenues:** Total revenues decreased to \$13,635,858 in the nine months ended September 30, 2007 from \$14,208,770 in the prior year period. During the nine months ended September 30, 2007, the Company had revenues from oil and gas sales of \$1,913,044, an increase of \$891,419 or approximately 87.3% compared to \$1,021,625 for the nine months ended September 30, 2006. The Company also had revenues from property and working interest sales of \$11,722,814, a decrease of \$1,464,331 or approximately 11.1% compared to \$13,187,145 for the nine months ended September 30, 2006. Overall, sales from working interest have increased when compared to the prior year period, with the exception of the three month period ended September 30, 2007, which is explained above.

**Expenses:** Total expenses increased significantly for the three and nine months ended September 30, 2007. Total expenses related to the three months ended September 30, 2007 increased to \$1,915,012 from \$742,067 in the prior year period and total expenses related to the nine months ended September 30, 2007 increased to \$6,035,437 from \$2,550,401 in the prior year period. The increase is attributable primarily to large increases in general and administrative expenses, lease operating costs, bonuses, marketing administration and legal and professional fees. Some of these increases are in expenses directly associated with the increase in business activities over the prior year period. In addition, the Company entered into employment agreements with its Chief Executive Officer as well as its Chief Financial Officer, as described above. The agreements include the payment of a salaries and bonuses based on the Company's net income before taxes. The Company has also incurred additional expenses for marketing its property and working interests. The Company anticipates that these expenses will continue to increase as the Company continues to pursue its acquisition strategy.

**Net Income:** Due to the significant increases in expenses, as well as the decrease in revenues which are both outlined above net income for the three months ended September 30, 2007 decreased to \$545,310 from \$2,180,980 in the prior year period and net income for the nine months ended September 30, 2007 decreased to \$5,729,027 from \$7,389,654 in the prior year period. Management believes that the increased expenses are necessary to support operations staff and services such that the Company can continue to achieve sales of oil and gas properties and working interests, as well as to continue to acquire, develop and operate additional oil and gas properties. Management plans to continue to aggressively pursue its strategic objectives in the balance of fiscal 2007.

## **Liquidity and Capital Resources**

The Company's need for new capital is directly related to the acquisition of new oil and gas properties and to associated drilling and operating expenses. The Company expects to be able to finance new and existing drilling activities primarily out of cash flow, however the Company has entered into exclusive Investment Banking Agreement with Sunrise Securities Corporation ( Sunrise ) wherein Sunrise will act as the Company's exclusive financial advisor and investment banker to render financial and other general advice to the Company including without limitation advice relating to capital structure, enhancing shareholder value and allocation of corporate assets, as well as advice with respect to any financings or transactions. Sunrise will assist the Company in identifying, analyzing, structuring,



negotiating and financing suitable business opportunities. The term of the agreement is five years.. The Company expects to primarily continue to identify and acquire oil and gas properties for future development where the cost of acquiring a working interest in identified reserves that can be exploited for cost-efficient future production can be financed by selling a portion of the working interest to be acquired.

Cash and cash equivalents on hand at September 30, 2007, was \$3,225,993 as compared to \$2,733,437 at December 31, 2006. At September 30, 2007, accounts receivable from related parties totaled a net of \$613,297. The related party is a company that is owned by the Company's President. Accounts receivable totaled \$2,759,511, consisting of amounts received primarily from the sale of approximately 10% of the Company's working interest in a property in Texas to an unrelated party for a total of \$3,388,800, less a commission of \$564,800.

Net property and equipment at September 30, 2007 was \$53,822. Property and equipment consists primarily of vehicles and computer equipment associated with operations.

At September 30, 2007, net oil and gas properties totaled \$22,226,362 compared to \$16,614,718 at December 31, 2006. The increase in oil and gas properties occurred due to management's acquisition of additional oil and gas properties during the nine months ended September 30, 2007.

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At September 30, 2007, total assets were \$32,237,459 compared to \$24,895,055 at December 31, 2006, due to the acquisition of additional oil and gas properties. Total liabilities increased to \$11,396,626 at September 30, 2007 from \$11,209,788 at December 31, 2006 due primarily to increases in income taxes payable, accrued expenses and accounts payable, offset by a decrease in stock deposits and notes payable.

For the nine months ended September 30, 2007, cash flows from operations totaled \$7,048,154 compared to \$5,798,935 for the prior year period. Cash for operations was generated primarily from sales of properties and working interests.

For the nine months ended September 30, 2007, cash used by investing activities totaled \$5,782,453, primarily for expenditures for the development of oil and gas properties. In the prior year, cash used by investing activities totaled \$2,735,697, for expenditures for the development of properties. The increase in cash used investing activities reflects management's intention to continue to pursue its acquisition strategy.

For the nine months ended September 30, 2007, cash used by financing activities was \$773,145, including payments on notes payable and long-term liabilities offset by proceeds from the issuance of common stock for the exercise of outstanding warrants. In the prior year, proceeds from financing activities was \$1,102,227, including proceeds from the issuance of common stock offset by payments on notes payable and long-term liabilities.

Plans for continuing operations. Management believes its business and marketing strategy is proving to be a successful strategy for operations. The Company plans to continue to identify, evaluate, acquire working interests in oil and gas leases; sell a portion of the working interests so acquired; and to explore for, develop and market production from those operations. The Company expects to continue to be able to finance acquisitions primarily through the sale of working interests. Management believes that revenues from operations of developed properties will increase in the balance of fiscal 2007.

### **Impact of Inflation**

At this time, we do not anticipate that inflation will have a material impact on our current or future operations.

### **Critical Accounting Policies and Estimates**

Except with regard to the estimated future cash flows of the capitalized oil and gas properties, the Company does not employ any critical accounting policies or estimates that are either selected from among available alternatives or require the exercise of significant management judgment to apply or that if changed are likely to materially affect

future periods. Management reviews the carrying value of the capitalized oil and gas properties annually for evidence of impairment and considers, based on its current marketing activities, plans and expectations, and the perceived effects of competitive factors, whether any write-downs should be taken or whether the estimated reserves should be changed.

### **Recent Accounting Pronouncements**

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ( SFAS ) 155, Accounting for Certain Hybrid Financial Instruments, which amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125. SFAS 155 will be effective for all financial instruments issued or acquired after the beginning of an entity's first fiscal year that begins after September 15, 2006. Management has no present expectation of issuing or acquiring any financial instruments likely to be affected by SFAS 155 in the foreseeable future.

In July 2006, the FASB issued Interpretation No. 48 ( FIN 48 ), Accounting for Uncertainty in Income Taxes, an Interpretation of Statement of Financial Accounting Standard No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. We must determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. FIN 48 is effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the likely impact of adopting FIN 48 on its financial statements.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 will be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management does not believe that the application of SFAS 157 will have a material impact on the Company's

consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ( SAB ) No. 108 ( SAB 108 ) which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for us as of January 1, 2007. We do not expect SAB 108 to have a material impact on our results of operations, financial position, or cash flows.

In September 2006, SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106, and 132(R) ( SFAS 158 ), improves financial reporting by requiring an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 will not have an impact on our results of operations, financial position, or cash flow.

In February 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* ( SFAS 159 ), which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. Subsequent measurements for the financial assets and liabilities an entity elects to fair value will be recognized in earnings. SFAS 159 also establishes additional disclosure requirements. SFAS 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided that the entity also adopts SFAS 157. We have not yet determined the impact this standard will have on our financial statements.

### **ITEM 3. CONTROLS AND PROCEDURES**

Our principal executive and principal financial officer have participated with management in the evaluation of effectiveness of the controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer believe that our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) are effective as of the end of the period covered by the report. There have been no changes in our internal controls that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting during the period covered by this report.

## **PART II**

### **OTHER INFORMATION**

#### **ITEM 1 LEGAL PROCEEDINGS**

The Company is a named defendant in a personal injury suit, Michael Tripkovich, et al, v Affiliated Holdings, Inc., et al, No. 72217, filed in the 16<sup>th</sup> Judicial District Court, Parish of St. Martin, State of Louisiana filed July 17, 2007. The suit names more than 100 companies and plaintiff requests damages related to exposure to toxic chemicals, including radon and benzene, while plaintiff was working as a natural gas technician. The Company owns working interests in a small number of properties in Louisiana but does not operate any of the properties. At this time, management believes the Company's potential exposure is small but cannot fully assess the suit which is in the early stages.

The Company is named defendant in a suit, Mader v. Powder River Basin Gas Corp., filed in Johnson County, Wyoming, CV 2007-0085. The Plaintiff claims to have loaned \$100,000 to the Company in January 2001, however the Company has no records of such a loan ever being received. Brian Fox purchased a large block of common stock of the Company from Imperial Petroleum, Inc. with the usual and customary representations and warranties. No disclosure was made regarding this loan. The Company's attempts to verify the existence of the alleged Mader loan have been unsuccessful. The case is in the early stages of discovery without any assessment of the outcome.

**ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended September 30, 2007, the Company issued the following shares of common stock:

-

559,575 shares through the exercise of common stock warrants at prices ranging from \$0.05 to \$0.28 per share, for total proceeds of \$85,000.

-

2,000,000 shares for expenses incurred on drilling projects and property development, at \$0.23 per share for a total cost of \$460,000.

The shares issued in the foregoing transactions were issued in reliance on the exemption from registration and prospectus delivery requirements of the Act set forth in Section 3(b) and/or Section 4(2) of the Securities Act and the regulations promulgated thereunder.

**ITEM 3 - DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES**

None.

**ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Meeting of Shareholders of Powder River Basin Gas Corp. was held in Tulsa, Oklahoma on October 30, 2007. The following are the voting results of the proposals submitted to shareholders at the meeting:

1. Election of Directors;

|              | FOR         | AGAINST | WITHHOLD AUTHORITY |
|--------------|-------------|---------|--------------------|
| Brian Fox    | 114,068,294 | 390,827 | 2,028,800          |
| Jon Havelock | 115,508,739 | 316,087 | 663,093            |

|            |             |         |         |
|------------|-------------|---------|---------|
| Mark Chang | 115,505,412 | 435,607 | 546,902 |
|------------|-------------|---------|---------|

2. Ratification of Chisholm Bierwolf & Nilson, LLC as the Company's independent auditor;

|             |         |                    |
|-------------|---------|--------------------|
| FOR         | AGAINST | WITHHOLD AUTHORITY |
| 115,384,451 | 259,144 | 844,325            |

3. Ratification and approval of the 2007 Incentive Stock Option Plan; and

|             |           |                    |
|-------------|-----------|--------------------|
| FOR         | AGAINST   | WITHHOLD AUTHORITY |
| 113,288,927 | 2,539,107 | 659,887            |

4. Change of domicile from the State of Colorado to the State of Oklahoma and a name change to Powder River Petroleum International, Inc.

|             |         |                    |
|-------------|---------|--------------------|
| FOR         | AGAINST | WITHHOLD AUTHORITY |
| 115,641,156 | 514,735 | 332,030            |

## ITEM 5 - OTHER INFORMATION

The Company appointed Jonathan Niles Havelock to the Board of Directors on August 15, 2007. Since 2001, Mr. Havelock has been President and Managing Director of Strategic Relations Inc., a company that provides organizations with strategic roadmaps on government, regulatory structures and competing stakeholder interests.

From 1993 to 2001, Mr. Havelock served as a Member of the Alberta Legislature for Calgary Shaw, during which time he held positions of Minister of Economic Development (1999 to 2001) and Minister of Justice and Attorney General (1997 to 1999). Prior to entering the legislature, Mr. Havelock worked in marketing, real estate and law, including as Legal Counsel with Amoco Canada Petroleum Company in Calgary, Alberta (1982 to 1988) and Senior Real Estate Representative with Amoco Corporation in Chicago (1988 to 1989). He has served on the Board of Governors of the Northern Alberta Institute of Technology (2001-2004), as an Alderman for the City of Calgary (1986 to 1988) and on the Calgary Board of Education, as Chair the last two years of his term (1983 to 1986). Mr. Havelock has earned a B. Comm with Honours from the University of Alberta and a B.A. (Law) and M.A. from Downing College, University of Cambridge, England.





The Company appointed Mark Chang to the Board of Directors on August 21, 2007. Since 2003, Mr. Chang has been the Chief Executive Officer of OL&M Business International Pte. Ltd. ( OL&M ), an investment company focusing on oil, land and minerals. Mr. Chang is the creator of OilPods, a wholly-owned subsidiary of OL&M, an oil and gas investment organization that has a long term understanding and arrangement with the Company regarding the purchase of oil and gas interests. In 2002, Mr. Chang served as Team Manager for Walton International Group, a land bank company operating in Singapore. In 2001, he worked as Independent Certificated Mortgage reviewer for various Australian banks. From 1988 to 2001, Mr. Chang was an instructor pilot with the Republic of Singapore Air Force. Mr. Chang earned a BBA in Finance from the University Of Wichita, Kansas in 1988.

In connection with the above appointments, in August 2007, the Company adopted a compensation plan for non-employee directors. The plan includes base annual compensation of US\$36,000 per director. Board members may also be awarded performance bonuses based on increases in the profitability of the Company. In addition to his general Board duties, Mr. Havelock has been assigned speaking and presentation duties for which he will receive additional compensation.

On August 15, 2007, the Company appointed Jeffery Johnson as its Chief Financial Officer. Mr. Johnson is a manager with the accounting firm of Stayner Bates & Jensen P.C., in Salt Lake City, Utah. He was formerly a senior auditor with Piercy Bowler Taylor & Kern of Las Vegas, Nevada from 2002 to 2006. Mr. Johnson received a B. A in Business Administration from Southern Utah University in 2002 as well as a Masters of Accountancy degree from Southern Utah University in 2002. He has worked as both an auditor and outside consultant with many small to medium sized public companies in numerous industries. Mr. Johnson's employment agreement calls for an annual salary of US\$180,000. In addition to his salary, Mr. Johnson is eligible to receive a bonus of 3% of the Company's net income before taxes that exceeds \$750,000 per quarter.

#### Subsequent Events

On October 30, 2007, the Board of Directors approved an amended employment agreement with Jeff Johnson effective November 1, 2007, extending the term of his employment agreement as Chief Financial Officer to December 31, 2010 and adding a signing bonus of 1,500,000 shares of restricted common stock with forfeiture provisions for early termination of the employment agreement. The annual compensation and bonus provisions remain the same.

On October 30, 2007, the Board of Directors approved a retainer agreement with Frederick K. Slicker, Esq., effective November 1, 2007 to December 31, 2010, for services as the Company's general counsel. The agreement provides for a minimum monthly payment of \$10,000 and includes the grant of warrants for the purchase of 500,000 shares of the Company's common stock at an exercise price of \$.25 per share, exercisable until December 31, 2010.

On October 30, 2007, the Board of Directors approved the extension of certain outstanding warrants as follows:

| Warrant Holder | Number of Warrants | Exercise Price | Grant Date | Original Expiration | New Expiration |
|----------------|--------------------|----------------|------------|---------------------|----------------|
| Brian Fox      | 2,000,000          | \$0.185        | 8/01/2005  | 12/31/2007          | 12/31/2010     |
| Mark Chang     | 1,000,000          | \$0.18         | 1/31/2005  | 1/31/2008           | 12/31/2010     |

On October 30, 2007, the Board of Directors approved the issuance of new warrants for the purchase of the Company's common stock as follows:

| Warrant Holder  | Number of Warrants | Exercise Price | Grant Date | Expiration |
|-----------------|--------------------|----------------|------------|------------|
| Brian Fox       | 1,000,000          | \$0.25         | 10/30/2007 | 12/31/2010 |
| Mark Chang      | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |
| Jon Havelock    | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |
| Fred K. Slicker | 500,000            | \$0.25         | 10/30/2007 | 12/31/2010 |

On October 30, 2007, the Board of Directors approved an exclusive Investment Banking Agreement with Sunrise Securities Corporation ( Sunrise ) wherein Sunrise will act as the Company s exclusive financial advisor and investment banker to render financial and other general advice to the Company including without limitation advice relating to capital structure, enhancing shareholder value and allocation of corporate assets, as well as advice with respect to any financings or transactions. Sunrise will assist the Company in identifying, analyzing, structuring, negotiating and financing suitable business opportunities. The term of the agreement is five years. As compensation to Sunrise, the Company will issue warrants for the purchase of 7,500,000 shares of its common stock at an exercise price of \$0.25 per share exercisable for five years. In the event that the Company completes a financing transaction during the term of the agreement, the Company will also pay Sunrise a commission of 8 %. If the transaction involves equity, Sunrise will also be entitled to warrants representing 7 % of the equity issuance.

On October 31, 2007, the Board of Directors approved a stock purchase agreement (the Agreement) with Texoma Oil Field Services, Inc. (Texoma), a Nevada corporation, whereby the Company will enter into a long-term drilling and oil field services agreement pursuant to which Texoma is engaged on a priority basis to serve the needs of the Company with customary terms and conditions. The Agreement stipulates that the Company will purchase 50% of the issued and outstanding shares of Texoma, and in exchange the Company agrees to pay the following; the Company will issue 2,000,000 shares of common stock of the Company at an agreed price of \$1.00 per share, plus warrants to purchase an additional 2,000,000 shares of the Company, exercisable at \$0.25 per share on or before October 31, 2010. In addition, the Company will issue an 8 % promissory note in the principle amount of \$500,000 to Texoma payable in five payments of \$100,000, with the final payment along with any accrued but unpaid interest to be made no later than November 1, 2008.

The Agreement also has a purchase price guarantee, whereby the Company agrees that if the fair market value (FMV) of its common stock on the OTC BB or other market in which the Company s common stock is trading on October 31, 2009 is not equal to or above \$1.00 per share, then the Company will purchase at the Seller s option that number of shares (up to 2,000,000) as shall equal \$2,000,000 paid for at the FMV on October 31, 2009. FMV shall mean for shares traded on the OTC BB, the average between the bid and the ask on the 20 trading days prior to the date in question and if traded on an exchange, then the average closing price on the 20 days prior to the date in question.

## ITEM 6 - EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 10.1               | Sunrise Investment Banking agreement   |
| 10.2               | Form of Warrant Sunrise agreement  |
| 10.3               | Texoma Stock Purchase agreement  |
| 10.4               | Texoman Management agreement   |
| 10.5               | Form of Warrant Texoma agreement   |
| 31.1               | Certification of principal executive officer per Section 302 of the Sarbanes-Oxley Act Of 2002 |
| 31.2               | Certification of principal financial officer per Section 302 of the Sarbanes-Oxley Act Of 2002 |

- 32.1 Certification of principal executive officer per Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of principal financial officer per Section 906 of the Sarbanes-Oxley Act of 2002

### **SIGNATURES**

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

Powder River Basin Gas Corp.

Date: November 14, 2007

By: /s/ Brian Fox

Brian Fox, Chief Executive Officer and President

Date: November 14, 2007

By: /s/ Jeff Johnson

Jeff Johnson, Chief Financial Officer