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MILLER PETROLEUM INC
Form SB-2/A
December 05, 2001

As filed with the Securities and Exchange Commission on December 5, 2001.
Registration No. 333-53856
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U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
(AMENDMENT NO. 9)

MILLER PETROLEUM, INC.

(Name of small business issuer in its charter)

| | | |
|---|---|---|
| Tennessee | 7389 | 62-1028629 |
| ----- | ---- | ----- |
| (State or jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

3651 Baker Highway
Huntsville, Tennessee 37756
(423) 663-9457

(Address and telephone number of principal executive offices)

3651 Baker Highway
Huntsville, Tennessee 37756

(Address of principal place of business
or intended principal place of business)

Deloy Miller
3651 Baker Highway
Huntsville, Tennessee 37756
(423) 663-9457

(Name, address and telephone number of agent for service)

Copies to:
Branden T. Burningham, Esq.
455 East 500 South, Suite 205
Salt Lake City, Utah 84111
(801) 363-7411

Approximate date of proposed sale to the public: As soon as practicable after
the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered
on a delayed or continuous basis pursuant to Rule 415 under the Securities Act
of 1933 (the "Securities Act"), other than securities offered only in
connection with dividend or interest reinvestment plans, check the following
box: [X]

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier

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effective registration statement for the same offering: []

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: []

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: []

=====

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Amount of shares to be Registered | Proposed Maximum Offering Price per Share (1) | Aggregate Offering Price (1) | Amount of Registration Fee |
|---|--|---|------------------------------------|----------------------------------|
| Common Stock (1) | 1,625,152 | \$1.375 | \$2,234,584 | \$ 621.21 |
| Common Stock (1)(2) | 286,000 | \$1.00 | \$ 286,000 | \$ 79.51 |
| Common Stock (1)(3) | 250,000 | \$1.50 | \$ 375,000 | \$ 104.25 |
| Common Stock (1)(4) | 350,000 | \$2.00 | \$ 700,000 | \$ 194.60 |
| Common Stock (1)(5) | 250,000 | \$2.50 | \$ 625,000 | \$ 173.75 |
| TOTALS | 2,761,152 | | \$4,220,584 | \$1,173.32 |

=====

(1) These shares are registered on behalf of the selling stockholders and the offering price and gross offering proceeds are estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act on the basis of the average of the bid and asked price of our common stock as quoted on the OTC Electronic Bulletin Board of the National Association of Securities Dealers, Inc. (the "NASD") on the date immediately prior to the filing of this registration statement.

(2) Represents shares issuable upon exercise of warrants issued by us having an exercise price of \$1.00 per share.

(3) Represents shares issuable upon exercise of warrants issued by us having an exercise price of \$1.50 per share.

(4) Represents shares issuable upon exercise of warrants issued by us having an exercise price of \$2.00 per share.

(5) Represents shares issuable upon exercise of warrants issued by us having an exercise price of \$2.50 per share.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES

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AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

CROSS REFERENCE SHEET

| Form SB-2 Item No. and Caption ----- | Prospectus Caption ----- |
|--|---|
| Item 1. Front of Registration Statement and Outside Front Cover Page of Prospectus | Outside Front Cover |
| Item 2. Inside Front and Outside Back Cover Pages of Prospectus | Inside Front and Outside Back Cover Pages |
| Item 3. Summary Information and Risk Factors | Prospectus Summary; Risk Factors |
| Item 4. Use of Proceeds | Use of Proceeds |
| Item 5. Determination of Offering Price | Outside Front Cover |
| Item 6. Dilution | Dilution |
| Item 7. Selling Security Holders | Selling Stockholders |
| Item 8. Plan of Distribution | Outside Front Cover Page; Plan of Distribution |
| Item 9. Legal Proceedings | Legal Proceedings |
| Item 10. Directors, Executive Officers, Promoters and Control Persons | Directors, Executive Officers, Promoters and Control Persons |
| Item 11. Security Ownership of Certain Beneficial Owners and Management | Security Ownership of Certain Beneficial Owners and Management |
| Item 12. Description of Securities | Outside Front Cover Page; Description of Securities |
| Item 13. Interest of Named Experts and Counsel | Interest of Named Experts and Counsel |
| Item 14. Disclosure of Commission Position on Indemnification for Securities Act Liabilities | Disclosure of Commission on Indemnification for Securities Act Liabilities |
| Item 15. Organization Within the Last Five Years | Not Applicable |
| Item 16. Description of Business | Description of Business |
| Item 17. Management's Discussion and Analysis or Plan of Operation | Management's Discussion and Analysis or Plan of Operation |
| Item 18. Description of Property | Prospectus Summary; Description of Business; |
| Item 19. Certain Relationships and Transactions | Certain Relationships and Related Transactions |

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| | |
|---|--|
| Item 20. Market for Common Equity and Related Stockholder Matters | Market for Common Equity and Related Stockholder Matters |
| Item 21. Executive Compensation | Executive Compensation |
| Item 22. Financial Statements | Financial Statements |
| Item 23. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | Not Applicable |

PROSPECTUS

MILLER PETROLEUM, INC.

2,761,152 Shares of Common Stock Offered by Selling Stockholders

This prospectus covers an aggregate of 2,761,152 shares of our common stock that the selling stockholders may sell. We have filed it with the Securities and Exchange Commission as part of a registration statement that you may examine in the Securities and Exchange Commission's EDGAR Archives.

Our common stock is quoted on the OTC Bulletin Board of the NASD under the symbol "MILL." On October 18, 2001, the bid price of our common stock as quoted on the OTC Bulletin Board was \$0.69.

These securities involve a high degree of risk. See the caption "Risk Factors," beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved any of these securities or passed upon the adequacy or accuracy of the Prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 7, 2001.

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PROSPECTUS SUMMARY

MILLER PETROLEUM, INC.

The Company

You should carefully read our entire prospectus and consolidated financial statements and related notes. Unless the context requires otherwise, "we," "us," "our" and similar terms, as well as references to "Miller," refer to Miller Petroleum, Inc., a Tennessee corporation.

Our business includes the operation of gas and oil wells, the acquisition and development of gas and oil leases, rebuilding and sales of oil field equipment and the organization of joint venture drilling programs with industry partners.

We own the building where our principal executive offices are located. The building consists of approximately 4,000 square feet of office space and an equipment yard on 14 acres situated at 3651 Baker Highway, Huntsville, Tennessee. Our telephone number is (423) 663-9457.

The Offering

Securities offered by usNone.

Securities that may be sold
by our stockholders 2,761,152 shares of our common stock.

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Use of proceeds We will not receive any money from the selling stockholders when they sell shares of our common stock; however, we may receive up to \$1,986,000 from the exercise of outstanding warrants to acquire shares that are being registered. As of the date of this prospectus, none of these warrants has been exercised, and the exercise price of over half of the warrants is higher than the present market price of our common stock.

Offering Price Market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices or at fixed prices, all of which may change.

Transfer Agent Interwest Transfer Company, 1981 East Murray-Holladay Road, Salt Lake City, Utah 84117, Telephone No. 801-272-9294, serves as the transfer agent and registrar for our outstanding securities.

We have agreed to pay all costs and expenses relating to the registration of our common stock. The selling stockholders will be responsible for any related commissions, taxes, attorney's fees and other charges relating to the offer or sale of these securities. The selling stockholders may sell their common stock through one or more broker/dealers, and these broker/dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the selling stockholders as they shall agree.

RISK FACTORS

Our present and intended business operations are highly speculative and involve substantial risks. Only investors who can bear the risk of losing their entire investment should consider buying our shares. You should consider and be aware of the following risks:

General Risks Related To Our Business.

It will be harder for us to develop oil and gas reserves if we do not raise additional money.

We will require about \$2,500,000 in additional funding to realize our future goals of conducting the oil and gas exploration operations on properties under lease and acquiring additional oil and gas properties for development. We will need to continue to raise funding through equity or debt financing, which may be very difficult for our highly speculative enterprise. Additional funding may not be available to us. Even if it is available, the terms of the funding may not be satisfactory to us. If we fail in these efforts, our business may also fail.

We have experienced losses on our operations during two of the past three fiscal years.

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We had losses from operations that we conducted during the years ended April 30, 2000 and 1999. During fiscal 2000, our loss from operations was \$135,700 on gross revenues of \$2,048,843, while we incurred losses of \$605,776 in fiscal 1999 on gross revenues of \$2,613,188. This history of losses creates uncertainty about our ability to make a profit in the future.

Our business may fail if we do not succeed in our efforts to develop and replace oil and gas reserves.

Management believes that our future success will depend upon our ability to find, acquire and develop additional economically recoverable oil and gas reserves. Our proved reserves will generally decline as they are produced, except to the extent that we conduct revitalization activities, or acquire properties containing proved reserves, or both. To increase reserves and production, we must continue our development drilling and re-completion programs, identify and produce previously overlooked or bypassed zones in shut-in wells, acquire additional properties or undertake other replacement activities. Our current strategy is to increase our reserve base, production and cash flow through the development of our existing oil and gas fields and selective acquisitions of other promising properties where we can use new, existing technology. Despite our efforts, our planned revitalization, development and acquisition activities may not result in significant additional reserves, and we may not be able to discover and produce reserves at economical exploration and development costs. In addition, our exploration costs for additional reserves may increase.

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Our revenues may be less than expected if our oil and gas reserve estimates are inaccurate.

Oil and gas reserve estimates and the present values attributed to these estimates are based on many engineering, geological and operational assumptions that generally are derived from limited data. Common assumptions include such matters as the anticipated future production from existing and future wells, future development and production costs and the ultimate hydrocarbon recovery percentage. As a result, oil and gas reserve estimates and present value estimates are frequently revised to reflect production data obtained after the date of the original estimate. If reserve estimates are inaccurate, production rates may decline more rapidly than anticipated, and future production revenues may be less than estimated. In addition, significant downward revisions of reserve estimates may hinder our ability to borrow funds in the future, or may hinder other financing arrangements that we may consider.

In addition, any estimates of future net revenues and their present value are based on period ending prices and on cost assumptions that only represent our best estimate. If these estimates of quantities, prices and costs prove inaccurate and we are unsuccessful in expanding our oil and gas reserves base, or if oil and gas prices decline or become unstable, we may have to write down the capitalized costs associated with our oil and gas assets. We will also largely rely on reserve estimates when we acquire producing properties. If we overestimate the potential oil and gas reserves of a property to be acquired, or if our subsequent operations on the property are not successful, the acquisition of the property could result in substantial losses.

Our future success will depend on the price of oil and gas.

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Our revenues come from the sale of oil and gas. Because the price of oil and gas is very volatile, we may be able to recover it at prices that are greater than our recovery costs. If oil and gas prices go below our costs and expenses of operating our company, we will lose money. Sustained financial losses would probably force us to cease operations.

Oil and gas operations involve many physical hazards.

Natural hazards, such as excessive underground pressures, may cause costly and dangerous blowouts or make further operations on a particular well financially or physically impractical. Similarly, the testing and re-completion of oil and gas wells involves a high degree of risk arising from operational failures, such as blowouts, fires, pollution, collapsed casing, loss of equipment and numerous other mechanical and technical problems. Any of these hazards may result in substantial losses to us or liabilities to third parties. These could include claims for bodily injuries, reservoir damage, loss of reserves, environmental damage and other damages to people or property. Any successful claim against us would probably require us to spend large amounts on legal fees and any successful claim may make us liable for substantial damages.

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Our dependence on outside equipment and service providers may hurt our profitability.

We need to obtain logging equipment and cementing and well treatment services in the area of our operations. We may not be able to obtain these items in a timely and cost-effective manner. Several factors, including increased competition in the area, may limit their availability. Longer waits and higher prices for equipment and services may reduce our profitability.

You will not be able to elect our directors or officers.

Deloy Miller, our President and CEO, currently owns about 53% of our outstanding common stock. He can effectively elect all of our directors, who in turn elect all of our executive officers, without regard to the votes of other stockholders. If the warrant holders exercise all of the outstanding warrants and retain voting control of the shares underlying these warrants, Mr. Miller would own about 43% of the then-outstanding shares. Although he would not have absolute voting control, he would still be in a position to exert substantial influence on the election of all directors, who in turn elect all of the officers. You will have little or no ability to influence the direction of Miller Petroleum.

The intense competition in our industry will make it harder for us to succeed.

Our oil and gas exploration activities are centered in a highly competitive industry. We will be competing in every facet of our intended business with other companies that may include multinational oil and gas companies and other large independent operators with much greater financial resources than we have. Management does not believe that our competitive position in the oil and gas industry will be significant.

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If we lose the services of Deloy Miller or Lawrence L. LaRue, our operations may suffer.

We are substantially dependent upon the continued services of Deloy Miller, our President, CEO and a director, and Lawrence L. LaRue, our Chief Financial Officer and a director. Messrs. Miller and LaRue have been with us since our inception. The relationships that these persons have formed in our industry and in the local area where our principal operations are conducted are invaluable, and could be lost to us without their services. Messrs. Miller and LaRue are in good health; however, their retirement, disability or death would seriously hurt on our business operations. If their services become unavailable, we will have to retain other qualified personnel. We may not be able to recruit and hire other qualified people on acceptable terms. We do not have employment contracts with Mr. Miller or Mr. LaRue.

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Similarly, the oil and gas exploration industry requires the use of personnel with substantial technical expertise. If our current technical personnel become unavailable, we will need to hire qualified personnel to take their place. If we are not able to recruit and hire new people on mutually acceptable terms, our operations will suffer.

Compliance with governmental regulations can be costly and can limit our planned operations.

We face many state and federal laws, rules and regulations covering the safety of our operations, environmental conditions and other facets of our business. These laws, rules and regulations can be expensive and may seriously limit our ability to conduct our intended business operations. See the heading "Effect of Existing or Probable Governmental Regulations on Business" under the caption "Description of Business."

Risks Related To Our Common Stock.

The limited trading volume in our common stock, and general market volatility, may depress our stock price.

The public market and trading volume for our common stock are limited and volatile. Where the volume is limited, any unusual increase in the volume is likely to decrease the market price of our common stock. The common stock that we are registering and that the selling stockholders will offer and sell under our prospectus will greatly increase the number of shares available for public trading. This alone could significantly decrease the current market price for our common stock.

In addition, the stock markets have had extreme price and volume fluctuations. These broad market fluctuations, as well as general economic and political conditions, may also reduce the market price of our common stock.

The sale of already outstanding shares of our common stock could hurt our common stock market price.

All of our outstanding common stock is eligible for public sale under

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Rule 144 of the Securities Act of 1933. In addition, the selling stockholders may sell the shares of common stock being registered for resale under our prospectus. Any of these sales could significantly decrease the market price of our common stock. These sales could also severely limit our ability to obtain the necessary debt or equity funding for our current and intended business operations.

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FORWARD-LOOKING INFORMATION

This prospectus contains "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements contained in this prospectus involve known and unknown risks, uncertainties and other factors that could cause actual results, financial or operating performance to differ from the future results, financial or operating performance or achievements expressed or implied by these forward-looking statements. You should carefully read the this prospectus and the risks factors outlined above, along with the more detailed information, financial statements and the notes to the financial statements appearing elsewhere in this prospectus before you decide whether to purchase the common stock described in this prospectus.

USE OF PROCEEDS

We will not receive any part of the proceeds from sale of our common stock. However, we will receive \$1,986,000, if all of the warrants are exercised. As of the date of this prospectus, none of these warrants has been exercised.

We plan to use the proceeds from the exercise of the warrants only for working capital and not for the payment of outstanding debt.

DETERMINATION OF OFFERING PRICE AND DILUTION

We will not receive any money from the selling stockholders when they sell their shares of common stock, though we will receive funds from any exercise of the warrants. The selling stockholders may sell all or any part of their shares in private transactions or in the over-the-counter market at prices related to the prevailing prices of our common stock at the time of negotiation. Because we cannot accurately predict the prices of these sales, we cannot accurately estimate the amount of any dilution that may result from the purchase price of any of these shares. "Dilution" is the difference between the price paid for the shares and our "net tangible book value." The net tangible book value of our common stock on July 31, 2001, was \$2,831,981 or \$0.34 per share, based upon 8,328,656 outstanding shares. Net tangible book value per share is determined by subtracting our total liabilities from our total tangible assets and dividing the remainder by the number of shares of common stock outstanding. These computations do not include the estimated expenses of this offering of approximately \$60,000. The offer and sale by the selling stockholders of outstanding common stock, or of those shares underlying the warrants, will not affect the net tangible book value of our common stock, after taking into account the payment for the exercise of the warrants.

Any public market for our common stock may not equal or exceed the sales price of the shares of common stock that our stockholders sell. Purchasers of our shares face the risk that their shares will not be worth what they paid for them.

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SELLING SECURITY HOLDERS

The following table shows the following information about the selling stockholders:

The number of shares of our common stock that each selling stockholder beneficially owned as of January 15, 2001;

The number of shares covered by this prospectus; and

The number of shares to be retained after this offering, if any.

| Name of Selling Stockholder | Number and Percentage of Outstanding Shares Owned Prior to the Offering | | Number of Shares Registered in the Offering | Common Stock (1) Number and Percentage of Outstanding Shares Beneficially Owned after the Offering | |
|---|---|----------|---|---|----------|
| | | | | | |
| Ronnie Griffith (2) | 1,852 | (0.02%) | 1,852 (1) | -0- | (0%) |
| M. E. Ratliff | 175,000 | (1.9%) | 175,000 (1) | -0- | (0%) |
| Charles Barker | 1,000 | (0.01%) | 1,000 (1) | -0- | (0%) |
| Jeff Brockman | 23,000 | (0.2%) | 23,000 (1) | -0- | (0%) |
| Lori Ann Nunn | 5,833 | (0.06%) | 2,500 (1) | 3,333 | (0.04%) |
| Raymond D. Cohn | 62,500 | (0.7%) | 62,500 (1) (3) | -0- | (0%) |
| Shannon A. Boruff, Scott Boruff and/or c/f Alec Ralston Boruff and Raquel Celine Boruff | 112,000 | (1.2%) | 104,000 (1) | 8,000 | (0.09%) |
| Celeina Rhea Houston & Noah Houston | 129,428 | (1.4%) | 110,000 (1) | 19,428 | (0.2%) |
| Deangela Jones | 28,000 | (0.3%) | 28,000 (1) | -0- | (0%) |
| Brittany Rhea Thompson | 12,000 | (0.1%) | 12,000 (1) | -0- | (0%) |
| Linda Terry | 40,000 | (0.4%) | 40,000 (1) | -0- | (0%) |
| Gary Bible (4) | 6,300 | (0.07%) | 6,200 (1) (3) (4) | 100 | (0.001%) |
| Steve Burchfield | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Roger Butler | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Teresa Cotton | 6,300 | (0.07%) | 5,200 (1) (3) (4) | 1,100 | (0.01%) |
| Roy Greenwood | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Shawna Harness | 200 | (0.002%) | 200 (1) (4) | -0- | (0%) |
| Lawrence L. LaRue (5) | 111,177 | (1.2%) | 12,700 (1) (3) (4) | 98,477 | (1.1%) |
| Steve Letner | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Ronnie Lewis | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Deloy Miller (6) | 4,419,343 | (47.4%) | 200 (1) (4) | 4,419,143 | (47.4%) |
| Melvin Myers | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Mark Spurling | 200 | (0.002%) | 200 (1) (4) | -0- | (0%) |
| Herbert J. White (7) | 300 | (0.003%) | 200 (1) (4) | 100 | (0.001%) |
| Daniel Williams | 200 | (0.002%) | 200 (1) (4) | -0- | (0%) |
| Robert H. Wood, Jr. | 100,000 | (1.1%) | 100,000 (1) | -0- | (0%) |

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| | | | | |
|-----------------------------------|-------------------|-------------------|-----------|---------|
| Clifford Pugh | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| 9 | | | | |
| Charlie L. Haynes | 50,000 (0.5%) | 50,000 (1) | -0- | (0%) |
| Morris Graham | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Gary Purcell | 50,000 (0.5%) | 50,000 (1) | -0- | (0%) |
| Deloy L. Brown and Nancy Brown | 50,000 (0.5%) | 50,000 (1) | -0- | (0%) |
| Tyler C. McCain | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Ed G. Lane | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Victor I. Dodson | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Ron S. Lingerfelt | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Lambert F. Haug | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Donna Jean Jefferson | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Clark Trust | | | | |
| Desmond Craig Brooks | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| Richard Belz | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| U S Trust of New York | | | | |
| TTEE FBO Raymond D. Cohn IRA | 50,000 (0.5%) | 50,000 (1) | -0- | (0%) |
| Theodore Lamb | 25,000 (0.3%) | 25,000 (1) | -0- | (0%) |
| L.E. Smith | 50,000 (0.5%) | 50,000 (1) | -0- | (0%) |
| Daniel Page | 1,450,000 (15.5%) | 1,450,000 (1) (3) | -0- | (0%) |
| Basic Investors, Inc. | 100,000 (1.1%) | 100,000 (3) (8) | -0- | (0%) |
| | ----- | ----- | ----- | ----- |
| | 7,311,433 (78.4%) | 2,761,152 | 4,550,281 | (48.8%) |

(1) We assume no purchase in this offering by the selling stockholders of any shares of our common stock.

(2) Mr. Griffith is a former President and director of Miller Petroleum.

(3) Includes 1,136,000 shares underlying warrants, and assumes that all warrants are exercised and all common stock owned and/or received on the exercise of the warrants is sold. The warrant holders are: Raymond Cohn, 12,500 warrants; Daniel Page, 1,000,000 warrants; Basic Investors, Inc., 100,000 warrants; Lawrence L. LaRue, 12,500 warrants; Teresa Cotton, 5,000 warrants; and Gary Bible, 6,000 warrants.

(4) Represents shares granted to our employees as a Christmas bonus in December, 2000.

(5) Mr. LaRue is the Chief Financial Officer and a director of Miller Petroleum.

(6) Mr. Miller is the Chief Executive Officer and a director of Miller Petroleum.

(7) Mr. White is the Vice President and a director of Miller Petroleum.

(8) No director, executive officer or any "associate" of any director or executive officer has any interest, direct or indirect, by security holdings or otherwise, in the selling stockholder.

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PLAN OF DISTRIBUTION

We are registering the shares of our common stock covered by this prospectus.

We will pay the costs, expenses and fees of registering our common stock. All of the selling stockholders will be responsible for any related commissions, taxes, attorney's fees and other charges that each may incur in the offer or sale of these securities.

The selling stockholders may sell our common stock at market prices prevailing at the time of the sale, at prices related to the prevailing market prices, at negotiated prices or at fixed prices, any of which may change. They may sell some or all of their common stock through:

ordinary broker's transactions, which may include long or short sales;

purchases by brokers, dealers or underwriters as principal and resale by those purchasers for their own accounts under this Prospectus;

market makers or into an existing market for our common stock;

transactions in options, swaps or other derivatives; or

any combination of the selling options described in this Prospectus, or by any other legally available means.

Long sales are sales of shares that the seller owns at the time of the sale. Short sales are sales of shares that the seller has borrowed, and which must be "covered" through the subsequent purchase of the number of shares that the seller has already sold. Short sellers' goal is to purchase the shares at a lower price than the price at which they sold them. Because a long seller already owns the shares that he is selling, he does not need to cover his position. A large volume of selling, whether long or short, would tend to reduce the price for our common stock, because of the large supply of shares coming into the market. Conversely, short covering may lift the price for our stock, because of the increased demand for the shares.

In addition, the selling stockholders may enter into hedging transactions with broker/dealers, who may engage in short sales of our common stock in the course of hedging the positions they assume. Finally, they may enter into options or other transactions with broker/dealers that require the delivery of our common stock to those broker/dealers. Subsequently, the shares may be resold under this prospectus.

In their selling activities, the selling stockholders will have to comply with applicable provisions of the Securities Exchange Act of 1934, and its rules and regulations, including Regulation M. These rules and regulations may limit the timing of purchases and sales of our common stock by the selling stockholders.

The selling stockholders and any broker/dealers involved in the sale or resale of our common stock may qualify as "underwriters" within the meaning of Section 2(11) of the Securities Act of 1933. In addition, the broker/dealers'

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commissions, discounts or concessions may qualify as underwriters' compensation under the Securities Exchange Act of 1934. If any broker/dealer or selling stockholder qualifies as an "underwriter," it will have to deliver our prospectus as required by Rule 154 of the Securities Act of 1933. In addition, any broker/dealer that participates in a distribution of these shares will not be able to bid for, purchase or attempt to induce any person to bid for or purchase any of these shares as long as the broker/dealer is participating in the distribution. The ability of participating broker/dealers to stabilize the price of our shares will also be restricted.

If the selling stockholders sell our shares to or through brokers, dealers or agents, they may agree to indemnify these brokers, dealers or agents against liabilities arising under the Securities Act of 1933 or the Securities Exchange Act of 1934. We do not know of any existing arrangements between the selling stockholders and any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of our common stock.

In addition to selling their common stock under this prospectus, the selling stockholders may:

transfer their common stock in other ways not involving market makers or established trading markets, including by gift, distribution or other transfer; or

sell their "restricted" common stock under Rule 144 of the Securities Act of 1933, if the transaction meets the requirements of Rule 144.

We have advised the selling stockholders that during the time they are engaged in the distribution of our common stock that they own, they must comply with Rule 10b-5 and Regulation M of the Securities Exchange Act of 1934. They must do all of the following under this Rule and Regulation:

not engage in any stabilization activity in connection with our common stock;

furnish each broker who may be offering our common stock on their behalf the number of copies of this Prospectus required by each broker;

not bid for or purchase any of our common stock or attempt to induce any person to purchase any of our common stock, other than as permitted under the Securities Exchange Act of 1934;

not use any device to defraud;

not make any untrue statement of material fact or fail to state any material fact; and

not engage in any act that would operate as a fraud or deceit upon any person in connection with the purchase or sale of our shares.

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To the extent that any selling stockholder may be an "affiliated purchaser" as defined in Regulation M, it has been further advised of the requirements of Rule 10b-1, and that it must coordinate its sales under this prospectus with us for the purposes of Regulation M.

To the extent required by the Securities Act of 1933, a supplemental prospectus will be filed, disclosing:

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the name of any broker/dealers;

the number of securities involved;

the price at which the securities are to be sold;

the commissions paid or discounts or concessions allowed to the broker/dealers, where applicable;

that the broker/dealers did not conduct any investigation to verify the information set out in this Prospectus, as supplemented; and

other facts material to the transaction.

There is no guarantee that any selling stockholder will sell any of our common stock.

LEGAL PROCEEDINGS

On or about January 20, 2000, we filed a complaint against Blue Ridge Group, Inc. in the Chancery Court of Hawkins County at Rogersville, Tennessee. The case was designated Case No. 13951. Our complaint asserted that Blue Ridge had breached a Footage Drilling Contract with us by quitting the job without drilling to the required depth, by 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. We asked that we be awarded:

Our initial payment to Blue Ridge of \$37,000;

Damages resulting from the improper deviation of the hole from the vertical plane;

Damages for the cost of re-drilling or re-working the hole;

Damages allowed by the parties' contract;

Further and equitable relief to which we may be entitled; and

Our costs of the lawsuit, including discretionary costs.

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The Blue Ridge action is still pending. However, an adverse decision would not materially affect us.

On or about January 19, 2000, we filed a complaint against Ronnie Griffith, one of our former directors and officers, in the Chancery Court for Scott County, Tennessee at Huntsville. The case was designated Case No. 8459. Our complaint asserted that Mr. Griffith had breached his fiduciary duty of loyalty to us by:

Soliciting our current and prospective customers for another competing business;

Using our resources, employees, information and time to solicit customers for the competing business; and

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Hiring our employees, who formerly worked under Mr. Griffith's supervision, to work for the competing business; and

Using Miller's credit cards for personal expenses.

We have asked that Mr. Griffith be restrained from engaging in any activity that constitutes unfair competition with us or tortious interference with our business relationships, and that Mr. Griffith not communicate about our business matters with anyone who was one of our customers during the time that we employed Mr. Griffith.

We have also asked that we be awarded:

Damages for losses and damages suffered as a result of Mr. Griffith's breach of fiduciary duty to us;

Damages for use of or conversion of our property, assets or resources;

Damages for wage disgorgement to the extent that Mr. Griffith participated in the operation of another business while employed by us;

Punitive damages for acting maliciously, recklessly, intentionally or through gross negligence;

For our costs of the lawsuit, including discretionary costs; and

Any other type of damages that we have sustained.

This action was settled on May 5, 2000, by stipulation. The Court entered an injunction to prevent Mr. Griffith from communicating directly or indirectly about our business matters with certain of our customers for a period of one year. We agreed to issue 1,852 shares of our common stock to Mr. Griffith, and Mr. Griffith agreed to surrender all stock option rights granted to him as a director and officer. Mr. Griffith returned certain items of equipment to us, and we returned to Mr. Griffith a compressor that we had been storing.

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Other than these actions, we are not party to any pending material legal proceeding. To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against us. No director, executive officer or other person who may be deemed to be our "affiliate" or who owns more than five percent of our common stock is a party adverse to us or has a material interest adverse to us in any proceeding.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth the names of all of our current directors and executive officers. These persons will serve until the next annual meeting of our stockholders or until their successors are elected or appointed and qualified, or their prior resignations or terminations.

Directors and Executive Officers.

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| Name ----- | Positions Held ----- | Date of Initial Election or Designation ----- | Date of Termination or Designation ----- |
|---|----------------------------|---|---|
| Deloy Miller 815 South Lake Drive Oneida, TN 37841 | Director, | 12/96 | * |
| | President | 12/99 | * |
| | CEO | 12/97 | * |
| Lawrence L. LaRue 432 Brewstertown Road Sunbright, TN 37872 | Secretary/ | 12/96 | 10/01 |
| | Treasurer | 12/96 | 10/01 |
| | Director | 4/97 | * |
| | CFO | 4/01 | * |
| Herbert J. White P.O. Box 1868 Fairfield Glade, TN 38557 | Director and | 4/97 | * |
| | Vice President | 4/97 | * |
| Herman Gettelfinger 641 Atlantic Ave. Knoxville, TN 37917 | Director | 4/97 | * |
| John N. Bonar 50 Rivers Run Way Oak Ridge, TN 37830 | Vice President | 11/97 | 9/00 |
| Gary G. Bible, Ph.D 232 West Seneca Circle Oneida, TN 37841 | Vice President | 9/97 | * |
| Teresa Cotton 1228 Cherry Fork Road Helenwood, TN 37765 | Secretary/ Treasurer | 10/01 | * |

* These persons presently serve in the capacities indicated opposite their respective names.

Deloy Miller. Mr. Miller, our Chairman and Chief Executive Officer, is 54 years of age. Mr. Miller has 30 years of experience in the oil and gas drilling and production business in the Appalachian Basin. During his years as a drilling contractor, he acquired extensive geological knowledge of Tennessee and Kentucky and received training in the reading of well logs. A native Tennessean, he has served two terms as President of the Tennessee Oil & Gas Association, and in 1978, the organization named him the "Tennessee Oil Man of the Year." He continues to serve on the Board of that organization. The Governor of Tennessee appointed Mr. Miller to be the petroleum industry's representative on the Tennessee Oil & Gas Board, the state agency that regulates oil and gas operations in the state. Mr. Miller has served as a director and executive officer of our predecessor corporation since its formation in 1978.

Lawrence L. LaRue. Mr. LaRue is 61 years old. He joined the Miller organization in March, 1983, as an accountant. During his 17 years with us,

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he has acquired an extensive knowledge of all aspects of oil and gas accounting and tax law. Since becoming Secretary/Treasurer of our predecessor in 1985, his duties have included the supervision of the office, all clerical functions and the preparation of corporate and partnership income tax returns. Mr. LaRue obtained his BS Degree in Business Administration with honors from Tennessee Technological University. As a Certified Public Accountant licensed to practice in the State of Tennessee, his current civic duties include consultation to the Morgan County, Tennessee E-911 Board.

Herbert J. White. Mr. White, age 74, has 43 years of petroleum related experience. After earning his BS degree from North Texas University, he became an engineer with Halliburton, handling Louisiana Gulf Coast and offshore operations and serving in Australia. In 1975, he joined Petroleum Development Corporation, a West Virginia-based public company, supervising engineering and operations in the southern Appalachian Basin. He also has experience in Devonian Shale production, enhanced recovery and coal de-gasification. Miller Petroleum and its predecessor corporation have employed Mr. White as a Petroleum Engineer since approximately 1985. In April, 1997, he became a director and Vice President of Development Engineering for Miller Petroleum.

Herman Gettelfinger. Mr. Gettelfinger, age 68, is a member of our Board of Directors. He is a co-owner of Kelso Oil Company, of Knoxville, Tennessee, and has been the President of Kelso since 1960. Kelso is one of eastern Tennessee's largest distributors of motor oils, fuels and lubricants to the industrial and commercial market. Mr. Gettelfinger has been active in the oil and gas drilling and exploration business for more than 35 years and has been involved in drilling wells with us for over 25 years.

Dr. Gary Bible. Dr. Bible, age 51, is our Vice President of Geology. Dr. Bible earned his BS Degree in Geology from Kent State University and his MSc. and Ph.D. Degrees in Geology from Iowa State University. He drilled his first successful wildcat as a Trainee Geologist. Formerly with Phillips Petroleum Corporation and ALAMCO, Dr. Bible brings us 19 years' experience as a Petroleum Geologist. In addition, Dr. Bible has spent 10 years in the Appalachian Basin in the exploration and development of reserves in the Big Lime, Devonian Shale and in deeper horizons. He has discovered eight new oil and gas fields in Kentucky and Tennessee. Mr. Bible was hired as Manager of Geology for ALAMCO in 1991. He left ALAMCO in September of 1997, when he joined Miller Petroleum. He has been employed as our Vice President of Geology since then.

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Teresa Cotton. Ms. Cotton is 39 years old. She joined Miller Petroleum in August, 1996, and was appointed Secretary/Treasurer on October 1, 2001. Before joining Miller Petroleum, Ms. Cotton was employed by Halliburton Services. She has more than 20 years' experience in the oil and gas industry. Mrs. Cotton, a Tennessee native, is currently enrolled at Roane State Community College in Huntsville, where she is pursuing a degree in accounting.

Significant Employees.

We do not currently have any employees who are not executive officers, but who are expected to make a significant contribution to our business.

Family Relationships.

There are no family relationships between any of our directors or

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executive officers.

Involvement in Certain Legal Proceedings.

During the past five years, none of our present or former directors, executive officers or persons nominated to become directors or executive officers:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding, excluding traffic violations and other minor offenses;

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth the share holdings of our directors and executive officers and those persons who own more than five percent of our common stock as of the date of the prospectus:

DIRECTORS AND EXECUTIVE OFFICERS

| Name and Address(1) ----- | Title ----- | Number of Shares Beneficially Owned ----- | Percent of Class(2) ----- |
|---|-------------------------|---|---------------------------------|
| Deloy Miller 815 South Lake Drive Oneida, TN 37841 | CEO and Director | 4,419,343 | 42% |
| Lawrence L. LaRue (3) 432 Brewstertown Road Sunbright, TN 37872 | CFO and Director | 111,177 | 1% |
| Herbert J. White P.O. Box 1868 Fairfield Glade, TN 38557 | Vice President/Director | 300 | -0- |

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| | | | |
|---|---------------------|---------|-----|
| Herman Gettelfinger 641 Atlantic Ave. Knoxville, TN 37917 | Director | 343,101 | 3% |
| Gary Bible (3) 323 Seneca Circle Oneida, TN 37841 | Vice President | 6,300 | -0- |
| Teresa Cotton 1228 Cherry Fork Road Helenwood, TN 37765 | Secretary/Treasurer | 1,300 | -0- |

| | | |
|---|-----------|-----|
| All executive officers and directors as a group (Four persons) | 4,881,521 | 46% |
|---|-----------|-----|

(1) These persons presently serve in these capacities for us.

(2) Based upon 10,635,656 outstanding shares, assuming that 1,136,000 shares underlying the warrants of selling stockholders, and 953,400 warrants held by Baxter Lee III are outstanding, though none of these warrants have been exercised.

(3) Includes 12,500 shares underlying warrants granted to Mr. LaRue, and 6,000 shares underlying warrants granted to Mr. Bible that are being registered and may be resold pursuant our Prospectus.

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FIVE PERCENT STOCKHOLDERS

| Name and Address ----- | Title ----- | Number of Shares Beneficially Owned (1) ----- | Percent of Class ----- |
|--|---------------------|---|------------------------------|
| Deloy Miller 815 South Lake Drive Oneida, TN 37841 | Director and CEO | 4,419,343 | 42% |
| Daniel Page 3816 Rocky River Street Las Vegas, NV 89130 | Stockholder | 1,450,000 | 14% |
| Baxter Lee III 5555 Cove Island Road Knoxville, TN 37919 | Stockholder | 1,174,612 | 11% |

(1) Includes shares underlying warrants to purchase a total of 2,089,400 shares of our common stock, including 1,000,000 such warrants that Daniel Page owns. See the heading "Warrants" under the caption "Description of Securities."

Changes in Control.

To our knowledge, there are no present arrangements or pledges of our securities which may result in a change in control of our company.

DESCRIPTION OF SECURITIES

Common Stock.

Our authorized capital stock consists of 500,000,000 shares of common stock, \$0.0001 par value per share.

Our Articles of Incorporation authorize the Board of Directors to declare and pay dividends on our common stock out of funds legally available for the payment of dividends. The holders of our common stock are entitled at all stockholder meetings to one vote for each share of common stock held. Fully-paid common stock shall not be liable to any further call or assessment. Our common stock has no pre-emptive rights, and stockholders are not allowed to cumulate their votes by multiplying the number of shares owned by the number of directors being elected and casting all votes for one director.

Our Articles of Incorporation and Bylaws do not contain any provision that would delay, defer or prevent a change in the control of our company.

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Warrants.

On December 16, 1997, we issued to Baxter Lee, III, warrants to purchase up to 688,000 shares of our common stock at a price of \$1.25 per share. The warrants expire on December 12, 2004, and have no call feature. They were issued in connection with an \$860,000 promissory note that we executed in favor of Mr. Lee. See the caption "Certain Relationships and Related Transactions."

On August 10, 2000, we issued 12,500 warrants to Raymond R. Cohn, a stockholder. The warrants are exercisable for 12,500 shares of common stock at \$1.00, for a period of three years.

On December 15, 2000, we issued 17,500 warrants, 12,500 to Lawrence L. LaRue, and 5,000 to Teresa Cotton, an employee. The warrants are exercisable for an aggregate of 17,500 shares of common stock at \$1.00, for a period of three years.

On January 9, 2001, we issued 6,000 warrants to Gary Bible. The warrants are exercisable for 6,000 shares of common stock at \$1.00, for a period of three years.

These warrants are callable during the third year at a price of \$0.001 per warrant, at any time that our common stock has traded at \$2.00 for 30 consecutive days at not less than 5,000 shares per day. An effective registration statement covering the shares underlying the warrants must be in effect at the time that we call any warrant.

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On October 11, 2000, we issued 1,000,000 warrants to Daniel Page, a consultant. The warrants are exercisable as follows:

- 250,000 shares of common stock at \$1.00 for a period of two years;
- 250,000 shares of common stock at \$1.50 for a period of two years;
- 250,000 shares of common stock at \$2.00 for a period of two years;
- and
- 250,000 shares of common stock at \$2.50 for a period of two years.

These warrants are callable during the second year at a price of \$0.001 per warrant, at any time that our common stock has traded at \$2.00 for 30 consecutive days at not less than 5,000 shares per day. An effective registration statement covering the shares underlying the warrants must be in effect at the time that we call any warrant.

On December 8, 2000, we issued 100,000 warrants to another consultant, Basic Investors, Inc. The warrants are exercisable for 100,000 shares of common stock at \$2.00, for a period of three years. These warrants were issued for services valued in the amount of \$3,500 to Miller Petroleum.

These warrants are callable during the third year at a price of \$0.001 per warrant, at any time that our common stock has traded at \$3.00 for five consecutive trading days. An effective registration statement covering the shares underlying the warrants must be in effect at the time that we call any warrants.

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All warrants must be adjusted in the event of any forward or reverse split of our outstanding common stock. The warrants have no voting rights or liquidation preferences, and unless exercised in accordance with the particular warrant, no warrant holder has any interest as a stockholder.

INTEREST OF NAMED EXPERTS AND COUNSEL

We have included our financial statements as of April 30, 2001 and 2000 in reliance on the report of Charles M. Stivers of Manchester, Kentucky, independent certified public accountant. Charles M. Stivers has no interest, direct or indirect, in our company.

Leonard W. Burningham, Esq. and Branden T. Burningham, Esq., lawyers, of Salt Lake City, Utah, are father and son, associates in the practice of law and co-counsel for our company. Neither has any interest, direct or indirect, in our company. Messrs. Burningham and Burningham have prepared the registration statement and this prospectus and will provide any legal opinions required with respect to any related matter.

We have not hired any expert or counsel on a contingent basis. Except as indicated above, no expert or counsel will receive a direct or indirect interest in our company, and no such person was a promoter, underwriter, voting trustee, director, officer or employee of our company.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Section 48-18-502 of the Tennessee General Corporation Act allows a

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corporation to indemnify any director in any civil or criminal proceeding (other than a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation or any other proceeding in which he or she was adjudged liable on the basis that he or she improperly received a personal benefit) by reason of service as a director if the person to be indemnified conducted himself or herself in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. Indemnification under Section 48-18-502 is not allowed unless a majority of a quorum of directors not involved in the proceeding determines that it is permissible because the director has met the standard of care.

Under Section 48-18-503, a corporation must indemnify a director who was wholly successful in the defense of any proceeding against reasonable expenses incurred as part of the defense, unless the corporation's charter provides otherwise. In addition, Section 48-18-504 allows a corporation to advance a director's reasonable expenses if:

the director furnishes the corporation with a written affirmation of his or her good faith belief that he or she has met the standard of conduct of Section 48-18-502;

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the director furnishes the corporation with a written undertaking to repay the advance if it is determined that he or she is not entitled to indemnification; and

it is determined that the facts then known would not preclude indemnification under the statute.

Unless the corporation's charter provides otherwise, Section 48-18-505 permits a director to apply for indemnification to the court conducting the proceeding. The court may order indemnification if it determines that the director is entitled to mandatory indemnification under Section 48-18-503, or that he or she is reasonably entitled to indemnification in view of all the relevant circumstances.

Section 48-18-507 extends indemnification and advanced expense rights to officers, employees and agents of a corporation as well. In addition, Section 48-18-508 permits a corporation to purchase indemnification insurance on behalf of its directors, officers, employees and agents.

This is a summary of all material indemnification provisions of the Tennessee General Corporation Act, and is modified in its entirety by this reference. Our Board of Directors has adopted these provisions to indemnify our directors, executive officers and agents.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 or the Securities Exchange Act of 1934 may be permitted to our directors, executive officers and controlling persons by the foregoing provisions or otherwise, we have been advised that it is the opinion of the Securities and Exchange Commission that indemnification is against public policy as expressed in the Securities Act of 1933, or the Securities Exchange Act of 1934, and is therefore unenforceable. If a claim for indemnification against these liabilities, other than our payment of expenses incurred or paid by any of our directors, executive officers or controlling persons in the successful defense of any action, suit or proceeding is asserted by the director, executive officer or controlling person in connection with the

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securities being registered, we will, unless in the opinion of our counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question of whether indemnification by us is against public policy as expressed in the Securities Act of 1933, or the Securities Exchange Act of 1934, and will be governed by the final adjudication of that issue.

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DESCRIPTION OF BUSINESS

Business Development.

Corporate History.

We were founded in 1967 by Deloy Miller, our President and CEO, as a sole proprietorship, and incorporated in the State of Tennessee under the name "Miller Contract Drilling, Inc." on January 24, 1978. We are a successor to or a combination of several Deloy Miller owned enterprises as follows:

On January 24, 1978, Miller Contract Drilling, Inc. was incorporated as a for profit corporation in the state of Tennessee;

On March 13, 1979, Miller Resources, Inc. merged into us;

On October 31, 1983, Miller Trucking Co., Inc. merged into us;

On February 27, 1984, we changed our name to our current name, "Miller Petroleum, Inc.";

On April 30, 1985, Miller Enterprises, Inc. merged into us;

On September 12, 1996, we increased the number of shares of our authorized common stock to 2,000; and

On September 16, 1996, Miller Services, Inc. and Energy Cell, Inc. merged into us. We merged with these companies in anticipation of our "going public" as discussed below, because we wanted these entities to be part of a public corporation. Energy Cell owned working interests in wells and some oil and gas leases.

Triple Chip Systems, Inc., a Delaware corporation, acquired 100% of our common stock in a reverse reorganization effective December 20, 1996. On January 13, 1997, Triple Chip was merged into us and we were the surviving corporation. As part of the merger, we increased our authorized common stock to 500,000,000 shares at \$0.0001 par value. The purpose of these transactions was to make us a publicly traded company. Triple Chip was a publicly held company that had no material assets or operations at the time of the transactions.

General History.

In the beginning, we were involved with shallow cable tool oil and gas drilling. We quickly became an industry leader by adapting an Ingersoll-Rand T3 Drillmaster for deeper drilling. This modernized the drilling industry in our area and we became the largest drilling contractor in Tennessee.

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By the 1980's, we were active throughout the Appalachian Basin, with more than 18 drilling rigs working from southern New York to northern Alabama. Between 1978 and 1983, we drilled more than 4,000 wells under the direction and control of Deloy Miller. We have drilled more than 65% of the total wells drilled in the State of Tennessee.

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During our years as a drilling contractor, we acquired several oil and gas leases and 50 or more working interests in oil and gas wells. Drilling activity declined drastically in the late 1980's and we sold or stacked most of our drilling rigs. In order to survive financially, we began developing prospects and drilling them with industry partners.

During the early 1990's, drilling activity remained well below normal and we decided to permanently change our focus to exploration and production, continuing to develop prospects, actively lease promising areas for oil and gas, seek out opportunities to purchase oil and gas properties, and drill promising prospects with industry partners. We have oil or gas production in the Tennessee counties of Campbell, Fentress, Morgan, Overton, Scott and Hancock.

We currently have more than 40,000 acres under lease in Tennessee. We also owned 40,000 acres in Kentucky, which we recently sold as discussed below. We continue to seek the acquisition of additional strategic acreage. Although we engage in a minimum of contract drilling, we have kept drilling rigs, service rigs, trucks and bulldozers to drill, service and maintain our own wells.

We use the latest computer graphics and analytical tools for geologic exploration, drilling and development. These tools include:

GeoGraphix geological mapping package - we have a proprietary database of over 127,000 wells integrated into our software and continue to add to it as new information becomes available;

Arc View, a state-of-the-art geographical information system; and

X-Map Geographic - Delorme topographical map package, which handles topographics for the States of Tennessee and Kentucky.

We believe that Miller Petroleum is either the only oil and gas producer in the area, or was one of the first producers in the area to use these applications.

Our operations include the operation of gas and oil wells, acquisition and development of gas and oil leases, rebuilding and sales of oil field equipment and the organization of joint venture drilling programs with industry partners.

We have acquired and operate the following properties:

Koppers Lease or "ARCO/GULF Farmout".

Our largest acreage block is in Campbell County, Tennessee. This acreage was acquired through a farmout agreement with ARCO/Gulf. Miller Petroleum owns a 100% working interest of 27,000 acres, more or less. This lease provides for a landowner royalty of 12.5% and an overriding royalty interest of 7.5% with an 80% working interest. The lease is split into two parcels. An 8,000 acre northern parcel borders the Kentucky state line and a

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19,000 acre parcel has its southern edge under the city of LaFollette, Tennessee. Currently, there are six producing oil wells on the southern tract of this lease. The sixth well, Tennessee Mining, Inc. #22B, drilled in August of 2000, has produced 8,039 barrels of oil through June 30, 2001. This lease is being held by production. Plans call for us to drill at least four more wells during fiscal 2002.

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Delta Producers, Inc. joint venture.

Miller Petroleum continues its joint venture with Delta Producers, Inc. of Greenville, Mississippi ("Delta Producers"). Currently, the parties are jointly producing twelve gas wells in the Jellico, Tennessee area northwest of the Pine Mountain Thrust Fault. Miller Petroleum has a 25% working interest in the above gas wells. The twelve wells are located upon several oil and gas leases consisting of 2,000 acres more or less (collectively the "Delta leases") Each of these leases is subject to a 12.5% landowner's royalty.

In the summer of 1999, we acquired a 50% working interest in the 8,000 acre Elk Valley Iron and Coal lease in Campbell and Scott counties, Tennessee from Delta Producers, Inc. The cost of this interest was paid by Miller Petroleum agreeing to provide the geology and developmental work on the land. To date, we have spent about \$4,000 on this work. We expect geology and developmental work to be about \$2,500 for each future well. In 1999, Miller agreed to provide the geology, engineering and its drilling expertise for its interest in the lease and to jointly develop the lease with Delta. This lease provides for a landowner's royalty of 12.5% and an overriding royalty interest of 6.25%. During November and December, 2000, two shallow wells were drilled on this lease. One of these wells, the Ketchen #16 well, tested more than 200 Mcf of natural gas open flow at a depth of about 1300 feet on the Pennsylvania Sands Formation. We are in the process of permitting three more wells on the Ketchen lease and drilling will begin in January or February of 2002.

Miller Petroleum and Delta Producers have committed to drill three wells on the 4,000 acre Lindsey Land Company lease in Campbell County near Caryville, Tennessee. This lease provides for a landowner's royalty of 12.5%. We have surveyed the well locations and permitted the wells with the Tennessee Oil and Gas Board. Currently, we have drilled and logged the first and second wells, the Lindsey Land Co. #9 and #10, are moving the drilling equipment to the third well, the Lindsey Land Co. #12. Both the Lindsey Land Co. #9 & #10 wells tested more than 200 Mcf of natural gas open flow from the Big Lime Formation, their shut-in pressure was approximately 780 psi. We have a 50% working interest in the Lindsey Land Company lease.

Miscellaneous oil and gas leases and wells.

Miller Petroleum has several small leases in Campbell, Fentress, Morgan and Overton Counties, Tennessee totaling approximately 2,500 acres. Each of these leases is subject to a 12.5% to 20% landowner's royalty. There are twelve producing oil wells and fifteen producing natural gas wells on these miscellaneous leases.

Tengasco Farmout and nearby area.

We continue to develop the farmout that we acquired from Tengasco, Inc. in September of 1999. The farmout locations are adjacent to or in the much-publicized Swan Creek field in Hancock County, Tennessee.

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We have drilled four successful Knox Dolomite wells in the Swan Creek field proper. A fifth Knox well that we drilled on this farmout has resulted in a new field discovery on a separate structure from Swan Creek.

In August of 2000, Miller Petroleum, Inc. drilled its first oil well under the Tensasco Farmout. The Dewey Sutton #1 well currently is producing 12 barrels of oil per day from the Trenton Formation. Since the Dewey Sutton well was drilled, we have drilled and completed the Worlie Purkey #2 and the Cheryl Smith #1 wells which are producing oil from the Trenton Formation. The R.D. Helton #2 had a good show of oil in the Stones River Formation and is scheduled to be completed as soon as possible.

As of June 29, 2001, Miller Petroleum has drilled eleven wells in this area. Eight of the wells were drilled under the Tensasco Farmout and 3 on the 293-acre Worlie Purkey lease. There were five successful Knox Dolomite gas wells and three producing oil wells. Two additional oil wells and one gas well are scheduled for completion. Miller Petroleum jointly with Tensasco has completed a gas well acquired from Chevron in the Knox formation.

One of the above oil wells scheduled for completion is the Rose #1 well. Although the Rose #1 well was not as successful as expected, we plan to drill the Rose #2 in late November, 2001, and to complete both wells by the end of 2001.

Tensasco completed its pipeline and began buying limited amounts of natural gas on March 8, 2001. Miller's first sales to Tensasco were from the Worlie Purkey #1 well in April of 2001. In May, the Worlie Purkey #3 began selling to Tensasco. During the latter part of June, we began selling from the Jeff Johnson #1 well.

For the month of July, 2001, Tensasco purchased approximately 60% of our net natural gas production, or 5,687 Mcf. Nami purchased 27% of our natural gas production, or 2,507 Mcf, and Delta and Citizens purchased 12% and 1% or 1,141 Mcf and 101 Mcf, respectively.

We continue to focus on the development, drilling and production on natural gas in eastern Tennessee. Our exploration efforts will primarily be in the East Tennessee portion of the Eastern Overthrust Belt. According to the reserve report prepared by Coburn Petroleum Engineering as of April 30, 2001, our interests in the Knox Dolomite wells in this field have reserves averaging about 1.3 billion cubic feet per well. This reserve report also estimates net production in 2001 of 11,543 barrels of oil for two wells in which we have interests. These wells are located in the Trenton Formation, a separate shallow reservoir.

Pursuant to a Purchase and Sale Agreement that we entered into with NAMI Resources Company, LLC, a Kentucky limited liability company, on August 31, 2000, we sold to NAMI resources our interest in certain oil and gas wells, leases covering about 40,000 acres in Kentucky, inventory and related equipment located in Kentucky. The sale closed on September 6, 2000. NAMI Resources Company, LLC paid us \$2,000,000 and assumed a production payment to Cabot Oil and Gas, Inc. of \$102,237 and received our interest in certain oil and gas wells, oil and gas leases, inventory and related equipment plus a production receivable from Southern Gas of \$123,832. The net to the Company was \$1,978,405.

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We sold these assets because they were located approximately two to three hours from our present principal operations in East Tennessee. Our Board of Directors believed that the cost, expense and manpower involved in managing the assets at this distance was too high and interfered with our principal focus in East Tennessee.

We had previously sold to NAMI Resources gas that was produced from oil and gas wells that were among these assets. NAMI Resources had no other material relationship with us, and the NAMI Resources agreement was negotiated at "arms length."

We have used about \$1,780,000 of the purchase price to pay a note that we owed to BankOne. The remaining amount has been allocated to working capital.

Principal Products or Services and Markets

Miller Petroleum drills, produces and markets natural gas and oil. The demand for these products continues to increase as population expands and electricity producers convert from burning coal to burning natural gas. According to the Annual Energy Outlook 2001, prepared by the Energy Information Administration, a statistical agency of the U. S. Department of Energy, consumption of petroleum products is expected to increase from about 38.13 quadrillion British Thermal Units per year in 2001, to about 41.41 quadrillion btu in 2005. The Energy Information Association also estimates that consumption of natural gas will increase from about 22.56 quadrillion btu to about 25.88 btu during the same period.

South Kentucky Purchasing Company, a refinery located in Somerset, Kentucky, makes direct statewide purchases of oil at the well site. Natural gas has multiple markets throughout the eastern United States through gas transmission lines. Access to these markets is presently provided by four companies in north eastern Tennessee. Delta Natural Gas Company purchases the natural gas that is produced from the Delta leases. CNR (formerly ALAMCO) has recently completed a new gas pipeline with connections to the major east-west gas transmission lines and markets. Local markets are served by Citizens Gas Utility District with surplus gas being placed in storage facilities or transported to East Tennessee Natural Gas serving Tennessee and Virginia. During the past year, the NAMI Resources Company, LLC began purchasing gas from our wells in the Jellico Field. NAMI is sending this gas north through Delta Natural Gas and its KA-1 line.

Properties.

Our operations include the operation of gas and oil wells, the acquisition and development of gas and oil leases, the rebuilding and sales of oil field equipment and the organization of joint venture drilling programs with industry partners. We currently control over 40,000 acres of oil and gas leasehold interests in Tennessee. Major leases in Tennessee include the following:

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A 100% working interest in the Koppers lease, consisting of about 27,000 acres in Campbell County, Tennessee;

A 50% working interest in the 8,000 acre Elk Valley Iron and Coal

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lease;

A 50% working interest in the 4,000 acre Lindsey Land Company lease;
and

Various smaller leases in Overton, Fentress, Morgan, Scott, Campbell and Hancock counties, Tennessee, consisting of leases from two acres to 500 acres.

We also own an office, shop and equipment yard located in Huntsville, Tennessee. The office consists of 2500 square feet. In 1997, we created a building addition of 1500 square feet.

Reserve Analysis.

Coburn Petroleum Engineering of Tulsa, Oklahoma, performed a reserve analysis on our leases as of April 30, 2001. Based on the data and parameters provided, the wells evaluated should recover about 884,759 barrels of oil, or Bbls, and 27,746,871 thousand cubic feet, or Mcf, of natural gas. Of this gross production, the interests appraised will recover 379,337 Bbls of oil and 11,765,300 Mcf of natural gas. Of these latter amounts, a total of 71,334 Bbls of oil and 231,372 Mcf of natural gas were proved developed producing; 108,197 Bbls of oil and 6,800,451 Mcf of gas were proved developed shut-in; and 199,806 Bbls of oil and 4,733,480 Mcf of natural gas were proved but undeveloped.

The net reserves should yield an un-discounted future net income of \$64,356,698 after royalties, operating costs, development costs and severance and ad valorem taxes, but before federal and state income taxes. The present value of this future net income is \$37,195,877 when discounted at 10%. The reserves presented in this report were evaluated according to the standards recommended by the Securities and Exchange Commission. The report assumes constant oil and gas pricing and the use of a 10% discount factor to estimate present value of the future net income.

It is the opinion of Coburn that the above-described reserve and revenue estimates are in the aggregate reasonable and were prepared in accordance with generally accepted petroleum engineering and evaluation principles. Coburn does not own any direct or indirect financial interest in Miller Petroleum and its oil and gas properties and interests. Coburn's fee is not contingent upon its work or report.

The preparation of reserve reports requires the use of certain assumptions. Any assumptions used in preparing the reserve report may prove to be inaccurate. In addition, we may not be able to recover the amounts of oil and gas or to receive the net profits contained in the report.

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Distribution Methods of Our Products.

Crude oil is contained in tanks at the well site until the purchaser retrieves it by truck. Natural gas is delivered to the purchaser via gathering lines into the main gas transmission line. Gas purchasers in the area include Delta Natural Gas Company, Inc.; CNR; NAMI Resources; Tensasco; and Citizens Gas Utility District. Our only crude oil purchaser is South Kentucky Purchasing Company. Management anticipates that our products will be sold to one of these companies. However, we may not be able to make such

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sales. Even if we do, we may not be able to receive a price that is sufficient to make our operations profitable.

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

Royalty agreements relating to oil and gas production are standard in the industry. The amount of our royalty payments varies from lease to lease. See the caption "Business," above.

Competitive Business Conditions.

We will undertake our contemplated oil and gas exploration activities in a highly competitive and speculative industry. In seeking any other suitable oil and gas properties for acquisition, we will be competing with numerous companies located in the State of Tennessee and elsewhere. These competitors may include multinational oil and gas companies and other large independent operators with substantially greater financial resources than we have. However, management believes that our competitive position in the oil and gas industry in Tennessee will not be significant.

Locally, we have several competitors in the area of our acreage blocks in the State of Tennessee. Three of these competitors may be deemed to be significant. These are CNR, Tengasco, Inc. and Anderson Oil and Gas. Given our relatively large acreage holdings in the area and our estimated proven undeveloped reserves. We recently began selling gas from four wells through this pipeline. Our drilling program consists of about 30 wells, of which 20 are on the Tengasco farmout and 10 are on various other leases. We have drilled six wells on the farmout and four on the other leases, and expect to complete the drilling program in January, 2002. However, our operations will face many risks that may hurt our operations. See the caption "Risk Factors."

Management does not foresee any difficulties in procuring logging, cementing and well treatment services in the area of our operations. The experience of management has been that, in most instances, logging equipment will be available with less than a one-day waiting period. Cementing services generally have the same waiting period. Well treatment services may have a waiting period of seven to 14 days. However, several factors, including increased competition in the area, may limit the availability of logging equipment, cementing and well treatment services. Such an event may negatively affect the profitability of our operations.

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We have our own drilling and service rigs with the employees necessary to perform all other services required to drill and produce gas and oil wells.

The prices of our products are controlled by the world oil market and the United States natural gas market, so competitive pricing behaviors are considered unlikely. However, competition in the oil and gas exploration industry exists in the form of competition to acquire the most promising acreage blocks and to obtain the most favorable prices for transporting the product. Management believes that we are well positioned in these areas because of the transmission lines that run through and adjacent to the properties that we lease, and because we hold relatively large acreage blocks in what management believes are promising areas. We believe that these acreage blocks are promising because they are located in areas of known oil and gas production. However, we face many risks in our chosen industry, and

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these properties may never produce oil and gas in commercial quantities. See the caption "Risk Factors."

Sources and Availability of Raw Materials.

Our operations are not dependent on the acquisition of any raw materials.

Dependence on One or a Few Major Customers.

We will depend upon local purchasers of hydrocarbons in the areas where our properties are located. The five purchasers in our areas of operations are:

Citizens Gas Utility District;

Delta;

CNR;

NAMI Resources;

Tengasco; and

South Kentucky.

Miller Petroleum will be dependent on local purchasers of hydrocarbons in the areas where its properties are located for sales of its products. The six purchasers in the areas of our operations are Citizens Gas Utility District, Delta, CNR, NAMI Resources, Tengasco and South Kentucky. The loss of one or more purchasers with whom we may contract may have a substantial adverse impact on our sales and on its ability to operate profitably.

We have agreements to sell all of our natural gas. In August, 2001, the weighted average price of our natural gas, after transportation costs, was \$2.43 per MCF.

The terms of our contracts with our purchasers are:

(1) Citizens Gas Utility District purchases natural gas from our wells in Scott County, Tennessee. Citizens pays \$4.00 per Mcf less transportation costs. Sales to Citizens are less than one percent of our total natural gas sales.

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(2) NAMI Resources Company, LLC purchases our gas from the Jellico Field. The sales price is the Columbia Appalachian Monthly Contract Index less transportation and marketing costs. Sales to NAMI are approximately 70 percent of our total natural gas sales.

(3) Tengasco, Inc. purchases natural gas from wells in the Swan Creek Field. Tengasco pays the New York Mercantile Exchange first of the month posting plus \$0.10, less transportation charges. Sales to Tengasco are about 8-1/2 percent of our total natural gas sales.

(4) Delta Natural Gas purchased the gas produced from the joint venture with Delta Producers, Inc. The sales price is Inside F.E.R.C.'s Gas Market Report first of the month index for Tennessee Gas Pipeline Co. - La. & Offshore without adjustment for BTU level less transportation charges. Delta

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Natural purchases approximately 20 percent of our natural gas.

Miller Petroleum sells all of its crude oil to South Kentucky Purchasing Company of Somerset, Kentucky. South Kentucky's purchase price is based on postings for the Illinois Basin. This price can change up to 30 times per month.

The loss of one or more purchasers may have substantially reduce our sales and our ability to operate profitably.

Need for Governmental Approval of Principal Products or Services.

None of the principal products or services that we offer require governmental approval. However, permits are required for drilling oil or gas wells.

Effect of Existing or Probable Governmental Regulations on Business.

Oil and gas exploration and production are governed by many environmental laws, rules and regulations. The federal Clean Water Act requires us to construct a fresh water containment barrier between the surface of each drilling site and the underlying water table. This involves the insertion of a seven-inch diameter steel casing into each well, with cement on the outside of the casing. The cost of compliance with this environmental regulation is approximately \$10,000 per well.

The State of Tennessee also requires oil and gas drillers to obtain a permit for their activities and to post with the Tennessee Gas and Oil Board bonds to ensure that each well is reclaimed and properly plugged when it is abandoned. The Reclamation Bonds cost \$1,500 per well. The plugging bonds cost \$2,000 per well or \$10,000 for ten wells. We have deposited a \$1,500 Certificate of Deposit for most of the reclamation bonds, .

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The State of Kentucky also requires oil and gas drillers to obtain a permit for their activities and to post with the Division of Oil and Gas of the Kentucky Department of Minerals and Mines a bond to ensure that each well is properly plugged when it is abandoned. These bonds are based on \$1 per foot. The Kentucky Division retains the bond until the subject wells are plugged.

Laws and regulations also require removal and cleanup of environmental damages under certain circumstances. Laws and regulations protecting the environment have generally become more stringent in recent years, and may in certain circumstances impose "strict liability," rendering a corporation liable for environmental damages without regard to negligence or fault on the part of the corporation. These laws and regulations may expose us to liability for conditions caused by others, or for our acts even though they complied with all applicable laws at the time they were performed. The modification of existing laws or regulations or the adoption of new environmental laws or regulations could have a material adverse effect on our operations. In addition, our existing and proposed operations could result in liability for fires, blowouts, oil spills, discharge of hazardous materials into surface and subsurface aquifers and other environmental damage. Any one of these events could result in personal injury, loss of life, property damage or destruction or suspension of operations.

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We have in place an Emergency Action and Environmental Response Policy Program. This program details the appropriate response to any emergency that management believes could happen in our operations.

We believe we are presently in compliance with all applicable federal, state and local environmental laws, rules and regulations. However, continued compliance, or failure to comply, and future legislation may hurt our present and planned business operations.

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

Research and Development Expenses.

We have not spent any material amount in research and development activities during the last fiscal year. Most of the research done during our exploration activities is geological research. This work falls under the job description of our full-time geologist and will not cost anything more than his standard salary.

Number of Employees.

We presently have 20 full-time employees and one part-time employee. When we commence our full-scale drilling program in accordance with our plan of operation, we plan to have up to 24 full-time employees, including officers, and one part-time employee. None of our employees is covered by a collective bargaining agreement, and we believe that our relationship with our employees is excellent.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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. We are also actively pursuing the acquisition of additional high potential acreage in eastern Tennessee. A recent "high volume" well, Tennessee Mining, Inc. #22B, drilled in August of 2000, has produced 8,039 barrels of oil through June 30, 2001. A development oil well drilled on one of these properties showed that the oil reservoir has not yet been pressure depleted. We plan to drill an additional four to five oil wells on this lease, as well as begin the exploitation of its gas cap. Miller Petroleum is also in the process of leasing an additional 4,700-acre block of property that directly offsets this oil field. All 45,000 Tennessee acres are presently being evaluated for their CBM potential. A well that we drilled in June of 2001 encountered 13 coal seams below 750 feet depth on a 5,000-acre lease that we have recently acquired. These coal seams reach a maximum thickness of six feet and are presently being evaluated for their CBM

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potential. In addition, this well has made a conventional Big Lime gas discovery, and a second location of the lease has already been staked. We have 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 that will be able to quickly market the produced gas.

Miller Petroleum's exploration effort is being concentrated in the East Tennessee portion of the Eastern Overthrust Belt. Knox Dolomite wells in this field have reserves in excess of two Bcf gas per well. Swan Creek Field is already 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 a Swan Creek lease, we have drilled four successful Knox Dolomite wells in Swan Creek Field proper, and development drilling is continuing. A fifth Knox well that we drilled has resulted in a new field discovery on a separate structure from Swan Creek. We are presently staking a second Knox test on this feature that will be located higher on structure. This well will also continue the evaluation of the Trenton oil discovery found on this structure.

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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 we have drilled in Swan Creek have encountered oil shows in the shallower Trenton and Stones River Formations indicating an oil field that extends over this structure, and we plan to continue the development of our share of these reserves.

Our management has identified 12 additional structures similar to Swan Creek Field in the Tennessee portion of the Eastern Overthrust Belt. We are presently acquiring leases over two of these structures. We plan to test these structures as aggressively as possible while continuing to identify additional targets in the Eastern Overthrust Belt.

Results of Operations.

Fiscal year ended April 30, 2001.

Miller Petroleum increased its proved reserves from 294,188 barrels of oil and 8,197,450 Mcf of gas at the end of the fiscal year ended April 30, 2000, to 379,337 barrels of oil and 11,765,303 Mcf gas at the end of fiscal 2001. This is an increase of 29% in oil and 44% in gas. We were able to increase the proved reserves while selling all of our oil and gas properties in Kentucky.

During fiscal 2001, future cash flows discounted 10% after income taxes from proved reserves increased from \$7,176,895 to \$28,493,674. This is an increase of approximately 337%.

Our oil and gas revenue was \$628,344 for fiscal 2001, down from \$863,422 for fiscal 2000. Although oil and gas prices increased in fiscal 2001, we were

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not able to make up for lost production due to the sale of our oil and gas properties in Kentucky.

During fiscal 2001, service and drilling revenue was \$2,274,364, up from \$431,980 for fiscal 2000. These revenues stemmed from dramatic increases in service and drilling activity in fiscal 2001. Increased oil and gas prices caused the higher service and drilling activity.

Retail sales increased from \$44,497 in fiscal 2000, to \$91,848 in fiscal 2001. The principal reason for the increase was increased activity in oil and gas.

During fiscal 2001, other revenue was \$160,274, down from \$573,244 in fiscal 2000. During fiscal 2000, Miller Petroleum sold most of its excess operating equipment. In fiscal 2000, we also sold the Kentucky oil and gas properties and \$36,370 in excess operating equipment.

Gross revenue for fiscal 2001 was \$3,154,830, up from \$1,913,143 for fiscal 2000, due to the reasons stated above.

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Cost of sales increased from \$785,553 in fiscal 2000 to \$1,107,662 for fiscal 2001. A major increase in our drilling activity caused this increase.

Selling, general and administrative expenses were \$570,006, up from \$384,653 in fiscal 2000. These increases were also due to the increase in drilling activity.

Salaries and wages increased to \$661,861 from \$399,165 for fiscal 2000. This increase was brought about by the increase in drilling activity.

Depreciation, depletion and amortization decreased to \$327,182 from \$479,472 for fiscal 2000. The decrease was due to the sale of our Kentucky oil and gas properties.

Income from operations for fiscal 2001 was \$488,119, up from a loss of \$135,700 in fiscal 2000.

Interest expense decreased from \$354,039 in fiscal 2000 to \$235,900 in fiscal 2001. The primary reason for the decrease was the payoff of our loan from Bank One.

Net income was \$254,402, up from a net loss of \$483,295 in fiscal 2000. The direct reason for the increase was increased service and drilling revenue and the indirect reason was the increase in crude oil and natural gas prices.

During fiscal 2000, Miller Petroleum produced 226,372 million British Thermal Units of natural gas, with an average price of \$2.39 per million BTU's. Production declined to 71,201 million BTU's in fiscal 2001, but the average price per million BTU's was \$3.79. The production decline in fiscal 2001 was due the sale of our oil and gas properties in Kentucky. The following tables reflect our production figures for the fiscal years ended April 30, 1999, 2000 and 2001:

| FISCAL YEAR | NETMBTU/GAS | AVERAGE SALES PRICE | NET BARRELS/OIL | AVERAGE PRICE OIL |
|-------------|-------------|------------------------|--------------------|----------------------|
| ----- | ----- | ----- | ----- | ----- |

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| | | | | |
|------|---------|--------------|--------|---------|
| 1999 | 247,740 | \$1.92/MMBTU | 8,647 | \$10.62 |
| 2000 | 226,372 | \$2.39/MMBTU | 9,203 | \$20.27 |
| 2001 | 71,201 | \$3.79/MMBTU | 12,342 | \$25.96 |

Average production cost for 1999 and 2000 was \$4.75, decreasing to \$4.60 per barrel of oil in 2001. The average production cost for 1999 and 2000 was \$0.60 per MCF of gas. This figure increased to \$0.65 per MCF in 2001.

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| | 1999 ---- | 2000 ---- | 2001 ---- |
|------------------------------------|--------------|--------------|--------------|
| Net Productive Wells | 30.25 | 29.66 | 34.10 |
| Developed Acreage | 1,456 | 1,476 | 1,876 |
| Undeveloped Acreage | 78,900 | 82,600 | 44,124 |
| Net Productive Exploratory Wells | 0 | 0.8125 | 0 |
| Net Dry Exploratory Wells | 0 | 0.5 | 0.4375 |
| Net Productive developmental Wells | 1.7 | 0.5 | 4.435 |
| Net Dry Developmental Wells | 0.82 | 0 | 0 |

During fiscal 2001, we drilled 12 wells, with net productive development wells of 4.435 wells and net dry exploratory wells of 0.4375. Nine of the wells were in the Swan Creek Field area; one oil well was on our Koppers South tract; and two wells were on the Elk Valley Iron and Coal lease.

Three months ended July 31, 2001.

Miller Petroleum reported total revenues of \$598,629 during the three months ended July 31, 2001, a 26% decrease when compared to total revenues of \$808,859 reported in the first quarter of its fiscal quarter ended July 31, 2000.

Service and drilling revenue decreased to \$449,866 during the quarterly period ended July 31, 2001, from \$521,948 in the year earlier period. This decrease was due primarily to mechanical problems with drilling equipment, which have since been repaired.

Retail sales during the July 31, 2001, quarterly period increased to \$24,184, from \$991 in the July 31, 2000 period, due to the increased activity in oil and gas.

Other revenue declined to \$2,693, from \$123,904 in the July 31, 2000 period. The larger amount for the 2000 period is due to our sale of our Kentucky properties.

Total costs and expenses increased to \$713,403, from \$638,007. This increase primarily resulted from increased selling, general and administrative expenses, which went to \$218,964, from \$106,740 in the July 31, 2000 quarter. This increase was due to legal and professional fees. Our costs of oil and gas sales decreased to \$219,078 in the quarterly period ended July 31, 2001,

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from \$253,627 in the year ago period, due to decreased production.

Our income from operations fell to (\$114,774) from \$170,852, for the reasons discussed above. Net income fell to (\$164,660), from \$73,112 in the quarterly period ended July 31, 2000.

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Liquidity.

During the fiscal years ended April 30, 2000, and 2001, our principal sources of liquidity were revenue from the production of oil and gas and the sale of approximately 50% of the working interests in the wells we drill. We have benefitted from the recent increases in natural gas prices, although those prices returned to normal levels in September, 2001. Private placements of our common stock have been our principal external sources of liquidity.

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 August 31, 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 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.

Cash and cash equivalents at April 30, 2001, increased by \$184,994 from April 30, 2000, due primarily to the sale of 1,146,600 shares of common stock, increases in the price for crude oil and natural gas and the increase in our drilling activity. Prices have since returned to normal levels.

We believe that our current cash flow will be sufficient to support our cash requirements of about \$2,500,000 for development and production over the next 12 months.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Others.

During quarter ended January 31, 1998, we purchased certain real property from Deloy Miller's wife. The property is located in Huntsville, Tennessee and currently houses our principal executive offices, shop and equipment yard. The appraisal price of the property was \$550,000. We paid \$82,470 cash, assumed a \$39,906 note payable with the First National Bank of Oneida, and issued a note payable for \$377,624 to Ms. Miller. The note is secured by the real property and bears 7% interest. An annual payment of \$92,019, plus interest, was paid beginning August 1, 1998. The total purchase price of the property was \$500,000. The balance owed on this note as of July 31, 2001, was \$43,614.

We issued a note payable of \$860,000 at 8% with a seven year term to Baxter Lee III, of Knoxville, Tennessee. The note included 688,000 warrants, which can exercised during the term of the note payable for \$1.25 per share. The ratio of warrants to common stock as of the date of the note payable will be maintained; as a result, Mr. Lee currently has warrants to purchase 953,400 shares.

Management believes that the terms of the loan from Mr. Lee were as favorable as we could get from any third party at the time of the loan. At that time, Mr. Lee was an unaffiliated third party. However, if Mr. Lee were to exercise his warrants, he would own more than 10% of our outstanding shares.

Other than these transactions, there have been no material transactions, series of similar transactions or currently proposed transactions, to which we or any of our subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any director or executive officer or any security holder who is known to us to own of record or beneficially more than 5% of the our common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information.

Our common stock is currently traded on the OTC Bulletin Board of the NASD. However, the market for our common stock is extremely limited in volume. The present market for our common stock may not continue or be maintained, and the sale of "unregistered" and "restricted" common stock pursuant to Rule 144, or of the shares being registered for resale under this prospectus by the selling stockholders, may substantially reduce the market price of our common stock.

The quarterly high and low bid prices for our shares of common stock for our two most recently completed fiscal years are as follows:

| | Bid | |
|------------------|----------|---------|
| | --- | |
| Quarter ending: | High | Low |
| ----- | ---- | --- |
| April 30, 1999 | \$2.00 | \$1.50 |
| July 31, 1999 | \$2.00 | \$1.375 |
| October 31, 1999 | \$1.4375 | \$0.875 |
| January 31, 2000 | \$1.125 | \$0.75 |
| April 30, 2000 | \$2.125 | \$0.625 |

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| | | |
|------------------|----------|----------|
| July 31, 2001 | \$1.01 | \$0.625 |
| October 31, 2000 | \$1.6875 | \$0.625 |
| January 31, 2001 | \$1.8125 | \$0.8125 |
| April 30, 2001 | \$2.25 | \$1.375 |
| July 31, 2001 | \$1.70 | \$0.80 |

These bid prices were obtained from Pink Sheets, LLC, formerly known as the "National Quotation Bureau, LLC," and do not necessarily reflect actual transactions, retail markups, mark downs or commissions.

Resales of Restricted Securities.

Approximately 1,348,265 shares of our common stock are publicly traded. This number will be increased by the 1,625,152 presently outstanding shares that may be offered by this prospectus, along with the 1,136,000 shares underlying the warrants that also may be offered by this prospectus. All of our other outstanding common stock is eligible for public resale under Rule 144 of the Securities Act of 1933. These sales could substantially decrease the market price of our common stock. These sales could also severely affect our ability to raise the necessary debt or equity funding for our current and intended business operations.

Holders.

As of the date of this prospectus, we have about 285 stockholders. This figure does not include an indeterminate number of stockholders who may hold their shares in "street name."

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Dividends.

We have not declared any cash dividends on our common stock, and do not intend to declare dividends in the foreseeable future. Management intends to use all available funds for the development of our plan of operation. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our common stock.

EXECUTIVE COMPENSATION

Cash Compensation.

The following table shows the aggregate compensation that we have paid to directors and executive officers for services rendered during the periods.

SUMMARY COMPENSATION TABLE

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Long Term Compensation

| (a) | (b) | Annual Compensation | | | Awards | Payouts | | |
|---|---------------------------|-------------------------------|---------------|----------------------------|------------------------|---|----------------------|----------------------------------|
| | | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Name and Principal Position | Year Ended April 30 | Salary (\$) | Bonus (\$) | Other Annual Compen- | Rest- Stock (1) | Secur- ities Under- lying Options | LTIP Pay- outs | All Other Comp- ensat'n |
| Deloy Miller President, CEO and Director | 1999 2000 2001 | 122,307 119,999 120,499 | 0 0 0 | 0 0 0 | 100 0 200 | 0 0 0 | 0 0 0 | 0 0 0 |
| Lawrence L. LaRue, CFO, former Secretary/ Treasurer and Director | 1999 2000 2001 | 61,154 60,000 60,500 | 0 0 0 | 0 0 0 | 5,100 10,000 200 | 0 (2) 0 | 0 0 0 | 0 0 0 |
| Herbert J. White, VP and Director(3) | 1999 2000 2001 | 9,700 3,500 6,100 | 0 0 0 | 0 0 0 | 100 0 200 | 0 0 0 | 0 0 0 | 0 0 12,500 |
| Herman Gettelfinger Director | 1999 2000 2001 | | 0 0 0 | 0 0 500 | 500 0 0 | 0 0 0 | 0 0 0 | 0 0 0 |
| Gary G. Bible, VP | 1999 2000 2001 | 72,366 71,000 71,000 | 0 0 0 | 0 0 0 | 100 0 200 | 0 0 0 | 0 0 0 | 0 0 6,000 |
| John Bonar VP (4) | 1999 2000 2001 | 73,894 72,500 33,462 | 0 0 0 | 0 0 0 | 100 0 0 | 0 0 0 | 0 0 0 | 0 0 0 |

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(1) As of April 30, 2001, the last date of our most recently completed fiscal year, the values of our directors' and executive officers' holdings of these restricted shares were as follows, based on a closing bid price of \$1.50 on that date:

| Name | Number of Shares | Value of Shares |
|-------------------|------------------|-----------------|
| Deloy Miller | 4,419,343 | \$6,629,014.50 |
| Lawrence L. LaRue | 111,177 | \$ 166,765.50 |

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| | | | |
|---------------------|---------|----|------------|
| Herbert J. White | 300 | \$ | 450.00 |
| Herman Gettelfinger | 243,101 | \$ | 364,651.50 |
| Gary Bible | 6,300 | \$ | 9,450.00 |

None of these shares is subject to any vesting provision.

(2) On December 15, 2000, we issued to Mr. LaRue warrants to purchase up to 12,500 shares of our common stock. The warrants are exercisable at a price of \$1.00, for three years.

(3) Mr. White was paid \$100 per day for engineering services provided to us in fiscal 2000.

(4) We no longer employ Mr. Bonar.

In addition to the foregoing, on January 9, 2001, we issued to Gary Bible warrants to purchase up to 6,000 shares of our common stock at a price of \$1.00. The warrants are exercisable for a period of three years.

Compensation Pursuant to Plans.

Effective January 29, 1997, we adopted an Incentive Stock Option Plan which provides for certain employees to purchase shares of our common stock at a price equal to 115% of the fair market value of our common stock on the date that the option is granted. The options are exercisable for a period of five years from the date of the grant. Upon the first anniversary of the granting of the options, 25% of the options vested, with additional 25% amounts vesting on each subsequent anniversary of the grant date.

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As of the date of this prospectus, the following options are outstanding:

| Name ----- | Number of Shares ----- | Price Per Price ----- | Date of Grant ----- |
|------------------|---------------------------|-----------------------------|------------------------|
| Roy Greenwood | 50,000 | \$0.575 | 1/29/97 |
| Lawrence LaRue | 100,000 | \$0.575 | 1/29/97 |
| Ronnie Lewis | 40,000 | \$0.575 | 1/29/97 |
| Deloy Miller | 100,000 | \$0.575 | 1/29/97 |
| Herbert White | 100,000 | \$0.575 | 1/29/97 |
| Ronnie Griffith | 100,000 | \$0.575 | 1/29/97 |
| Teresa Cotton | 20,000 | \$0.575 | 1/29/97 |
| Gary G. Bible | 40,000 | \$1.75 (1) | 9/15/97 |
| Melvin C. Myers | 2,000 | \$1.00 (1) | 2/6/98 |
| Steven W. Letner | 2,000 | \$1.00 (1) | 2/6/98 |

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| | | | |
|----------------------|--------|------------|---------|
| Steven R. Burchfield | 4,000 | \$1.00 (1) | 2/6/98 |
| Lawrence LaRue | 11,591 | \$1.50 (1) | 4/30/98 |
| Lawrence LaRue | 1,776 | \$1.50 (1) | 4/30/99 |

(1) These options were granted with an exercise price of 115% of the fair market value of the shares on the date of the grant, and are exercisable for eight years.

On April 10, 2000, we granted to Michael Ratliff, who is not an employee, an option to purchase 250,000 shares of our common stock for \$1.00 per share, for a period of one year. Mr. Ratliff has exercised options to purchase 100,000 of these shares. The remaining options expired on August 15, 2001.

Pension Table.

We have no pension plans.

Other Compensation.

We have no other compensation arrangements with any of our directors or executive officers.

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Compensation of Directors.

The Board of Directors has resolved to compensate the members of the Board of Directors for attendance at meetings at the rate of \$500 per day. We do not reimburse our directors for travel expenses that they incur to attend meetings. During the fiscal year ended April 30, 2000, we did not have any formal meetings of our Board of Directors. We obtained written consents of the Board of Directors for all matters requiring Board action. During the fiscal year ended April 30, 2001, we held only one formal Board meeting, on April 25, 2001.

Herbert J. White, our Vice President of Development Engineering, is paid by the day for his engineering services. During the fiscal year ended April 30, 2000, we paid Mr. White \$100 per day, plus expenses. His total fees during that period were \$3,500. In September, 2000, we increased Mr. White's daily compensation to \$150 per day worked. During the fiscal year ended April 30, 2001, Mr. White's total fees were \$6,100.

Employment Contracts.

There are presently no employment contracts relating to any member of management.

Termination of Employment and Change of Control Arrangements.

None; not applicable.

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Compliance with Section 16(a) of the Securities Exchange Act of 1934.

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

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MILLER PETROLEUM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2001 and 2000

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Miller Petroleum, Inc.
Huntsville, Tennessee

We have audited the accompanying consolidated balance sheets of Miller Petroleum, Inc. and subsidiaries as of April 30, 2001 and 2000 the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the

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accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Miller Petroleum, Inc. and subsidiaries as of April 30, 2001 and 2000, and the results of their operations and their cash flows for the years then ended. In conformity with generally accepted accounting principles.

Charles M. Stivers
 Certified Public Accountant
 Manchester, Kentucky

July 16, 2001

MILLER PETROLEUM, INC. Consolidated Balance Sheet

| | ASSETS | |
|--------------------------|------------------|------------------|
| | April 30 2001 | April 30 2000 |
| CURRENT ASSETS | | |
| Cash | \$ 224,550 | \$ 39,556 |
| Accounts receivable | 1,143,300 | 781,311 |
| Inventory (Note 1) | 439,113 | 484,549 |
| Prepaid expenses | 74,011 | 27,988 |
| Total Current Assets | 1,880,974 | 1,333,404 |
| FIXED ASSETS (Note 1) | | |
| Machinery and equipment | 1,249,511 | 1,343,962 |
| Vehicles | 438,851 | 326,916 |
| Buildings | 313,335 | 313,335 |
| Office equipment | 87,172 | 76,270 |
| Less: | | |
| accumulated depreciation | (881,690) | (833,519) |
| Total Fixed Assets | 1,207,179 | 1,226,964 |
| OIL AND GAS PROPERTIES | | |
| (Notes 2 and 8) | 1,050,687 | 2,311,825 |

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(On the basis of successful effort's accounting)

| | | |
|------------------------------|--------------|--------------|
| PIPELINE FACILITIES (Note 2) | 336,635 | 411,906 |
| OTHER ASSETS | | |
| Land | 511,500 | 511,500 |
| Investments | 500 | 500 |
| Organization Costs | 119 | 178 |
| Total Other Assets | 512,119 | 512,178 |
| TOTAL ASSETS | \$ 4,987,594 | \$ 5,796,277 |

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

MILLER PETROLEUM, INC. Consolidated Balance Sheet

LIABILITIES AND STOCKHOLDERS' EQUITY

| | April 30 2001 | April 30 2000 |
|--|------------------|------------------|
| CURRENT LIABILITIES | | |
| Accounts payable - trade | \$ 134,275 | \$ 402,330 |
| Accrued expenses | 91,910 | 50,795 |
| Notes payable - current portion (Note 4) | 577,270 | 2,636,835 |
| Total Current Liabilities | 803,455 | 3,089,960 |
| LONG-TERM LIABILITIES | | |
| Notes payable - related (Notes 4 and 5) | 89,968 | 35,633 |
| Notes payable (Note 4) | 1,207,530 | 1,142,898 |
| Total Long-Term Liabilities | 1,297,498 | 1,178,531 |
| Total Liabilities | 2,100,953 | 4,268,491 |
| STOCKHOLDER'S EQUITY | | |
| Common Stock: 500,000,000 shares authorized at \$0.0001 par value, 8,218,656 and 7,100,691 shares issued and outstanding | 822 | 711 |

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| | | |
|---|--------------|--------------|
| Additional paid-in capital | 3,566,480 | 2,462,138 |
| Retained earnings | (680,661) | (935,063) |
| Total Stockholder's Equity | 2,886,641 | 1,527,786 |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | \$ 4,987,594 | \$ 5,796,277 |

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

MILLER PETROLEUM, INC.
Consolidated Statements of Operations

| | For the Years Ended April 30, | |
|---|----------------------------------|------------|
| | 2001 | 2000 |
| REVENUES | | |
| Oil and gas revenue | \$ 628,344 | \$ 863,422 |
| Service and drilling revenue | 2,274,364 | 431,980 |
| Retail sales | 91,848 | 44,497 |
| Other revenue | 160,274 | 573,244 |
| Total Revenue | 3,154,830 | 1,913,143 |
| COSTS AND EXPENSES | | |
| Cost of oil and gas sales | 1,107,662 | 785,553 |
| Selling, general and administrative | 570,006 | 384,653 |
| Salaries and wages | 661,861 | 399,165 |
| Depreciation, depletion and amortization | 327,182 | 479,472 |
| Total Costs and Expenses | 2,666,711 | 2,048,843 |
| INCOME (LOSS) FROM OPERATIONS | 488,119 | (135,700) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 2,183 | 6,444 |
| Interest expense | (235,900) | (354,039) |

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| | | |
|--|------------|--------------|
| Total Other Income (Expense) | (233,717) | (347,595) |
| INCOME TAXES (Note 1) | - | - |
| NET INCOME (Loss) | \$ 254,402 | \$ (483,295) |
| NET INCOME (Loss) PER SHARE | \$ 0.03 | \$ (0.06) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 7,566,248 | 7,012,110 |

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

MILLER PETROLEUM, INC.
Consolidated Statements of Stockholders' Equity

| | Common Shares | Amount | Additional Paid-in Capital |
|--|---------------|--------|----------------------------------|
| Balance, April 30, 1999 | 6,921,556 | \$ 692 | \$ 2,271,157 |
| Common stock issued for cash at \$1.00 per share | 185,000 | 19 | 184,981 |
| Common stock issued for cash at \$1.59 per share | 3,135 | - | 5,000 |
| Common stock issued for cash at \$1.00 per share | 1,000 | - | 1,000 |
| Net loss for the year ended April 30, 2000 | - | - | - |
| Balance, April 30, 2000 | 7,110,691 | \$ 711 | \$ 2,462,138 |

MILLER PETROLEUM, INC.
Consolidated Statements of Stockholders' Equity
(Continued)

| | Retained Earnings | Note Receivable From Stockholder | Total |
|----------------------------|----------------------|---|--------------|
| Balance, April 30, 1999 | \$ (451,768) | - | \$ 1,820,081 |

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| | | | |
|--|--------------|---|--------------|
| Common Stock issued for cash at \$1.0 per share | - | - | 185,000 |
| Common stock issued for cash at \$1.59 per share | - | - | 5,000 |
| Common stock issued for cash at \$1.00 per share | - | - | 1,000 |
| Net loss for the year ended April 30, 2000 | \$ (483,295) | - | \$ (483,295) |
| Balance, April 30, 2000 | \$ (935,063) | - | \$1,527,786 |

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

MILLER PETROLEUM, INC.
Consolidated Statement of Stockholders' Equity

| | Common Shares | Shares Amount | Additional Paid-in Capital |
|---|------------------|------------------|----------------------------------|
| Balance April 30, 2000 | 7,110,691 | \$ 711 | \$ 2,462,138 |
| Common stock issued for cash at at \$1.00 per share | 1,077,600 | 108 | 1,077,492 |
| Common stock issued for cash at \$.90 per share | 50,000 | 5 | 44,995 |
| Common stock issued for services at \$1.00 per share | 5,500 | 1 | 5,499 |
| Common stock issued for equipment at \$1.00 per share | 23,000 | 2 | 22,998 |
| Common stock repurchased for \$2.00 per share | (45,000) | (5) | (89,995) |
| Common stock repurchased for \$1.60 per share | (3,135) | - | (5,000) |

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| | | | | |
|--|-----------|--------|--------------|--------|
| Warrants (1,123,500) issued for services | | | | 48,353 |
| Net income for the year ended April 30, 2001 | - | - | - | - |
| Balance, April 30, 2001 | 8,218,656 | \$ 822 | \$ 3,566,480 | |

MILLER PETROLEUM, INC.
Consolidated Statement of Stockholder's Equity
(Continued)

| | Retained Earnings | Note Receivable From Stockholder | Total |
|---|----------------------|---|--------------|
| Balance, April 30, 2000 | \$ (935,063) | - | \$ 1,527,786 |
| Common Stock issued for cash at \$1.00 per share | - | - | 1,077,600 |
| Common stock issued for cash at \$.90 per share | - | - | 45,000 |
| Common stock issued for services at \$1.00 per share | - | - | 5,500 |
| Common stock issued for equipment at \$1.00 per share | - | - | 23,000 |
| Common stock repurchased for \$2.00 per share | - | - | (90,000) |
| Common stock repurchased for \$1.60 per share | - | - | (5,000) |
| Warrants (1,123,500) issued for services | - | - | 48,353 |
| Net income for the year ended April 30, 2001 | 254,402 | - | 254,402 |
| Balance, April 30, 2001 | \$ (680,661) | \$ - | \$ 2,886,641 |

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

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MILLER PETROLEUM, INC.
Consolidated Statements of Cash Flows

For the Years Ended
April 30,
2001 2000

CASH FLOWS FROM OPERATING
ACTIVITIES:

Net income (Loss) \$ 254,402 \$ (483,295)

Adjustments to Reconcile

Net Income to Net Cash
Provided (Used) by
Operating Activities:

| | | |
|--|-----------|---------|
| Depreciation, depletion and amortization | 327,182 | 479,472 |
| Allowance for bad debt | 0 | 20,533 |
| Common stock and warrants Issued for services | 53,853 | 1,000 |
| Gain on sale of Equipment and Oil and Gas Property | (123,904) | 0 |

Changes in Operating Assets
and Liabilities:

| | | |
|---|-----------|-----------|
| Decrease (increase) in accounts receivable | (361,989) | (484,441) |
| Decrease (increase) in inventory | 45,436 | (11,963) |
| Decrease (increase) in organization costs | 59 | 0 |
| Decrease (increase) in Prepaid expenses | (46,023) | 0 |
| Increase (decrease) in accounts payable | (268,055) | 67,123 |
| Increase (decrease) in accrued expenses | 41,115 | 2,755 |
| Net Cash Provided (Used) by Operating Activities | (77,924) | (408,816) |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|--------------------------------|-----------|----------|
| Purchase of Equipment | (230,137) | (11,013) |
| Sale of oil and gas properties | 1,874,423 | 0 |

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| | | |
|---|--------------|------------|
| Purchase of oil and gas properties | (595,351) | (47,792) |
| Sale of Equipment | 103,982 | 224,076 |
| Purchase of pipeline | 0 | (2,239) |
| Net Cash Provided (Used) by Investing Activities | 1,152,917 | 163,032 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on Notes Payables | (2,110,665) | (384,812) |
| Sale of common stock | 1,151,100 | 190,000 |
| Repurchase of common stock | (95,000) | 0 |
| Proceeds from borrowings | 164,566 | 417,714 |
| Net Cash Provided (Used) by Financing Activities | \$ (889,999) | \$ 222,902 |

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

MILLER PETROLEUM, INC.
Consolidated Statements of Cash Flows

| | For the Years Ended April 30, | |
|---|----------------------------------|--------------|
| | 2001 | 2000 |
| NET INCREASE (DECREASE) IN CASH | \$ 184,994 | \$ (22,882) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 39,556 | 62,438 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 224,550 | \$ 39,556 |
| CASH PAID FOR: | | |
| Interest | \$ (235,900) | \$ (354,039) |
| Income Taxes | \$ - | \$ - |
| NON-CASH FINANCING ACTIVITIES: | | |
| Common stock issued for services | \$ 5,500 | \$ 1,000 |

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

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MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The financial statements presented are those of Miller Petroleum, Inc. (formerly Triple Chip Systems, Inc.) (the Company). The Company was incorporated in the State of Delaware on November 12, 1985 for the purpose of searching out a business acquisition. On January 10, 1997, Triple Chip Systems, Inc. changed its name to Miller Petroleum, Inc. in conjunction with the merger with Miller Petroleum, Inc. The Company is no longer considered a development stage company as defined by SFAS No. 7.

The Subsidiaries

Miller Petroleum, Inc. (pre-merger) (Miller) was incorporated under the laws of the State of Tennessee on January 24, 1978, for the purpose of acquiring gas and oil contracts.

Miller Services, Inc. (Services) was incorporated under the laws of the State of Tennessee on October 16, 1987, for the purpose of drilling and servicing oil and gas wells.

Energy Cell, Inc. (Cell) was incorporated under the laws of the State of Tennessee on October 20, 1987, for the purpose of searching out and acquiring or participating in a business or business opportunity.

On May 1, 1996, Services and Cell were merged into Miller in a business combination accounted for as a pooling of interests.

On January 10, 1997, Triple Chip Systems, Inc. and Miller Petroleum completed an Agreement and Plan of Reorganization whereby the Company issued 5,582,535 shares of its common stock in exchange for all of the outstanding common stock of Miller.

Immediately prior to the Agreement and Plan of Reorganization, the Company had 167,465 shares of common stock issued and outstanding.

The acquisition was accounted for as a recapitalization of Miller because the shareholders of Miller controlled the Company after the acquisition. Therefore, Miller is treated as the acquiring entity. There was no adjustments to the carrying value of the assets or liabilities of Miller in the exchange. The Company is the acquiring entity for legal purposes and Miller is the surviving entity for accounting purposes. On May 6, 1996, the shareholders of the Company authorized a reverse stock split of 1 for 200. All references to shares of common stock have been retroactively restated.

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Accounting Method

The Company's financial statements are prepared using the accrual method

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of accounting. The successful efforts method of accounting is used for oil and gas property acquisitions, exploration and production activities as defined by the Securities and Exchange Commission, whereby all costs incurred in connection with the properties, productive or nonproductive, are capitalized. Capitalized costs related to proved properties and estimated future costs to be incurred in the development of proved reserves are amortized using the unit-of-production method. Capitalized costs are tested whenever events or changes in circumstances indicate the carrying amount may not be recoverable by comparison to the present value of future net revenues from proved reserves. Any capitalized costs in excess of the present value of future net revenues from proved reserves, adjusted for the cost of certain unproved properties, are expensed in the year in which such an excess occurs. The Company has elected an April 30 year end.

c. Impairment of Long-Lived Assets and Long-Lived Assets to be disposed of.

Management believes that none of its long-lived assets are impaired, and the accompanying financial statements reflect no charges or allowances for impairment.

d. Income per Share of Common Stock

The income per share of common stock is based on the weighted average number of shares issued and outstanding during the year.

e. Cash Equivalents

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

f. Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Miller Petroleum, Inc., Miller Services, Inc., Energy Cell, Inc., and MPC, Inc. All significant intercompany transactions have been eliminated.

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization are computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

The estimated useful lives are as follows:

| Class | Lives (Years) |
|-------------------------|------------------|
| Building | 40 |
| Machinery and equipment | 5-10 |
| Vehicles | 5-7 |
| Office equipment | 5 |

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Depreciation expense for the years ended April 30, 2001 and 2000 was \$227,725 and \$240,857 respectively.

h. Revenue Recognition

Revenues are recognized when the gas products are delivered to customers. In the movement of natural gas, it is common for differences to arise between volumes of gas contracted or nominated, and volume of gas actually received or delivered.

These solutions are the result of certain attributes of the natural gas commodity and the industry itself. Consequently, the credit given to the Company by a pipeline for volumes received from producers may be different than volumes actually delivered by a pipeline. When all necessary information, such as the final pipeline statement for receipts and deliveries are available, these differences are resolved by the Company.

The Company records imbalances based on amounts received and classifies the imbalances as adjustments to the trade accounts receivable or trade accounts payable, as appropriate.

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Inventory

Inventory consists of crude oil and used equipment. Used equipment is purchased by the Company for resale. When used equipment purchases are made by the Company the cost is applied only to the marketable portion of the equipment. The inventory balance was \$439,113 at April 30, 2001.

j. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liability at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Reclassification

Certain April 30, 2000 balances have been reclassified to conform with the April 30, 2001 financial statement presentation.

l. New Accounting Pronouncements

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" As amended by SFAS No. 137 and 138, is effective for all fiscal years beginning after June 15, 2000. 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

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liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging forecasted transaction. For a derivative 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.

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 provides 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 or operations.

m. Major Customers

Miller Petroleum Inc. depends upon local purchasers of hydrocarbon in the areas where their properties are located. They have three major customers. The loss of one or more purchasers may substantially reduce their sales and ability to operate profitably. These major customers are:

Citizens Gas Utility District

Citizens accounted for \$345,252 of Miller's total revenue which is 10.9436% of Miller's total revenue. Citizens purchased most of Miller's gas last year. This year, however, Miller's does not anticipate Citizens to purchase the same amount as last year and expects Citizens to purchase a lesser amount.

Tengasco, Inc.

Tengasco accounted for \$589,182 of Miller's total revenue which was 18.6756% of Miller's total revenue. Additionally, Tengasco purchased a 50% working interest in most of Miller's wells. Tengasco is anticipated to account for a greater percentage of Miller's total revenues this year.

South Kentucky Purchasing Co.

South Kentucky accounted for \$354,696 of Miller's total revenue which was 11.2430% of Miller's total revenue. South Kentucky purchases all of Miller's crude oil.

MILLER PETROLEUM, INC.

Notes to the Consolidated Financial Statements

April 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n. Income taxes

No provision for taxes has been made, due to current operating losses carryforwards.

NOTE 2 - OIL AND GAS PROPERTIES - PIPELINE FACILITIES

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to

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drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs carrying and retaining unproved properties are expensed. The Company amortizes the oil and gas Properties using the unit-of-production method. The Company capitalized \$595,351 of oil and gas properties for the year ended April 30, 2001 and recorded \$99,457 and \$238,615 of amortization expense for the years ended April 30, 2001 and 2000, respectively.

NOTE 3 - COMMON STOCK REPURCHASES

Common stock repurchases were made pursuant to an Agreement that the Company would buy the shares back if the average market price for Miller Petroleum, Inc.'s common shares did no average \$2.00 or more for the month of December, 1999. The average market price was less that \$2.00 for the state period.

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 4 - LONG-TERM DEBT

The Company had the following debt obligations at April 30, 2001:

| | April 30, 2001 ----- |
|---|----------------------------|
| Note payable to Home Federal Bank secured by Equipment bearing interest at 9.75% due in Monthly payments with final payment due In August 2005. | 49,033 |
| Note payable to Individual unsecured at 7.00% with payments due yearly with the principle due May of 2002. | 89,968 |
| Note payable to First National Bank of Oneida secured by equipment bearing interest at 9.00% due on June 30, 2001. | 222,567 |
| Note payable to First National Bank of Oneida secured by stock at 9.50% due on June 30, 2001. | 225,000 |
| Note payable to Individual bearing interest at 8.00% and requiring interest payments quarterly with principle due in January 2006. | 860,000 |
| Note payable to Individual bearing interest at 8.00% with principle due in December 2005. | 180,000 |
| Note payable to Talisman Energy for repurchase of stock with payments of \$10,000 due monthly with final payment due August 2001. | 40,000 |
| Balance Forward | \$ 1,666,568 |

MILLER PETROLEUM, INC.

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Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 4 - LONG-TERM DEBT

The Company had the following debt obligations at April 30, 2001
(Continued):

| | April 30, 2001 ----- |
|---|----------------------------|
| Balance Forward | \$ 1,666,568 |
| Line of credit payable to First National Bank of the Cumberland secured by equipment and inventory bearing interest at 10.50% due on demand on October 10, 2002. | 85,461 |
| Note payable to Community Trust Bank secured by real property bearing interest at 8.50% requiring monthly principle and interest payments of \$1,389 due in April 2004. | 122,739 |
| Total notes payable | 1,874,768 |
| Less current maturities | (577,270) |
| Notes payable - long-term | \$ 1,297,498 |

Maturities of long-term debt are as follows:

| Year Ending April 30, ----- | Amount ----- |
|--------------------------------|-----------------|
| 2001 | \$ 577,270 |
| 2002 | 125,492 |
| 2003 | 24,807 |
| 2004 | 24,807 |
| 2005 and thereafter | 1,122,392 |
| Total | \$ 1,874,768 |

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has a note payable to Sharon Miller (Deloy Miller's wife a majority stockholder), for \$89,968 at April 30, 2001. The note is payable with principle payments of \$89,968 due in May 2002.

The note is for the purchase of property located in Huntsville, Tennessee and currently houses the principal executive offices, shop and equipment yard. The appraisal of the property was \$550,000. The company paid \$82,470 cash, assumed a \$39,906 note payable with the First National Bank of Oneida, and issued a note payable to Mrs. Miller for \$377,624.

The Company issued a note receivable of \$860,000 on March 16, 1998 at 8% with a eight year term to Baxter Lee, III, of Knoxville, Tennessee. This note receivable was issued to raise working capital.

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NOTE 6 - WARRANTS

Miller Petroleum issued 953,400 warrants to Baxter Lee III. The warrants were issued along with the note receivable dated March 16, 1998 and can be exercised for \$1.25 per share, and expire on December 12, 2004. The number of shares that can be purchased is based on a provision in the Warrant Agreement that allows him to purchase up to 10.53% of common stock outstanding

On August 10, 2000, Miller Petroleum issued 12,500 warrants to Raymond R. Cohn, a stockholder. The warrants are exercisable for 12,500 shares of common stock at \$1.00, and expire on July 17, 2003.

The warrants are callable during the third year at a price of \$0.001 per warrant, traded at \$2.00 for 30 consecutive days at no less than 5,000 shares per day.

On August 3, 2000 Miller Petroleum issued 1,000,000 warrants to Daniel Page for services as a consultant. The warrants are exercisable for a period of two years, commencing August 3, 2000. The first 250,000 warrants are exercisable at a price of \$1.00 per share; the next 250,000 warrants are exercisable at \$1.50 per share; and the two remaining 250,000 shares are exercisable for \$2.00 and \$2.50 per share, respectively. These warrants were issued for services valued at \$43,750. They will be reflected on the financial statements as an amortization expense over a two year period.

On December 8, 2000, Miller Petroleum issued 100,000 warrants to Basic Investors, Inc. for services as a business consultant. The warrants are exercisable for a period of three years, commencing December 8, 2000, at a price of \$2.00 per share and may be called if Miller Petroleum's common stock trades at 150% of the exercisable price for five consecutive days. These warrants were issued for services valued at \$3,500. They will be reflected on the financial statements as an amortization expense over a three year period.

On December 15, 2000, Miller Petroleum issued 12,500 and 5,000 warrants to Lawrence L. Larue, CFO and Secretary/Treasurer and Teresa Cotton employee respectively. These warrants are exercisable at a price of \$1.00 per share and expire on December 15, 2003. During the third year of the warrants Miller Petroleum may call them at a price of \$0.001 per warrant at any time that its common stock has traded at \$2.00 for 30 consecutive days. These warrants were issued with a value of \$788 and were shown as an expense on the current year financial statements.

On January 9, 2001, Miller Petroleum issued 6,000 warrants to Gary Bible a vice-president. These warrants are exercisable at \$1.00 per share and expire on January 9, 2004. These warrants were issued with a value of \$315 and were shown as an expense on the current year financial statements.

All warrants must be adjusted in the event of any forward or reverse split of outstanding common stock. The warrants have no voting rights or liquidation preferences, and unless exercised in accordance with the particular warrant.

NOTE 7 - SIGNIFICANT EVENTS

The company entered into a Sale Agreement with Nami Resources Company, LLC, a Kentucky limited liability company on August 31, 2000. The company sold to Nami Resources their interests in certain oil and gas wells, leases covering about 40,000 acres in Kentucky, inventory and related equipment located in Kentucky. The sale closed on September 6, 2000. Nami Resources Company, LLC. Paid the company \$2,000,000 and assumed a production payment to Cobat Oil and Gas, Inc. of \$102,237 and received Miller Petroleum, Inc.

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interest in certain oil and gas wells, oil and gas leases, inventory and related equipment plus a production receivable from Southern Gas of \$123,832. The net sales price to the Company was \$1,978,405.

NOTE 8 - S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (Unaudited)

(1) Capitalized Costs Relating to
Oil and Gas Producing Activities

| | April 30, | |
|---|-----------------|-----------------|
| | 2001 | 2000 |
| Proved oil and gas properties and related lease equipment: | | |
| Developed | \$1,630,867 | \$2,988,426 |
| Non-developed | 31,053 | 31,053 |
| | 1,661,920 | 3,019,479 |
| Accumulated depreciation and depletion | (611,233) | (707,654) |
| Net Capitalized Costs | \$1,050,687 | \$2,311,825 |

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

(2) Costs Incurred in Oil
and Gas Property Acquisition,
Exploration, and Development
Activities

| | April 30, | |
|--|----------------|---------------|
| | 2001 | 2000 |
| | ----- | |
| Acquisition of Properties Proved and Unproved \$ | 0 | \$ 0 |
| Exploration Costs | - | - |
| Development Costs | 595,351 | 47,792 |
| Total | \$ 595,351 | \$ 47,792 |

Note 8 - S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (Unaudited)

(3) Results of Operations for
Producing Activities

| | April 30, | |
|---|-----------------|----------------|
| | 2001 | 2000 |
| Production revenues | \$2,902,708 | \$1,295,402 |
| Production costs | 1,107,662 | 785,553 |
| Depreciation and depletion | 99,457 | 186,346 |
| Results of operations for producing activities (excluding corporate overhead and interest costs) | \$1,695,589 | \$ 323,503 |

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MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

(4) Reserve Quantity Information

The following table summarizes proved reserves as reported by Coburn Petroleum Engineering:

| Category | Net Values Oil-Gas | | Undiscounted | Discounted |
|--------------------|--------------------|------------|----------------------|----------------------------|
| | Oil-Bbls | Gas-Mcf | Future Net Income | Future Net Income @ 10% |
| ----- | ----- | ----- | ----- | ----- |
| Pvd. Devl. Prod. | 71,334 | 231,372 | \$ 2,235,075 | \$ 1,493,786 |
| Pvd. Devl. Shut In | 108,197 | 6,800,451 | \$32,790,030 | \$20,166,544 |
| Pvd. Undeveloped | 199,806 | 4,733,480 | \$24,293,269 | \$15,535,547 |
| ----- | ----- | ----- | ----- | ----- |
| Total | 379,337 | 11,765,303 | \$59,318,374 | \$37,195,877 |

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

NOTE 8 - S.F.A.S. SUPPLEMENTAL DISCLOSURES (Unaudited)

| | Oil (bbls) | Gas (Mcf) |
|---------------------------------|------------|-------------|
| ----- | ----- | ----- |
| Proved reserves | | |
| Balance, April 30, 1999 | 120,151 | 9,443,127 |
| Discoveries and extensions | 173,648 | 855,614 |
| Revisions of previous estimates | 10,839 | (1,877,873) |
| Productions | (10,450) | (223,418) |
| Balance, April 30, 2000 | 294,188 | 8,197,450 |
| Discoveries and extensions | 52,100 | 773,000 |
| Sales of previous reserves | (69,760) | (1,724,450) |
| Revisions of previous estimates | 115,151 | 4,590,504 |
| Production | (12,342) | (71,201) |

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| | | |
|---|---------|------------|
| Balance, April 30, 2001 | 379,337 | 11,765,303 |
| Proved developed producing reserves at April 30, 2001 | 71,334 | 231,372 |
| Proved developed producing reserves at April 30, 2000 | 120,540 | 2,034,416 |

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 8 - S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (Unaudited)

The reserve and engineering reports performed for the Company by Coburn Petroleum Engineering of Tulsa, Oklahoma, an independent engineering consulting firm reported the discounted net present value of the reserves which is future cash flows less future production costs, severance taxes, and development costs discounted at 10% before federal income taxes. The term Standardized Measure of Discounted Future Net Cash Flow is a measure of discounted net present value of the reserves less federal income taxes.

The following schedule presents the standardized measure of estimated discounted future net cash flows from the Company's proved developed reserves for the years ended April 30, 2001 and 2000. Estimated future cash flows were based on independent reserves evaluation from Coburn Petroleum Engineering. Because the standardized measure of future net cash flows was prepared using the prevailing economic conditions existing at April 30, 2001 and 2000, it should be emphasized that such conditions continually change. Accordingly, such information should not serve as a basis in making any judgement on the potential value of the Company's recoverable reserves or in estimating future results to operations.

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

NOTE 8 - S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES (Unaudited)

Standardized measures of discounted future net cash flows:

| | 2001 | April 30, 2000 |
|---------------------------------------|---------------|-------------------|
| Future cash flows | \$ 69,227,195 | \$ 26,552,579 |
| Future production costs and taxes | (8,547,321) | (2,992,328) |
| Future development costs | (1,361,500) | (890,000) |
| Future income tax expense | (18,478,757) | (2,587,009) |
| Future cash flows before income taxes | 40,839,617 | 20,083,242 |
| Discount at 10% for timing | | |

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| | | |
|--|---------------|--------------|
| of cash flows | (14,576,646) | (12,906,347) |
| Discounted future net cash flows from proved reserves | \$ 26,262,971 | \$ 7,176,895 |

Of the Company's total proved reserves as of April 30, 2001 and 2000, approximately 48% and 26%, respectively, were classified as proved developed producing, 11% and 1%, respectively, were classified as proved developed non-producing and 41% and 73%, respectively, were classified as proved undeveloped. All of the Company's reserves are located in the continental United States.

The following table sets forth the changes in the standardized measure of discounted future net cash flows from proved reserves for April 30, 2001 and 2000.

| | April 30, | |
|---|--------------|--------------|
| | 2001 | 2000 |
| Balance, beginning of year | \$ 7,176,895 | \$ 4,100,452 |
| Sales, Net of production costs and taxes | (6,240) | (5,098) |
| Discoveries and extensions | 1,820 | 2,340 |
| Changes in prices and production costs | 42,157,947 | 8,391,758 |
| Revisions of quantity estimates | (3,496,730) | (7,083,044) |
| Development costs incurred | 595,351 | 47,792 |
| Net changes in income taxes | (17,461,269) | (837,378) |
| Changes in future development costs | (471,500) | 2,566,000 |
| Changes in production rates and other | (2,600) | (5,927) |
| Balances, end of year | \$28,493,674 | \$ 7,176,895 |

MILLER PETROLEUM, INC.
Notes to the Consolidated Financial Statements
April 30, 2001 and 2000

Estimated future net cash flows represent an estimate of future net revenues from the production of proved reserves using current sales prices, along with estimates of the operating costs, production taxes and future development and abandonment costs (less salvage value) necessary to produce such reserves. The average prices used at April 30, 2001 and 2000 were \$24.00 and \$21.75 per barrel of oil and \$5.10 and \$2.28 per mcf gas, respectively. No deduction has been made for depreciation, depletion or any indirect costs such as general corporate overhead or interest expense.

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

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operating conditions.

Income tax expense is computed based on applying the appropriate statutory tax rate to the excess of future cash inflows less future production and development costs over the current tax basis of the properties involved, less applicable carry forwards, for both regular and alternative minimum tax.

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

MILLER PETROLEUM, INC. Consolidated Balance Sheets

ASSETS

| | July 31, 2001 Unaudited | April 30, 2001 |
|---|-------------------------------|--------------------|
| CURRENT ASSETS | | |
| Cash | \$ 214,540 | \$ 224,550 |
| Accounts receivable - trade-, net | 942,664 | 1,143,300 |
| Inventory | 439,762 | 439,113 |
| Prepaid expenses | 54,465 | 74,011 |
| Total Current Assets | 1,651,431 | 1,880,974 |
| FIXED ASSETS | | |
| Machinery and equipment | 1,185,170 | 1,249,511 |
| Vehicles | 387,315 | 438,851 |
| Buildings | 313,335 | 313,335 |
| Office Equipment | 75,410 | 87,172 |
| Less: accumulated depreciation | (722,805) | (881,690) |
| Total Fixed assets | 1,238,425 | 1,207,179 |
| OIL AND GAS PROPERTIES | 1,252,712 | 1,050,687 |
| (On the basis of successful efforts accounting) | | |
| PIPELINE FACILITIES | 317,442 | 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 | \$4,972,010 | \$4,987,594 |

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|---------------------------------|------------|------------|
| Accounts payable - trade | \$ 271,272 | \$ 134,275 |
| Accrued expenses | 89,022 | 91,910 |
| Notes payable - current portion | 537,039 | 577,270 |
| Total Current Liabilities | 897,333 | 803,455 |

LONG-TERM LIABILITIES

| | | |
|-----------------------------|-----------|-----------|
| Notes payable - related | 43,614 | 89,968 |
| Notes payable | 1,199,082 | 1,207,530 |
| Total Long-Term Liabilities | 1,242,696 | 1,297,498 |
| Total Liabilities | 2,140,029 | 2,100,953 |

STOCKHOLDERS' EQUITY

| | | |
|---|-----------|-----------|
| Common Stock: 500,000,000 shares authorized at \$0.0001 par value, 8,328,656 and 8,218,656 shares issued and outstanding | 833 | 822 |
| Additional paid-in capital | 3,676,469 | 3,566,480 |
| Retained Earnings | (845,321) | (680,661) |
| Total Stockholders' Equity | 2,831,981 | 2,886,641 |

| | | |
|--|-------------|-------------|
| TOTAL LIABILITIES AND STOCKHOLDERS'S EQUITY | \$4,972,010 | \$4,987,594 |
|--|-------------|-------------|

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

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

Three Months Three Months
 Ended
July 31, 2001 July 31, 2000

REVENUES

| | | |
|------------------------------|-----------|-----------|
| Oil and gas revenue | \$121,886 | \$162,016 |
| Service and drilling revenue | 449,866 | 521,948 |
| Retail sales | 24,184 | 991 |
| Other revenue | 2,693 | 123,904 |
| Total Revenue | 598,629 | 808,859 |

COSTS AND EXPENSES

| | | |
|--|---------|---------|
| Cost of oil and gas sales | 219,078 | 253,627 |
| Selling, general and administrative | 218,964 | 106,740 |
| Salaries and wages | 179,512 | 181,137 |
| Depreciation, depletion and amortization | 95,849 | 96,503 |

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| | | |
|--|--------------|-----------|
| Total Costs and Expenses | 713,403 | 638,007 |
| INCOME (LOSS) FROM OPERATIONS | (114,774) | 170,852 |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 124 | 113 |
| Interest expense | (50,010) | (97,853) |
| Total Other Income (Expense) | (49,886) | (97,740) |
| INCOME TAXES | 0 | 0 |
| NET INCOME (LOSS) | \$ (164,660) | \$ 73,112 |
| NET EARNING (LOSS) PER SHARE | \$ (0.02) | \$ 0.01 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 8,273,656 | 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 Shares | Common Shares Amount | Additional Paid-in Capital | Retained Earnings | Total |
|---|-------------------------|-------------------------|----------------------------------|----------------------|-------------|
| 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 | | | | | |

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| | | | | | |
|---|-----------|-------|-------------|-------------|-------------|
| \$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 |
| Net loss for the three months ended July 31, 2001 73,112 | | | | (\$164,660) | (\$164,660) |
| Balance July 31, 2001 | 8,328,656 | \$833 | \$3,676,469 | (\$845,321) | \$2,831,981 |

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

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

Three Months Twelve Months
Ended
July 31, 2001 April 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|--|--------------|-------------|
| Net income (loss) | \$ (164,660) | \$73,112 |
| Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation, depletion and amortization | 95,849 | 96,503 |
| Allowance for bad debts | | 17,233 |
| Common stock issued for services | | 5,500 |
| Gain on sale of equipment and oil and gas properties | | (123,904) |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (increase) in accounts receivable | 200,636 | (1,568,775) |
| Decrease (increase) in inventory | (649) | - |
| Decrease (increase) in organizational costs | 119 | 59 |
| Decrease (increase) in prepaid expenses | 19,546 | 13,994 |
| Increase (decrease) in accounts payable | 136,997 | (118,009) |
| Increase (decrease) in accrued expenses | (2,888) | 14,254 |
| Net Cash Provided (Used) by Operating Activities | 284,950 | (1,590,033) |

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CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|---------------|---------------|
| Purchase of equipment | (66,478) | (54,444) |
| Sale of oil and gas properties | 0 | 1,874,423 |
| Purchase of oil and gas properties | (243,449) | (139,334) |
| Sale of equipment | 0 | 103,982 |
| Net Cash Provided (Used) by Investing Activities | (309,927) | 1,784,627 |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|---------------|-----------------|
| Payments on notes payable | (145,033) | (117,547) |
| Sale of common stock | 110,000 | 45,000 |
| Repurchase of common stock | 0 | (90,000) |
| Proceeds from borrowing | 50,000 | 35,305 |
| Net Cash Provided (Used) by Financing Activities | \$ 14,967 | (\$127,242) |

| | | |
|---|------------|-----------|
| NET INCREASE IN CASH | (\$10,010) | \$ 67,352 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 224,550 | 39,556 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$214,540 | \$106,908 |

CASH PAID FOR

| | | |
|--------------|------------|------------|
| Interest | (\$50,009) | (\$97,853) |
| Income taxes | - | - |

NON-CASH FINANCING ACTIVITIES:

| | |
|---|----------|
| Common stock and warrants issued for services | \$ 5,500 |
|---|----------|

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 July 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

None.

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- (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 a derivative 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.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On or about March 19, 1998, our Board of Directors engaged Charles M. Stivers, Certified Public Accountant, of Manchester, Kentucky, to audit our financial statements. He continues as our auditor for fiscal 2002.

AVAILABLE INFORMATION

We file periodic reports with the Securities and Exchange Commission. You may inspect and copy these documents at the Public Reference Room of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for additional information. Our Securities and Exchange Commission filings are also available on its web site: <http://www.sec.gov>.

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We have filed a registration statement with the Securities and Exchange Commission on Form SB-2, under the Securities Act of 1933, with respect to the securities described in this prospectus. This prospectus is filed as part of the registration statement. It does not contain all of the information set forth in the registration statement and the exhibits and schedules filed with it. For further information about us and the common stock described by this prospectus, we refer you to the registration statement and to the exhibits and schedules filed with it. You may inspect or copy these documents at the Public Reference Branch or on the Securities and Exchange Commission's web site.

You may wish to examine our 8-K Current Report dated September 6, 2000, for further information on the sale of our Kentucky assets to NAMI Resources.

You may also wish to examine our 8-K Current Report dated December 12, 2000, for further information about our most recent private placement of securities. The purchasers of these securities are part of the group of selling stockholders, and the securities purchased on this offering are part of the securities being registered for resale pursuant to the prospectus.

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DEALER PROSPECTUS DELIVERY OBLIGATION

Until March 7, 2002, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 24. Indemnification of Directors And Officers.

Section 48-18-502 of the Tennessee Business Corporation Act allows a corporation to indemnify any director in any civil or criminal proceeding (other than a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation or any other proceeding in which he or she was adjudged liable on the basis that he or she improperly received a personal benefit) by reason of service as a director if the person to be indemnified conducted himself or herself in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. Section 48-18-507 extends certain indemnification rights to officers, employees and agents of a corporation as well. The foregoing is only a brief summary of the right of indemnification allowed a corporation under the Tennessee Business Corporation Act, and is modified in its entirety by this reference. Our Board of Directors has adopted these provisions to indemnify its directors, executive

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officers and agents.

Item 25. Other Expenses of Issuance And Distribution.

The following table sets forth the expenses which we expect to incur in connection with the registration of the shares of common stock being registered by this Registration Statement. All of these expenses, except for the Commission registration fee, are estimated:

| | |
|--|-------------|
| Securities and Exchange Commission registration fee..... | \$ 1,173.32 |
| Legal fees and expenses..... | \$50,000.00 |
| Accounting fees..... | \$ 3,500.00 |
| Printing and engraving expenses..... | \$ 1,000.00 |
| Blue Sky Filings..... | \$ 4,000.00 |
| Transfer agent fees..... | \$ 500.00 |
| Miscellaneous..... | \$ 500.00 |
| Total..... | \$60,673.32 |

Item 26. Recent Sales of Unregistered Securities.

We have sold the following "restricted securities" during the past three calendar years.

Common Stock.

| Name or Group ----- | Number of Shares ----- | Date ---- | Aggregate Consideration ----- |
|-------------------------------------|---------------------------|--------------|---|
| Herman Gettelfinger | 36,364 | 4/2/98 | Bonus for services valued at \$1.10 per share |
| Herman Gettelfinger | 29,037 | 4/2/98 | Payoff of \$43,555 note payable |
| W. Baxter Lee, III | 100,000 | 8/4/98 | \$218,750 |
| James D. Lackie Profit Sharing Plan | 50,000 | 8/4/98 | \$109,375 |
| Five accredited investors | 60,500 | 10/19/98 | \$121,000 |
| Target Market Development, Inc. | 10,000 | 12/4/98 | Services valued at \$1.80 per share |
| Don R. Miller | 10,000 | 12/14/98 | Services valued at \$1.80 per share |
| 20 employees | 2,000 | 12/14/98 | Services valued at \$1.80 per share |

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| | | | |
|----------------------------|---------|----------|--|
| Six accredited investors | 28,556 | 12/18/98 | \$ 51,400.80 |
| Five employees | 14,433 | 1/29/99 | Services valued at \$1.80 per share |
| M. E. Ratliff | 25,000 | 6/11/99 | \$ 25,000 |
| Charles E. Quin, Sr. | 3,135 | 7/29/99 | \$ 5,000 |
| M. E. Ratliff | 150,000 | 9/14/99 | \$150,000 |
| Charles Barker | 1,000 | 9/14/99 | Services valued at \$1.00 per share |
| Lawrence La Rue | 10,000 | 2/16/00 | Services valued at \$1.00 per share |
| Jeff Brockman | 3,000 | 7/18/00 | Services valued at \$1.00 per share |
| Lori Ann Nunn | 2,500 | 7/18/00 | Services valued at \$1.00 per share |
| Raymond D. Cohn | 50,000 | 7/18/00 | \$ 45,000 |
| 13 investors | 475,000 | 11/10/00 | \$475,000 |
| Richard Belz | 25,000 | 12/18/00 | \$ 25,000 |
| Raymond D. Cohn | 50,000 | 12/18/00 | \$ 50,000 |
| Three accredited investors | 525,000 | 12/18/00 | \$525,000 |
| 16 employees | 2,600 | 12/21/00 | Services valued at \$1.00 per share |
| Terry Goff | 23,000 | 3/7/01 | One Energy Industries compressor package |
| Joe Armstrong | 10,000 | 5/16/01 | \$ 10,000 |
| Michael Ratliff | 100,000 | 6/22/01 | Exercise of options at \$1.00 per share |
| Nancy Gettelfinger | 100,000 | 10/1/01 | Exercise of option at \$0.579 per share |
| Tengasco, Inc. | 150,000 | 10/16/01 | Equipment valued at \$150,000 |

(1) Issued on various dates during our fiscal year ended April 30, 1998.

(2) We issued warrants to purchase up to 688,000 shares of common stock, as partial consideration for a loan in the amount of \$860,000. See the caption "Certain Relationships and Related Transactions."

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- (3) Issued on various dates during our fiscal year ended April 30, 1999.
- (4) Our Board of Director's consent accepting subscriptions was signed December 12, 2000, but the Subscription Agreements were signed over a period of three months.

We issued all of these securities to persons who were either "accredited investors," or "sophisticated investors" who, by reason of relationship to us, education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in our company; and each had prior access to all material information about us. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act of 1933, pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 Regulation D thereof and from various similar state exemptions.

We have taken the following factors into account in determining the valuations of these shares: (i) the fact that the shares are "restricted"; (ii) the limited market for our common stock on the OTC Bulletin Board of the NASD; (iii) the low book value per share (\$0.348 at April 30, 2001); and (iv) our history of financial losses (\$936,193 and \$483,295 during the fiscal years ended April 30, 1999, and 2000, respectively).

Warrants.

| | | | |
|-----------------------|-----------|----------|-----|
| Raymond Cohn | 12,500 | 8/10/00 | (1) |
| Daniel Page | 1,000,000 | 10/11/00 | (2) |
| Basic Investors, Inc. | 100,000 | 12/08/00 | (3) |
| Lawrence L. LaRue | 12,500 | 12/15/00 | (4) |
| Teresa Cotton | 5,000 | 12/15/00 | (4) |
| Gary Bible | 6,000 | 1/09/01 | (4) |

(1) These warrants were granted to Mr. Cohn as partial consideration for his purchase of 50,000 "unregistered" and "restricted" shares of our common stock, as discussed under the heading "Common Stock," above. These warrants are exercisable at a price of \$1.00 per share, and expire on July 17, 2003. During the third year of the warrants, Miller Petroleum may call them at a price of \$0.001 per warrant at any time that its common stock has traded at \$2.00 for 30 consecutive days, with volume of not less than 5,000 shares per day.

(2) Granted to Mr. Page for his service as an investor relations consultant. The estimated value of these services was \$35,000. The warrants are exercisable for a period of two years, commencing August 3, 2000. The first 250,000 warrants are exercisable at a price of \$1.00 per share; the next 250,000 warrants are exercisable at \$1.50 per share; and the two remaining 250,000 share tranches are exercisable for \$2.00 per share and \$2.50 per share, respectively. The warrants may be exercised in lots of 25,000 or more.

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(3) Granted to Basic Investors for its service as a business consultant from December 8, 2000, until February 1, 2001. The estimated value of the services was \$3,500. The warrants are exercisable at a price of \$2.00 per share and may be called if Miller Petroleum's common stock trades at 150% of the exercise price for five consecutive days.

(4) Granted as bonuses to: Mr. LaRue, the CFO, Secretary/Treasurer and a director; Ms Cotton, an employee; and Mr. Bible, a Vice President. Each of these warrants is exercisable at a price of \$1.00 per share. Mr. LaRue's and Ms. Cotton's warrants expire on December 15, 2003, and Mr. Bible's warrants expire January 9, 2004. During the third year of the warrants, Miller Petroleum may call them at a price of \$0.001 per warrant at any time that its common stock has traded at \$2.00 for 30 consecutive days, with volume of not less than 5,000 shares per day.

We issued all of these securities to persons who were either "accredited investors," or "sophisticated investors" who, by reason of relationship to us, education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in our company; and each had prior access to all material information about us. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act of 1933, pursuant to Sections 4(2) and 4(6) thereof, and Regulation D of the Securities Exchange Act of 1934 and from various similar state exemptions.

Item 27. Exhibits -----

The following exhibits are filed as a part of this Registration Statement:

- 3.1 Charter of Miller Contract Drilling, Inc., filed January 24, 1978*
- 3.2 Articles of Merger between Miller Resources, Inc. and Miller Contract Drilling, Inc., filed March 13, 1979*
- 3.3 Articles of Merger between Miller Trucking Co., Inc. and Miller Contract Drilling, Inc., filed October 31, 1983*
- 3.4 Articles of Amendment of the Charter of Miller Contract Drilling, Inc., changing its name to Miller Petroleum, Inc., filed February 27, 1984*
- 3.5 Articles of Merger between Miller Enterprises, Inc. and Miller Petroleum, Inc., filed April 30, 1985*
- 3.6 Articles of Amendment to the Charter of Miller Petroleum, Inc., increasing the number of shares authorized to 2,000, filed on September 12, 1996*
- 3.7 Articles of Merger between Miller Services, Inc., Energy Cell, Inc. and Miller Petroleum, Inc., filed on September 16, 1996*
- 3.8 Certificate of Ownership and Merger and Articles of Merger between Triple Chip Systems, Inc., a Delaware corporation and Miller Petroleum, Inc., a Tennessee Corporation, filed on January 13, 1997*
- 3.9 By-Laws*
- 5 Opinion of Branden T. Burningham, Esq. regarding legality*
- 10.1 Purchase and Sale Agreement with NAMI Resources, LLC*

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Exhibit A-Definitions
Exhibit B-Leases
Exhibit C-Interest in Leases
Exhibit D-Wells
Exhibit E-Compressors
Exhibit F-Assigned Contracts
Exhibit G-Allocation of Purchase Price
Exhibit H-Form of Assignment
Exhibit I-Contractual Agreements
Exhibit J-Acknowledged Assignments

10.2 Form of Subscription Agreement for December, 2000, private placement*

10.3 Farmout Agreement with Tengasco, Inc.*

10.4 Incentive Stock Option Plan*

23.1 Consent of Branden T. Burningham, Esq.*

23.2 Consent of Charles M. Stivers, C.P.A.*

23.3 Consent of Coburn Petroleum Engineering*

27 Financial Data Schedule*

* These documents and related exhibits have previously been filed with the Securities and Exchange Commission as exhibits to the Registrant's Registration Statement on Form SB-2, which was filed on January 17, 2001 (File No. 333-53856), and amendments thereto, and are incorporated herein by this reference.

Item 28. Undertakings

We hereby undertakes:

(1) To file, during any period in which it offers or sells securities, a post-effective amendment to this Registration Statement to:

(i) include any Prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) reflect in the Prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and, notwithstanding the foregoing, any increase or decrease in volume of securities offered, if the total dollar value of securities offered would not exceed that which was registered, and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of Prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, to treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time shall be deemed to be the initial bona fide offering.

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(3) To file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, executive officers and controlling persons the foregoing provisions or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission that indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against these liabilities, other than our payment of expenses incurred or paid by any of our directors, executive officers or controlling persons in the successful defense of any action, suit or proceeding, is asserted by the director, executive officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question whether indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of that issue.

SIGNATURES

In accordance with the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing of Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned in the City of Huntsville, State of Tennessee, on December 5, 2001.

MILLER PETROLEUM, INC.

Date: 12-5-01

By /s/ Deloy Miller

Deloy Miller, CEO and
Director

In accordance with the requirements of the Securities Act, this registration statement was signed by the following persons in the capacities and on the dates stated.

MILLER PETROLEUM, INC.

Date: 12-5-01

By /s/ Deloy Miller

Deloy Miller, CEO and
Director

Date: 12-5-01

By /s/ Lawrence LaRue

Lawrence LaRue, CFO and
Director

Date: 12/05/2001

By /s/ Herbert J. White

Herbert J. White, Vice
President and Director

