MILLER PETROLEUM INC
Form S-1
August 13, 2010

As filed with the Securities and Exchange Commission on August 13, 2010

Registration No. 333-__________

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MILLER PETROLEUM, INC.

(Exact name of registrant as specified in its charter)

Tennessee	**1311**	**62-1028629**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

3651 Baker Highway, Huntsville, TN 37756

(423) 663-9457

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Mr. Paul Boyd,

Chief Financial Officer

Anna R. East, Esq.

General Counsel

Miller Petroleum, Inc.

3651 Baker Highway

Huntsville, TN 37756

(423) 663-9457

(Name, address, including zip code, and telephone number, including area code, of agent for service)

with a copy to:

James M. Schneider, Esq.

Schneider Weinberger & Beilly LLP

2200 Corporate Boulevard N.W., Suite 210

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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 check the following box: R

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 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	R

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration fee
Common stock, par value $0.0001 per share [1]	1,433,432	$4.35	$6,235,429	$445
Common stock, par value $0.0001 per share [2]	817,055	$5.28	$4,314,050	308
	2,250,487			$753

1

Represents shares of common stock which are presently outstanding. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933 based on the average of the high and low sale price of the common stock as reported on the Nasdaq Global Market on August 11, 2010.

2

Represents shares of common stock issuable upon the exercise of common stock purchase warrants with an exercise price of $5.28 per share.

To the extent permitted by Rule 416, this registration statement also covers such additional number of shares of common stock as may be issuable as a result of the anti-dilution provisions of the warrants in the event of stock splits, stock dividends or similar transactions.

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, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 13, 2010

PRELIMINARY PROSPECTUS

Miller Petroleum, Inc.

2,250,487 shares of Common Stock

This prospectus relates to periodic offers and sales of 2,250,487 shares of our common stock by the selling security holders, including 1,433,432 shares of our common stock which are presently outstanding and 817,055 shares of our common stock issuable upon the possible exercise of warrants.

We will not receive any proceeds from the sale of the shares by the selling security holders. To the extent the warrants are exercised on a cash basis, we will receive proceeds of the exercise price. The shares of common stock are being offered for sale by the selling security holders at prices established on the NASDAQ Global Market during the term of this offering. These prices will fluctuate based on the demand for the shares of common stock.

For a description of the plan of distribution of these shares, please see page 65 of this prospectus.

Our common stock is listed on the NASDAQ Global Market under the symbol MILL . On August 11, 2010 the last reported sale price for our common stock was $4.35 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 8 of this prospectus to read about the risks of investing in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is ______, 2010

ABOUT THIS PROSPECTUS

You should only rely on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

OTHER PERTINENT INFORMATION

We maintain our web site at www. millerenergyresources.com. Information on this web site is not a part of this prospectus.

Unless specifically set forth to the contrary, when used in this prospectus the terms Miller", "we", "us", "our" and similar terms refer to Miller Petroleum, Inc., a Tennessee corporation doing business as Miller Energy Resources, and its subsidiaries.

PROSPECTUS SUMMARY

About Us

We are an independent exploration and production company that utilizes seismic data, and other technologies for geophysical exploration and development of oil and gas wells in the Appalachian region of eastern Tennessee and the Cook Inlet Basin in south central Alaska. In addition to our engineering and geological capabilities, we provide land drilling services on a contract basis to customers primarily engaged in natural gas exploration and production.

Our principal executive offices are located at 3651 Baker Highway, Huntsville, TN 37756 and our telephone number at that office is (423) 663-9457. Our fiscal year end is April 30.

SUMMARY OF THE OFFERING

This prospectus covers the resale of a total of 2,250,487 shares of our common stock by the selling security holders which includes 1,433,432 shares that are presently outstanding and 817,055 shares that are issuable upon the exercise of warrants with an exercise price of $5.28 per share. Selling security holders may resell their shares from time-to-time, including through broker-dealers, at prevailing market prices. We will not receive any proceeds from the resale of our shares by the selling security holders. To the extent the warrants are exercised on a cash basis, we will receive the exercise price of the warrants. We will pay all of the fees and expenses associated with registration of the shares covered by this prospectus.

Common Stock

Outstanding Prior to this Offering:

33,389,383 shares of common stock on August 1, 2010.

Common Stock Reserved:

An aggregate of 14,131,500 shares of our common stock, including 2,154,545 shares issuable upon the possible conversion of 6% convertible secured promissory notes, and 11,976,955 shares issuable upon the exercise of options and warrants with exercise prices ranging from $0.01 to $6.94 per share. The resale of 817,055 shares issuable upon the exercise of warrants with an exercise price of $5.28 per share are covered by this prospectus.

Common Stock

Outstanding After this Offering:

47,520,883 shares of common stock, assuming the issuance of 817,055 shares of our common stock issuable upon the exercise of common stock purchase warrants at an exercise price of $5.28 per share, the resale of which is covered by this prospectus, but giving no effect to the possible exercise of the remaining outstanding warrants, outstanding options or the conversion of the 6% convertible secured promissory notes.

TERMS OF THE OFFERING WITH THE SELLING SECURITY HOLDERS

Overview of the 2010 Offering

On March 26, 2010, we executed a Securities Purchase Agreement pursuant to which at closing we agreed to sell units of our securities, including 1,433,432 shares of our common stock at a purchase price of $3.50 per share and five year warrants to purchase an additional 716,716 shares of common stock with an exercise price of $5.28 per share to 14 accredited and/or institutional purchasers. This offering closed on April 1, 2010. We received gross proceeds $5,017,002. These sales were made in a private transaction exempt from registration under the Securities Act of 1933 in reliance on an exemption provided by Section 4(2) of the Act and Regulation D thereunder.

Sutter Securities Incorporated, a broker-dealer and member of FINRA, acted as finder for us in the 2010 Offering. Under the terms of a Finder s Agreement with the firm, we paid Sutter Securities Incorporated a fee of $346,190 and issued the firm five-year common stock purchase warrants to purchase an aggregate of 100,339 shares of our common stock at an exercise price of $5.28 per share. In addition, we paid a finder s fee of $5,000 to Viriathus Capital LLC and paid the attorney for Sutter Securities Incorporated legal expenses totaling $10,000 incurred in the preparation of the various transactional documents. We are using the net proceeds of this offering for general working capital.

The Securities Purchase Agreement for the 2010 Offering provides that until September 26, 2010 any securities sold in the offering are subject to a per share price protection. In the event we were to issue any shares of common stock, or securities convertible into or exercisable for shares of common stock, to any third party purchaser at a purchase price or exercise price per share which is less than $3.50 per share, or less than the exercise price of $5.28 per warrant share (collectively, the Discounted Per Share Purchase Price), we will automatically issue additional shares of our common stock to the purchasers in the 2010 Offering without the payment of any additional consideration by those purchasers. The number of shares we may be obligated to issue will be equal product of:

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the fraction obtained by dividing (A) the sum of the number of initial shares and any additional shares we may have already issued the purchasers under the terms of the Securities Purchase Agreement then held by the purchasers on the date of the dilutive issuance by (B) the sum of the number of initial shares issued to the purchasers on the closing date and all additional shares issued to the purchasers after the closing date,

multiplied by

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the difference between the aggregate number of shares of common stock that would have been issued to the purchasers at the closing if the subscription amount of $3.50 per share was divided by the Discounted Per Share Purchase Price minus the aggregate number of shares of common stock equal to the sum of the initial shares, plus, to the extent there has been a previous issuance of additional shares to the purchasers, the number of additional shares previously issued to the purchasers.

In implementing this per share price protection, to the extent that an issuance of additional shares would result in a purchaser or any of its affiliates beneficially owning in excess of 4.99% of our common stock, then we will initially issue only a number of additional shares that would result in a purchaser (together with the purchaser s affiliates) beneficially owning 4.99% of our common stock. After this initial issuance, and until all additional shares which otherwise would have been issued under this per share price protection would have been issued, from time to time we will issue a number of the unissued additional shares so that the purchaser (together with the purchaser s affiliates) will beneficially own only 4.99% of our common stock.

We agreed under the terms of the Securities Purchase Agreement that we would not offer or sell any shares of common stock until six months from the date of this prospectus. In addition, we agreed that so long as the purchasers own any of our securities purchased in the 2010 Offering, we would not enter into any agreement for the issuance or sale by us or any of our subsidiaries of any common stock or common stock equivalent for cash in a variable rate transaction nor would we enter into any form of equity line of credit. Generally, a variable rate transaction means a transaction in which we sell securities which are convertible or exercisable into shares of our common stock at a price that varies based upon the market price of our common stock or contains a price reset provision.

Under the terms of the Securities Purchase Agreement we also indemnified the purchasers and each of their officers, directors, shareholders, partners, employees, agents and control persons from any losses or damages as a result of a breach of the agreement by our company or any action instituted against a purchaser by any of our shareholders who are not an affiliate of the purchasers with respect to the 2010 Offering, other than in the instance of gross negligence or fraud by the purchaser.

Finally, under the terms of the Securities Purchase Agreement we agreed that until one year after the effective date of the registration statement of which this prospectus is a part:

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that if we or any of our subsidiaries issue any common stock or common stock equivalents for cash, debt or a combination of cash and debt, purchasers in the 2010 Offering would have a right to participate in this subsequent financing in an amount equal to 100% of any subsequent financing, and upon the same terms and conditions and at a price as may be contemplated by this subsequent financing; and

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we would not undertake a forward or reverse stock split or a reclassification of our common stock without the prior written consent of the purchasers holding a majority in interest of the shares sold in the 2010 Offering.

The terms of the warrants issued to the purchasers in the offering, as well as the compensatory warrants issued to Sutter Securities Incorporated, are identical and provide that the number of shares issuable upon the exercise of the warrants, as well as the exercise price of the warrants, is subject to proportional adjustment in the event of stock splits, stock dividends, recapitalizations and similar corporate events. The warrants are exercisable on a cashless basis. The warrants are not exercisable to the extent that (i) the number of shares of our common stock beneficially owned by the holder and (ii) the number of shares of our common stock issuable upon the exercise of the warrants would result in the beneficial ownership by holder of more than 4.99% of our then outstanding common stock. This provision may be waived upon 61 days notice to us; provided, however, that the beneficial ownership limitation can in no event exceed 9.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock upon exercise of the warrant.

So long as the warrants are outstanding, if we should issue or sell any common stock or common stock equivalent, or grant any option to purchase any of our common stock or common stock equivalents, at a price less than the then exercise price, we will automatically reduce the exercise price of the warrants and the number of shares of common stock issuable upon the exercise of the warrants will be automatically increased so that the aggregate exercise price payable upon the exercise of the warrant, after taking into account the decrease in the exercise price, will be equal to the aggregate exercise price prior to the adjustment. In addition, while the warrant is outstanding, if we should issue or sell any common stock or common stock equivalent, or grant any option to purchase any of our common stock or common stock equivalents, at a price less than the daily volume weighted average of our common stock (the VWAP) on the record date of the proposed transaction, then we will automatically adjust the exercise price of the warrants by multiplying it by a fraction, with the denominator being the number of shares of the common stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of common stock offered for subscription or purchase, and the numerator being be the number of shares of the common stock outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares offered would purchase at the VWAP.

Under the terms of the Registration Rights Agreement entered into with the purchasers in the 2010 Offering, we were obligated to file a registration statement with the Securities and Exchange Commission covering the shares of common stock issued and sold in the offering, as well as the shares of common stock underlying the warrants, on or before April 15, 2010 so as to permit the public resale thereof. This prospectus is part of that registration statement.

We agreed to use our best efforts to cause the registration statement to be declared effective by the SEC within 90 days from the filing date or 120 days if the registration statement should be selected for a full review by the staff of the SEC. The registration rights agreement provides that if we failed to timely file the registration statement, or if it should not be declared effective within the prescribed time, we are subject to liquidated damages payable in cash equal to 2% of the aggregate purchase price of the securities up to a maximum of 12% of the total proceeds of the offering. Because we did not timely file the registration statement, we began accruing liquidated damages during the fourth quarter of 2010.

The following tables and other narrative information provide additional information on this offering.

Fees and Payments Associated with the Transaction

The table below sets forth disclosure of the dollar amount of each payment (including the value of any payments to be made in shares of our common stock) in connection with the 2010 Offering that we have made or may be required to make to:

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each selling security holder,

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any affiliate of a selling security holder, or

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any person with whom any selling security holder has a contractual relationship regarding the sale of the securities sold in the 2010 Offering.

The amounts include liquidated damages, payments made to finders or any other potential payments.

Selling Security Holder	Payment Reference	Date		Amount
Finder s fees[1]	Finder s fees	Closing	$	5,000
Reimbursement of legal fees for preparation of documents	Legal fees	Closing		10,000
All selling security holders	Liquidated damages [2]	Varied		602,040
Total			$	617,040

1

Represents amounts paid to Viriathus Capital LLC. The amount of finder s fees excludes $346,190 of cash compensation and warrants to purchase 100,339 shares of our common stock issued to Sutter Securities Incorporated as compensation for its services in the offering.

2

We agreed to file a registration statement with the Securities and Exchange Commission covering the shares of common stock sold in the offering, including the shares underlying the warrants, so as to permit the public resale thereof. In the event the registration statement was not filed by April 15, 2010 or is not declared effective 90 days from the filing date, or 120 days if the registration statement should be selected for a full review by the staff of the SEC, we are subject to liquidated damages payable in cash equal to 2% of the aggregate purchase price of the securities up to a maximum of 12% of the total proceeds of the offering. We failed to timely file the registration statement. We accrued liquidated damages of approximately $602,040 during the fourth quarter of 2010 resulting from our failure to timely file the registration statement. While we believe it possible to meet the deadline for effectiveness of the registration statement, for the purposes of this table we have assumed the payment of the maximum liquidated damages to the purchasers in the 2010 Offering based upon the failure to timely file and the failure to achieve timely effectiveness of the registration statement of which this prospectus is a part.

Net Proceeds from the 2010 Offering

The table below sets forth disclosure of the net cash proceeds to us from the sale of units under the terms of the Securities Purchase Agreement.

Gross proceeds received	$ 5,017,002
Less reimbursement for legal fees for document preparation	(10,000)
Less finder s fees[1]	(351,190)
Net proceeds	$ 4,655,812
Total possible payments to selling security holders during first year [2]	602,040
	$ 4,053,772

1

Includes cash payments but excludes the value of any warrants issued to Sutter Securities Incorporated as set forth above.

2

Assumes the payment of the maximum liquidated damages as registration rights penalties under the terms of the Registration Rights Agreement for the 2010 Offering as described in the foregoing table.

4

Possible Profit to the Purchasers in the 2010 Offering on the Shares of Common Stock

Under the terms of the Securities Purchase Agreement we issued the investors a total of 1,433,432 shares of our common stock as a component of the units purchased in the offering at an effective offering price of $3.50 per share, assuming no value is attributed to the warrants included in the units. The closing price of our common stock as reported on the OTC Bulletin (on which our common stock was quoted at the time of the offering) on March 26, 2010, the date of the Securities Purchase Agreement, was $5.28. The following table illustrates the possible profit to the selling security holders at the closing of the offering based upon the difference between the purchase price of the common stock and the fair market value of our common stock at closing. While the units consisted of shares of our common stock and warrants, for the purposes of this table we have allocated the entire purchase price of the units to the shares of common stock included in the units and ascribed no value to the warrants included in the units.

Total Shares Underlying the Units Purchased in the Offering by the Selling Security Holders	Combined Purchase Price of the Shares	Combined Market Price of Shares	Total Possible Discount to the Market Price on the Sale Date
1,433,432	$5,017,002	$7,568,521	$2,551,519

Possible Profit to the Purchasers in the 2010 Offering on the Shares of Common Stock Underlying the Warrants Included in the Units

Under the terms of the Securities Purchase Agreement we issued the investors warrants to purchase a total of 716,716 shares of our common stock with an exercise price of $5.28 per share. The closing price of our common stock as reported on the OTC Bulletin (on which our common stock was quoted at the time of the offering) on March 26, 2010, the date of the Securities Purchase Agreement, was $5.28. Both the exercise price of the warrants and the number of shares issuable upon exercise of the warrants is subject to adjustment if we should issue shares of common stock or other securities convertible or exercisable into shares of common stock at a price less than the then current exercise price. For the purposes of this table, however, we have not assumed any event will occur which will result in a change in the exercise price of the warrants. As set forth in footnote 2, the information in this table also excludes warrants issued as compensation.

Total Possible Shares to be Received Upon Exercise of the Warrants [(1)]	Combined Market Price of Shares Underlying Warrants	Combined Exercise Price of the Total Number of Shares Underlying the Warrants	Total Possible Discount to the Market Price on the Sale Date of the Units
716,716 [(2)]	$3,784,260	$3,784,260	$0

1

Assumes the cash exercise of all warrants at their initial exercise prices.

2

Excludes an aggregate of 100,339 shares underlying warrants we issued to Sutter Securities Incorporated as compensation in the 2010 Unit Offering.

Comparison of Net Proceeds to us and Total Possible Profit to Selling Security Holders

Gross proceeds to us	$ 5,017,002
Less finder s fees[1]	(351,190)
Less reimbursement of legal expenses for document preparation	(10,000)
Net proceeds to us	$ 4,655,812
Combined total possible profit of selling security holders	$ 2,551,519
Approximate percentage of the net proceeds received by us to the combined total possible profit of selling security holders.	182%

1

Includes cash payments but excludes the value of any warrants issued as set forth above.

Relationship of Outstanding Shares Before and After the Offering

The table below sets forth disclosure about our common stock held by the selling security holders, our affiliates and affiliates of the selling security holders.

No. of shares outstanding prior to offering held by persons other than the selling security holders, our affiliates and affiliates of the selling security holders	No. of shares registered for resale by the selling security holders or affiliates of the selling security holders in prior registration statements	No. of shares registered for resale on behalf of the selling security holders or affiliates of the selling security holders in this prospectus
17,876,909	0	2,150,148

Prior Securities Transactions with the Selling Security Holders

In December 2009 we sold 6,015,000 shares of our common stock in a private transaction at $1.00 per share to accredited and institutional investors. The terms of this offering are described later in this prospectus under Management s Discussion and Analysis of Financial Condition and Results of Operations - Financing Transactions. Certain of the selling security holders who were investors in our 2010 Offering also participated in the December 2009 offering upon the same terms and conditions as the other investors. The number of shares purchased in the December 2009 offering by the selling security holders is set forth below:

Selling Security Holder	No. of Shares Purchased	Amount
Seaside 88, LP [(1)]	2,100,000	$2,100,000
Bristol Investment Fund, Ltd.	1,250,000	$1,250,000
Glacier Partners Corp.	200,000	$ 200,000
Porter Partners, L.P.	200,000	$ 200,000

1

We paid Seaside 88 Advisors, LLC, an affiliate of Seaside 88, L.P., a non-accountable allowance of $25,000 in connection with the offering.

Other than the foregoing, we have not been a party to any prior securities transaction with any selling security holder, an affiliate of any selling security holder, or any person with whom any selling security holder has a contractual relationship, including any predecessors of any of those persons, regarding any prior securities transaction.

SELECTED CONSOLIDATED FINANCIAL DATA

The following summary of our financial information for the years ended April 30, 2010 and 2009 which have been derived from, and should be read in conjunction with, our consolidated financial statements included elsewhere in this prospectus**.**

Income Statement Data:

	Year Ended April 30,			
		2010		2009
Total revenue	$	5,867,004	$	1,567,304
Total costs and expenses		16,980,416		4,787,303
Loss from operations	$	(11,113,412)	$	(3,219,999)
Total other income		443,998,114		11,577,150
Net income	$	249,453,180	$	8,356,373

Balance Sheet Data:

	April 30,			
		2010		2009
Working capital (deficit)	$	338,111	$	(313,565)
Cash	$	2,750,841	$	46,566
Total current assets	$	5,166,444	$	2,260,935
Total assets	$	500,452,155	$	9,941,733
Total current liabilities	$	4,828,333	$	2,574,500
Total liabilities	$	224,711,334	$	2,720,997
Total stockholders' equity	$	275,740,821	$	7,220,736

RISK FACTORS

An investment in our common stock involves a significant degree of risk. You should not invest in our common stock unless you can afford to lose your entire investment. You should consider carefully the following risk factors and other information in this prospectus before deciding to invest in our common stock.

Risks Related to Our Business

We have a history of operating losses and our net income in 2010 and 2009 are both the result of one-time acquisition gains. Our revenues are not currently sufficient to fund our operating expense and there are no assurances we will develop profitable operations.

We reported an operating loss of approximately $11.1 million in fiscal 2010 and approximately $3.2 million in fiscal 2009. Our net income of approximately $249.5 million in fiscal 2010 is attributable to the approximate $461.1 million gains on the acquisitions of the Alaska and Tennessee assets. Our net income of approximately $8.4 million in fiscal 2009 is attributable to the approximate $11.7 million one-time gain on the sale of assets in Tennessee. While our revenues increased approximately $4.3 million in fiscal 2010 from fiscal 2009, our operating expenses increased by approximately $12.2 million from year to year. Approximately 31% of this increase in fiscal 2010 is associated with one-time non cash expenses and 19% is associated with ongoing non cash expenses. In addition, we did not begin reporting revenues from our Alaskan assets until January 2010. However, as a result of the significant expansion of our business during fiscal 2010 our operating expenses presently far exceed our revenues. We anticipate that our operating expenses will continue to increase as we fully develop our operations following the acquisition of the Alaskan assets and expect an increase in our revenues as well. However, until such time as we are able to significantly increase our revenues, we will continue depleting our cash resources to fund our operating expenses. We believe our present working capital is sufficient to fund our operations for the foreseeable future, but we may have to reduce or cease our expansion efforts if we have not seen an increase in revenues in the next few months. While we believe that we will successful in increasing our revenues to a level which will pay our operating expenses, if we are not successful we will need to raise additional capital until such time as our revenues are sufficiently increased. As described below, our ability to raise additional capital could be adversely impacted by the terms of our 2010 Offering. If we are unable to raise additional capital as necessary to fund our operating expenses, our ability to continue to grow our company would be hampered and we could be forced to curtail development of some or all of our assets until such time, if ever, that we are able to raise the needed capital.

Our development and exploration operations require substantial capital, and we may be unable to obtain needed capital or financing on satisfactory terms, which would prevent us from fully developing our business and substantially increasing our revenues.

The oil and gas industry is capital intensive and we anticipate that we will need to raise between $75 million and $100 million to meet our funding commitments under the Assignment Oversight Agreement with the State of Alaska Department of Natural Resources (Alaska DNR) and to fully develop our Tennessee and Alaskan reserves. We intend to seek this additional capital through the sale of equity or debt instruments; however, the terms of the 2010 Offering contain restrictive covenants that prevent us from raising any additional equity capital for six months following the date of this prospectus and which contain additional covenants which my impede our capital raising activities in future periods. We may not be able to obtain this necessary equity or debt financing on terms favorable to us, if at all. If we are unable to raise the capital as needed, the State of Alaska could terminate all of the Cook Inlet leases which would be a material adverse event to our company and we would be unable to fully develop our Alaskan reserves which would materially impact our ability to increase our revenues in future periods. To the extent such funds are not available from any of those sources, our operations and activities will be limited to those operations and activities we can afford with the funds then available to us. The failure to obtain additional financing could also result in a curtailment of our operations relating to exploration and development of our prospects.

We have failed to timely file a registration statement related to our 2010 Offering and are subject to registration rights penalties which are payable in cash.

Under the terms of the 2010 Offering we were required to file a registration statement with the SEC registering for resale the shares of common stock sold in the offering, including those underlying the warrants included in the units, by April 15, 2010. We also agreed to use our best efforts to cause the registration statement to be declared effective by the SEC within 90 days from the filing date or 120 days if the registration statement should be selected for a full review by the staff of the SEC. The registration rights agreement provides that if we failed to timely file the registration statement, or if it should not be declared effective within the prescribed time, we are

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subject to liquidated damages payable in cash equal to 2% of the aggregate purchase price of the securities up to a maximum of 12% of the total proceeds of the offering. We did not timely file the registration statement of which this prospectus is a part. Because our failure to timely file the registration statement, during the fourth quarter of fiscal 2010 we accrued registration rights penalties of $602,040 which is payable in cash to the investors in that offering. The payment of these penalties will adversely impact our working capital.

Cook Inlet Energy s operations are subject to oversight by the Alaska DNR and the Cook Inlet Energy oil and gas leases could be terminated if it fails to uphold the terms of the Assignment Oversight Agreement. If these leases were terminated, we would be unable to continue our operations as they are presently conducted and could be liable for significant additional costs associated with decommissioning the Osprey platform.

Cook Inlet Energy is a party to an Assignment Oversight Agreement with the Alaska DNR that was entered into in November 2009 as a condition of the sale of the oil and gas leases from Pacific Energy Resources to Cook Inlet Energy. The agreement states that its intent is to ensure that there were sufficient funds, and that those funds are only spent, to fulfill Cook Inlet Energy s initial development, operation, and dismantlement obligations under the assigned leases, applicable statues and regulations. Those commitments include approximately $5.15 million to be used by Cook Inlet Energy to restore base production at the West McArthur River Unit Facility and approximately $31 million to support restoration of base production at the Redoubt Unit. Internally we have increased that requirement to $35 million to accommodate the purchase of a drilling rig for the Osprey platform. During the interim period, Cook Inlet Energy has fulfilled its commitment to restore base production from the West McArthur River Unit. However, we remain obligated to restore base production from the Redoubt Unit. We will need to either close the funding commitment from Vulcan Capital Corporation or raise the necessary capital from third parties. As a result of the restrictive covenants of the 2010 Offering, our ability to raise additional capital is limited. If we are unable to raise the capital as necessary to fully fund the commitment made in connection with the Assignment Oversight Agreement, the State of Alaska could terminate all of the Cook Inlet leases which would be a material adverse event to our company. Our operations would be limited to the Appalachian region and it is unlikely we would be able to continue our operations as they are presently conducted. In addition, we would then be obligated to fund the decommissioning and abandonment of the Osprey platform, which could cost as much as $40 million, of which only approximately $6.6 million has been escrowed with Alaska.

Oil and gas prices fluctuate due to a number of uncontrollable factors, creating a component of uncertainty in our development plans and overall operations. Declines in prices adversely affect our financial results and rate of growth in proved reserves and production.

Oil and gas markets are very volatile, and we cannot predict future oil and natural gas prices. The prices we receive for our oil and natural gas production heavily influence our revenue, profitability, access to capital and future rate of growth. The prices we receive for our production depend on numerous factors beyond our control. These factors include, but are not limited to, changes in global supply and demand for oil and gas, the actions of the Organization of Petroleum Exporting Countries, the level of global oil and gas exploration and production activity, weather conditions, technological advances affecting energy consumption, domestic and foreign governmental regulations and tax policies, proximity and capacity of oil and gas pipelines and other transportation facilities and transportation costs and the price and technological advancement of alternative fuels.

The downward pressure in oil and natural gas prices that began in the last half of 2008 continued in 2010. The average realized gas price per thousand standard cubic feet (Mscf) for 2010 decreased 40% from 2009 and the average realized oil price per barrel for 2010 decreased 9% from 2009. The decrease in prices significantly decreased the amount available to invest in exploration and development drilling and the present value of our proved reserves. Our proved oil and gas reserves and production volumes decrease in quantity unless we successfully replace the reserves we produce with new discoveries or acquisitions. For the foreseeable future, we expect to make substantial capital investments for the exploration and development of new oil and gas reserves to replace the reserves we produce, to increase our daily production and to increase our total proved reserves. It will be necessary for us to raise additional capital to fund these expenditures. Low prices also reduce the amount of oil and gas that we can economically produce and may cause us to curtail, delay or defer certain exploration and development projects.

The global economic crisis may have impacts on our business and financial condition that we currently cannot predict.

The continued credit crisis and related turmoil in the global financial system may have an impact on our business and our financial condition, and we may face challenges if conditions in the financial markets do not improve. Our ability to access the capital markets may be restricted at a time when we would like, or need, to raise financing, which could have an impact on our flexibility to react to changing economic and business conditions. The economic situation could have an impact on potential lenders, purchasers of our oil and gas production and working interest owners in properties we operate, causing them to fail to meet their obligations to us.

Estimates of oil and natural gas reserves are inherently imprecise. Any material inaccuracies in these reserve estimates or underlying assumptions will affect materially the quantities and present value of our reserves.

Estimates of proved oil and natural gas reserves and the future net cash flows attributable to those reserves are prepared by independent petroleum engineers and geologists. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and cash flows attributable to such reserves, including factors beyond our control and that of our engineers. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. Different reserve engineers may make different estimates of reserves and cash flows based on the same available data. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to such reserves, is a function of the available data, assumptions regarding future oil and natural gas prices and expenditures for future development drilling and exploration activities, and of engineering and geological interpretation and judgment. Additionally, reserves and future cash flows may be subject to material downward or upward revisions, based upon production history, development drilling and exploration activities and prices of oil and natural gas. Actual future production, revenue, taxes, development drilling expenditures, operating expenses, underlying information, quantities of recoverable reserves and the value of cash flows from such reserves may vary significantly from the assumptions and underlying information set forth herein.

Approximately 74% of our total estimated proved reserves at April 30, 2010 were proved undeveloped reserves. In addition, there are no assurances that probable and possible reserves will be converted to proved reserves.

Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data included in the reserve engineer reports assumes that substantial capital expenditures are required to develop such reserves. Although cost and reserve estimates attributable to our natural gas and crude oil reserves have been prepared in accordance with industry standards, we cannot be sure that the estimated costs are accurate, that development will occur as scheduled or that the results of such development will be as estimated. We also have a significant amount of probable and possible reserves at April 30, 2010. There is significant uncertainty attached to probable and possible reserve estimates. Proved reserves are more likely to be produced than probable reserves and probable reserves are more likely to be produced than possible reserves. There are no assurances that we can develop probable or possible reserves into probable reserves, or that if developed, probable reserves will become producing reserves to the level of the estimates.

There are no assurances that we will be able to extend the Susitna Basin Exploration License.

Included in the Alaskan assets we acquired is the Susitna Basin Exploration License granted by the State of Alaska covering approximately 471,474 acres which expires in October 2010. The acreage which is the subject of this exploration license represents approximately 84% of our net undeveloped acreage at April 30, 2010. Under the terms of the exploration license, providing that the work commitment of approximately $3.5 million was fulfilled, during the exploration license term the licensee has the right to convert the license for all or a portion of the acreage into oil and gas leases. This original work commitment was met by the prior licensee and we presently have the right to convert the license into leases. Once the exploration license is converted into oil and gas leases, we are required to pay a per acre fee to the state and commence drilling operations within specified timeframes. In an effort to control the timing of the development of this acreage, in April 2010 we requested a three year extension of the exploration license for a work commitment of $750,000. While we reasonably believe the state will grant our request for extension, there are no assurances we are correct, or that if granted, that the terms and conditions of the extension will be satisfactory to us. If we are unable to negotiate an extension, it is likely we will convert the license for only a portion of the land into oil and gas leases. The loss of the remaining rights would reduce the acreage which we could develop into proved, producing reserves.

The present value of future net cash flows from our proved reserves will not necessarily be the same as the current market value of our estimated natural gas, crude oil and natural gas liquids reserves.

You should not assume that the present value of future net revenues from our proved reserves referred to in this prospectus is the current market value of our estimated natural gas, crude oil and natural gas liquids reserves. In accordance with SEC requirements, the estimated discounted future net cash flows from our proved reserves are based on prices and costs on the date of the estimate, held flat for the life of the properties. Actual future prices and costs may differ materially from those used in the present value estimate. Actual future net cash flows will also be affected by increases or decreases in consumption by oil and gas purchasers and changes in governmental regulations or taxation. The timing of both the production and the incurrence of expenses in connection with the development and production of oil and gas properties affects the timing of actual future net cash flows from proved reserves. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most appropriate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and gas industry in general will affect the accuracy of the 10% discount factor.

Our industry is subject to extensive environmental regulation that may limit our operations and negatively impact our production. As a result of increased enforcement of existing regulations and potential new regulations following the Gulf oil spill, the costs for complying with government regulation could increase.

Extensive Federal, state, and local environmental laws and regulations in the United States affect all of our operations. Environmental laws to which we are subject in the U.S. include, but are not limited to, the Clean Air Act and comparable state laws that impose obligations related to air emissions, the Resource Conservation and Recovery Act of 1976 (RCRA), and comparable state laws that impose requirements for the handling, storage, treatment or disposal of solid and hazardous waste from our facilities, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and comparable state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or at locations to which our hazardous substances have been transported for disposal, and the Clean Water Act, and comparable state laws that regulate discharges of wastewater from our facilities to state and federal waters. Failure to comply with these laws and regulations or newly adopted laws or regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations or imposing additional compliance requirements on such operations. Certain environmental laws, including CERCLA and analogous state laws, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or hydrocarbons have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons or other waste products into the environment. Environmental legislation may require that we:

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acquire permits before commencing drilling;

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restrict spills, releases or emissions of various substances produced in association with our operations;

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limit or prohibit drilling activities on protected areas such as wetlands or wilderness areas;

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take reclamation measures to prevent pollution from former operations;

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take remedial measures to mitigate pollution from former operations, such as plugging abandoned wells and remedying contaminated soil and groundwater; and

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take remedial measures with respect to property designated as a contaminated site.

There is inherent risk of incurring environmental costs and liabilities in connection with our operations due to our handling of natural gas and other petroleum products, air emissions and water discharges related to our operations, and historical industry operations and waste disposal practices. The costs of any of these liabilities are presently unknown but could be significant. We may not be able to recover all or any of these costs from insurance. In addition, we are unable to predict what impact the Gulf oil spill will have on independent oil and gas companies such as our company. For instance, ccompanies such as ours currently pay an $0.08 per barrel tax on all oil produced in the U.S. which is contributed to the Oil Spill Liability Trust Fund. There are pending proposals to raise this tax to $0.18 to $0.25 per barrel. It is also probable that there will be increased enforcement of existing regulations and adoption of new regulations which will also increase our cost of doing business which would reduce our operating profits in future periods.

The effects of future environmental legislation on our business are unknown but could be substantial.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Changes in, or enforcement of, environmental laws may result in a curtailment of our production activities, or a material increase in the costs of production, development drilling or exploration, any of which could have a material adverse effect on our financial condition and results of operations or prospects. In addition, many countries, as well as several states in the United States have agreed to regulate emissions of greenhouse gases. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning natural gas, are greenhouse gases. Regulation of greenhouse gases could adversely impact some of our operations and demand for products in the future.

Should we fail to comply with all applicable FERC administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines.

Under the Energy Policy Act of 2005, the Federal Energy Regulatory Commission, or FERC, has authority to impose penalties for violations of the Natural Gas Act, up to $1 million per day for each violation and disgorgement of profits associated with any violation. FERC has recently proposed and adopted regulations that may subject our facilities to reporting and posting requirements. Additional rules and legislation pertaining to these and other matters may be considered or adopted by FERC from time to time. Failure to comply with FERC regulations could subject us to civil penalties.

Our business depends on oil and natural gas transportation facilities, most of which are owned by others.

The marketability of our oil and natural gas production depends in large part on the availability, proximity and capacity of pipeline systems owned by third parties. The lack of available capacity on these systems and facilities could result in the shut-in of producing wells or the delay or discontinuance of drilling plans for properties. The lack of availability of these facilities for an extended period of time could negatively affect our revenues. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

Our business involves many operating risks that may result in substantial losses for which insurance may be unavailable or inadequate.

Our operations are subject to hazards and risks inherent in drilling for oil and gas, such as fires, natural disasters, explosions, formations with abnormal pressures, casing collapses, uncontrollable flows of underground gas, blowouts, surface cratering, pipeline ruptures or cement failures, and environmental hazards such as natural gas leaks, oil spills and discharges of toxic gases. Any of these risks can cause substantial losses resulting from injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution and other environmental damages, regulatory investigations and penalties, suspension of our operations and repair and remediation costs. In addition, our liability for environmental hazards may include conditions created by the previous owners of properties that we purchase or lease. We maintain insurance coverage against some, but not all, potential losses. We do not believe that insurance coverage for all environmental damages that could occur is available at a reasonable cost. Losses could occur for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could harm our financial condition and results of operation.

Our Cook Inlet Basin leases and our Osprey Platform are located in a region of active volcanoes and we could be subject to the adverse impacts of natural disasters.

The Cook Inlet region contains active volcanoes, including Augustine Volcano, Mount Spurr and Mount Redoubt, and volcanic eruptions in this region have been associated with earthquakes and tsunamis and debris avalanches have also resulted in tsunamis. In 2009 the Cook Inlet Pipeline Co. suspended operations on several occasions as a result of the spring 2009 major eruption of Mount Redoubt which also resulted in a shutdown of the Drift River Oil Terminal. Our operations in this area are subject to all of the inherent risks associated with operations in a geographical region which is subject to natural disasters and we are susceptible to the risk of damage to our operations and assets located in the Cook Inlet Basin. While our facilities are engineered to withstand seismic activity, and the current tight line configuration should allow us to continue shipments through an active volcanic period without much interruption, we do not maintain business interruption insurance which could adversely impact our results of operations as the result of lost revenues in future periods.

We may be subject to certain conflicts of interest related to Miller Energy Income 2009 -A, LP which may not be resolved in a manner favorable to our company.

A wholly owned subsidiary of our company is the general partner of Miller Energy Income 2009-A, LP ("MEI") and Messrs. Miller, Boruff and Boyd are officers of MEI. Between November 2009 and May 2010 we borrowed an aggregate of approximately $3.07 million from MEI under the terms of four year secured notes. In the event there should be a dispute under these loans, there are no assurances that it will be resolved in our favor. We asked a third party to hold in escrow titles to substantial company drilling equipment to serve as collateral for these loans. In the event of a dispute under this loan, we could lose ownership of this equipment which we need to perform drilling and drilling services. In that event, we would be unable to continue our operations as they are presently conducted which would have a material adverse impact on our results of operations in future periods. There are no assurances that decisions Messrs. Miller, Boruff and/or Boyd make in matters related to MEI will be beneficial to us.

Risks Related To Ownership of our Securities and this Offering

Certain of our outstanding warrants contain cashless exercise provisions which means we will not receive any cash proceeds upon their exercise.

At August 1, 2010 we have common stock warrants outstanding to purchase an aggregate of 8,676,955 shares of our common stock with an average exercise price of $1.51 per share which are exercisable on a cashless basis. This means that the holders, rather than paying the exercise price in cash, may surrender a number of warrants equal to the exercise price of the warrants being exercised. It is possible that the warrant holders will utilize the cashless exercise feature which will deprive us of additional capital which might otherwise be obtained if the warrants did not contain a cashless feature.

A large portion of our outstanding common shares are restricted securities and we have outstanding options, warrants and purchase rights to purchase approximately 47% of our currently outstanding common stock.

At August 1, 2010 we had 33,389,383 shares of common stock outstanding together with outstanding options and warrants to purchase an aggregate of 11,976,955 shares of common stock at exercise prices of between $0.01 and $6.94 per share and $1,185,000 principal amount of convertible notes which are convertible into 2,154,545 shares of common stock at a conversion price of $0.55 per share. Of our outstanding shares of common stock at August 1, 2010, approximately 16,400,000 shares are "restricted securities." Future sales of restricted common stock under Rule 144 or otherwise could negatively impact the market price of our common stock. In addition, in the event of the exercise of the warrants and options and the conversion of the notes, the number of our outstanding common stock will increase by approximately 32%, which will have a dilutive effect on our existing shareholders.

The impacts of non-cash gains and losses from derivative liability accounting in future periods could materially impact our financial results.

As a result of the terms of the 2010 Offering, as well as the terms of other recent financing transactions we have entered into which are described later in this prospectus, our financial statements for the year ended April 30, 2010 and future periods will be impacted by the accounting effect of the application of derivative accounting. The application of EITF 07-05 *Determining Whether an Instrument (or Embedded Feature) is Indexed to a Company's Own Stock,* which was effective on January 1, 2009 will significantly affect the application of ASC Topic 815 and ASC Topic 815-40 for both freestanding and embedded derivative financial instruments in our financial statements. Generally, warrants, conversion features in debt, and similar terms that include full-ratchet or reset provisions, which mean that the exercise or conversion price adjusts to pricing in subsequent sales or issuances, no longer meet the definition of indexed to a company's own stock and are not exemption for equity classification provided in ASC Topic 815-15. This means that instruments that were previously classified in equity will require reclassification to liabilities and ongoing measurement under ASC Topic 815. The amount of quarterly non-cash gains or losses we will record in future periods is unknown at this time as the measurement is based upon the fair market value of our common stock on the measurement date. It is likely, however, that these non-cash gains or losses could have a material impact on our financial results in future periods.

If the selling security holders all elect to sell their shares of our common stock at the same time, the market price of our shares may decrease.

It is possible that the selling security holders will offer all of the shares for sale. Further, because it is possible that a significant number of shares could be sold at the same time hereunder, the sales, or the possibility thereof, may have a depressive effect on the market price of our common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Various statements in this prospectus contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived from utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to:

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the capital intensive nature of oil and gas development and exploration operations and our ability to raise adequate capital to fully develop our operations and assets,

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our ability to perform under the terms of the Assignment Oversight Agreement with the Alaska DNR, including meeting the funding commitments of that agreement,

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fluctuating oil and gas prices and the impact on our results of operations,

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our ability to secure an extension of the Susitna Basin Exploration License,

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the impact of the global economic crisis on our business,

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the impact of natural disasters on our Cook Inlet Basin operations,

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the imprecise nature of our reserve estimates,

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our ability to recover proved undeveloped reserves and convert probable and possible reserves to proved reserves,

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the possibility that present value of future net cash flows will not be the same as the market value,

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the costs and impact associated federal and state regulations,

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changes in existing federal and state regulations,

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our dependence on third party transportation facilities,

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insufficient insurance coverage,

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conflicts of interest related to our dealings with MEI,

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cashless exercise provisions of outstanding warrants,

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market overhang related to restricted securities and outstanding options, warrants and convertible notes,

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adverse impacts on the market price of our common stock from sales by the selling security holders.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this prospectus in its entirety, including the risks described in Risk Factors. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this prospectus, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since May 6, 2010 our common stock has been listed on the NASDAQ Global Market under the symbol MILL. Previously, our common stock was quoted on the OTC Bulletin Board and in the over the counter market on the Pink Sheets. The reported high and low sales prices for the common stock as reported on the various markets on which our stock was quoted during the periods indicated are shown below. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

	High	**Low**
2009		
First quarter ended July 31, 2008	$0.54	$0.10
Second quarter ended October 31, 2008	$0.51	$0.15
Third quarter ended January 31, 2009	$0.40	$0.15
Fourth quarter ended April 30, 2009	$0.40	$0.15
2010		
First quarter ended July 31, 2009	$0.38	$0.22
Second quarter ended October 31, 2009	$0.70	$0.28
Third quarter ended January 31, 2010	$2.95	$0.60
Fourth quarter ended April 30, 2010	$6.60	$1.95
2011		
First quarter ended July 31, 2010	$7.48	$4.40

On August 11, 2010, the last sale price of our common stock as reported on the NASDAQ Global Market was $4.35. As of August 1, 2010, there were approximately 400 record owners of our common stock.

Dividend Policy

We have never paid cash dividends on our common stock and we do not anticipate that we will declare or pay dividends in the foreseeable future. Payment of dividends, if any, is within the sole discretion of our Board of Directors and will depend, among other factors, upon our earnings, capital requirements and our operating and financial condition. In addition under Tennessee law, we may not pay a dividend if, after giving effect, we would be unable to pay our debts as they become due in the usual course of business or if our total assets would be less than the sum of our total liabilities plus the amount that would be needed if we were to be dissolved at the time of the payment of the dividend to satisfy the preferential rights upon dissolution of shareholders whose preferential rights

CAPITALIZATION

The following table sets forth our capitalization as of April 30, 2010. The table should be read in conjunction with the financial statements and related notes included elsewhere in this prospectus.

		April 30, 2010
Long term liabilities	$	219,883,001
Common stock, $0.0001 par value, 500,000,000 shares authorized, 32,224,894 shares issued and outstanding		3,223
Additional paid-in capital		27,620,605
Retained earnings		248,116,993
Total stockholders' equity	$	275,740,821
Total capitalization	$	495,623,822

USE OF PROCEEDS

We will not receive any proceeds upon the sale of shares of common stock by the selling security holders. Any proceeds that we receive from the exercise of the outstanding warrants, if exercised on a cash basis, will be used by us for general working capital. The actual allocation of proceeds realized from the exercise of the warrants will depend upon the amount and timing of such exercises, our operating revenues and cash position at such time and our working capital requirements. There can be no assurances that any of the outstanding warrants will be exercised on a cash basis, if at all.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS

Overview

We are an independent exploration and production company that utilizes seismic data, and other technologies for geophysical exploration and development of oil and gas wells in the Appalachian region of eastern Tennessee and the Cook Inlet Basin in south central Alaska. In addition to our engineering and geological capabilities, we provide land drilling services on a contract basis to customers primarily engaged in natural gas exploration and production.

During fiscal 2009 and 2010, we completed several transactions which we believe had both a positive impact on our balance sheet and will assist us in our continued growth. These transactions, which are described in detail later in this prospectus under Our Business - Our history , included the following:

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sale of leases and wells to Atlas Energy Recourses, LLC,

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settlement of Wind City litigation,

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acquisition of assets from Ky-Tenn Oil, Inc. (KTO),

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acquisition of East Tennessee Consultants, Inc. (ETC) and East Tennessee Consultants, LLC (LLC),

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acquisition of Cook Inlet Energy LLC in Alaska, and

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acquisition of Alaskan assets of Pacific Energy Resources.

As a result of the aforedescribed acquisitions, we presently have approximately 645,683 acres of gross oil and gas leases and exploration license rights (603,546 net acres), which includes 471,474 acres under the Susitna Basin Exploration License. The terms of these new leases have a net revenue interest ranging from 0.1% to 100% and run from three to five years. We are presently reviewing these leases, as well as our other existing leases, to determine the capital requirements and timing for drilling additional wells. We plan to drill five new wells in the next 12 months. As a part of our fiscal 2008 sale to Atlas Energy, we retained a 5% royalty interest on a 1,930 acre tract that we expect to be the subject of Atlas Energy drilling.

With the closing of these transactions, our management is now able to focus the majority of its efforts on growing our company. In addition to raising capital we are also continuing to focus our short-term efforts on three distinct areas, including the following:

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increase our overall oil and gas production through maintenance and repairs of nonperforming or underperforming wells,

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organically growing production through drilling for our own benefit on existing leases and under license rights, leveraging our 100,000 plus well log database and over 645,000 acres which are either under lease or part of the Susitna Basin Exploration License, with a view towards retaining the majority of working interest in the new wells, and

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expanding our contract drilling and service capabilities and revenues, including drilling and service contracts with third parties.

Our ability, however, to implement one or more of these goals is dependent upon the availability of additional capital. To fully expand our operations as set forth above, we will need up to $75 million to $100 million to fund the balance of our expansion plans, including up to approximately $67.4 million associated with obligations arising from our purchase of the Alaskan assets. To provide the required capital, we are seeking to leverage our existing assets as well as raise additional capital through the sale of equity and/or debt securities. We do not have any firm commitments for the additional capital we need to fully fund our operations and there are no assurances the capital will be available to us upon terms acceptable to us, if at all. While we are actively seeking to secure the additional capital, terms of the Securities Purchase Agreement for the 2010 Offering contain restrictive covenants which may adversely impact our ability to raise additional capital during the 12 months following the date of this prospectus. If we are not able to raise the capital as required, we will be unable to fully implement our expanded business model, and the State of Alaska could terminate the leases which comprise substantially all of our Cook Inlet Basis assets.

Results of Operations

Our fiscal year end is April 30. The year ended April 30, 2010 is referred to as fiscal 2010 , the year ended April 30, 2009 is referred to as fiscal 2009 and the year ending April 30, 20011 is referred to as fiscal 2011. When used in the following tables, NM means not meaningful.

Fiscal 2010 as compared to fiscal 2009.

The following table shows the components of our revenues for fiscal 2010 and 2009, together with their percentages of total revenue in each year and percentage change on a year-over-year basis.

	For the Year Ended April 30,				
	2010	**% of Revenue**	**2009 ($)**	**% of Revenue**	**Change**
Revenues					
Oil and gas revenue	4,437,215	76%	640,094	41%	+593%
Service and drilling revenue	1,429,789	24%	927,210	59%	+54%
Total revenues	5,867,004	100%	1,567,304	100%	+274%

Oil and gas revenue represents revenues generated from the sale of oil and natural gas produced from the wells in which we have a partial ownership interest. Oil and gas revenue is recognized as income as production is extracted and sold. We reported a 593% increase in oil and gas revenues for fiscal 2010 over fiscal 2009. The increase was primarily due to the addition of the Alaskan oil well production during fiscal 2010 which accounted for revenues of approximately $3,621,881 for year then ended. In addition, we produced 122,015 Mcf of gas in fiscal 2010 in Alaska but we did not sell this as substantially all was used in our Alaska oil production.

Our increase in oil and gas revenue from fiscal 2009 to fiscal 2010 was primarily due to production and sales from the Alaska acquisition as well as increased oil and gas prices. For example, at April 30, 2010 oil was priced at $86.07 per barrel versus $50.35 at April 30, 2009 and at April 30, 2010 natural gas was $3.92 Mcf as compared to $3.37 per Mcf at April 30, 2009. In addition, we had 188 producing oil wells and 337 producing gas wells on April 30, 2010 compared to 20 producing oil wells and 32 producing gas wells on April 30, 2009. For fiscal 2010 we produced 63,002 barrels of oil and 154,291 Mcf of natural gas as compared to 4,580 barrels of oil and 50,073 Mcf of natural gas during fiscal 2009.

Service and drilling revenue represents revenues generated from drilling, maintenance and repair of third party wells. Service and drilling income is recognized at the time it is both earned and we have a contractual right to receive the revenue. Our service and drilling revenue increased 54% for fiscal 2010 as compared to fiscal 2009. During fiscal 2010 we drilled 10 wells for Atlas Energy Resources, LLC, which compares to six wells drilled for them for fiscal 2009.

Direct and Other Expenses

The following table shows the components of our direct expenses for fiscal 2010 and 2009. Percentages listed in the table reflect margins for each component of direct expenses and percentages of total revenue for each component of other expenses.

	For the Year Ended April 30,			
	2010($)	**Margin**	**2009($)**	**Margin**
Direct Expenses				
Oil and gas	2,583,384	42%	240,389	62%

Service and drilling	1,342,509	6%	1,184,901	(28)%
Depletion expense	1,741,150	NM	221,465	NM
Total direct expenses	5,667,043	3%	1,646,755	(5)%

The cost of oil and gas revenues were $2,583,384 for fiscal 2010 which reflected a gross profit of $1,853,831 and a gross profit margin of 42% as compared to a gross profit of $399,705 and a gross profit margin of 62% for fiscal 2009. We follow the successful efforts method of accounting for our oil and gas activities. Accordingly, costs associated with the acquisition, drilling and equipping of successful exploratory wells are capitalized. During fiscal 2010 we capitalized approximately $376,216,621 of costs primarily associated with the recent Alaska acquisition as previously discussed, but also with drilling and equipping of wells as compared to

$975,992 during fiscal 2009. During fiscal 2009 we acquired leases for 5,007 acres for approximately $666,000 and spent $270,644 on drilling and equipping three existing wells. However, geological and geophysical costs, delay and surface rentals and drilling costs of unsuccessful exploratory wells are charged to expense as incurred and are included in the cost of service and drilling revenue. Finally, costs of drilling development wells are capitalized. Upon the sale or retirement of oil and gas properties, the cost thereof and the accumulated depreciation or depletion are removed from the accounts and any gain or loss is credited or charged to operations.

The cost of service and drilling revenue represents direct labor costs of employees associated with these services, as well as costs associated with equipment, parts and repairs. Fiscal 2010 showed $1,342,509 for this component, up 13% from $1,184,901 in fiscal 2009. This represented a profit of $87,280 or 6% for fiscal 2010 compared to a loss of $257,691 or 28% loss for fiscal 2009. As previously discussed, while drilled 10 wells for Atlas Energy during fiscal 2010 and only six wells during fiscal 2009, in preparation for the Atlas Energy drilling contract we spent significant time and expense maintaining and repairing our drilling equipment in fiscal 2009 which contributed to the loss for that year.

Depletion of capitalized costs of proved oil and gas properties is provided on a pooled basis using the units-of-production method based upon proved reserves. Acquisition costs of proved properties are amortized by using total estimated units of proved reserves as the denominator. All other costs are amortized using total estimated units of proved developed reserves. During fiscal 2010 depletion expense was $1,741,150 or 30% of total revenue, as compared to $221,465 or 14% of total revenue for fiscal 2009. The primary reason for the increase in depletion expense for fiscal 2010 was the addition of wells as a result of the acquisitions. As a result of these components, total direct expenses were $5,667,043, which reflected a profit of $199,961 and a profit margin of 3% for fiscal 2010. This compares to a loss of $79,451 which was a negative profit margin of 5% experienced for fiscal 2009.

Total Costs and Expenses and Total Other Income (Expense)

The following table shows the components of certain of our costs and expenses and certain of our total other income (expenses) for fiscal 2010 and 2009. Percentages listed in the table reflect percentages of total revenue for each component of other expenses.

	For the Year Ended April 30,			
	2010($)	**% of Revenue**	**2009($)**	**% of Revenue**
Selling, general and administrative	10,345,217	176%	2,712,943	173%
Depreciation and amortization	968,158	17%	427,605	27%
Interest expense, net of interest income	501,739	9%	24,785	2%
Loss on derivative securities	15,861,007	NM		
Loan fees and costs	741,309	13%	124,085	8%
Loss (gain) on sale of equipment	9,755	NM	(10,450)	NM
Gain on sale of oil and gas properties			(11,715,570)	747%
Gain on acquisitions	(462,111,924)	>1,000%		
Total other expense (revenues)	(432,684,739)	>1,000%	(8,436,602)	538%

Selling, general and administrative expense includes salaries, general overhead expenses, insurance costs, professional fees and consulting fees. The increase of $7.6 million for fiscal 2010 as compared to fiscal 2009 primarily reflects costs associated with the addition of our acquisitions during fiscal 2010 in Alaska and Tennessee, which included an increases in fund raising expenses of $2.7 million, employee related expenses of $0.8 million, office related expenses of $0.7 million, taxes other than income of $0.3 million and travel related expenses of $0.2 million. In addition, an additional $1.7 million was recorded as compensation expense during fiscal 2010, which reflected the cost of options and warrants issued to various employees and directors. Also, during fiscal 2010, we wrote off $666,476 of prepaid offering costs associated with Miller Rig & Equipment, LLC and Miller Energy Drilling 2009-A, LP. Both offerings associated with these companies ended in December, 2009 and no funds were raised.

Depreciation and amortization expenses reflect the usage of our fixed assets over time. The increase in depreciation and amortization for fiscal 2010 as compared to fiscal 2009 reflects an increase in the amount of depreciation due to the Alaskan assets purchased. These non-cash expenses will continue at this higher level as the Alaska assets are being depreciated over a range of 30 to 40 years.

We recorded a non-cash loss on derivative securities for fiscal 2010 of $15,861,007 relating to the change in fair value of derivative instruments during fiscal 2010. This was comprised of three transactions, 3,000,000 warrants issued in the current and past years, which are subject to an ongoing litigation matter, 716,715 warrants issued in the 2010 Offering and 300,000 warrants issued pursuant to a consulting arrangement in March 2010. We utilized the Black-Scholes pricing model to calculate the expense. The fair value of the warrants issued and outstanding at May 1, 2009, attributed to this derivative liability has been determined to be immaterial due to the low stock price in comparison to the exercise price, hence there was no adjustment to make for fiscal 2009.

Loan fees and costs of $741,309 for fiscal 2010, primarily represent non-cash expenses related to the fair value of warrants issued to new investors as an incentive to invest in the MEI partnership as well as expenses related to the fair value of warrants owned in connection with a prior financing transaction.

During fiscal 2009 we recorded a one-time gain of $11,715,570 on the sale of the oil and gas leases to Atlas Energy and the concurrent settlement of the Wind City litigation as described elsewhere herein. As a result of the one-time settlement transaction, we reported net income of $8,356,373 for fiscal 2009.

During fiscal 2010, we recorded a gain on acquisitions of $461,111,924. This was primarily due from the Alaskan acquisition as previously discussed. As a result of this non-cash gain, for fiscal 2010 we recorded net income of $249,453,180, an increase of $241,096,807 over fiscal 2009.

We do not anticipate recording similar gains on acquisitions in future periods.

Liquidity and capital resources

Liquidity is the ability of a company to generate adequate amounts of cash to meet the enterprise's needs for cash. At April 30, 2010 we had a working capital surplus of $338,110 as compared to a working capital deficit of $313,565 at April 30, 2009. This increase in working capital surplus is primarily due to increased cash provided from financing activities, while partially offset by cash used by operating activities.

From April 30, 2009 to April 30, 2010, cash increased from $46,566 to $2,750,841. This increase was primarily due from the cash raised through net equity sales of $9,646,478 and proceeds of borrowings of $5,926,444 which were raised during fiscal 2010, partially offset by the funds required for the Alaska oil and gas assets. Other asset categories increased significantly due to the Alaska transaction. Fixed assets increased $111.1 million from April 30, 2009 to April 30, 2010 as new assets booked for Alaska were $110.5 million. Oil and gas properties increased $374.4 million during this time as well, as $368.0 million of the increase was due to the addition of Alaska reserves. Deferred income taxes payable rose to $184.5 million on April 30, 2010 from $778 on April 30, 2009, primarily due to the recording of the Alaska transaction. The Alaska transaction also contained a one-time gain of $277.2 million which is reflected in the $275.7 million shareholders equity recorded at April 30, 2010 as compared to $7.2 million recorded on April 30, 2009.

We do not presently have any commitment for capital expenditures other than related to the Osprey platform and onshore assets as described below. However, as set forth earlier in this section we require a substantial amount of capital to fund our other obligations associated with the acquisition of the Alaskan assets.

Under the terms of the purchase agreement for the Alaskan assets and the Assignment Oversight Agreement, Cook Inlet Energy assumed all liabilities related to the plugging, abandonment, decommissioning, removal and/or restoration liabilities associated with or arising from the acquired assets with respect to all periods prior to, on or after the closing date. Under the terms of the purchase agreement for the Alaskan assets, these assumed liabilities include approximately $10 million for the onshore assets and approximately $40 million associated with a retirement liability for the Osprey platform, of which approximately $6.6 million is presently on deposit in an escrow fund with the State of Alaska. We are presently in discussion with the State of Alaska to reduce these amounts to levels we believe are more realistic. During the fourth quarter of 2010 we accrued approximately $15.0 million for these liabilities, which includes approximately $3.5 million for the onshore assets and approximately $10.0 million for the Osprey platform. We are also seeking to obtain confirmation from the State of Alaska that the $6.6 million, currently in the escrow account is specifically allocated to the Osprey platform.

Cash flows

Net cash used by operating activities for fiscal 2010 was $2,160,152. This primarily reflects the cash paid for the costs of revenues and selling, general and administrative expense in excess of revenues received for the period, which included the gain from the Alaska transaction, but partially offset by the issuance of equity for services, compensation and financing costs of $3,892,886. Net cash used by operating activities in fiscal 2009 was $1,721,122. This primarily reflects the cash paid for the costs of revenues and selling, general and administrative expense in excess of revenues received for the period, which included the gain from the sale of oil and gas properties, but partially offset by the issuance of equity for services, compensation and financing costs of $1,605,994.

Net cash used by investing activities for fiscal 2010 of $10,476,830 is primarily due to the cash we paid for the Alaska assets of $4,541,252 and the purchase of oil and gas properties of $5,600,843, which were primarily costs associated with well start ups. Net cash provided by investing activities of $6,760,273 in fiscal 2009 reflects the net cash we received from the Atlas Energy transaction of $12,519,713, partially offset by the purchase of additional drilling equipment and vehicles of $4,408,998 and funds used for the purchase of a lease and capitalized costs associated with the purchase of oil and gas properties of $1,268,942.

Net cash provided by financing activities of $15,341,251 for the fiscal 2010 primarily reflects the net cash received from the sale of stock of $9,646,478, proceeds received from borrowings of $5,926,444, a $1,856,488 decrease in restricted cash due to payoff of a bank financing, and cash acquired through acquisitions of $203,993, which was partially offset by payments on notes payable of $2,309,205. Net cash used in financing activities of $5,035,021 for fiscal 2009 primarily reflects the repurchase of 2,900,000 shares of our common stock from Wind Mill for $4,350,000 due to the settlement of Wind Mill litigation as discussed elsewhere here. In addition, we used cash to pay off certain notes payable of $726,630 during fiscal 2009.

Loan Commitment from Vulcan Capital Corporation, LLC

On November 5, 2009 we entered into a letter agreement with Vulcan Capital Corporation, LLC which memorialized the terms of our agreement with Vulcan Capital Corporation to provide us with a financial debt package for the specific requirements of our acquisition of Cook Inlet Energy and the Alaskan assets of Pacific Energy Resources. Mr. Ford Graham, the President of Vulcan Capital Corporation, LLC, is a former executive officer and director of our company. This November 2009 agreement superseded an earlier October 2009 letter agreement and provided for an increased debt commitment from $5.5 million to $36.5 million. Under the terms of this letter agreement, Vulcan Capital Corporation has agreed to lend us not less than $36.5 million at the closing of these transactions. Both of these transactions, which closed in December 2009, are described later in this prospectus under Our Company - Our history. The terms of the proposed debt included:

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a senior secured status on all Cook Inlet Energy assets acquired by us,

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the use of proceeds from the loan is limited to the Assignment Oversight Agreement between Cook Inlet Energy and the State of Alaska which is described later in this prospectus under Our Business - Our exploration and productions activities - Assignment Oversight Agreement,

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a three year term, with a prepayment penalty, and 10% per annum interest

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interest only for 24 months, principal due as a bullet,

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there will be no sinking fund established, we will be unable to pay dividends before the debt is repaid and there will be certain unspecified negative covenants,

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we will grant Vulcan Capital Corporation warrants exercisable at $0.01 per share equal to 10% of the total debt package,

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Vulcan Capital Corporation will have a right of first refusal for all other of our debt and/or equity requirements with regard to these acquired assets and any other of our Alaskan business activities,

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Vulcan Capital Corporation or its assignee will be provided with one Board seat during the term of the loan,

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the documents will contain customary representations and warranties and we will indemnify Vulcan Capital Corporation; and

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we will pay all fees and expenses at closing.

The assets identified in the letter agreement include all properties and operations regarding specific State of Alaska oil and gas leases, wells, all associated infrastructures, including the Osprey platform and its subsea pipelines, and all associates agreements held by Pacific Energy Resources including the $6.7 million Redoubt escrow fund. The letter agreement provides that Vulcan Capital Corporation will provide us this debt through its newly created special purpose vehicle, Vulcan Miller Alaska Energy, LLC. In preparation of the transaction, Vulcan Capital Corporation placed cash or cash equivalents of over $5 million into Vulcan Miller Alaska Energy s separate account and agreed to leave the account and its assets unencumbered until closing of the transaction, at which time it is to deliver the funds to us for our sole and exclusive use for the assigned leases. The balance of the funds are to be provided to us upon demand. Under the terms of the letter agreement, upon acceptance by us Vulcan Capital Corporation was to deliver to us senior loan documents for execution to close this transaction. We accepted the letter agreement on November 5, 2009, however we have not proceeded towards a closing of the financing arrangement. We have subsequently been advised by Vulcan Capital Corporation that the amount previously deposited in the Vulcan Miller Alaska Energy, LLC account has been transferred from the account and is no longer available. We have utilized a portion of the funds we raised in private placements to fund approximately $5.15 million of the anticipated use of proceeds of the Vulcan Capital Corporation commitment as we believed the terms of those financings were more advantageous to us. As we are not yet begun working on the Redoubt Unit which represents the balance use of proceeds from the Vulcan Capital Corporation commitment, while the commitment remains available to us, we intend to seek to obtain alternative financing upon terms which are more advantageous to us than the Vulcan Capital Corporation commitment. Our ability however to obtain this financing is limited by the terms of the 2010 Offering as described elsewhere herein.

Recent Financing Transactions

In addition to the 2010 Offering which resulted in net proceeds to us of approximately $4,665,812 which is described earlier in this prospectus, in order to finance the expansion of our operations into Alaska and to provide capital to us for our other operations, during the third quarter of 2010 we entered into the following financing transactions:

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We issued $2,855,000 principal amount 6% convertible secured promissory notes to provide funds for the Alaskan asset transaction. Included in the sales of these notes was an aggregate of $500,000 purchased by Messrs. Scott Boruff, our Chief Executive Officer and a member of our Board of Directors, and Mr. Deloy Miller, members of our Board of Directors. We paid a finder s fee of $20,000. Interest on the notes is paid quarterly and the principal is due December 4, 2016. Holders of $1,150,000 principal amount of these notes, including Messrs. Boruff and Miller, have subsequently converted those notes into an aggregate of 2,090,909 shares of our common stock. As of August 1, 2010, notes in the aggregate principal amount of $1,185,000 remain outstanding. The notes contains a convertible feature which the note holder has the right, but not the obligation, at the holder's option, at any time prior to payment in full of the principal balance of the note, to convert the unpaid principal amount of the note, in whole or in part, into fully paid and non-assessable shares of our common stock at the conversion price of $0.55 per share. We granted the note holders a lien on and security interest in property, assets and rights including, but not limited to, all of our mineral rights and oil and gas assets and all proceeds from those assets in the 35,325 leased acres located in Morgan and Scott Counties on the Chattanooga Shale and the 173 natural gas and oil producing wells.

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We also sold 6,015,000 shares of our common stock in private transactions to accredited investors for $1.00 per share. This was a discount of 16.67% from market value on the date of determination. We received $5,667,000 in net cash proceeds from this offering, after payment of offering costs, commissions and finder s fees, which was used for general corporate purposes, including reducing debt and partially financing the Alaska asset acquisition. We paid Sutter Securities Incorporated, a FINRA member firm, cash compensation of $200,000 as well as the non- accountable sum of $10,000 for its legal fees and expenses and issued it five-year warrants to purchase an aggregate of 280,000 shares of our common stock at exercise prices ranging from $1.35 to $1.815 per share. We also paid finder s fees of $123,000 and issued five-year warrants to purchase an aggregate of 52,500 shares of our common stock at exercise price of $1.35 per share. In addition, we paid Seaside 88 Advisors, LLC, the general partner of one of the purchasers of the shares, the non-accountable sum of $25,000. The warrants are exercisable on a cashless basis. If we make any subsequent sales of our securities within one year to any purchaser introduced to us by Sutter Securities Incorporated, we are obligated to pay that firm a finder s fee on those sales. Under the terms of the Securities Purchase

Agreements we agreed that until 12 months from the closing date, if in connection with a Subsequent Financing (as defined in the Securities Purchase Agreement), either our company or any of our subsidiaries should issue any common stock or common stock equivalents entitling any person or entity to acquire shares of common stock at an effective price per share less than the per share purchase price of $1.00 (subject to reverse and forward stock splits and the like), that we will issue to the purchaser of this current stock sale, a number of additional shares of common stock to the aforementioned purchasers to prevent the follow-on investment from being a dilutive issuance. If shares are issued for a consideration other than cash, the per share selling price shall be the fair value of such consideration as determined in good faith by the Board of Directors. We also granted the purchasers of stock certain piggy back registration rights until such time as the purchasers are able to resell the shares of common stock purchased in the offering pursuant to Rule 144 of the Securities Act of 1933 until the requirement for adequate public information on our company is no longer applicable.

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On November 1, 2009 we borrowed $2,365,174 from MEI, a limited partnership of which our wholly-owned subsidiary, Miller Energy GP, LLC, is the general partner. Under the four year secured promissory note we issued MEI to evidence this loan, interest is payable at the rate of 12% per annum, with interest only payments due monthly. On December 15, 2009 we borrowed an additional $356,270 from MEI and issued it a second, four year secured promissory note which also pays interest at the rate of 12% per annum with interest only payments due monthly. Finally, on May 15, 2010 we borrowed an additional $350,000 from MEI and issued it a third, four year secured promissory note which also pays interest at the rate of 12% per annum with interest only payments due monthly. In connection with these loans, we granted MEI a first priority security interest in oil and gas drilling equipment owned by us. Pursuant to the terms of an escrow agreement, a third-party escrow agent has been retained to hold the certificates of title for the collateral to which title is evidenced by a certificate. The remaining equipment is subject to a financing statement that has been filed with the Tennessee Secretary of State. We used the proceeds from these loans for general corporate purposes including reducing outstanding debt and to partially fund the Alaska transaction.

Miller Energy Income 2009-A, L.P. Offering

In 2009 we formed both Miller Energy GP and MEI. MEI was organized to provide the capital required to invest in various types of oil and gas ventures including the acquisition of oil and gas leases, royalty interests, overriding royalty interests, working interests, mineral interests, real estate, producing and non-producing wells, reserves, oil and gas related equipment including transportation lines and potential investments in entities that invest in such assets except for other investment partnerships sponsored by affiliates of MEI.

Between August 2009 and April 2010 MEI sold 61.35 units of securities to 23 accredited investors in transactions exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 4(2) and Regulation D of that act. Each unit consisted of a $50,000 limited partnership interest in MEI, together with 25,000 shares of our common stock and a five year warrant to purchase an additional 25,000 shares of our common stock with an exercise price of $1.00 per share. In order to receive our securities as part of the offering, investors in the MEI were required to purchase at least one unit. We issued a total of 1,329,250 shares of our common stock and common stock purchase warrants to purchase an additional 1,329,250 shares of our common stock.

MEI received $3,067,500 in proceeds from this offering. It paid selling commissions of 7% on the sale of certain units (an aggregate of $115,780) and a non-accountable marketing and due diligence allowance of 1% of the proceeds received from certain units sold in the offering (an aggregate of $16,540), to Dimirak Securities Corporation, a related party, and Newbridge Securities Corporation, both broker-dealers and members of FINRA. Mr. Scott M. Boruff, our CEO, is a director and 49% owner of Dimirak Securities Corporation. MEI also paid a wholesaling commission based on 2% of the gross proceeds (an aggregate of $33,080) to several firms including Newbridge Securities Corporation, Empire Securities Corporation and Arque Capital Ltd. MEI paid a dealer management fee of 1% of the gross offering proceeds (an aggregate of $30,540) to several parties including Dimirak Securities Corporation, its affiliate Dimirak

Financial Corporation and Empire Securities Corporation. Finally, Dimirak Securities Corporation received an additional $30,675 in other fees which was based on 1% of investor capital and two individuals received a total of $81,000 for referral fees. Purchasers of these securities have been granted piggy back registration rights covering the shares of our common stock.

Modernization of Oil and Gas Reporting

In December 2008, the SEC announced that it had approved revisions to its oil and gas reporting disclosures by adopting amendments to Rule 4-10 of Regulation S-X and Items 201, 801, and 802 of Regulation S-K. These new disclosure requirements are referred to as "Modernization of Oil and Gas Reporting" and include provisions that:

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introduce a new definition of oil and gas producing activities. This new definition allows companies to include in their reserve base volumes from unconventional resources. Such unconventional resources include bitumen extracted from oil sands and oil and gas extracted from coal beds and shale formations.

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report oil and gas reserves using an un-weighted average price using the prior 12-month period, based on the closing prices on the first day of each month, rather than year-end pricing. This should maximize the comparability of reserve estimates among companies and mitigate the distortion of the estimates that arises when using a single pricing date.

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permit companies to disclose their probable and possible reserves on a voluntary basis. Prior rules limited disclosure to only proved reserves.

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update and revise reserve definitions to reflect changes in the oil and gas industry and new technologies. New updated definitions include "by geographic area" and "reasonable certainty."

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permit the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserves volumes.

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require additional disclosures regarding the qualifications of the chief technical person who oversees its overall reserve estimation process. Additionally, disclosures are required related to internal controls over reserve estimation, as well as a report addressing the independence and qualifications of a company's reserves preparer or auditor based on Society of Petroleum Engineers criteria.

We began complying with the disclosure requirements in our annual report on Form 10-K for the year ended April 30, 2010.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States.

Critical Accounting Policies

General

The preparation of financial statements requires management to utilize estimates and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The estimates are evaluated by management on an ongoing basis, and the results of these evaluations form a basis for making decisions about the carrying value of assets and liabilities that are not readily apparent from other sources. Although actual results may differ from these estimates under different assumptions or conditions, management believes that the estimates used in the preparation of our financial statements are reasonable. The critical accounting policies affecting our financial reporting are summarized in Note 1 to the consolidated financial statements included elsewhere in this prospectus. Policies involving the most significant judgments and estimates are summarized below.

Impact of Derivative Accounting

As a result of recent financing transactions we have entered into, our financial statements for the year ended April 30, 2010 and future periods have and will be impacted by the accounting effect of the application of derivative accounting. The application of EITF 07-05 *Determining Whether an Instrument (or Embedded Feature)* *is Indexed to a Company's Own Stock,* which was effective on January 1, 2009 will significantly affect the application of ASC Topic 815 and ASC Topic 815-40 for both freestanding and embedded derivative financial instruments in our financial statements. Generally, warrants, conversion features in debt, and similar terms that include full-ratchet or reset provisions, which mean that the exercise or conversion price adjusts to pricing in subsequent sales or issuances, no longer meet the definition of indexed to a company's own stock and are not exemption for equity classification provided in ASC Topic 815-15. This means that instruments that were previously classified in equity are reclassified to liabilities and ongoing measurement under ASC Topic 815. The amount of quarterly non-cash gains or losses we will record in future periods will be based upon the fair market value of our common stock on the measurement date.

Estimates of Proved Reserves and Future Net Cash Flows

Estimates of our proved oil and gas reserves and related future net cash flows are used in impairment tests of goodwill and other long-lived assets. These estimates are prepared as of year-end by independent petroleum engineers and are updated internally at mid-year. There are many uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of any reserve estimate is dependent on the quality of available data and is subject to engineering and geological interpretation and judgment. Results of our drilling, testing and production after the date of these estimates may require future revisions, and actual results could differ materially from the estimates.

Impairment of Long-Lived Assets

Our long-lived assets include property, equipment and goodwill. Long-lived assets with an indefinite life are reviewed at least annually for impairment, and all long-lived assets are reviewed whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

Oil and Gas Activities

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

Depreciation, Depletion and Amortization

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

Fair Value of Financial Instruments

Effective May 1, 2008, we adopted guidance issued by the Financial Accounting Standards Board (FASB) on "Fair Value Measurements" for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. The adoption of this guidance did not have an impact on our financial position or operating results, but did expand certain disclosures.

The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the FASB requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

These inputs are prioritized below:

Level 1:

Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2:

Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3:

Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

Cash and cash equivalents include money market securities and commercial paper and marketable securities representing certificates of deposits maturing in less than one year that are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the fair value hierarchy.

In addition, the FASB issued, "*The Fair Value Option for Financial Assets and Financial Liabilities*," effective for May 1, 2008. This guidance expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. We did not elect the fair value option for any of our qualifying financial instruments, other than those subject to recent acquisitions.

Equity-Based Compensation

The computation of the expense associated with stock-based compensation requires the use of a valuation model. The FASB issued accounting guidance requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility, expected option lives, and expected option forfeiture rates, to value equity-based compensation. We currently use a Black-Scholes option pricing model to calculate the fair value of our stock options. We primarily use historical data to determine the assumptions to be used in the Black-Scholes model and have no reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a material change to the fair value calculation of stock-based awards. This accounting guidance requires the recognition of the fair value of stock compensation in net income. Although every effort is made to ensure the accuracy of our estimates and assumptions, significant unanticipated changes in those estimates, interpretations and assumptions may result in recording stock option expense that may materially impact our financial statements for each respective reporting period.

Recent Accounting Pronouncements

On January 1, 2009, we adopted the FASB guidance for Business Combinations, which replaces SFAS No. 141, Business Combinations ("SFAS 141R")(FASB ASC 805-10), and requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. Additionally, this Statement requires acquisition-related costs to be expensed in the period in which the costs were incurred and the services are received instead of including such costs as part of the acquisition price. This guidance makes various other amendments to authoritative literature intended to provide additional guidance or to conform the guidance in that literature to that provided in this Statement. Our acquisition of KTO and Cook Inlet Energy assets and the stock and membership interests of ETC and LLC were recorded in accordance with this guidance.

In April 2009, the FASB issued FASB ASC 805-20 (formerly FSP SFAS No. 141R-1), *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*). FASB ASC 805-20 amends the guidance in FASB ASC 805 (formerly SFAS 141R) relating to the initial recognition and measurement, subsequent measurement and accounting and disclosures of assets and liabilities arising from contingencies in a business combination. FASB ASC 805 (formerly FSP SFAS 141R) is effective for fiscal years beginning after December 15, 2008. We adopted FASB ASC 805 (formerly FSP SFAS 141R) as of the beginning of fiscal 2009.

In December 2009, the FASB issued guidance for *Consolidations - Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (Topic 810). The amendments in this update are a result of incorporating the provisions of SFAS No. 167, Amendments to FASB Interpretation No. 46(R). The provisions of the Statements are effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2009. Earlier adoption is not permitted. The presentation and disclosure requirements shall be applied prospectively for all periods after the effective date. Management believes this Statement will not have a material impact on our financial statements once adopted.

We determined that all other issued, but not yet effective accounting pronouncements are inapplicable or insignificant to us and once adopted are not expected to have a material impact on our financial position.

OUR BUSINESS

Overview

We are an independent exploration and production company that utilizes seismic data and other technologies for geophysical exploration and development of oil and gas wells in the Appalachian region of eastern Tennessee and the Cook Inlet Basin in south central Alaska. In addition to our engineering and geological capabilities, we provide land drilling services on a contract basis to customers primarily engaged in natural gas exploration and production.

During fiscal 2010, we have significantly expanded our operations through the December 2009 acquisition of oil and gas assets from Pacific Energy Resources through a bankruptcy proceeding in which we acquired onshore and offshore production and processing facilities, the Osprey offshore energy platform, over 600,000 net lease acres of land with hundreds of miles of 2-D and 3-D geologic seismic data, miscellaneous roads, pads and facilities. Our current strategy focuses the majority of our efforts on growing our company, including the following:

- increasing our overall oil and gas production through maintenance and repairs of nonperforming or underperforming wells located in Alaska,

- organically growing production through drilling for our own benefit on existing leases and acreage in the exploration license with a view towards retaining the majority of working interest in the new wells, and

- expanding our contract drilling and service capabilities and revenues, including drilling contracts with third parties.

Our exploration and production activities

Historically, we focused our exploration, development, and production efforts in the Appalachian region of eastern Tennessee. During fiscal 2010 we significantly increased our operations through the acquisitions of KTO and ETC in our Appalachian region and the assets in Alaska, which comprise our Cook Inlet operations. As of April 30, 2010, we had approximately 645,683 acres of gross oil and gas leases and exploration license rights (603,546 net acres), which includes 471,474 acres under the Susitna Basin Exploration License.

Cook Inlet Basin. We own approximately 108,934 gross acres of leasehold interests, the exploration license rights to an additional 471,474 acres and 10 crude oil and five natural gas wells in which we own an interest. Cook Inlet stretches 180 miles from the Gulf of Alaska to Anchorage in south-central Alaska. The Cook Inlet Basin contains large oil and gas deposits including several offshore fields. There are also numerous oil and gas pipelines running around and under the Cook Inlet.

At the time the Alaskan assets were acquired by us, all of the operated wells were shut-in, a term used in the oil and gas industry which means the wells were closed off so that they could not produce oil, with the exception of the WF-2 natural gas well. As of July 31, 2010, four of the oil wells had been returned to production. In addition, Cook Inlet Energy owns a 30% working interest in two gas wells operated by Aurora Gas, Three Mile Creek 1 and Three Mile Creek 2, which have been operated continuously.

Oil wells drilled in this area range from 9,000 vertical feet to 10,000 vertical feet in depth while gas wells have a vertical depth of 8,000 feet to 9,000 feet. Wells that are deviated (continue on from the vertical depth either diagonally or horizontally) will have a longer measured depth of approximately 5,000 feet giving total measured depth of 14,000 feet to 15,000 feet. Well spacing is quite variable, as there are large parts of Cook Inlet which are completely undeveloped, and others, that are more mature. Our fields have approximately 60 acre to 80 acre spacing. The Cook Inlet basin contains a thick section of terrestrial Tertiary rocks which includes shales, sandstones, and coals. The primary targets in the area are crude oil reserves.

In January 2010 we entered into a Master Services Agreement with Fairweather E&P Services, Inc., a company based in Anchorage, Alaska which provides a wide range of support services for the oil and gas industries, whereby it acts as an independent contractor for us in the development and/or refurbishment of the wells in Cook Inlet Basin. The agreement provides us with engineering, logistics, field and project management support for the well and facility work in Cook Inlet Basin which are anticipated to be completed on or before December 31, 2012. We pay the contractor for all costs associated with these services, including any services that Fairweather E&P may subcontract to third party providers, at its cost plus 15%. Fairweather E&P is required to maintain certain minimum levels of insurance coverage and the agreement contains customary cross-indemnification provisions. We may terminate the agreement at any time without reason.

Susitna Basin Exploration License

Included in the Alaskan assets we acquired is a 100% interest in an Exploration License granted by the State of Alaska in October 2005 covering approximately 471,474 acres in the Susitna Basin area north of Anchorage, Alaska. Under the terms of the Exploration License, the licensee was granted a five year exclusive license to explore for oil and gas on the specified lands, and upon fulfillment of the work commitment, the license for all or any part of the land could be converted into oil and gas leases. The original work commitment of approximately $3.5 million was fulfilled, and we have the right at any time to covert the license for all or any portion of the acreage into oil and gas leases at any time. Once the exploration license is converted into oil and gas leases, we are required to pay a per acre fee to the state and commence drilling operations within specified timeframes. In an effort to control the timing of the development of this acreage, in April 2010 we requested a three year extension of the exploration license for a work commitment of $750,000. While we reasonably believe the state will grant our request for extension, there are no assurances we are correct, or that if granted, that the terms and conditions of the extension will be satisfactory to us. If we are unable to negotiate an extension, it is likely we will convert the license for only a portion of the land into oil and gas leases.

Osprey Platform

Included in the assets acquired from Pacific Energy was the Osprey platform which is located in the Redoubt Unit approximately 1.8 miles southeast of the West Foreland in central Cook Inlet at a water depth of approximately 45 feet. The Osprey platform, which produces from the Redoubt Unit, is connected to our Kustatan Production Facility by two eight-inch and one six-inch pipeline and one power cable. It relies on our Kustatan Production Facility, which is currently inactive, and our West McArthur River Unit Production Facility to provide all of its electricity and gas, and the Kustatan Production Facility to process all of Osprey's produced fluids. The platform has 21 slots, eight of which are currently used, and an attached 40 man camp. The platform is currently inactive.

The Osprey platform was placed on site during June 2000 and it initially conducted exploration drilling operations between January 2001 and July 2002. Eight wells were drilled, which in their present configuration consist of one water flood well, one Class I injection well, and six oil wells. The oil wells were equipped with electrical submersible pumps which were necessary to bring the oil to surface. In 2005, the third-party drilling rig was removed from the platform after a contract dispute. The removal of the rig crippled the ability to maintain and repair the platform s wells or to expand production. Shortly afterwards, a series of mechanical problems took much of the platform s production offline and these problems could not be corrected without a rig present. Reduced production was temporarily restored by deploying jet pumps, which can provide artificial lift, but do not require a rig; however, production continued to fall, and the Osprey platform was shut-in in the spring of 2009.

In order to restore production from the Redoubt Unit, it will be necessary to mobilize a drilling rig to the Osprey platform and repair six wells. We believe that past experience suggests that a rig should be permanently located on the platform. Two of these wells require only the replacement of the electrical submersible pumps, and the other four wells require re-drilling in sections. We estimated that the total cost of restoring production, including the purchase of a drill rig, is approximately $35 million.

Assignment Oversight Agreement

On November 5, 2009, Cook Inlet Energy entered into an Assignment Oversight Agreement with the Alaska DNR which set out certain terms under which the Alaska DNR would approve the assignment of certain specified state oil and gas leases from Pacific Energy Resources to Cook Inlet Energy. This agreement remains in place following our acquisition of Cook Inlet Energy in December 2009. Generally, the agreement requires Cook Inlet Energy to provide the Alaska DNR with additional information and oversight authority to ensure that Cook Inlet Energy is acting diligently to develop the oil and gas from Redoubt Shoal, West McArthur River Field and

West Foreland Field. Under the terms of the agreement, until the Alaska DNR determines, in its sole discretion, that Cook Inlet Energy has completed its development and operation obligations under the assigned leases, Cook Inlet Energy agreed to the following:

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file a monthly summary of expenditures by oil and gas field, tied to objectives in Cook Inlet Energy s business plan and plan of development previously presented to the Alaska DNR,

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meet monthly with the Alaska DNR to provide an update on operations and progress towards meeting these objectives,

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notify the Alaska DNR 10 days prior to commitment when Cook Inlet Energy is preparing to spend funds on a purchase, project or item of more than $100,000 during the first 12 months, more than $1 million during the second 12 months and more than $5 million thereafter, and

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submit a new plan of development and plan of operations for the Alaska DNR s approval on or before December 15, 2009 and submit a plan of development annually thereafter on or before February 1, 2010. Cook Inlet Energy timely met both of these deadlines.

The agreement required Cook Inlet Energy to obtain financing in the minimum amount of $5.15 million to provide funds to be used for expenditures approved by the Alaska DNR as part of Cook Inlet Energy s plan of development. The funds are to be used for workover and repair of the wells, repair of the physical infrastructure, construction of a grind and inject plant at the West McArthur River facility, normal operating expenses associated with the leases and infrastructure and other capital project which are to be pre-approved by the Alaska DNR. The agreement also required Cook Inlet Energy to demonstrate funding commitments to support restoration of the base production at the Redoubt Unit, including bringing a number of the shut-in wells back on line, which was estimated at $31 million in the agreement but which we have internally increased to $35 million to accommodate the purchase of a drilling right. These funding commitments necessary under the agreement were provided to us under the terms of the Vulcan Capital Corporation, LLC letter agreement described elsewhere in this prospectus. We have subsequently provided these funds through for the West McArthur River facility using a portion of the proceeds of our capital raising efforts described elsewhere herein, and intend to seek alternative sources of funding for the balance of the necessary capital.

Cook Inlet Energy is prohibited from using any of the approximate $36.15 million or any proceeds from the operations under the assigned leases of the funding commitments for non-core oil and gas activities under the assigned leases, or any activities outside the assigned leases, without the prior written approval of the Alaska DNR until the parties mutually agree that the full dismantlement obligation under the assigned leases is funded. The assigned leases will be subject to default and termination should Cook Inlet Energy fail to submit the information required under the agreement and expenditure of funds for items or activities do not support core oil and gas activities, as reasonably determined by the Alaska DNR.

Recent Developments.

Cook Inlet Energy was one of nine successful bidders in State of Alaska s Division of Oil & Gas Cook Inlet Areawide 2010 Competitive Oil and Gas Lease Sale. There were 38 bids for 36 tracts covering an estimated 144,640 acres of

State of Alaska oil and gas acreage. Cook Inlet Energy bid on seven tracts and was the successful high bidder on each of those tracts which cover an estimated 27,520 acres. Cook Inlet Energy s winning bid for these seven tracts was $908,800. Cook Inlet Energy paid a deposit of $181,767 at the time of the auction and the balance will be due once the title work is complete which we presently anticipate to be in January 2012. All of Cook Inlet Energy s bids completed acreage positions covering prospects acquired in its purchase of a portfolio of Pacific Energy Alaska assets.

On May 25, 2010, Cook Inlet Energy entered into a letter agreement with Buccaneer Alaska, LLC to assign four leases with a total gross acreage of 8828.5 acres to Buccaneer Alaska for a total consideration of $12,500.00. The effective date of the assignment was June 1, 2010. We retained the following overriding royalty interests in each lease including 2% of 8/8ths in the ADL-391108 and ADL-17595-2 leases and 4% of 8/8ths in the ADL-390379 and ADL-390370 leases. If Buccaneer Alaska fails to drill at least one well on the leased acreage by 2013, we will be entitled to a payment of $303,613, and may choose to cause Buccaneer Alaska to assign any of the leases to us that remain active.

Membership in Cook Inlet Spill Prevention and Response, Inc.

Cook Inlet Energy is a Class G member of the Cook Inlet Spill Prevention and Response, Inc., which we refer to as CISPRI. CISPRI is a non-profit corporation formed in 1990 to provide oil spill prevention and response capabilities in Cook Inlet. CISPRI has been designated as a Class "E" Oil Spill Removal Organization by the U.S. Coast Guard, which is the highest level of designation based on spill containment and removal equipment requirements for offshore/ocean response. CISPRI's response zone includes the entire Cook Inlet Region, stretching from Palmer to the Barren Islands and out into the Gulf of Alaska. At each annual meeting of CISPRI members adopt a budget for the coming year which includes funds for day to day operational activities of CISPRI, investments in capital equipment and materials to be used in connection with the cleanup activities and research and development and training. The budget is funded though payment of dues by the members and the amount of dues is calculated in accordance with a participation formula. Class G members pay an annual fee of $10,000 together with additional fees based upon the amount of oil we transport.

If a spill is identified as originating from facilities owned or operations conducted by one or more of the members, CISPRI will act to control and clean up the spill of crude oil/synthetic crude oil or refined petroleum products arising from those operations without any future action by the members. Any member that utilizes or receives the benefit of these activities must reimburse CISPRI for all expenses of control and clean up, including costs of equipment, materials and personnel. Each member is required to execute a response action contract providing terms and conditions under which response and cleanup activities will be undertaken. Cook Inlet Energy is a party to such an agreement which, in part, requires Cook Inlet Energy to maintain worker s compensation insurance, employers liability insurance, comprehensive general and automotive liability insurance covering injury or death or persons and property damage of at least $10 million. Cook Inlet Energy is in compliance with this insurance requirement. All members accept responsibility for spills which result from their operations or facilities and have indemnified CISPRI and all other members for all liabilities arising for a spill. This indemnification is not limited by the amount of insurance coverage.

Cook Inlet Energy may resign its membership in CISPRI upon 30 days written notice. At the effective date of the resignation, Cook Inlet Energy is obligated to pay all unpaid dues and assessments levied prior to the notice of resignation. Cook Inlet Energy s membership may be terminated by the Board of Directors of CISPRI upon 60 days notice if its determined Cook Inlet Energy is no longer eligible for membership. Cook Inlet Energy would not be entitled to a refund of any monies paid to CISPRI.

Appalachian region. We own approximately 54,506 gross acres of leasehold interests with 185 producing oil wells and 334 producing gas wells in which we own an interest. Wells drilled in this area range from 1,800 to 4,200 feet in depth and the well spacing is generally from 20 to 40 acres per well and are predominately in Fort Payne formation.

The following table provides information on our reserves at April 30, 2010.

	Net Reserves at April 30,					
	2010		**2009**		**2008**	
Reserves category	**Oil (MBbls)**	**Natural Gas (MMcf)**	**Oil (MBbls)**	**Natural Gas (MMcf)**	**Oil (MBbls)**	**Natural Gas (MMcf)**
PROVED						
Developed - producing						
Cook Inlet	1,695	1,085				
Appalachian region	108	619	43	563	63	511
Developed - non producing						
Cook Inlet	856					
Appalachian region	6	33	10	30	11	1,341
Undeveloped						
Cook Inlet	7,679	3,722				
Appalachian region				1,271		
Total Proved	10,344	5,459	53	1,864	74	1,852
PROBABLE						
Non-producing						
Cook Inlet		5,567				
Appalachian region						
Undeveloped						
Cook Inlet	6,173	3,695				
Appalachian region						
Total Probable	6,173	9,262				
POSSIBLE						
Undeveloped						
Cook Inlet	1,078	5,203				
Appalachian region	39					
Total Possible	1,117	5,203				

When used in this table, MBbls means million barrels of oil and MMcf means million metric cubic feet. We also use a number of terms when describing our reserves. Proved reserves are the quantities of oil and gas that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible. We provide information on two types of proved reserves - developed and undeveloped. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods and proved undeveloped reserves are reasonably certain reserves in drilling units immediately adjacent to the drilling unit containing a producing well as well as areas beyond one offsetting drilling unit from a producing well.

Under recent SEC rules we are now also permitted to provide information about probable and possible reserves. As set forth above, prior to fiscal 2010 our reserve reports did not contain any estimates on probable or possible reserves. Probable reserves are additional reserves that are less certain to be recovered than proved reserves but which, in sum with proved reserves, are as likely as not to be recovered. Possible reserves are additional reserves that are less certain to be recovered than probable reserves. The various reserve categories have different risks associated with them. Proved reserves are more likely to be produced than probable reserves and probable reserves are more likely to be produced than possible reserves. Because of these risks, the different reserve categories should not be considered to be directly additive.

Our reserve estimates for oil and natural gas at April 30, 2010 for our Cook Inlet assets were prepared by Ralph E. Davis Associates, Inc., an independent engineering firm, and our reserve estimates for oil and gas at April 30, 2010 for our Appalachian region assets were prepared by Lee Keeling and Associates, Inc., an independent engineering firm. Both of these reserve reports which are filed as exhibits to the registration statement of which this prospectus is a part, were prepared in accordance with the generally accepted petroleum engineering and evaluation principles and most recent definitions and guidelines established by the SEC. All reserve definitions comply with the applicable definitions of the rules of the SEC. The reserves were estimated using engineering and geological methods widely accepted in our industry. The accuracy of the reserve estimates is dependent upon the quality of available data and upon independent geological and engineering interpretation of that data. For proved developed producing, the estimates considered to be definitive, using performance methods that utilize extrapolations of various historical data including oil, gas and water production and pressure history. For other than proved producing, proved undeveloped reserves and probable and possible reserve estimates were made using volumetric methods.

Our policies regarding internal controls over reserve estimates require reserves to be in compliance with the SEC definitions and guidance and for reserves to be prepared by an independent engineering firm under the supervision of our Chief Financial Officer. We provide the engineering firm with estimate preparation material such as property interests, production, current operation costs, current production prices and other information. This information is reviewed by our Chief Executive Officer and our Chief Financial Officer to ensure accuracy and completeness of the data prior to submission to our third party engineering firm. A letter which identifies the professional qualifications of each of the independent engineering firms who prepared the reserve reports are included in those reserve reports. There was no conversion of undeveloped reserves to proved reserves during fiscal 2010.

Each of the engineering reports also projected future net income (FNI) from our net reserves and the present value, discounted at 10% per annum, of that future net income FNI @ 10% as summarized in the following table. Future net income is based upon gross income from future production, less direct operating expenses and taxes. Estimated future capital for development costs was also deducted from gross income at the time it will be expended. No allowance was made for depletion, depreciation, income taxes or administrative expense. In the following table, the price per barrel of oil was $73.01 and the price per MMcf of natural gas was $4.84 for the Cook Inlet reserves and $71.85 per barrel of oil and $5.15 per MMcf of natural gas for the Appalachian region reserves. In each instance these prices are computed in accordance with the SEC s rule and represent the average fiscal year prices.

	Producing	**Non-Producing**	**Undeveloped**	**Expenses**	**Total**
Proved - Cook Inlet					
FNI	$ 108,169,312	$ 45,505,746	$ 422,335,438	$ (94,233,000)	$ 481,777,496
FNI @ 10%	$ 75,596,359	$ 26,222,301	$ 267,256,594	$ (57,103,397)	$ 311,971,859
Probable - Cook Inlet					
FNI		$ 24,160,285	$ 313,927,312		$ 338,087,597
FNI @ 10%		$ 17,047,756	$ 174,810,344		$ 191,858,100
Possible - Cook Inlet					
FNI			$ 71,892,688		$ 71,892,688
FNI @ 10%			$ 39,039,215		$ 39,039,215
Proved - Appalachian region					
FNI	$ 6,700,649	$ 507,591			$ 7,208,240
FNI @ 10%	$ 3,483,407	$ 223,913			$ 3,707,320
Probable - Appalachian region					
FNI					
FNI @ 10%					
Possible - Appalachian region					
FNI			$ 1,513,434		$ 1,513,434
FNI @ 10%			$ 1,059,364		$ 1,059,364

At April 30, 2010 our standardized measure of discounted future net cash flows for proved reserves was $315,679,195. The present value of future net pre-tax cash flows attributable to estimated net proved reserves, discounted at 10% per annum, (PV-10) is a computation of the standardized measure of discounted future net cash flows on a pre-tax basis. The table below provides a reconciliation of PV-10 to the standardized measure of discounted future net cash flows at April 30, 2010. PV-10 may be considered a non-GAAP financial measure under the SEC s regulations. We believe PV-10 to be an important measure for evaluating the relative significance of our natural gas and oil properties. PV-10 is computed on the same basis as the standardized measure of discounted future net cash flows but without deducting income taxes. We further believe investors may utilize our PV-10 as a basis for comparison of the relative size and value of our reserves to other companies. However, PV-10 is not a substitute for the standardized measure. Our PV-10 measure and the standardized measure of discounted future net cash flows do not purport to present the fair value of our natural gas and oil reserves.

		April 30, 2010
Net present value of future cash flows, before income taxes	$	315,679,195
Future income taxes, discounted at 10%		137,320,450
Standardized measure of discounted future net cash flows	$	178,358,745

The following table presents our producing wells by operating area at April 30, 2010.