PRB Gas Transportation, Inc.
Form 424B1
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Filed pursuant to

Rule 424(b)(1)

Registration No 333-120129

PROSPECTUS

1,211,000 Shares

PRB Gas Transportation, Inc.

Common Stock

The selling shareholders identified in this prospectus are offering 1,211,000 shares of common stock. We will not receive any of the proceeds from the sale of the shares being sold by the selling shareholders.

Our common stock is listed on the American Stock Exchange under the symbol PRB . On August 1, 2005, the reported last sale price of our common stock on the American Stock Exchange was $8.75 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 6 of this prospectus.

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.

August 15, 2005

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No dealer, sales person or other individual has been authorized to give any information or to make any representations not contained in this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the shares in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in our affairs since the date hereof.

Until September 9, 2005, (25 days after the date of this prospectus), all dealers that buy, sell or trade these securities, may be required to deliver a prospectus.

Prospectus Summary

This summary highlights key aspects of the information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including the historical and pro forma financial statements and the notes to those financial statements included elsewhere in this prospectus. Unless otherwise indicated, the information contained in this prospectus assumes that 411,000 outstanding shares of our Series C Convertible Preferred Stock are converted into an equal number of shares of common stock as of the date of this prospectus.

PRB Gas Transportation, Inc.

General

We own and operate natural gas gathering systems. We commenced operations in January 2004 upon our acquisition of certain operating assets of TOP Gathering, LLC (TOP). In August 2004 we acquired certain operating assets of Bear Paw Energy, LLC (BPE) which are located in the same area of Wyoming as the TOP assets. We charge the gas producer or shipper a fee for gathering, compressing and dehydrating natural gas. Our gathering systems collect gas at a producer s wellhead or at a collection point and deliver it to a transmission line owned by a third party. We do not take ownership of gas that we gather.

Our 4.5 mile TOP system, located in Campbell County, Wyoming, services approximately 50 wells operated by three natural gas producers in the Powder River Basin area of Wyoming. The wells serviced by this system are approximately two to three years old. The gathering system has a current throughput capacity of approximately 8 million cubic feet of gas per day and is presently averaging approximately 2 million cubic feet per day or approximately 25% of capacity.

Effective August 1, 2004, we acquired certain operating assets of Bear Paw Energy, LLC also located in Campbell County, Wyoming. The approximately 200 miles of gathering lines we acquired from Bear Paw service 12 producers of natural gas in the Powder River Basin area of Wyoming. The wells serviced by these systems are approximately four to five years old. In April 2004 a portion of the systems was reconfigured to reduce the operating expenses, including compression facilities. The systems are currently averaging approximately 9.3 million cubic feet per day.

Natural gas wells in the Powder River Basin area typically experience sharp declines in production volume in the first several years of production. Production then stabilizes and declines more ratably over a gas well s average life of approximately eight to 10 years. Many of the wells serviced by our TOP and Bear Paw gathering systems have reached a stable decline phase of production. We believe that undeveloped reserves in the fields serviced by these systems may provide additional production that may offset future declines and possibly exceed current gas production.

We plan to expand our present operations through a combination of:

- enhancing the present gathering systems through operating efficiencies and expanding to servicing additional wells within these systems;
- designing and building new gathering systems;
- acquiring existing gathering systems; and
- acquiring working interests in properties in areas where there are opportunities to build new gathering systems.

We currently have no agreements for the design of new systems or the acquisition of existing systems. In general, our acquisition and building criteria focus on the age of the wells serviced or to be serviced by a system and the likelihood of the producers continued development of their fields.

On April 12, 2005, we completed our initial public offering of 2,300,000 shares of common stock (including the underwriter s over-allotment option of 300,000 shares) at $5.50 per share. Our stock is listed for trading on the American Stock Exchange under the symbol PRB. We have recorded proceeds of $10,169,158, net of underwriter s discounts, commissions and expenses including warrants valued at $583,215, as of June 30, 2005. Invoices for additional offering costs may still be received in the future.

Our executive offices are located at 1401 17th Street, Suite 650, Denver, Colorado 80202 and our telephone number is (303) 308-1330. Our website address is www.prbtrans.com and is currently under construction. Information contained on our website does not constitute a part of this prospectus. We were incorporated in Nevada on December 31, 2003.

The Offering

Securities outstanding prior to this offering	7,050,000 shares of common stock 411,000 shares of Series C convertible preferred stock (1)
Common stock offered	1,211,000 shares
Common stock to be outstanding after the offering	7,461,000 shares (2)
Use of proceeds	We will not receive any proceeds from the sale of the 1,211,000 shares of common stock offered by our selling stockholders.
Risk factors	Please read Risk Factors beginning on page 6 for a discussion of factors you should consider before investing in our common stock.
American Stock Exchange symbol	PRB

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(1) Series C preferred stockholders may elect to convert their shares into 411,000 shares of common stock. Holders of all shares of our Series C preferred stock have advised us that they intend to convert their preferred stock to common stock upon the effectiveness of the registration statement of which the this prospectus is a part.

(2) Amount gives effect to the assumed conversion of 411,000 shares of Series C preferred stock to common stock on a one-to-one basis and excludes:

390,000 shares of common stock issuable upon exercise of stock options; and

245,000 shares of common stock issuable upon exercise of warrants.

Summary historical and pro forma financial data

The tables below present selected historical financial data of TOP Gathering, LLC, our predecessor, and our restated historical financial data and pro forma financial data with respect to the TOP and Bear Paw acquisitions, the latter restated for the year ended December 31, 2004 and the three months ended March 31, 2005, in each case for the periods and as of the dates indicated. We determined during June 2005 that we invoiced a customer (in respect to the Bear Paw acquisition) incorrectly for the period August 2004 through April 2005. We invoiced the customer the difference between the original invoices and the corrected invoices, approximately $304 thousand, in June 2005. We collected the amount due from this customer during December 2005. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. As a result, we have restated our historical financial statements for the year ended December 31, 2004 and the three months ended March 31, 2005, to include the revenues of $162,450 and $105,450, respectively.

We have derived the summary historical financial data for the period from inception through December 31, 2001 and the years ended December 31, 2002 and 2003 from the predecessor audited financial statements of TOP that are included in this prospectus.

We have derived the summary historical financial data for the year ended December 31, 2004 from our restated audited financial statements that are included in this prospectus and include the operating results of the assets acquired from TOP from the January 1, 2004 acquisition date, and the restated operating results of the assets acquired from Bear Paw from the August 1, 2004 acquisition date. For additional information on this matter see Note 2 Restatement of Results, on page F-11 of the restated Company financial statements for the year ended December 31, 2004, included herein.

We have derived the summary historical financial data for the three months ended March 31, 2005 and 2004 from our restated unaudited financial statements that are included in this prospectus. The operating results for 2005 include the operating results of the assets acquired from both TOP and Bear Paw. The operating results for 2004 include the operating results of the assets acquired from TOP from the January 1, 2004 acquisition date. For additional information on this matter see Note 2 Restatement of Results, on page F-31 of the restated Company financial statements for the three months ended March 31, 2005, included herein.

We have derived the restated pro forma statement of operations data and other financial data from the restated pro forma financial statements that are included in this prospectus. They are presented for the year ended December 31, 2004 and give effect to the Bear Paw acquisition as if it occurred as of January 1, 2004, including the effect of recording the invoice corrections noted above in the appropriate period in respect to the period January 1, 2004 through July 31, 2004. For additional information on this matter see Note 2 Restatement of Results, on page F-59 of the restated pro forma financial statements included herein.

In the tables below we present restated earnings before interest, taxes, depreciation and amortization, or EBITDA. EBITDA is a financial measure which we use in our business but that is not calculated and presented in accordance with generally accepted accounting principles, or GAAP. See discussion regarding Non-GAAP Financial Measure to Selected Historical and Pro Forma Financial Data for a definition of EBITDA and a reconciliation of EBITDA to our income and cash flows from operating activities.

The following tables should be read together with, and are qualified in their entirety by reference to, the historical and pro forma financial statements and the accompanying notes included elsewhere in this prospectus. The tables should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

Summary historical and pro forma financial data

Statement of operations data

	PRB Gas Transportation, Inc.				TOP Gathering, LLC (Predecessor)		
	Year ended December 31, 2004	Pro forma Year ended December 31, 2004 As restated (3) (unaudited)	Three months ended March 31, 2005 (unaudited)	Three months ended March 31, 2004 (unaudited)	Year ended December 31, 2003	Year ended December 31, 2002	Period from inception through December 31, 2001
Gas gathering revenues:							
Related party	$ 692,409	$ 692,409	$	$ 197,484	$ 1,360,000	$ 2,097,262	$
Other	1,839,277	3,487,635	841,057	201,427	638,960		
	2,531,686	4,180,044	841,057	398,911	1,998,960	2,097,262	
Expenses:							
Operating	1,314,392	1,999,606	490,792	218,770	1,221,983	1,536,914	2,269
Depreciation and amortization	655,763	1,101,817	277,454	83,636	521,945	1,044,340	
General and administrative	1,183,831	1,183,831	261,502	88,955	155,554	143,247	
	3,153,986	4,285,254	1,029,748	391,361	1,899,482	2,724,501	2,269
Operating income (loss)	(622,300)	(105,210)	(188,691)	7,550	99,478	(627,239)	(2,269)
Other income (expense):							
Interest income	29,403	29,735	227	3,663	138	1,783	668
Miscellaneous	(668)		300				
Interest expense	(56,973)	(222,390)	(42,005)		(21,000)	(10,500)	
	(28,238)	(192,655)	(41,478)	3,663	(20,862)	(8,717)	668
Net income (loss)	(650,538)	(297,865)	(230,169)	11,213	78,616	(635,956)	(1,601)
Preferred stock dividends	(624,933)	(732,500)	(182,345)	(104,396)			
Preferred stock deemed dividends	(586,750)	(586,750)					
Net income (loss) applicable to common stock	$ (1,862,221)	$ (1,617,115)	$ (412,514)	$ (93,183)	$ 78,616	$ (635,956)	$ (1,601)
Net income (loss) per share, basic and diluted	$ (1.33)	$ (1.16)	$ (0.52)	$ (0.06)			
Weighted-average common shares (1)	1,398,907	1,398,907	800,000	1,600,000			
Other financial data							
EBITDA (2)	$ 32,795	**n/a**	$ 89,063	$ (91,186)	$ 621,423	$ 417,101	$ (2,269)
Cash flows from (used in):							
Operating activities	$ 72,354	**n/a**	$ 141,919	$ (298,324)	$ 654,587	$ (413,598)	$ 309,214
Investing activities	$ (10,647,402)	**n/a**	$ (87,691)	$ (1,941,375)	$ (14,112)	$ (1,149,572)	$ (908,077)
Financing activities	$ 10,895,198	**n/a**	$ (273,335)	$ 5,007,025	$ (500,000)	$ 1,261,565	$ 915,000

(1) Excludes all shares of common stock issuable upon conversion of our preferred stock to common stock.

(2) For a definition of EBITDA and a reconciliation of EBITDA to our income (loss) and cash flows from operating activities, see Selected Historical and Pro Forma Financial Data - Non-GAAP Financial Measure.

(3) In June 2005 we determined that we incorrectly invoiced a customer for the period August 2004 to April 2005. The contract with this customer was acquired as part of our acquisition of the Bear Paw gas gathering system in August 2004. In June 2005, we invoiced the customer for the difference between the original invoices and the corrected invoices. The customer paid the difference due in December 2005 of approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. We have restated our financial statements for the year ended December 31, 2004 and the three months ended March 31, 2005 to include the additional revenue of $162,450 and $105,450, respectively that was collected in December 2005.

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Balance sheet data

The following table summarizes our unaudited audited balance sheet as of March 31, 2005 on an:

actual basis; and

as adjusted basis to reflect net cash proceeds of $10,752,373 from the sale of 2,300,000 shares of common stock at $5.50 per share in connection with our April 12, 2005 initial public offering, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us, and the retirement of the $1,500,000 bank line of credit.

	March 31, 2005			
	Actual As restated (1)		As adjusted (unaudited)	
Net property and equipment	$	8,002,201	$	8,002,201
Total assets	$	11,258,376	$	20,510,749
Total liabilities	$	2,352,095	$	852,095
Working capital (deficit)	$	(1,475,272)	$	9,277,101
Total stockholders equity	$	8,906,281	$	19,658,654

(1) See note (3) under Statement of Operations Data.

Risk Factors

An investment in our common stock involves significant risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common stock. If any of the risks described below develop into actual events, our results of operations and financial condition could be adversely affected which could then result in a decline in the market price of our common stock, causing you to lose all or part of your investment.

Risks related to our company and the natural gas industry

We incurred a net loss of $650,538 for the year ended December 31, 2004 and a net loss (unaudited) of $230,169 for the three months ended March 31, 2005. Our future performance is difficult to evaluate because we have a limited operating history.

Our operations commenced with our acquisition of certain assets of TOP Gathering, LLC as of January 1, 2004 and expanded with our acquisition of certain assets of Bear Paw Energy, LLC effective August 1, 2004. As a result, we have little historical financial and operating information available to help you evaluate our performance or an investment in our common stock.

To fund our future growth we will require additional capital, which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including development and acquisition opportunities, the availability of debt financing and the cash flow from our operations. To the extent that the funds available are insufficient to meet future capital requirements, we may need to reduce our development activity. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. In the case of equity financings, dilution to our stockholders could result and such securities may have rights, preferences and privileges that are senior to those of the shares offered hereby. If we cannot obtain adequate capital on favorable terms or at all, our business, operating results and financial condition could be adversely affected.

We depend on our chief executive and chief operating officers for critical management decisions and industry contacts.

We do not have employment agreements with any of these individuals and do not carry key person insurance on their lives. The loss of the services of any of these executive officers, through incapacity or otherwise, could have a material adverse effect on our business and would require us to seek and retain other qualified personnel.

Any failure to manage our growth in operations and hire additional qualified employees could materially affect our results of operations and financial condition.

The expected growth of our operations may place a significant strain on our current management resources. To manage this expected growth, we will need to improve our:

- transaction processing methods;
- operations and financial systems;
- procedures and controls; and
- training and management of our employees.

Competition for personnel is intense, and we cannot assure stockholders that we will be able to successfully attract, integrate or retain, sufficiently qualified personnel. Our failure to attract and retain the necessary personnel or to effectively manage our employee and operations growth could materially affect our results of operations and financial condition.

A significant decrease in the supply of natural gas from our customers could materially affect our results of operations and financial condition.

Investments by our customers in the maintenance of existing wells and the further development of their reserves will affect their production rates and the volume of gas we gather. Drilling activity generally decreases as gas prices decrease. We have no control over our customers   level of drilling activity, the amount of reserves underlying their wells and the rate at which their production from a well will decline. Drilling activity of our customers is affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, geological considerations, governmental regulation and the availability and cost of capital.

Any material nonpayment or nonperformance by our key customers could materially affect our results of operations and financial condition.

As of March 31, 2005 we have 13 customers, two of which represent approximately 69% of our revenues. Pennaco Energy, Inc. accounts for approximately 61% of our revenues and Quantum Energy accounts for approximately 8% of our revenues. Two other customers exceeded 5% of our revenues. Some of our customers may be highly leveraged and subject to their own operating and regulatory risks. If any of these key customers default on their obligations to us, our financial results would be adversely affected.

Federal, state and local laws and regulations relating to environmental protection and operational safety could require us or our customers to make substantial expenditures and could result in material delays in building new or expanding existing gathering systems.

Our gathering systems are subject to environmental and safety laws and regulations. The U.S. Bureau of Land Management, or BLM, completed a multi-year review of potential environmental impacts from coal-bed methane development on federal lands in the Powder River Basin in Montana and Wyoming. It issued a report in April 2003 supporting increased coal bed methane development. In May 2003 environmental and other groups filed four lawsuits in the U.S. District Court for the District of Montana against the BLM alleging that its environmental impact review was not adequate. Plaintiffs seek a court order enjoining coal-bed methane development on federal lands in the Powder River Basin until the BLM conducts additional studies on the environmental impact. We are uncertain as to the outcome of this litigation and if the development of methane gas in the Powder River Basin by our customers is halted or significantly impaired, it could materially and adversely affect our results of operations and financial condition.

Our operations are subject to operational hazards and unforeseen interruptions for which we may be inadequately insured or not insured.

Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, mechanical failures and other events beyond our control. These events might result in a loss of equipment or life, injury or extensive property damage, as well as an interruption in our operations. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial condition.

Growing our business by constructing new gathering systems, or expanding existing ones, subjects us to construction risks.

We plan to grow our business by constructing new gathering systems and by expanding existing ones. We have no material commitments for new construction or expansion projects as of the date of this prospectus. The construction of a new gathering system or the expansion of an existing gathering system, by adding compressor stations or by adding a second gathering line along an existing gathering line, involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. These projects may not be completed on schedule or at all, or at the budgeted cost. In addition, our revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if we build a new gathering system, the construction will occur over an extended period of time and we will not receive any material increases in revenues until after completion of the project. This could adversely affect our results of operations and financial condition.

Restrictions in credit agreements may prevent us from engaging in some beneficial transactions.

As we make acquisitions or construct or expand gathering systems, we intend to enter into credit agreements with financial institutions to fund a portion of the capital requirements. To obtain funds under credit agreements we may be required to accept additional operating restrictions which would impair or prevent us from future transactions we deem to be beneficial for our future growth.

Risks related to our common stock and the offering

The market price of our common stock has been volatile and difficult to predict, and may continue to be volatile and difficult to predict, and the value of your investment may decline.

The market price of our common stock has been volatile since trading commenced on April 12, 2005 and may continue to be volatile. The market price of our common stock will be affected by, among other things:

- variations in our quarterly operating results;
- changes in financial estimates by securities analysts;
- changes in general conditions in the economy or the financial markets;
- changes in accounting standards, policies or interpretations;
- other developments affecting us, our industry, clients or competitors; and
- the operating and stock price performance of companies that investors deem comparable to us.

Any of these factors could have a negative effect on the price of our common stock on the American Stock Exchange, make it difficult to predict the market price for our common stock and cause the value of your investment to decline.

We may be required to rescind the sale of up to $1,233,000 of stock if our private placement of Series C convertible preferred stock is deemed to have violated federal and state securities laws.

In December 2004 we received $1,233,000 from the sale of 411,000 shares of Series C convertible preferred stock. We paid no cash or other commissions or finders fees in connection with this offering. This placement might not have been eligible for an exemption from registration under the Securities Act of 1933. In the absence of such an exemption, investors could bring suit against us to rescind their stock purchases, in which event we could be liable for rescission payments to these investors of up to $1,233,000, exclusive of interest and costs.

Issuance of additional preferred stock could discourage a change in control, reduce the market price of our common stock and result in the holders of preferred stock being granted voting rights that are superior to those of the holders of common stock.

We are authorized to issue preferred stock without obtaining the consent or approval of our stockholders. The issuance of preferred stock could have the effect of delaying, deferring, or preventing a change in control. Management also has the right to grant superior voting rights to the holders of preferred stock. Any issuance of preferred stock could materially and adversely affect the market price of the common stock and the voting rights of the holders of common stock. The issuance of preferred stock may also result in the loss of the voting control of holders of common stock to the holders of preferred stock.

Concentration of share ownership among our existing executive officers, directors and principal stockholders may prevent others from influencing significant corporate decisions.

Our executive officers and directors beneficially own approximately 16.5% of our outstanding common stock. These stockholders, acting together, will have the ability to exert substantial influence over all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. This concentration of ownership could be disadvantageous to other stockholders with interests different from those of our officers, directors and principal stockholders.

Shares eligible for sale could cause our stock price to decline.

Our officers and directors who beneficially own 1,266,250 shares of common stock, including 168,750 shares issuable upon exercise of stock options, agreed not to sell their shares of common stock without the written consent of our underwriter for 15 months from the closing of our initial public offering on April 12, 2005. Following the expiration of the lockup agreement with our underwriter, shares of our common stock held beneficially by our officers and directors will remain subject to holding period restrictions on sale or other transfer under Rule 144 of the Securities Act. We registered the resale of 112,000 of these shares by a separate prospectus concurrent with our initial public offering; we are registering 971,500 of these shares through this prospectus, and plan to register the 168,750 shares underlying currently vested common stock options by September 30, 2005.

All other stockholders who beneficially own 4,077,500 shares of our common stock agreed with our underwriter not to sell their common stock for six months from the closing of our initial public offering. All of these lockup agreements were subsequently terminated pursuant to minimum trading price clauses. We registered the resale of 3,838,000 of these shares by a separate prospectus concurrent with our initial public offering and are registering 239,500 shares through this prospectus.

We intend to register all common stock issuable upon the exercise of options granted under our equity compensation plan by September 30, 2005 so that these shares may also be freely traded.

Sales of a substantial number of the above shares of common stock after this offering could significantly depress the market price of our common stock.

Special Note Regarding Forward-Looking Statements

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words believe, may, estimate, continue, anticipate, intend, should, plan, expect and similar expr relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in Risk Factors and elsewhere in this prospectus.

Other sections of this prospectus may include additional factors which could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation to update publicly or revise any forward-looking statements. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Use of Proceeds

We will not receive any proceeds from the sale of the 1,211,000 shares of common stock offered by our selling stockholders.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain future earnings to finance the operation, development and expansion of our business. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant.

Market For Our Common Stock

On April 12, 2005, our common stock commenced trading on the American Stock Exchange under the symbol PRB . The following table sets forth the range of high and low closing sale prices for our common shares, as reported by the American Stock Exchange for the period from April 12, 2005 to June 30, 2005.

	Price Range of Common Stock	
	High	Low
Period from April 12, 2005 to June 30, 2005.	$ 9.87	$ 6.38

As of June 30, 2005, there were approximately 48 record holders of our common stock (excluding individual participants in nominee security position listings). The closing price of our common stock as reported by the American Stock Exchange on August 1, 2005 was $8.75.

Selling Security Holders

This prospectus relates to 800,000 shares of common stock and 411,000 shares of common stock issuable to holders of 411,000 shares of our Series C convertible preferred stock. We will not receive any proceeds from the sale of these securities.

The following tables set forth information regarding the shares of common stock owned beneficially as of March 31, 2005 by each selling security holder and assumes the conversion of all 411,000 shares of convertible preferred stock into common stock. The selling security holders are not required, and may choose not, to sell any of their shares of common stock.

None of the selling security holders is an officer, director or other affiliate except as indicated below.

Name of selling security holder	Shares owned prior to offering	Shares being offered	Shares owned after offering	Percentage owned after offering(1)
Holder of Common Stock				
Robert W. Wright (2)	800,000	800,000		
Holders of Series C Convertible Preferred				
Robert W. Wright (2)	80,000	80,000		
Susan C. Wright (2)	83,500	83,500		
William F. Hayworth (2)	3,000	3,000		
Pauline Schneider (2)	5,000	5,000		
Vincent Keating	30,000	30,000		
Davies Tainter	10,000	10,000		
Dale Maycen	8,000	8,000		
Kathleen Maycen	8,000	8,000		
Pierce Street Capital, Steve Baum Partner	35,000	35,000		
Barry Zelin	35,000	35,000		
Ainsley Resources Ltd, John Holliwell Director	20,000	20,000		
Aaron A. Grunfeld	4,800	4,800		
David Gitman	1,700	1,700		
Robert Cherry	3,500	3,500		
Robert Steele	20,000	20,000		
Michael Byrum	10,000	10,000		
Morton Schreier	10,000	10,000		
Bruce Miller	5,000	5,000		
James Schadt	35,000	35,000		
Jonathan Lake	3,500	3,500		
Total Series C Convertible Preferred	411,000	411,000		
Total	1,211,000	1,211,000		

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(1) Calculated on the basis of 7,461,000 shares of common stock to be outstanding after the offering without giving effect to the exercise of warrants.

(2) Individual is an officer, director or 5% or greater stockholder of our company.

Sale of Securities Described in this Prospectus

The sale of the securities described in this prospectus may be made from time-to-time in transactions, which may include block transactions by or for the account of the holders, in the over-the-counter market or in negotiated transactions through a combination of these methods of sale or otherwise. Sales may be made at fixed prices that may be changed, at market prices prevailing at the time of sale or at negotiated prices.

A post-effective amendment to the registration statement that includes this prospectus must be filed and declared effective by the Securities and Exchange Commission before a holder may:

sell any securities described in this prospectus according to the terms of this prospectus either at a fixed price or a negotiated price, either of which is not at the prevailing market price;

sell securities described in this prospectus in a block transaction to a purchaser who resells;

pay compensation to a broker-dealer that is other than the usual and customary discounts, concessions or commissions; or

make any arrangements, either individually or in the aggregate, that would constitute a distribution of the securities described in this prospectus.

Our officers and directors who beneficially own 1,252,500 shares of common stock, including 155,000 shares issuable upon exercise of stock options, agreed with our underwriter not to sell 1,238,500 shares of common stock for 15 months from the closing of our initial public offering on April 12, 2005 without the written consent of our underwriter. Following the expiration of the lockup agreement with our underwriter, shares of our common stock held beneficially by our officers and directors will remain subject to holding period restrictions on sale or other transfer under Rule 144 of the Securities Act. We registered the resale of 112,000 of these shares by a separate prospectus concurrent with our initial public offering and are registering 971,500 shares through this prospectus.

All other stockholders who beneficially own 4,077,500 shares of our common stock agreed with our underwriter not to sell their common stock for six months from the closing of our initial public offering. All of these lockup agreements were subsequently terminated pursuant to minimum trading price clauses. We registered the resale of 3,838,000 of these shares by a separate prospectus concurrent with our initial public offering and are registering the 239,500 shares through this prospectus.

Sales of these securities may depress the price of the common stock in any market that may develop.

Selected Historical and Pro Forma Financial Data

The tables below present selected historical financial data of TOP Gathering, LLC, our predecessor, and our restated historical financial data and pro forma financial data with respect to the TOP and Bear Paw acquisitions, the latter restated for the year ended December 31, 2004, and the three months ended March 31, 2005, in each case for the periods and as of the dates indicated. We determined during June 2005 that we invoiced a customer (in respect to the Bear Paw acquisition) incorrectly for the period August 2004 through April 2005. We invoiced the customer the difference between the original invoices and the corrected invoices, approximately $304 thousand, in June 2005. We collected the amount due from this customer during December 2005. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. As a result, we have restated our historical financial statements for the year ended December 31, 2004, and for the three months ended March 31, 2005, to include revenues of $162,450 and $105,450, respectively.

We have derived the summary historical financial data for the period from inception through December 31, 2001 and the years ended December 31, 2002 and 2003 from the predecessor audited financial statements of TOP that are included in this prospectus.

We have derived the summary historical financial data for the year ended December 31, 2004 from our restated audited financial statements that are included in this prospectus which include the operating results of the assets acquired from TOP from the January 1, 2004 acquisition date, and the restated operating results of the assets acquired from Bear Paw from the August 1, 2004 acquisition date. For additional information on this matter See Note 2 Restatement of Results, on page F-11 of the restated Company financial statements for the year ended December 31, 2004, included herein.

We have derived the summary historical financial data for the three months ended March 31, 2005 and 2004 from our restated unaudited financial statements that are included in this prospectus. The operating results for 2005 include the operating results of the assets acquired from both TOP and Bear Paw. The operating results for 2004 include the operating results of the assets acquired from TOP from the January 1, 2004 acquisition date. For additional information on this matter See Note 2 Restatement of Results, on page F-31 of the restated Company financial statements for the three months ended March 31, 2005, included herein.

We have derived the restated pro forma statement of operations data and other financial data from the restated pro forma financial statements that are included in this prospectus. They are presented for the year ended December 31, 2004 and give effect to the Bear Paw acquisition as if it occurred as of January 1, 2004, including the effect of recording the invoice corrections noted above in the appropriate period in respect to the period January 1, 2004 through July 31, 2004. For additional information on this matter see Note 2 Restatement of Results, on page F-59 of the restated pro forma financial statements included herein.

In the tables below we present restated earnings before interest, taxes, depreciation and amortization, or EBITDA. EBITDA is a financial measure which we use in our business but that is not calculated and presented in accordance with generally accepted accounting principles, or GAAP. See disclosure regarding Non-GAAP Financial Measure to Selected Historical and Pro Forma Financial Data for a definition of EBITDA and a reconciliation of EBITDA to our income and cash flows from operating activities.

The following tables should be read together with, and are qualified in their entirety by reference to, the historical and pro forma financial statements and the accompanying notes included elsewhere in this prospectus. The tables should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

Selected Historical and Pro Forma Financial Data

Statement of operations data

	PRB Gas Transportation, Inc.				TOP Gathering, LLC (Predecessor)		
	Year ended December 31, 2004	Pro forma Year ended December 31, 2004 As restated (3) (unaudited)	Three months ended March 31, 2005 (unaudited)	Three months ended March 31, 2004 (unaudited)	Year ended December 31, 2003	Year ended December 31, 2002	Period from inception through December 31, 2001
Gas gathering revenues:							
Related party	$ 692,409	$ 692,409	$	$ 197,484	$ 1,360,000	$ 2,097,262	$
Other	1,839,277	3,487,635	841,057	201,427	638,960		
	2,531,686	4,180,044	841,057	398,911	1,998,960	2,097,262	
Expenses:							
Operating	1,314,392	1,999,606	490,792	218,770	1,221,983	1,536,914	2,269
Depreciation and amortization	655,763	1,101,817	277,454	83,636	521,945	1,044,340	
General and administrative	1,183,831	1,183,831	261,502	88,955	155,554	143,247	
	3,153,986	4,285,254	1,029,748	391,361	1,899,482	2,724,501	2,269
Operating income (loss)	(622,300)	(105,210)	(188,691)	7,550	99,478	(627,239)	(2,269)
Other income (expense):							
Interest income	29,403	29,735	227	3,663	138	1,783	668
Miscellaneous	(668)		300				
Interest expense	(56,973)	(222,390)	(42,005)		(21,000)	(10,500)	
	(28,238)	(192,655)	(41,478)	3,663	(20,862)	(8,717)	668
Net income (loss)	(650,538)	(297,865)	(230,169)	11,213	78,616	(635,956)	(1,601)
Preferred stock dividends	(624,933)	(732,500)	(182,345)	(104,396)			
Preferred stock deemed dividends	(586,750)	(586,750)					
Net income (loss) applicable to common stock	$ (1,862,221)	$ (1,617,115)	$ (412,514)	$ (93,183)	$ 78,616	$ (635,956)	$ (1,601)
Net income (loss) per share, basic and diluted	$ (1.33)	$ (1.16)	$ (0.52)	$ (0.06)			
Weighted-average common shares (1)	1,398,907	1,398,907	800,000	1,600,000			
Other financial data							
EBITDA (2)	$ 32,795	**n/a**	$ 89,063	$ 91,186	$ 621,423	$ 417,101	$ (2,269)
Cash flows from (used in):							
Operating activities	$ 72,354	**n/a**	$ 141,919	$ (298,324)	$ 654,587	$ (413,598)	$ 309,214
Investing activities	$ (10,647,402)	**n/a**	$ (87,691)	$ (1,941,375)	$ (14,112)	$ (1,149,572)	$ (908,077)
Financing activities	$ 10,895,198	**n/a**	$ (273,335)	$ 5,007,025	$ (500,000)	$ 1,261,565	$ 915,000

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(1) Excludes all shares of common stock issuable upon conversion of our preferred stock to common stock.

(2) For a definition of EBITDA and a reconciliation of EBITDA to our income (loss) and cash flows from operating activities, see Selected Historical and Pro Forma Financial Data - Non-GAAP Financial Measure.

(3) In June 2005 we determined that we incorrectly invoiced a customer for the period August 2004 to April 2005. The contract with this customer was acquired as part of our acquisition of the Bear Paw gas gathering system in August 2004. In June 2005, we invoiced the customer for the difference between the original invoices and the corrected invoices. The customer paid the difference due in December 2005 of approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. We have restated our financial statements for the year ended December 31, 2004 and the three months ended March 31, 2005 to include the additional revenue of $162,450 and $105,450, respectively that was collected in December 2005.

Balance sheet data

The following table summarizes our unaudited audited balance sheet as of March 31, 2005 on an:

actual basis; and

as adjusted basis to reflect net cash proceeds of $10,752,373 from the sale of 2,300,000 shares of common stock at $5.50 per share in connection with our April 12, 2005 initial public offering, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us, and the retirement of the $1,500,000 bank line of credit.

	March 31, 2005			
	Actual (unaudited) As restated (1)		As adjusted (unaudited)	
Net property and equipment	$	8,002,201	$	8,002,201
Total assets	$	11,258,376	$	20,510,749
Total liabilities	$	2,352,095	$	852,095
Working capital (deficit)	$	(1,475,272)	$	9,277,101
Total stockholders equity	$	8,906,281	$	19,658,654

(1) See note (3) under Statement of Operations Data.

Non-GAAP financial measure

EBITDA is a supplemental financial measure used by our management to conduct and evaluate our business. We define EBITDA as earnings before interest expense, income taxes, depreciation and amortization. This definition may not be comparable to similarly titled measures reported by other companies. We are presenting EBITDA because it provides an additional way to view our operations, when considered with both our GAAP results and the reconciliation to net income (loss), which we believe provides a more complete understanding of our business than could be obtained absent this disclosure. EBITDA is presented solely as a supplemental disclosure because we:

believe it is a useful tool for investors to assess the operating performance of our business without the effect of non-cash depreciation and amortization expenses;

believe that investors will find it useful in assessing our ability to service existing or incur additional indebtedness; and

use EBITDA internally to evaluate the performance of our personnel and also as a benchmark to evaluate our operating performance or compare our performance to that of our competitors. The use of EBITDA has limitations and you should not consider EBITDA in isolation from or as an alternative to GAAP measures such as net income and cash flows.

Our operations are capital intensive, and depreciation and amortization are unavoidable, material costs of doing business. By eliminating these measures, EBITDA has material limitations as a measure of our performance.

The following table presents a reconciliation of EBITDA to the most directly comparable GAAP financial measures on a historical basis for each of the periods indicated.

Reconciliation of EBITDA to net income (loss)

	PRB Gas Transportation, Inc.			TOP Gathering, LLC (Predecessor)		
	Year ended December 31,	Three months ended March 31,		Year ended December 31,		Period from inception through December 31,
	2004	2005	2004	2003	2002	2001
	As restated (1)	(unaudited)	(unaudited)			
Net income (loss)	$ (650,538)	$ (230,169)	$ 11,213	$ 78,616	$ (635,956)	$ (1,601)
Add:						
Depreciation and amortization	655,763	277,454	83,636	521,945	1,044,340	
Interest expense	56,973	42,005		21,000	10,500	
Less:						
Interest income	(29,403)	(227)	(3,663)	(138)	(1,783)	(668)
EBITDA	$ 32,795	$ 89,063	$ 91,186	$ 621,423	$ 417,101	$ (2,269)

(1) See note (3) under Statement of Operations Data.

Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of the financial condition and results of operations in conjunction with the financial statements of TOP, Bear Paw and our historical and pro forma financial statements included elsewhere in this prospectus. Among other things these historical and pro forma financial statements include more detailed information regarding the basis of presentation for the following information. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed in Risk Factors and elsewhere in this prospectus.

Overview

We own and operate natural gas gathering systems in the Powder River Basin of Wyoming. We commenced operations in January 2004 upon our acquisition of certain operating assets of TOP Gathering, LLC (TOP). In August 2004 we acquired certain operating assets of Bear Paw Energy, LLC. (BPE) which are located in the same area of Wyoming as the TOP assets. These assets include two gathering systems, two delivery lines and related land leases and gas gathering and transportation agreements. We charge a fee for gathering, compressing and dehydrating natural gas. Our gathering systems collect gas at a producer s wellhead or at a collection point and deliver it to a transmission line owned by a third party. To date we have not taken ownership of gas that we gather.

Natural gas wells in the Powder River Basin area typically experience sharp declines in production volume in the first several years of production. Production then stabilizes and declines more ratably over a gas well s average life of approximately eight to 10 years. The majority of the wells serviced by our TOP and Bear Paw gathering systems have reached a stable decline phase of production. We believe that undeveloped reserves in the fields serviced by these systems may provide additional production that could offset future declines and possibly exceed current gas production.

We plan to expand our present operations by:

- enhancing the present gathering systems through operating efficiencies and expanding to servicing additional wells within these systems;
- designing and building new gathering systems;
- acquiring existing gathering systems; and
- acquiring working interests in properties in areas where there are opportunities to build new gathering systems.

In July 2005, we entered into a letter of intent, subject to a definitive agreement, to develop coal bed methane properties in an area of mutual interest in Wyoming and Montana with Enterra Energy Trust (Enterra). Under the venture, we will have the right to earn up to a 50% working interest in certain properties of Enterra s recently acquired subsidiary, Rocky Mountain Gas (RMG).

Under the terms of the proposed agreement, we may expend up to $21.8 million by August 31, 2007 to acquire, drill and develop coal bed methane properties, including the RMG properties, in the area of mutual interest. For any RMG properties we develop or any new properties we acquire within the area of mutual interest, PRB and Enterra will each own a 50% working interest. Upon the expenditure of the $21.8 million, we will earn a 50% interest in all of the RMG properties as defined in the agreement. We plan to operate the properties in the area of mutual interest. By funding the drilling on this acreage, we will also have the opportunity to gather the production on all properties except those currently dedicated to other gatherers. Our cash on hand is sufficient to fund planned expenditures through the end of 2005. We are currently evaluating various sources of financing to fund future spending.

We currently have no agreements for the design of new systems or the acquisition of existing systems. In general, our acquisition and building criteria focus on the estimated recoverable reserves remaining behind a system and the likelihood of the producers continued development of those reserves.

On April 12, 2005, we completed our initial public offering of 2,300,000 shares of common stock (including the underwriter s over-allotment option of 300,000 shares) at $5.50 per share and commenced trading on the American Stock Exchange under the trading symbol PRB. We received proceeds of $11,273,100 net of underwriter s discounts, commissions and expenses at closing on April 15, 2005. Additional costs of the offering, including warrants valued at $583,215, totaled $1,103,942 at June 30, 2005.

Also in April 2005, all of our Series A and B preferred shareholders converted their 3,950,000 shares of preferred stock into an equal number of shares of common stock.

At June 30, 2005, we have 7,050,000 shares of common stock outstanding.

Financial operations overview

Our systems gather natural gas for independent natural gas companies in the Powder River Basin area of Wyoming. Our commercial operations commenced in January 2004 with the TOP acquisition. We expanded our commercial operations in August 2004 with the Bear Paw acquisition.

The analysis of the results of operations for the three months ended March 31, 2005 reflect the operating results of the assets acquired from both TOP and Bear Paw. The operating results for the comparable period in 2004 include the operating results of the assets acquired from TOP from the January 1, 2004 acquisition date. The analysis of the results of operations for the three years ended December 31, 2003 reflects the pre-acquisition operations of TOP and Bear Paw. We have included a separate analysis of the results of operations for the gas gathering systems we acquired from Bear Paw for the three years ended December 31, 2003 and for the unaudited seven months ended July 31, 2004 which precede our August 1, 2004 acquisition date. The analysis of the results of operations for the year ended December 31, 2004 reflects our operations and include the results of the acquired TOP operations from January 1, 2004 and the results of the Bear Paw operations from August 1, 2004.

While we do not discuss our pro forma financial statements below, these statements, and the assumptions made therein, are presented in the unaudited pro forma financial statements included elsewhere in this prospectus. You should review our pro forma financial statements more fully to understand our results of operations.

In June 2005 we determined that we incorrectly invoiced a customer for the period August 2004 to April 2005. The contract with this customer was acquired as part of our acquisition of the Bear Paw gas gathering system in August 2004. In June 2005 we invoiced the customer for the difference between the original invoices and the corrected invoices. The customer paid the difference due in December 2005, approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. We have restated our financial statements for the year ended December 31, 2004 and for the three months ended March 31, 2005, to include the additional revenue of $162,450 and $105,450, respectively that were collected in December 2005. We also determined that Bear Paw (the previous owner) also had incorrectly invoiced this customer similarly. Accordingly, we have also restated the pro forma financial statements included herein to include the difference between what Bear Paw invoiced the customer and what could have been invoiced under the contract of approximately $115 thousand for the seven months ended July 31, 2004, through a pro forma adjustment.

Nature of revenues The amount of revenue we generate will primarily depend on the level of the fees we charge for gathering and the amount of throughput in our pipelines. Gathering fees are determined by negotiation with the producers or shippers involved. Our fees are not regulated by any governmental authority. To date, we have not taken ownership of the gas that we gather.

As of March 31, 2005, we have 13 customers, one of which represents 10% or more of our revenues for the three months ended March 31, 2005. Some of our customers may be highly leveraged and subject to their own operating and regulatory risks. If our key customer defaults on their obligations to us, our financial results would be adversely affected.

We have two types of gathering contracts. Seven of our contracts are currently on a volume only basis where we charge a set fee per thousand cubic feet, or Mcf, of gas gathered. The rates for these contracts vary from approximately $0.37 per Mcf to $0.70 per Mcf, with those below $0.53 per Mcf accounting for less than 3.1% of our revenues for the three months ended March 31, 2005. One of the producers covered by this type of contract is currently directing its gas to another gathering system. The balance of our gathering contracts are a combination of a $0.12 per Mcf fee based on volume and an additional fee for each compressor used on the system. These compression fees are allocated to each producer on the system based on its individual usage volumes and the total usage volumes of gas passing through the system. In March 2005 the gathering fees under this type of contract ranged from approximately $0.73 per Mcf to $0.84 per Mcf. These fees will vary monthly depending on the producers individual production and the system s total throughput. Amounts earned under two of the volume only contracts were classified as related party revenue in 2004 as they were received from a company whose majority shareholder was a shareholder of PRB until September 30, 2004.

Two of our contracts have thresholds which provide for a reduction in rates. We assumed a gas gathering contract that commenced in October 2001 to gather and deliver gas for a related party for $0.89 per Mcf until such time as we received a total of 4.5 billion cubic feet, or Bcf, of gas from the shipper. Thereafter, the transportation fee will be reduced $0.05 for every 5 Bcf of gas received. The first threshold was reached in June 2004 and accordingly the rate was reduced to $0.84 per Mcf effective July 1, 2004. We estimate that the next threshold will not be reached for at least 10 years. The contract remains in effect as long as our gathering facility remains profitable. In the event the contract is unprofitable for us, we may terminate the contract with 30 days written notice. Revenues generated under this contract during the three months ended March 31, 2005 were $67,111.

In addition, we assumed a 10-year gas gathering contract commencing in September 2002 to gather and deliver gas for an unrelated third party for $0.58 per Mcf until such time as the shipper has delivered two Bcf. Thereafter, the gathering fee will be reduced to $0.52 per Mcf. We reached this threshold in June 2005. After the initial term, either party may terminate the contract with 30 days written notice. Revenues generated under this contract during the three months ended March 31, 2005 were $63,952.

Gas gathering throughput in our systems is directly affected by the decline rate of the producers natural gas reserves. The effect of this decline rate can be offset by extension of the gathering system to additional fields and our customers further development of their fields. If a decline in demand for natural gas leads to reduced maintenance and development by our customers, it may adversely affect their production and our throughput. The throughput in our systems is not materially affected by seasonality.

Operating expense Operating expenses include compression, operating agreement expense, site supervision costs, maintenance and operating supplies, property taxes, insurance, land use and surface rights payments and contract services, all of which are relatively fixed costs. Operating expenses also include transportation fees paid to others which vary with the throughput on our gathering lines.

Depreciation and amortization expense Depreciation and amortization expense relates principally to the depreciation of the gathering systems and related contracts. These assets are depreciated or amortized over estimated useful lives.

General and administrative expense General and administrative expense includes compensation expense, professional fees and corporate overhead. We have substantially increased salaried positions and overhead to prepare for the planned expansion of operations. We expect that initially these costs as a percentage of revenue will be higher than desired due to our only recently commencing operations, but as revenue increases we expect these costs to fall within industry ranges.

Interest expense Interest expense for historical TOP (predecessor) operations relates to a $300,000 note with interest at 7% per annum which we did not acquire when we purchased the gathering system and related assets.

At September 30, 2004 we had a $1,944,480, 8% note payable to Bear Paw which we repaid in full in December 2004. In addition, we entered into a $800,000 short-term note payable on October 1, 2004 with interest at 12% per annum. This note was repaid in full in December 2004. In conjunction with the repayment of these notes, we entered into a $1,750,000 bank line of credit in December 2004 and borrowed $1,500,000 thereunder with fluctuating interest at the JPMorgan Chase Bank prime rate per annum. The annual interest rate was 5.25% and 5.75% at

December 31, 2004 and March 31, 2005, respectively. This bank line of credit matured the earlier of May 31, 2005 or within three days following the funding of the initial public offering and was secured by all of our gathering assets and a pledge of a $1,000,000 certificate of deposit by a preferred stockholder. In consideration for this $1,000,000 pledge, we agreed to pay the preferred stockholder a monthly fee of 0.529% until the bank line of credit was retired and the pledge was released.

Following the payment of the bank line of credit in full in April 2005, the bank released their security interest in our gathering assets and the $1,000,000 certificate of deposit pledged by a preferred stockholder.

We intend to utilize commercial financing when available to support our acquisition and development efforts although we have no such debt at this time. Interest rate risk exists principally with respect to any future indebtedness that will likely bear interest at floating rates.

Preferred dividend In January 2004 we issued 2,400,000 shares of Series A 10% convertible preferred stock which pay a 10% annual dividend on a quarterly basis. Quarterly dividends on this series of preferred stock amount to $125,000.

In May 2004 we issued 1,550,000 shares of Series B 5% convertible preferred stock which pay a 5% annual dividend on a quarterly basis. Quarterly dividends on this series of preferred stock amount to $58,125.

In December 2004 we issued 411,000 shares of non-dividend bearing Series C convertible preferred stock at $3.00 per share which are convertible into an equal number of shares of common stock. For accounting purposes the difference between the share price of $3.00 and $5.50, the offering price per share in our recent initial public offering, is deemed to be compensation to our executive officers and other interested parties, and a deemed dividend to other investors. We recorded deemed compensation expense of $440,750 and a deemed dividend of $586,750 in connection with the issuance of the Series C preferred stock in December 2004.

Holders of all our Series A and Series B preferred stock converted to common stock in April 2005. All holders of our Series C preferred stock have advised us that they intend to convert their preferred stock to common stock upon the effectiveness of the registration statement of which this prospectus is a part.

Income tax expense Our predecessor, TOP Gathering, LLC, was organized as a limited liability corporation and was not subject to tax at the company level. We are subject to federal and state taxation at the corporate level.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations and those for TOP and Bear Paw are based upon financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions. We consider the following policies to be the most critical to understanding the judgments that are involved and the uncertainties that could impact our results of operations, financial condition and cash flows.

Revenue recognition

We recognize revenue in the period that the gas gathering and transportation services are provided. Our gas gathering and transportation contracts specify the rate that can be charged on a basis of cents per thousand cubic feet or Mcf of natural gas. Each contract has a separately negotiated rate and terms may vary. Certain of our contracts include separate charges for compression in addition to a transportation fee. Our revenues will increase or decrease in direct proportion to gas volume delivered over our system. There are measurement points throughout each gathering system which enable the gas to be accurately measured and allocated back to either different operators or wells.

Long-lived assets

We calculate depreciation and amortization based on estimated useful lives and salvage values of our assets. When assets are placed into service, we make estimates with respect to their useful lives that we believe are reasonable. However, factors such as competition, regulation or environmental matters could cause us to change our estimates, thus impacting the future calculation of depreciation and amortization. We evaluate long-lived assets for potential impairment by identifying whether indicators of impairment exist and, if so, assessing whether the long-lived assets are recoverable from estimated future undiscounted cash flows. The actual amount of impairment loss, if any, to be recorded is equal to the amount by which a long-lived asset s carrying value exceeds its fair value. Estimates of future undiscounted cash flows and fair value of assets require subjective assumptions with regard to future operating results and actual results could differ from those estimates. We recorded no impairments of long-lived assets during the year ended December 31, 2004 or the three months ended March 31, 2005 (unaudited).

Abandonment liability

We follow Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations* . The estimated fair value of the future costs associated with dismantlement, abandonment and restoration of facilities was recorded as of the effective date of the TOP acquisition. The net estimated costs were discounted to present values using a risk adjusted rate over the estimated economic life of the compressor site. Such costs were capitalized as part of the cost of the related asset and amortized. The associated liability is classified as a long-term liability and is adjusted when circumstances change and for the accretion of expense which is recorded as a component of depreciation and amortization. We have not yet recorded an asset retirement obligation in conjunction with the assets acquired from Bear Paw because sufficient information to make a reasonable estimate of the fair value of the liability is not available.

Stock-based compensation

We account for employee stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, and provide pro forma disclosures of net income (loss) as if a fair value method had been applied in measuring compensation expense. Stock compensation expense, which is a non-cash charge, is measured as the excess, if any, of the fair value of our underlying common stock at the date of grant over the amount an employee must pay to acquire such stock. This compensation cost is amortized over the related vesting periods, generally four years, using an accelerated method. See Recent accounting pronouncements .

Contingencies

In the future, we may be subject to adverse proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We will be required to assess the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to developments in each matter or changes in approach such as a change in settlement strategy in dealing with these potential matters.

Results of operations

The results of operations for PRB for the year ended December 31, 2004, for the restated unaudited three month periods ended March 31, 2005 and 2004, and for TOP, its predecessor, for the period from inception through December 31, 2001, the years ended December 31, 2002 and 2003 are discussed together below. The results of operations for the Bear Paw operations for the three years ended December 31, 2003, and the unaudited seven month period ended July 31, 2004 preceding our August 1, 2004 acquisition date, are discussed separately below.

PRB operations

Three months ended March 31, 2005 (unaudited) compared to the three months ended March 31, 2004 (unaudited)

Revenues Gas gathering revenues were $841,057 for the three months ended March 31, 2005 compared with $398,911 for the three months ended March 31, 2004, an increase of $442,146 or 110.8%. Revenues from the Bear Paw systems of $708,125 are included in the revenues for the three months ended March 31, 2005 and offset the decrease of $265,979, or 66.6%, experienced for the TOP system. The TOP decrease was primarily attributable to lower natural gas volumes processed through the gathering system by existing producers and the redirection of one of our producer s gas to another gathering system.

Operating expenses Operating expenses totaled $490,792 for the three months ended March 31, 2005 compared with $218,770 for the three months ended March 31, 2004, an increase of $272,022, or 124%. Bear Paw operating expenses of $326,411 are included in operating expenses for the three months ended March 31, 2005. The decrease for this period excluding the Bear Paw expenses is $54,390, or 24.8%. Approximately $20,290 of this decrease is attributable to a reduction in the number of compressors leased and approximately $49,260 is due to a decrease in gas transportation fees paid based on the lower gas volumes. These decreases were offset by an increase in property tax of $13,125. We reduced the number of compressors utilized due to the lower natural gas volumes being produced.

Depreciation and amortization Depreciation and amortization totaled $277,454 for the three months ended March 31, 2005 compared with $83,636 for the three months ended March 31, 2004, an increase of $193,818, or 232%. Bear Paw depreciation and amortization expenses of $191,164 are included in depreciation and amortization expenses for the three months ended March 31, 2005. The actual increase for this period excluding the Bear Paw expenses is $2,654, or 3.1%, which is attributable to depreciation on office furniture and equipment.

General and administrative expenses General and administrative expenses totaled $261,502 for the three months ended March 31, 2005 compared with $88,955 for the three months ended March 31, 2004, an increase of $172,547, or 194%. The increase was primarily due to the hiring of professional management and staff that were necessary for operations. Approximately $106,298 of the increase is attributable to payroll and related expense and approximately $36,150 is attributable to professional and consulting fees. There was also an increase in rent of approximately $8,400 and an increase in fees related to being a public company of $8,250.

Year ended December 31, 2004 (PRB) compared to year ended December 31, 2003 (TOP predecessor operations)

The results of operations for the year ended December 31, 2003 are derived from the audited financial statements of TOP and the results of operations for the year ended December 31, 2004 are derived from our restated audited financial statements.

Revenues Gas gathering revenues were $2,531,686 for the year ended December 31, 2004 compared with

$1,998,960 for the year ended December 31, 2003, an increase of $532,726, or 27%. Revenues from the Bear Paw systems of $1,310,926 are included effective August 1, 2004 and offset the decrease of $778,200, or 39% experienced for the TOP systems. The TOP decrease was primarily attributable to lower natural gas volumes processed through the gathering system by existing producers. An additional producer began delivering gas to the system at the end of 2003 which offset some of the decline in 2004.

The decline rates for the all of our systems are consistent and predictable for the age and nature of the wells and meet what we consider to be a stable decline rate.

Operating expenses Operating expenses totaled $1,314,392 for the year ended December 31, 2004 compared with $1,221,983 for the year ended December 31, 2003, an increase of $92,409, or 8%. Included in operating expenses for the year ended December 31, 2004 are five months of Bear Paw operating expenses which total $493,378. The decrease for this period excluding the Bear Paw expenses is $400,969, or 33%. Approximately $366,700 of this decrease is attributable to a reduction in the number of compressors leased and approximately $124,750 is due to a decrease in gas transportation fees paid based on the lower gas volumes. We reduced the number of compressors utilized due to the lower natural gas volumes being produced. Offsetting this decrease was an increase of approximately $90,500 due to the reclassification of repairs and maintenance, water hauling, site supervision, property insurance, property tax and other expenses previously classified as general and administrative expense by TOP to operating expense classification for PRB financial statements.

Depreciation and amortization Depreciation and amortization totaled $655,763 for the year ended December 31, 2004 compared with $521,945 for the year ended December 31, 2003, an increase of $133,818, or 26%. Included in depreciation and amortization expenses for the year ended December 31, 2004 are five months of Bear Paw depreciation and amortization expenses which total $318,606. The actual decrease for this period excluding the Bear Paw expenses is $184,788, or 35%. This decrease relates primarily to the differences in the estimated useful lives and depreciable bases of the assets under the different owners.

General and administrative expenses General and administrative expenses totaled $1,183,831 for the year ended December 31, 2004 compared with $155,554 for the year ended December 31, 2003, an increase of $1,028,277, or 661%. The increase was primarily due to the hiring of professional management and staff that were not required for the predecessor TOP operations. Approximately $439,300 of the increase is attributable to payroll and related expense, $440,750 was deemed compensation expense resulting from the purchase of 176,300 Series C shares by officers and other interested parties, and approximately $122,000 is attributable to professional and consulting fees.

TOP predecessor operations - Year ended December 31, 2003 compared to year ended December 31, 2002

Revenue TOP revenues were $1,998,960 for the year ended December 31, 2003 compared with $2,097,262 for the year ended December 31, 2002, a decrease of $98,302, or 5%. The decrease was the result of a combination of factors. One of the producers serviced by TOP had a decline in throughput of 39%. This decrease was offset by an increase in another producer s volumes as well as the addition of a new producer but these higher volumes had a lower contracted gathering rate.

Operating expenses Operating expenses totaled $1,221,983 for the year ended December 31, 2003 compared with $1,536,914 for the year ended December 31, 2002, a decrease of $314,931 or 21%. The decrease was attributable to an approximately $337,500 reduction in costs associated with a terminated compressor lease which was offset by an increase in gas transportation fees of approximately $22,500 due to increased gas throughput.

Depreciation and amortization Depreciation and amortization totaled $521,945 for the year ended December 31, 2003 compared with $1,044,340 for the year ended December 31, 2002, a decrease of $522,395, or 50%. This decrease was primarily due to the write-off in 2002 of approximately $520,000 in assets associated with an anticipated reduction in compressors.

General and administrative expenses General and administrative expenses totaled $155,554 for the year ended December 31, 2003 compared with $143,247 for the year ended December 31, 2002, an increase of $12,307 or 9%. The increase was primarily due to increased costs for accounting and legal expenses associated with an audit and preparation of sale documents.

TOP predecessor operations - Year ended December 31, 2002 compared to period from inception through December 31, 2001

Revenues TOP revenues were $2,097,262 for the year ended December 31, 2002. As the TOP system was constructed in late 2001 and began operations in February 2002, there were no revenues in 2001. The system serviced two producers during 2002, with one producer being responsible for approximately 94% of the throughput.

Operating expenses Operating expenses totaled $1,536,914 for the year ended December 31, 2002. Compression lease expense was approximately $1,207,000 with the balance made up of gas transportation fees. There was minimal expense of $2,269 recorded in 2001.

Depreciation and amortization Depreciation and amortization totaled $1,044,340 for the year ended December 31, 2002. This included the write-off of some assets related to the anticipated reduction in compression of approximately $520,000.

General and administrative expenses General and administrative expenses totaled $143,247 for the year ended December 31, 2002. This included payroll expense of approximately $63,000, insurance expense of approximately $32,000 and other corporate overhead items. There was no general and administrative expense recorded in 2001.

Bear Paw Energy, LLC - Gap, Bone Pile, Antelope Valley and South Kitty operations

We have included a separate analysis of the results of operations for the gas gathering systems we acquired from Bear Paw for the three years ended December 31, 2003 and for the unaudited seven months ended July 31, 2004 and July 31, 2003 which precede our August 1, 2004 acquisition date. The gas gathering systems we acquired from Bear Paw were not operated as a separate division or company. Accordingly, the financial statements included in this prospectus for these systems only include revenues of the acquired systems and related direct operating expenditures.

Bear Paw Energy, LLC
Gap, Bone Pile, Antelope Valley and South Kitty operations
Statements of revenues and direct operating expenses data

	Seven months ended July 31,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
Gas gathering revenues	$ 1,533,332	$ 2,433,870	$ 3,750,375	$ 6,373,579	$ 10,858,189
Direct operating expenses:					
Depreciation	796,823	1,352,033	2,088,694	2,322,046	2,194,116
Asset impairment			42,146,970		
Labor related expenses	306,677	354,832	661,218	441,932	394,450
Property taxes	172,662	181,294	310,790	647,592	318,031
Right-of-way expenses	90,214	102,252	174,516	182,120	187,306
Other operating expenses	598,454	621,965	1,158,257	1,241,671	2,227,271
	1,964,830	2,612,376	46,540,445	4,835,361	5,321,174
Revenues in excess (deficit) of direct operating expenses	$ (431,498)	$ (178,506)	$ (42,790,070)	$ 1,538,218	$ 5,537,015

Period ended July 31, 2004 (unaudited) compared to period ended July 31, 2003 (unaudited)

Revenues Subsequent to July 31, 2004, Bear Paw operations are included in PRB operations. Gas gathering revenues were $1,533,332 for the seven months ended July 31, 2004 compared with $2,433,870 for the seven months ended July 31, 2003, a net decrease of $900,538, or 37%. The Gap system generated $535,348 of this decrease which represents a 29% decrease in revenue from the same period for the preceding year. The Bonepile system generated $365,190 of this decrease which represents a 60% decrease in revenues from the same period for the preceding year. The decrease in Gap revenues was partially offset by the renegotiation of certain contracts in May 2004. Terms of the majority of the Gap gathering contracts were revised from a fixed 10 year term to life of production contracts. The majority of the Gap contracts are also now on a two tier rate system where customers are charged a fee for compressor utilization and a separate fee based on volume throughput. Compression fees are allocated based on the ratio of each producer s volume to total system throughput volume for the month. Previously, all contracts were charged only on a volume basis at rates averaging from $0.36 to $0.58 per Mcf. The actual rate on the revised terms varies each month based on a producer s throughput relative to total throughput. In November 2004 rates ranged from $0.70 to $0.89 per Mcf.

The decline rate for the Gap system is consistent and predictable for the age and nature of the wells and meets what we consider to be a stable decline rate. The decline rate for the Bonepile system which accounts for approximately 10% of our total revenue has not yet reached a stable decline rate and continues to decline at an annual rate of approximately 60%. We are unable to predict when production volume for the Bonepile system will stabilize.

Depreciation Depreciation totaled $796,823 for the seven months ended July 31, 2004 compared with $1,352,033 for the seven months ended July 31, 2003, a decrease of $555,210, or 41%. This decrease was primarily due to an impairment analysis of natural gas gathering and processing assets which was performed in September 2003 as a result of lower throughput volumes for gas gathering operations. As a result of this analysis, a charge of $42,146,970 was recorded during the third quarter of 2003 to reduce the carrying cost of these assets to their net realizable value. Beginning October 1, 2003, the estimated depreciable life of the assets was also reduced from 30 years to 15 years. The effect of the reduction in depreciable cost, as adjusted, exceeded the effect of reducing the depreciable life by 50%.

Labor related expenses Labor related expenses totaled $306,677 for the seven months ended July 31, 2004 compared with $354,832 for the seven months ended July 31, 2003, a decrease of $48,155, or 14%. This decrease was primarily due to reconfiguration of the systems that reduced the number of compressors and resulted in a lower allocation of labor costs.

Property taxes Property tax expense totaled $172,662 for the seven months ended July 31, 2004 compared with $181,294 for the seven months ended July 31, 2003, a decrease of $8,632, or 5%.

Right-of-way expenses Right-of-way expenses totaled $90,214 for the seven months ended July 31, 2004 compared with

$102,252 for the seven months ended July 31, 2003, a decrease of $12,038, or 12%.

Other operating expenses Other operating expenses totaled $598,454 for the seven months ended July 31, 2004 compared with $621,965 for the seven months ended July 31, 2003, a decrease of $23,511, or 4%.

Year ended December 31, 2003 compared to year ended December 31, 2002

Revenues Revenues totaled $3,750,375 for the year ended December 31, 2003 as compared with $6,373,579 for the year ended December 31, 2002, a decrease of $2,623,204 or approximately 41%. The Gap system generated $1,334,392 of this decrease which represents a 32% decrease in revenue from the same period for the preceding year. The Bonepile system generated $1,288,812 of this decrease which represents a 59% decrease in revenue from the same period for the preceding year.

One Gap customer, who flowed gas on the system on an as-needed basis with a rate significantly lower than the gathering rates, had a decrease of approximately 26% of the overall volume decline. Other than due to this customer the decline rate for the Gap system is consistent and predictable for the age and nature of the wells and meets what we consider to be a stable decline rate. The decline rate for the Bonepile system which accounts for approximately 10% of our total revenues has not yet reached a stable decline rate and continues to decline at an annual rate of approximately 60%. We are unable to predict when production volume for the Bonepile system will stabilize.

Depreciation/Asset impairment Depreciation totaled $2,088,694 for the year ended December 31, 2003 compared with $2,322,046 for the year ended December 31, 2002, a decrease of $233,352, or 10%. This decrease was primarily due to the recording of impairment charges as a result of lower throughput volumes experienced and anticipated for gas gathering operations. In addition to the impairment charge of $42,146,970 during the third quarter of 2003 to reduce the carrying cost of these assets to their net realizable value, beginning October 1, 2003, the estimated depreciable life of the assets was reduced from 30 years to 15 years. The effect of the reduction in depreciable cost, as adjusted, exceeded the effect of reducing the depreciable life by 50%.

Labor related expenses Labor related expenses totaled $661,218 for the year ended December 31, 2003 compared with $441,932 for the year ended December 31, 2002, an increase of $219,286, or 50%. This increase was primarily due to a reduction in contract labor and corresponding addition in full time personnel.

Property taxes Property tax expense totaled $310,790 for the year ended December 31, 2003 compared with $647,592 for the year ended December 31, 2002, a decrease of $336,802, or 52%. This decrease was primarily due to renegotiating property values with the taxing authority.

Right-of-way expenses Right-of-way expenses totaled $174,516 for the year ended December 31, 2003 compared with $182,120 for the year ended December 31, 2002, a decrease of $7,604, or 4%.

Other operating expenses Other operating expenses totaled $1,158,257 for the year ended December 31, 2003 compared with $1,241,671 for the year ended December 31, 2002, a decrease of $83,414, or 7%.

Year ended December 31, 2002 compared to year ended December 31, 2001

Revenues Revenues totaled $6,373,579 for the year ended December 31, 2002 as compared with $10,858,189 for the year ended December 31, 2001, a decrease of $4,484,610 or 41%. Volumes decreased approximately 7,000,000 Mcf or 32%. The Gap system generated $3,023,275 of this decrease which represents a 42% decrease in revenue from the same period for the preceding year. The Bonepile system generated $1,461,335 of this decrease which represents a 40% decrease in revenue from the same period for the preceding year.

The decline rate for the Gap system is consistent and predictable for the age and nature of the wells and meets what we consider to be a stable decline rate. The decline rate for the Bonepile system which accounts for approximately 10% of our total revenue has not yet reached a stable decline rate and continues to decline at an annual rate of approximately 60%. We are unable to predict when production volume for the Bonepile system will stabilize.

Depreciation Depreciation totaled $2,322,046 for the year ended December 31, 2002 compared with $2,194,116 for the year ended December 31, 2001, an increase of $127,930, or 6%. The increase was principally due to capital additions during the year.

Labor related expenses Labor related expenses totaled $441,932 for the year ended December 31, 2002 compared with $394,450 for the year ended December 31, 2001, an increase of $47,482, or 12%. This increase was primarily due to a reduction in contract labor and corresponding addition in full time personnel.

Property taxes Property tax expense totaled $647,592 for the year ended December 31, 2002 compared with $318,031 for the year ended December 31, 2001, an increase of $329,561, or 104%. This increase was primarily due to capital additions during the year.

Right-of-way expenses Right-of-way expenses totaled $182,120 for the year ended December 31, 2002 compared with $187,306 for the year ended December 31, 2001, a decrease of $5,186, or 3%.

Other operating expenses Other operating expenses totaled $1,241,671 for the year ended December 31, 2002 compared with $2,227,271 for the year ended December 31, 2001, a decrease of $985,600, or 44%. This decrease was primarily due to a $460,000 reduction in tools and special equipment purchases and a $359,000 reduction in outside labor costs.

General trends and outlook

We expect our business to continue to be affected by the following key trends. Our expectations are based on assumptions made by us and information currently available to us. To the extent our underlying assumptions about or interpretations of available information prove to be incorrect, our expectations may vary materially from actual results.

U.S. Gas Supply and Outlook. We believe that the relatively high levels of demand for natural gas by both the residential and commercial markets will continue to result in steady or increasing natural gas prices which in turn will drive drilling activity. In 2003, the Bureau of Land Management forecasts that over 80,000 new wells will be drilled in the Rocky Mountain region by end of 2008. There are approximately 15,000 authorized drilling permits to be issued by the BLM in the State of Wyoming. We believe that an increase in U.S. drilling activity and additional sources of supply such as liquefied natural gas, or LNG, imports will be required for the natural gas industry to meet the expected increased demand for, and compensate for the slowing production of, natural gas in the United States.

***Rising Interest Rate Environment*.** The credit markets recently have experienced 50-year record lows in interest rates. As the overall economy strengthens, it is likely that monetary policy will tighten further, resulting in higher interest rates to counter possible inflation. This could affect our ability to access the debt capital markets to pay for acquisitions. In addition, interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. Although this could limit our ability to raise funds in the debt capital markets, we expect to remain competitive with respect to acquisitions and capital projects, as our competitors would face similar circumstances.

Liquidity and capital resources

Cash flows and capital expenditures

At December 31, 2004, we had $320,150 in cash and cash equivalents. At March 31, 2005 (unaudited), cash and cash equivalents totaled $101,043 and we had a working capital deficit of $1,475,272. Since our inception, we have principally financed our operating cash flow needs through private offerings of our equity securities.

On April 12, 2005, we completed our initial public offering of 2,300,000 shares of common stock at $5.50 per share and our shares commenced trading on the American Stock Exchange under the trading symbol PRB. The Company received proceeds of $11,273,100 net of underwriter s discounts, commissions and expenses at closing on April 15, 2005. Additional costs of the offering, including warrants valued at $583,215, totaled $1,103,942 at June 30, 2005.

We utilized the proceeds to retire the $1,500,000 balance outstanding under our $1,750,000 bank line of credit. The bank line of credit was cancelled upon payment in full and the security interest in our gathering assets and the $1,000,000 certificate of deposit pledged by a preferred stockholder was released.

In July 2005, we entered into a letter of intent, subject to a definitive agreement, to develop coal bed methane properties in an area of mutual interest in Wyoming and Montana with Enterra Energy Trust (Enterra). Under the venture, we will have the right to earn up to a 50% working interest in certain properties of Enterra s recently acquired subsidiary, Rocky Mountain Gas (RMG).

Under the terms of the proposed agreement, we may expend up to $21.8 million by August 31, 2007 to acquire, drill and develop coal bed methane properties, including the RMG properties, in the area of mutual interest. Our cash on hand is sufficient to fund planned expenditures through the end of 2005. We are currently evaluating various sources of financing to fund future spending.

We intend to utilize debt financing for development commitments when economically feasible and available. While we currently have no plans for any future issuance of equity securities other than in conjunction with compensation plans, warrants and conversion of our preferred stock, we may issue equity or debt securities to finance growth transactions that may occur in the course of our business operations.

Cash flow used in operations

Cash provided by operating activities was $72,354 for the year ended December 31, 2004. The net loss from operating activities of $650,538 was reduced by $650,963 in depreciation and amortization, $4,800 in accretion expense and by $440,750 in deemed compensation expense which do not use cash and was increased by $373,621 due to a net increase in accounts receivable, prepaid expenses and other assets over accounts payable and other accrued liabilities.

Cash provided by operating activities was $654,587 for the year ended December 31, 2003. The net income from operating activities of $78,616 was increased by $521,945 in depreciation and amortization which do not use cash and decreased by $54,026 due to a net increase in accounts receivable, prepaid expenses and other assets over accounts payable and other accrued liabilities.

Cash provided by operating activities was $141,919 for the three months ended March 31, 2005. The net loss from operating activities of $230,169 was reduced by $276,158 in depreciation and amortization, $1,296 in accretion expense and an increase of $273,947 in accounts payable and accrued expenses and other current liabilities. This was offset by a decrease of approximately $182,380 in prepaid expenses and accounts receivable.

Cash used in operating activities was $298,324 for the three months ended March 31, 2004. The net income from operating activities of $11,213 was increased by $82,436 in depreciation and amortization and $1,200 of accretion expense which do not use cash and decreased by $393,173 due to a net increase in accounts receivable, prepaid expenses and other assets over accounts payable and other accrued liabilities.

Cash flow from investing activities

Cash used in investing activities was $10,647,402 for the year ended December 31, 2004. The funds were principally used for the acquisition of the TOP and Bear Paw assets and for purchasing computer equipment. See discussion of TOP and Bear Paw acquisitions below.

Cash used in investing activities was $14,112 for the year ended December 31, 2003. The funds were used for purchasing equipment.

Cash used in investing activities was $87,691 for the three months ended March 31, 2005 The funds were principally used for additions to the TOP system and for purchasing office furniture and computer equipment.

Cash used in investing activities was $1,941,375 for the three months ended March 31, 2004. The funds were used for the acquisition of the TOP system.

Cash flow from financing activities

Cash provided by financing activities was $10,895,198 for the year ended December 31, 2004. These funds represent the net proceeds from the sales of our common and preferred stock and other financing activities as follows:

In January 2004 we sold 1,600,000 shares of common stock to our two founders for net proceeds of $20,000;

In January 2004 we sold 2,400,000 shares of Series A 10% convertible preferred stock at $2.083 per share which are convertible into an equal number of shares of common stock. Net proceeds from this private placement were $4,987,025. We paid no commissions or finders fees;

In May 2004 we sold 1,550,000 shares of Series B 5% convertible preferred stock at $3.00 per share which are convertible into an equal number of shares of common stock. Net proceeds from this private placement were $4,640,579. We paid no commissions or finders fees;

In September 2004 we acquired 800,000 shares of common stock from Kevin P. Norris for $800,000 in cash. Mr. Norris, our former director from December 2003 to May 2004, is the manager of TOP Gathering, LLC whose assets we acquired as of January 2004;

In October 2004 we borrowed $800,000 from a preferred stockholder pursuant to a 12% per annum promissory note;

In December 2004 we issued 411,000 shares of non-dividend bearing Series C convertible preferred stock at $3.00 per share which are convertible into an equal number of shares of common stock. Net proceeds from this private placement were $1,231,296. Our chief executive officer and his wife purchased 163,500 shares in this offering. Our president and our vice president of finance purchased 3,000 and 5,000 shares in this offering, respectively. We paid no cash or other commissions or finders fees in connection with this offering. For accounting purposes the difference between the share price of $3.00 and $5.50, the offering price per share in our recent initial public offering, is deemed to be compensation to our executive officers and other interested parties, and a deemed dividend to other investors. We have recorded deemed compensation expense of $440,750 and a deemed dividend of $586,750 in connection with the issuance of the Series C preferred stock. This placement might not have been eligible for an exemption from registration under the Securities Act of 1933. In the absence of such an exemption, investors could bring suit against us to rescind their stock purchases, in which event we could be liable for rescission payments to these investors of up to $1,233,000, exclusive of interest and costs;

In December 2004 we repaid notes payable related to the Bear Paw acquisition of $1,944,480 and an $800,000 short-term note. To retire this debt we borrowed $1,500,000 under a $1,750,000 bank line of credit bearing a fluctuating interest rate equal to the JPMorgan Chase Bank prime rate. The annual interest rate was 5.25% at December 31, 2004. This bank line of credit matures the earlier of March 31, 2005 or within three days following the funding of the initial public offering and is secured by all of our gathering assets and a pledge of a $1,000,000 certificate of deposit by a preferred stockholder. In consideration for this pledge, we agreed to pay the preferred stockholder a monthly fee of approximately $5,300, or 0.529% of the amount of the certificate of deposit, until the bank line of credit is retired and the pledge is released. On April 15, 2005, we repaid the bank line of credit in full from the proceeds of our initial public offering; and

During the year ended December 31, 2004 we paid dividends of $428,750 and deferred costs related to our initial public offering of $254,952.

Cash used by financing activities was $500,000 for the year ended December 31, 2003 which represents distributions to members of the TOP Gathering, LLC.

Cash used in financing activities was $273,335 for the three months ended March 31, 2005. The Company paid $183,125 in preferred dividends and incurred $90,210 of deferred costs related to our initial public offering.

Cash provided by financing activities was $5,007,025 for the three months ended March 31, 2004. We received $4,987,025 in net proceeds from the sale of our Series A preferred stock and $20,000 from the sale of common stock.

Acquisition of certain operating assets of TOP Gathering, LLC

Effective January 1, 2004, we purchased the gas gathering assets of TOP Gathering, LLC, located in Campbell County Wyoming, for $3,184,873, including direct costs of $65,794, cash of $2,774,440, a compressor disposal liability of $144,639 and a payable to TOP of $200,000 that was due February 27, 2005. We renegotiated this due date and paid TOP $180,000 on April 27, 2005 with the balance to be paid when remedial work per the contract has been completed.

The results of operations related to these acquired assets have been included in our financial statements since January 1, 2004. The acquisition was accounted for using the purchase method of accounting. In conjunction with the asset acquisition, we have recorded the fair value of a liability for an asset retirement obligation in the amount of $60,004 and increased the value of the related assets. The purchase consideration, including legal fees and other professional fees incurred, has been allocated among the following assets based on the estimated fair value of the assets acquired:

Compressor site	$	1,239,596
Pipeline and interconnect		984,423
Gathering contracts		1,020,858
Asset retirement obligation		(60,004)
Total allocated cost of assets acquired	$	3,184,873

Acquisition of certain operating assets of Bear Paw Energy, LLC

Effective August 1, 2004, we purchased certain gas gathering assets from Bear Paw Energy, LLC, located in Campbell County Wyoming, for $7,646,581, including direct costs of $146,581. Included in the assets are approximately 200 miles of pipeline, related equipment such as buildings, launchers and receivers and other equipment, 12 gas gathering contracts and over 600 right-of-way and surface lease contracts. We did not record an asset retirement obligation relating to obligations under certain of these contracts because a reasonable estimate of the useful lives of the underlying assets cannot currently be made. The purchase and sale agreement was executed on September 30, 2004 and the closing occurred on October 6, 2004. We paid $5,500,000 in cash at closing and recorded a note payable of $1,944,480 which was the balance due of $2,000,000 reduced by adjustments of $55,520 that included August 2004 revenue net of expenses, plus prepaid rights of way and property taxes. The note was to be paid in two installments; $1,500,000 plus interest calculated at 8% per annum on December 15, 2004 and the balance plus interest on February 15, 2005. We paid the note in full on December 15, 2004.

The results of operations related to these acquired assets have been included in our financial statements since the effective date of August 1, 2004. The acquisition was accounted for using the purchase method of accounting. The purchase consideration, including legal fees and other professional fees incurred, has been allocated among the following assets based on the estimated fair value of the assets acquired:

Pipeline	$	5,579,175
Compressor sites		787,613
Contracts		1,279,793
Total allocated cost of assets acquired	$	7,646,581

In conjunction with this purchase, we signed an operating agreement effective August 1, 2004 with Bear Paw Energy to operate these assets. The contract has an initial term of two years with an automatic renewal for up to two terms of one year each thereafter until and unless terminated by us upon 30 days notice. The contract calls for monthly payments by us of $71,000 and for us to be responsible for any repair or replacement that is greater than $5,000 per occurrence, excluding compressor overhauls which are the responsibility of Bear Paw. We are also responsible for any overtime outside of regular business hours. All other expenses associated with ownership of the acquired assets are the responsibility of PRB including property taxes, rights of way payments and insurance.

Preferred stock dividends

All of our Series A 10% preferred stock and Series B 5% preferred stockholders converted to common stock on April 11, 2005. On April 15, 2005 we paid $155,364 in accrued dividends up to the conversion date.

Subsequent events

Letter of intent

In July 2005, we entered into a letter of intent, subject to a definitive agreement, to develop coal bed methane properties in an area of mutual interest in Wyoming and Montana with Enterra Energy Trust (Enterra). Under the venture, we will have the right to earn up to a 50% working interest in certain properties of Enterra s recently acquired subsidiary, Rocky Mountain Gas (RMG).

Under the terms of the proposed agreement, we may expend up to $21.8 million by August 31, 2007 to acquire, drill and develop coal bed methane properties, including the RMG properties, in the area of mutual interest. For any RMG properties we develop or any new properties we acquire within the area of mutual interest, PRB and Enterra will each own a 50% working interest. Upon the expenditure of the $21.8 million, we will earn a 50% interest in all of the RMG properties as defined in the agreement. We plan to operate the properties in the area of mutual interest. By funding the drilling on this acreage, we will also have the opportunity to gather the production on all properties except those currently dedicated to other gatherers. Our cash on hand is sufficient to fund planned expenditures through the end of 2005. We are currently evaluating various sources of financing to fund future spending.

Minimum billing adjustment

In June 2005 we determined that we incorrectly invoiced a customer for the period August 2004 to April 2005. The contract with this customer was acquired as part of our acquisition of the Bear Paw gas gathering system in August 2004. In June 2005 we invoiced the customer for the difference between the original invoices and the corrected invoices. The customer paid the difference due in December 2005, approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. We have restated our financial statements for the year ended December 31, 2004 and for the three months ended March 31, 2005, to include the additional revenue of $162,450 and $105,450, respectively that were collected in December 2005. We also determined that Bear Paw (the previous owner) also had incorrectly invoiced this customer similarly. Accordingly, we have also restated the pro forma financial statements included herein to include the difference between what Bear Paw invoiced the customer and what could have been invoiced under the contract of approximately $115 thousand for the seven months ended July 31, 2004, through a pro forma adjustment.

Qualitative and Quantitative Disclosures about Market and Credit Risk

We are exposed to certain market risks inherent within the intrastate natural gas gathering industry. We intend to manage our operations in a manner designed to minimize our exposure to such market risks.

Credit risk

Credit risk is the risk of loss resulting from non-performance of contractual obligations by a customer or joint venture partner. A substantial portion of our accounts receivable are expected to be with customers in the energy industry and are subject to normal industry credit risk. We intend to assess the financial strength of our customers through regular credit reviews in order to minimize the risk of non-payment.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. Because we do not own the natural gas that is shipped on our gathering lines or processed in our facilities, we are not directly exposed to natural gas commodity price risk.

Interest rate risk

Interest rate risk will exist principally with respect to any future indebtedness that bears interest at floating rates. At December 31, 2004 and March 31, 2005 we had $1,500,000 in bank indebtedness with a fluctuating interest rate equal to the JPMorgan Chase Bank prime rate. This line of credit was paid in full and cancelled in April 2005.

Contractual obligations and commitments

We lease two compressors under non-cancelable operating leases. One lease expires in December 2005 and the other expires in December 2006. Total compressor rent expense for the year ended December 31, 2004 and the three months ended March 31, 2005 (unaudited) was approximately $502,750 and $109,450, respectively.

In February 2004 we entered into a six month apartment lease for our Chief Executive Officer which was renewed in August 2004 for one year. Rent expense under this lease for the year ended December 31, 2004 and the three months ended March 31, 2005 (unaudited) was approximately $21,860 and $6,000, respectively.

We entered into a vehicle lease for our Chief Executive Officer that will expire in April 2007. Rent expense for the year ended December 31, 2004 and the three months ended March 31, 2005 (unaudited) was approximately $5,200 and $1,335, respectively.

Our contractual obligations include accrued acquisition costs, operating leases and asset retirement obligations. The following table lists our contractual obligations as of March 31, 2005:

Contractual obligations	Total	For the Nine Months Ending December 31, 2005	2006	For the Years Ending December 31, 2007	2008	2009	Thereafter
Land leases	$ 1,332,156	$ 107,217	$ 142,956	$ 142,956	$ 142,956	$ 142,956	$ 653,115
Bear Paw operating agreement	1,136,000	639,000	497,000				
Compressor rentals	446,800	292,074	154,726				
Accrued TOP acquisition costs	200,000	200,000					
Asset retirement obligation	66,100						66,100
Office lease	17,080	17,080					
Apartment lease	8,000	8,000					
Auto lease	10,680	4,005	5,340	1,335			
	$ 3,216,816	$ 1,267,376	$ 800,022	$ 144,291	$ 142,956	$ 142,956	$ 719,215

Recent accounting pronouncements

In December 2004 the Financial Accounting Standards Board issued SFAS No. 123R (revised 2004), *Share-Based Payment* . SFAS No. 123R replaced SFAS No. 123 and superseded APB 25. SFAS No. 123R will require compensation cost related to share-based payment transactions to be recognized in financial statements. As permitted by SFAS No. 123, we elected to follow the guidance of APB 25, which allowed companies to use the intrinsic value method of accounting to value their share-based payment transactions with employees. Based on this method, we did not recognize compensation expense in our financials statements as the stock options granted had an exercise price equal to the fair market value of the underlying common stock on the date of the grant. SFAS No. 123R requires measurement of the cost of share-based payment transactions to employees at the fair value of the award on the grant date and recognition of expense over the requisite service or vesting period. SFAS No. 123R requires implementation using a modified version of prospective application, under which compensation expense for the unvested portion of previously granted awards and all new awards will be recognized on or after the date of adoption. SFAS No. 123R also allows companies to adopt SFAS No. 123R by restating previously issued financial statements, basing the amounts on the expense previously calculated and reported in their pro forma footnote disclosures required under SFAS No. 123. We have not decided which adoption method will be used. The effect of the adoption of SFAS No. 123R is expected to be comparable to that disclosed on a pro forma basis as a result of applying the current fair value recognition provisions of SFAS No. 123.

In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107 which expressed the views of the SEC regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including assumptions such as expected volatility and expected term. In April 2005, the SEC approved a rule that delayed the effective date of SFAS No. 123(R) for public companies. As a result, SFAS No. 123(R) will be effective for PRB on January 1, 2006.

Business

Our business

We own and operate natural gas gathering systems. We commenced operations in January 2004 upon our acquisition of certain operating assets of TOP Gathering, LLC. We charge the gas producer or shipper a fee for gathering, compressing and dehydrating natural gas. Our gathering systems collect gas at a producer s wellhead or at a collection point and deliver it to a transmission line owned by a third party. We do not take ownership of gas that we gather.

Our 4.5 mile TOP system, located in Campbell County, Wyoming, services approximately 50 wells operated by three natural gas producers in the Powder River Basin area of Wyoming. The gathering system has a current throughput capacity of approximately 8 million cubic feet of gas per day and is presently averaging approximately 2 million cubic feet per day or approximately 25% of capacity.

Effective August 1, 2004, we acquired certain operating assets of Bear Paw Energy, LLC also located in Campbell County, Wyoming. The approximately 200 mile gathering lines we acquired from Bear Paw service 12 producers of natural gas in the Powder River Basin area of Wyoming. The Bear Paw gathering systems original capacity was approximately 60 million cubic feet of gas per day. A reconfiguration of a portion of the system was done in 2004 to reduce the operating expenses, including compression facilities, which reduced the capacity to approximately 27 million cubic feet per day. The system is currently averaging approximately 9.3 million cubic feet per day or approximately 34% of the reconfigured capacity.

At March 31, 2005 we had 13 customers, one of which represents 10% or more of our revenues for the three months ended March 31, 2005. None of our gas gathering and transportation agreements is with related parties.

We have two types of gathering contracts. Six of our contracts are currently on a volume only basis where we charge a set fee per thousand cubic feet, or Mcf, of gas gathered. The rates for these contracts vary from approximately $0.37 per Mcf to $0.70 per Mcf, with those below $0.53 per Mcf accounting for less than 3.1% of our revenues for the three months ended March 31, 2005. The balance of our gathering contracts are a combination of a $0.12 per Mcf fee based on volume and an additional fee for each compressor used on the system. These compression fees are allocated to each producer on the system based on its individual usage volumes and the total usage volumes of gas passing through the system. In March 2005 the gathering fees under this type of contract ranged from approximately $0.73 per Mcf to $0.84 per Mcf. These fees will vary monthly depending on the producers individual production and the system s total throughput.

Two of our contracts have thresholds which provide for a reduction in rates. We assumed a gas gathering contract that commenced in October 2001 to gather and deliver gas for a related party for $0.89 per Mcf until such time as we received a total of 4.5 billion cubic feet, or Bcf, of gas from the shipper. Thereafter, the transportation fee will be reduced $0.05 for every 5 Bcf of gas received. The first threshold was reached in June 2004 and accordingly the rate was reduced to $0.84 per Mcf effective July 1, 2004. We estimate that the next threshold will not be reached for at least 10 years. The contract remains in effect as long as our gathering facility remains profitable. In the event the contract is unprofitable for us, we may terminate the contract with 30 days written notice. Revenues generated under this contract during the year ended December 31, 2004 and the three months ended March 31, 2005 (unaudited) were $560,138 and $67,111 respectively.

In addition, we assumed a 10-year gas gathering contract commencing in September 2002 to gather and deliver gas for an unrelated third party for $0.58 per Mcf until such time as the shipper has delivered 2 Bcf. Thereafter, the gathering fee will be reduced to $0.52 per Mcf. We estimate that this threshold will be reached in mid-2005. After the initial term, either party may terminate the contract with 30 days written notice. Revenues generated under this contract during the year ended December 31, 2004 and the three months ended March 31, 2005 (unaudited) were $415,218 and $63,952, respectively.

In June 2005 we determined that we incorrectly invoiced a customer for the period August 2004 to April 2005. The contract with this customer was acquired as part of our acquisition of the Bear Paw gas gathering system in August 2004. In June 2005 we invoiced the customer for the difference between the original invoices and the corrected invoices. The customer paid the difference due in December 2005, approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. We have restated our financial statements for the year ended December 31, 2004 and for the three months ended March 31, 2005, to include the additional revenue of $162,450 and $105,450, respectively that were collected in December 2005. We also determined that Bear Paw (the previous owner) also had incorrectly invoiced this customer similarly. Accordingly, we have also restated the pro forma financial statements included herein to include the difference between what Bear Paw invoiced the customer and what could have been invoiced under the contract of approximately $115 thousand for the seven months ended July 31, 2004, through a pro forma adjustment.

Natural gas wells in the Powder River Basin area typically experience sharp declines in production volume in the first several years of production. Production then stabilizes and declines more ratably over a gas well s average life of approximately eight to 10 years. Many of the wells serviced by our TOP and Bear Paw gathering systems have reached a stable decline phase of production. We believe that undeveloped reserves in the fields serviced by these systems may provide additional production that may offset future declines and possibly exceed current gas production. The throughput in our systems is not materially affected by seasonality.

Business strategy

We currently operate in the Powder River Basin and plan to limit our expansion initially to the states of Wyoming, Colorado, Kansas, Oklahoma, North Dakota and Montana. We do not take ownership of the gas that we transport.

We plan to expand our present operations by:

- enhancing the present gathering systems through operating efficiencies and expanding to servicing additional wells within these systems;
- designing and building new gathering systems;
- acquiring existing gathering systems; and
- acquiring working interests in properties in areas where there are opportunities to build new gathering systems.

In July 2005, we entered into a letter of intent, subject to a definitive agreement, to develop coal bed methane properties in an area of mutual interest in Wyoming and Montana with Enterra Energy Trust (Enterra). Under the venture, we will have the right to earn up to a 50% working interest in certain properties of Enterra s recently acquired subsidiary, Rocky Mountain Gas (RMG).

Under the terms of the proposed agreement, we may expend up to $21.8 million by August 31, 2007 to acquire, drill and develop coal bed methane properties, including the RMG properties, in the area of mutual interest. For any RMG properties we develop or any new properties we acquire within the area of mutual interest, PRB and Enterra will each own a 50% working interest. Upon the expenditure of the $21.8 million, we will earn a 50% interest in all of the RMG properties as defined in the agreement.   We plan to operate the properties in the area of mutual interest. By funding the drilling on this acreage, we will also have the opportunity to gather the production on all properties except those currently dedicated to other gatherers. Our cash on hand is sufficient to fund planned expenditures through the end of 2005. We are currently evaluating various sources of financing to fund future spending.

We consider gathering systems serving gas producers to represent good development or acquisition opportunities. A recent ruling by the Wyoming Supreme Court prohibits the deduction of gathering expenses in the calculation of net revenues on which royalties are paid if the producer owns the gathering system. This is advantageous for us since it is now more attractive to the producers to have gathering companies build and/or acquire their systems, thereby enabling the producers to deduct gathering fees paid to others for the purpose of calculating royalties due to landowners.

We currently have no agreements for the design of new systems or the acquisition of existing systems. In general, our acquisition and building criteria focus on the estimated recoverable reserves remaining behind a system and the likelihood of the producers continued development of those reserves.

We believe that the current high level of drilling activity in the entire Rocky Mountain region presents a significant opportunity for gathering service providers.

Operations overview

We use a variety of tools to manage our business.

Flow and transaction monitoring systems. Our TOP operations receive information from a third party that utilizes a proprietary system to track commercial activity for the gathering system, including monitoring the daily flow of natural gas on the system. The Bear Paw operations utilize a proprietary system developed by Bear Paw that generates reports to us pursuant to our Operations Agreement with Bear Paw. If required we can obtain all information necessary to manage our systems directly and without either of the above proprietary systems.

Producer activity evaluation and reporting. We monitor the producer drilling and completion activity in our areas of operation to identify anticipated changes in production and potential new well attachment opportunities. The continuing attachment of new natural gas production to our pipeline systems is critical to our business and will directly impact our financial performance.

Imbalance monitoring and control. We continually monitor volumes received and volumes delivered on behalf of our third party producers to ensure they remain within acceptable imbalance limits during each calendar month. We do not take title to the gas and, therefore, are not exposed to imbalance payments; however, we are responsible for reporting imbalance limits to each of our customers.

Powder River Basin geology

In December 1994, there were approximately 200 wells in the Powder River Basin producing coal-bed methane gas. Since 1994, almost 19,000 gas wells have been drilled in this area and the State of Wyoming and the BLM have the authority to grant over 15,000 additional drilling permits. Production in 1994 was 2.4 billion cubic feet, and production in 2003 was 3.46 billion cubic feet. (Source: Wyoming Oil and Gas Conservation Commission) The average well-life of a coal-bed methane well is estimated by the BLM to be eight to 10 years and the average production for the Powder River Basin is approaching 900 million cubic feet per day. The BLM forecasts that 80,000 new wells will be drilled in this area over the next eight years.

Gas produced from Powder River Basin coals is almost 100% methane. The gas is generated during the coal forming process and is trapped in the coal-beds by water. In order to produce the coal gas, the formation must first be dewatered. As the water is removed from the coal, the gas is desorbed from the coal. All of the coal-bed reservoirs are low pressure and require compression in order for the gas to be delivered to a pipeline transportation system.

Natural gas wells in the Powder River Basin area typically experience sharp declines in production volume in the first several years of production. Production then stabilizes and declines more ratably over a gas well s average life of approximately eight to 10 years. Other factors which influence the initial and long term productivity of the coal-bed methane wells are the depths of the coal fields, the initial gas saturation levels of the coal field and the well spacing.

TOP gathering system

Effective January 1, 2004, we acquired the gathering system of TOP Gathering, LLC located in Campbell County, Wyoming. The TOP system was constructed in late 2001 and began operations early in 2002. The system consists of 4.5 miles of 8-inch coated steel pipeline. The pipeline services producers of coal-bed methane in the Powder River Basin and is currently gathering from approximately 50 wells operated by two independent natural gas companies.

The gathering system is presently averaging approximately 2 million cubic feet per day. Our current fees range from $0.58 to $0.84 per thousand cubic feet, or Mcf of natural gas from two producers. Gathering fees are subject to contracts which are life of lease or 10 year contracts expiring in 2012.

We have set forth a map of the TOP system below:

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Bear Paw gathering systems

Effective August 1, 2004, we acquired certain gathering systems and related contracts of Bear Paw Energy, LLC located in Campbell County, Wyoming. The systems acquired include the following:

Gap gas gathering system;

Bone Pile gas gathering system;

South Kitty delivery gathering line; and

Antelope Valley delivery gathering line.

Concurrent with the acquisition we entered into an operations agreement with Bear Paw. The agreement requires Bear Paw to operate the systems for us, including repairs, maintenance and compression services, for a monthly fee of $71,000. We are responsible for any major repair and/or maintenance expenditure in excess of $5,000 per occurrence. The agreement is a two-year agreement with two one-year extensions at our option. If we terminate the agreement before the four year period is up, for reasons other than a change of control at Bear Paw, we will enter into an agreement to lease compression from Bear Paw for the remainder of the four year period. All other expenses associated with ownership of the acquired properties are our responsibility, including property taxes, rights of way payments and insurance.

Gap gas gathering system

The system was constructed in 1999 and consists of approximately 25 miles of 12 to 20-inch steel pipe and 127 ditch miles of low pressure poly pipe. The gathering system services nine producers of coal-bed methane in the Powder River Basin.

The gathering system is presently averaging approximately 6.1 million cubic feet per day. This system gathers gas from approximately 300 coal-bed wells. Current fees average $0.62 per Mcf of methane gas. One producer accounts for approximately 60% of our revenues from this system.

All of the gas gathering lines within the Gap gathering system send gas to the South Gap facility where the gas is compressed and dehydrated. This high pressure gas stream is then delivered to our Antelope Valley line.

We have set forth a map of the Gap gas gathering system on the following page:

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Bone Pile gas gathering system

The system was constructed in 2000 and consists of approximately nine miles of 8-inch and 16-inch pipeline and 25 miles of low pressure poly pipe. The system services producers of coal-bed methane in the Powder River Basin and is currently gathering from 125 wells owned by one producer and approximately 20 wells from one other producer.

The system is presently averaging approximately 1 million cubic feet per day. The system is scheduled to be reconfigured in the next few months to decrease costs, increase operating efficiency and optimize compression. Current fees average $0.52 per Mcf of methane gas. One customer accounts for approximately 85% of our revenues from this system.

After the gas is gathered, it is compressed, dehydrated and delivered to our Antelope Valley line.

We have set forth a map of the Bone Pile gas gathering system on the following page:

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South Kitty delivery line

The system was constructed in 2002 and consists of 6 miles of 12-inch pipeline. The line services the South Kitty coal-bed methane development area. Certain shippers move gas down this line in order to sell gas in the local market. The South Kitty line delivers gas into the Bonepile gathering system and is then sent to our Antelope Valley line.

The line is presently averaging approximately 2.2 million cubic feet per day.

Antelope Valley delivery line

The system was constructed in 1999 and consists of 14 miles of 10-inch pipeline. The system is averaging approximately 10 million cubic feet per day. The gas received from the Bonepile and Gap gathering systems is transported down the Antelope Valley line and delivered into two major transportation lines.

Safety and maintenance

We contract with third parties to perform preventive and normal maintenance on our gathering systems and make repairs and replacements when necessary or appropriate. On our behalf, third parties also conduct routine and required inspections of our gathering and other assets as required by applicable code or regulation. External coatings and cathodic protection systems are used to protect against external corrosion. The systems are continually monitored and tested, and the results recorded, to ensure the early identification of any problem that may arise.

Employees

As of June 30, 2005, we had six full-time employees and two consultants.

Competition

Gathering systems are generally either acquired or developed pursuant to long-term contracts with the gas producers or shippers they service. The contracts generally run over a period of time which approximates a majority of the economic life of the gas producers wells. We believe that having such contracts and an existing gathering system in place provides a significant barrier to entry to a third party seeking to compete with us upon the expiration of our contracts.

When developing new gathering systems in areas where we do not have the advantage of existing systems in proximity to the development, we may be competing with other gathering system operators or the producer may elect to construct and own the system. In the case of other gathering system operators, many possess financial, technical and personnel resources substantially greater than ours.

Environmental regulation

All facilities and gathering systems that utilize compressors fueled by natural gas require Wyoming Oil and Gas Corporation Commission operating permits. Both the TOP and Bear Paw systems have these permits.

At the time of construction, storm water discharge permits are required as well as permits for surface discharging hydrostatic test water.

Federal Spill Prevention Control and Countermeasure requirements apply to the tanks associated with compressor scrubbers.

County and state road crossing permits apply to pipelines and gathering systems crossing county and state highways.

Intrastate regulation

No regulatory body within the state of Wyoming controls the gathering rates we may charge.

Facilities

We currently sublease **2,733 square feet of office space with a monthly payment of approximately $3,400. The lease expires on August 31, 2005. We have** entered into a 63 month lease for 4,768 square feet of office space beginning on the later of August 1, 2005 or the date that the build out of the space is substantially completed. The lease calls for monthly payments of base rent beginning in month four of the lease term and, in years subsequent to the first year, a proportionate share of increases in operating expenses and real estate taxes over PRB s proportionate share of the first year s real estate taxes and operating expenses. The base rent for the first nine months is based on an annual payment of $16 per square foot and increases $0.50 per year through the term of the lease.

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Management

Our directors and executive officers are:

Name	Age	Positions
Robert W. Wright	66	Chairman, Chief Executive Officer and Director
William F. Hayworth	50	President, Chief Operating Officer and Director
Pauline I. Schneider	49	Vice President Finance
Thomas J. Jacobsen	69	Director
Marilena C. Marrelli	27	Director
Joseph W. Skeehan	50	Director, Audit Committee Chairman

Robert W. Wright Mr. Wright joined us as Chief Executive Officer and a Director in January 2004 and was elected Chairman in June 2004. Mr. Wright was President of WGS Capital, LLC from 1992 to 2004, a Member from 1992 to 2002 and a Managing Member from 2002 to 2004. WGS Capital, LLC is a registered Broker-Dealer with clientele in energy, insurance and shipping sectors. Prior to 1992, Mr. Wright was a consultant and financial advisor reporting to the Vice-Chairman of Credit Suisse First Boston. He was a Managing Director with Donaldson, Lufkin and Jenrette Securities Corporation in the Investment Banking Department from 1976 until 1990. He specialized in the energy sector and was involved in corporate finance, mergers, acquisitions and financial advice including fairness opinions and valuations. Prior to 1976 he was the Vice President of Corporate Development for Barber Oil Corporation heading merger and acquisition activities. Prior to Barber Oil, he was also in the Corporate Finance Department of Lepercq, deNeuflize, southeast regional manager for Raychem Corporation and field petroleum engineer for Mobil Oil of Libya, Ltd. He has a degree in Petroleum Refining Engineering from Colorado School of Mines and an MBA from Columbia University.

William F. Hayworth Mr. Hayworth joined us as President, Chief Operating Officer and Director in June 2004. From 2002 to 2004 he served as a consultant through his wholly owned company, BAM Energy, Inc., to various energy companies acting as project manager and evaluation specialist for coal-bed methane pilot projects in Kansas, Wyoming, western Colorado and Utah. From 1997 to 2002, he was Vice President Operations for Intoil, Inc. in Denver. His responsibilities included management and coordination of the company s drilling and production activities as well as the design and construction of gathering facilities. Prior to this, he was the Engineering/Operations Manager for Patrick Petroleum in Houston, Texas and Jackson, Mississippi. In addition to his responsibilities for supervision of technical staff and field personnel, Mr. Hayworth evaluated potential acquisitions and divestitures for Patrick. He also spent 12 years with Phillips Petroleum where he held various reservoir and process engineering positions in the United Kingdom, Norway, Texas and Oklahoma. Mr. Hayworth holds a Bachelor of Science degree in Chemical Engineering from the University of Michigan. He is a member of the American Association of Drilling Engineers, the Rocky Mountain Association of Geologists, the International Association of Drilling Contractors, the Society of Petroleum Engineers and the Energy Finance Group.

Pauline I. Schneider Ms. Schneider joined us as Vice President Finance in June 2004. From October 2003 to May 2004 she was the interim accounting officer for Navidec, Inc. in Denver, Colorado. From May 2002 to October 2003 Ms. Schneider was an independent consultant for various privately owned companies where she provided accounting and business advisory services. From May 2001 to May 2002 she was Vice President Finance for Eagle Print Solutions, Inc. where she was responsible for all accounting functions and assisted in performance of due diligence on numerous acquisition opportunities. From November 2000 to May 2001 she worked as a consultant for Visual Data Corporation where from June 1995 to November 2000, she was Chief Financial Officer/Controller. At Visual Data Ms. Schneider was responsible for all accounting, administrative and financial reporting functions, including SEC compliance. Before 1995 Ms. Schneider held various other financial positions including Business Manager for the

Harid Conservatory and Senior Staff Accountant for Schmidt, Raines, Trieste, Dickenson, Adams & Co. She is a Certified Public Accountant and has a Bachelor of Arts degree from the University of Rochester.

Thomas J. Jacobsen Mr. Jacobsen has been a Director since January 2004. He has been the Chairman of JMG Exploration, Inc. since August 2004. He was named the President and Chief Operating Officer of JED Oil Inc. in September 2003 and assumed the position of Chief Executive Officer of JED Oil Inc. in December 2004. He has been a Director of JED Oil Inc. since September 2003. Mr. Jacobsen joined Westlinks Resources Ltd., a predecessor of Enterra Energy Trust, as a director in February 1999, and was appointed Executive Vice President, Operations in October 1999. In October 2000, he was appointed Vice Chairman of the Board of Directors. Mr. Jacobsen became Enterra Energy Corp. s Chief Operating Officer in February 2002 and served in that position until November 2003. Mr. Jacobsen has more than 40 years experience in the oil and gas industry principally in Alberta and Saskatchewan including serving as President, Chief Operating Officer and a director of Empire Petroleum Corporation from June 2001 to April 2002, President and Chief Executive Officer of Niaski Environmental Inc. from November 1996 to February 1999, President and Chief Executive Officer of International Pedco Energy Corporation from September 1993 to February 1996, and President of International Colin Energy Corporation from October 1987 to June 1993. Mr. Jacobsen served as a director of Rimron Resources Inc., formerly Niaski Environmental Inc., from February 1, 1997 to April 1, 2003. Niaski s proposal to its creditors under the Bankruptcy and Insolvency Act (Canada) was accepted in April 2000 and Niaski was discharged in May 2001.

Marilena C. Marrelli Ms. Marrelli has been a Director since December 2003 and has served as the chairperson of the Compensation Committee since June 2004. She is currently a Vice President of Equity AG Finance, a privately held company, a position she has held since September 2003. Equity AG has interests in real estate and intellectual property. From 2000 to 2003 Ms. Marrelli was a Marketing Associate with Sempra Energy Trading Corp. She was responsible for marketing and sales of energy to utilities and other high energy users. She performed analysis for various energy transactions involved in marketing and trading energy commodities and their derivatives. She graduated from the University of Pennsylvania with a Bachelor of Arts Degree in Psychology and Spanish in 2000.

Joseph W. Skeehan Mr. Skeehan has been a Director and has served as the chairperson of the audit committee since June 2004. He has been the owner of Skeehan & Company, a professional service corporation that engages in accounting, finance and consulting services to small and mid-sized companies and organizations primarily in Southern California since 1980. He has been a certified public accountant since 1978 and received a Bachelor of Science degree from California Polytechnic State University, San Luis Obispo in 1976.

Board of directors

Our board of directors is comprised of five persons. Our directors serve for one year terms, or until an earlier resignation, death or removal, or their successors are elected. There are no family relationships among any of our directors or officers, except that our Vice President of Corporate Development and Corporate Secretary, Susan C. Wright, is married to Robert W. Wright, our Chairman and Chief Executive Officer.

Directors receive reimbursement for their out-of-pocket costs, including travel and accommodations, relating to their attendance at any directors meeting. Directors are entitled to participate in our Equity Compensation Plan. In June 2004 we granted the Chairman of the audit committee 30,000 options and other independent directors 20,000 options each to acquire shares of common stock at $5.50 per share. In April 2005 we granted the outside directors an additional 10,000 options each to acquire shares of common stock at $7.50 per share. The options are fully vested and expire five years from the grant date.

Committees of the board of directors

Audit committee

Our audit committee consists of Mr. Skeehan, committee Chairman and designated financial expert, Mr. Jacobsen and Ms. Marrelli. All members of our audit committee are independent directors. The audit committee reviews in detail and recommends approval by the full board of our annual and quarterly financial statements, recommends approval of the remuneration of our auditors to the full board, reviews the scope of the audit procedures and the final audit report with the auditors, and reviews our overall accounting practices and procedures and internal controls with the auditors.

Compensation committee

Our compensation committee consists of Ms. Marrelli, committee Chairperson, Mr. Jacobsen and Mr. Skeehan, all of whom are independent directors. The compensation committee recommends approval to the full Board of the compensation of the Chief Executive Officer, the annual compensation budget for all other employees, bonuses, grants of stock options and any changes to our benefit plans.

Executive compensation

The following table provides a summary of our annualized and actual compensation for our executive officers for the year ended December 31, 2004 and pro forma compensation representing compensation on an annual basis.

The table excludes deemed compensation resulting from purchases by our officers of Series C preferred stock in December 2004. The difference between the Series C share price of $3.00 and the $5.50 offering price of our common stock in our initial public offering completed April 12, 2005 has been recorded as compensation expense for the year ended December 31, 2004. Deemed compensation expense attributable to Mr. and Mrs. Wright, Mr. Hayworth and Ms. Schneider for the period was $408,750, $7,500 and $12,500, respectively.

Name and principal position	Annualized salary	Compensation Actual salary	Bonus	Long-term compensation Securities underlying options (3)	All other compensation
Robert W. Wright - Chairman and Chief Executive Officer	$ 200,000	$ 200,000		55,000	$ 27,061(1)
William F. Hayworth - President and Chief Operating Officer	$ 175,000	$ 102,083		60,000	$ 8,322(2)
Pauline I. Schneider - Vice President Finance	$ 120,000	$ 70,000		30,000	$ 33,625(2)

(1) All other compensation for Mr. Wright includes apartment rental of $21,862 and car rental of $5,199 provided as a condition of his employment.

(2) Mr. Hayworth and Ms. Schneider commenced employment in June 2004. Prior to this time they were employed as consultants and total consulting fees for this period are included under all other compensation.

(3) All option grants were made pursuant to the equity compensation plan.

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Stock options granted during the most recently completed fiscal year

The following table discloses the grants of options to purchase or acquire shares of common stock to our executive officers during the period indicated.

Option grants during the period from January 1, 2004 to December 31, 2004

	Individual grants (1)				Potential realizable value at assumed annual rate of stock price appreciation for option term (2)	
	Number of shares of common stock	Percentage of total options granted to employees in period ended December 31, 2004	Exercise price per share	Expiration date	5%	10%
Robert W. Wright	55,000	25%	$ 5.50	2014	$ 157,300	$ 713,900
William F. Hayworth	60,000	27%	$ 5.50	2014	$ 171,600	$ 778,800
Pauline I. Schneider	30,000	14%	$ 5.50	2014	$ 85,800	$ 389,400

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(1) These stock options were granted under our equity compensation plan. The options vest over the course of four years, at a rate of 25% upon each anniversary of their grant date. The stock options are also subject to vesting acceleration provisions in the event of a change in control.

(2) Potential realizable values are net of exercise price, but before taxes associated with exercise. Amounts representing hypothetical gains are those that could be achieved if options are exercised at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with rules of the Securities and Exchange Commission based on the assumed initial public offering price of $5.50 per share, and do not represent our estimate or projection of the future stock price.

Option exercises in last fiscal period and year end option values

None of the named executive officers exercised options during the fiscal year ended December 31, 2004 or held options at December 31, 2004. The following table sets forth the number and value of securities underlying options held as of December 31, 2004.

	Number of shares acquired	Value realized	Number of shares underlying unexercised options at December 31, 2004		Value of unexercised in-the-money options at December 31, 2004 (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert W. Wright				55,000		
William F. Hayworth				60,000		
Pauline I. Schneider				30,000		

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(1) There was no public trading market for our common stock as of December 31, 2004. Accordingly, these values were calculated based on our initial public offering price of $5.50 per share. The offering was completed on April 12, 2005.

Equity compensation plan

Our board of directors and stockholders approved our equity compensation plan in May 2004. We have authorized a total of 10% of the number of shares outstanding for issuance under this plan. As of June 30, 2005, a total of 746,100 shares of common stock are authorized for grant of which 390,000 options have been granted under the plan to officers, directors, employees and consultants. All employee options issued in 2004 vest over the course of four years during their 10 year term. Non-employee director options granted in 2004 vested immediately and have a five year term.

Under the equity compensation plan, employees, non-employee members of the board of directors, non-employee executive officers and consultants may be awarded stock options to purchase shares of common stock. Options may be incentive stock options designed to satisfy the requirements of Section 422 of the U.S. Internal Revenue Code, or non-statutory stock options which do not meet those requirements. If options expire or are terminated, then the underlying shares will again become available for awards under the equity compensation plan. The equity compensation plan is administered by the Compensation Committee of the board of directors. This committee has complete discretion to:

determine who should receive an award;

determine the type, number, vesting requirements and other features and conditions of an award;

interpret the equity compensation plan; and

make all other decisions relating to the operation of the equity compensation plan.

The exercise price for non-statutory and incentive stock options granted under the Equity Compensation Plan may not be less than 100% of the fair market value of the common stock on the option grant date. The compensation committee may also accept the cancellation of outstanding options in return for a grant of new options for the same or a different number of shares at the same or a different exercise price.

If there is a change in our control, an award will immediately become fully exercisable as to all shares subject to an award. A change in control includes:

a merger or consolidation after which our then current stockholders own less than 50% of the surviving corporation;

a sale of all or substantially all of our assets; or

an acquisition of 50% or more of our outstanding stock by a person other than a corporation owned by our stockholders in substantially the same proportions as their stock ownership in us.

In the event of a merger or other reorganization, outstanding stock options will be subject to the agreement of merger or reorganization, which may provide for:

the assumption of outstanding awards by the surviving corporation or its parent;

their continuation by us if we are the surviving corporation;

accelerated vesting; or

settlement in cash followed by cancellation of outstanding awards.

The board of directors may amend or terminate the equity compensation plan at any time. Amendments are subject to stockholder approval to the extent required by applicable laws and regulations. The equity compensation plan will continue in effect unless otherwise terminated by the board of directors.

Equity compensation plan information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity Compensation Plan	390,000	$ 6.41	356,100

Stock Ownership of Management and Principal Stockholders

The following table sets forth information regarding beneficial ownership of our common stock as of June 30, 2005 by:

each of our executive officers and directors;

all executive officers and directors as a group; and

each person who is known by us to beneficially own more than 5% of our outstanding common stock.

Shares of common stock not outstanding but deemed beneficially owned because an individual has the right to acquire the shares of common stock within 60 days, including 411,000 shares issuable upon conversion of our Series C convertible preferred stock for which we have received notification of intent to convert, are treated as outstanding when determining the amount and percentage of common stock owned by that individual and by all directors and executive officers as a group. The address of each executive officer and director is 1401 17th Street, Suite 650, Denver, Colorado 80202-5428. The address of other beneficial owners is set forth below.

Name of beneficial owner	Number of shares	Percentage of total
Executive officers and directors:		
Robert W. Wright (1)	989,750	13.2%
William F. Hayworth (2)	38,000	*
Pauline I. Schneider (3)	22,500	*
Thomas J. Jacobsen (4)	78,000	1.0%
Marilena C. Marrelli (5)	78,000	1.0%
Joseph W. Skeehan (6)	60,000	*
All executive officers and directors as a group (6 persons)	1,266,250	16.6%
5% Stockholder:		
Heller 2002 Trust Fred Heller, Trustee 1700 Coronet Drive Reno, Nevada 89509	698,600	9.9%

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* less than 1%

(1) Certain of these shares are subject to purchase options held by our Series A preferred stockholders. See Description of Securities Options to acquire common stock owned by Robert W. Wright . Mr. Wright s beneficial ownership includes 26,250 shares of common stock issuable upon exercise of stock options, 80,000 shares of Series C preferred stock and 83,500 shares of Series C preferred stock held in the name of his wife. Shares of common stock issuable upon conversion of the preferred stock are being registered for resale by this prospectus. Mr. and Mrs. Wright have agreed not to sell any shares of common stock for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

(2) Includes 25,000 shares of common stock issuable upon exercise of stock options and 3,000 shares of common stock issuable upon conversion of Series C preferred stock which are being registered for resale by this prospectus. Mr. and Mrs. Hayworth have agreed not to sell any shares of common stock for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

(3) Includes 17,500 shares of common stock issuable upon exercise of stock options and 5,000 shares of common stock issuable upon conversion of Series C preferred stock which are being registered for resale by this prospectus. Ms. Schneider has agreed not to sell any shares of common stock for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

(4) Includes 30,000 shares of common stock issuable upon exercise of stock options. Mr. Jacobsen has agreed not to sell any shares of common stock for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

(5) Includes 30,000 shares of common stock issuable upon exercise of stock options and 48,000 shares of common stock owned by Equity AG Financial, Inc., where Ms. Marrelli is employed as a Vice President. Ms. Marrelli disclaims beneficial interest in these shares. Ms. Marrelli has agreed not to sell any shares of common stock for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

(6) Includes 40,000 shares of common stock issuable upon exercise of stock options. Mr. and Mrs. Skeehan have agreed not to sell any shares of common stock (other than 14,000 shares purchased in the open market) for 15 months from the April 12, 2005 closing of our initial public offering without the written consent of our underwriter.

Certain Relationships and Related Transactions

This section describes the transactions we have engaged in with persons who were our directors or officers at the time of the transaction, and persons known by us to be the beneficial owners of 5% or more of our common stock since January 1, 2004. We believe that all transactions between us and any of our officers, directors, or principal stockholders were on terms no less favorable than could be obtained from independent third parties, and the transaction were approved by a majority of our independent, disinterested directors. Other than as described in this section, there are no material relationships between us and any of our directors, executive officers or known holders of more than 5% of our common stock. In the future, transactions that present potential conflicts of interest will continue to be approved by a majority of our independent, disinterested directors.

In April 2003, prior to the acquisition of certain operating assets of TOP Gathering, LLC, our chairman of the board and chief executive officer, through his investment banking company, WGS Capital, LLC, entered into an agreement with an affiliate of TOP to provide certain services. The agreement called for a financial advisor fee payable upon execution of the contract and a transaction fee if any financing transactions were closed. No fees were paid under this agreement during the year ended December 31, 2004 and the agreement was terminated in September 2004.

Kevin P. Norris, a former director from December 2003 to May 2004, and a former principal shareholder, is the manager of TOP, a company from which we acquired certain assets in January 2004. In January 2004 Mr. Norris purchased 800,000 shares of common stock from us for $0.0125 per share or a total of $10,000. On September 30, 2004 we repurchased his 800,000 shares of common stock for $800,000 in cash.

Mr. Norris is also a shareholder of e2 Business Services, Inc., (e2) a company with which we have two gas gathering contracts. These contracts represented approximately 46% of our revenues for the nine months ended September 30, 2004, the date he ceased being a shareholder. We assumed these contracts in connection with our TOP acquisition. e2 also provides information relating to certain gas gathering volumes for us at no cost. We have not recorded an expense for these services because there would be no incremental cost to us if they were performed by us.

In January 2004 we sold 2,400,000 shares of Series A convertible preferred stock to JMGG Partners, Ltd, a California limited partnership, of which John P. McGrain was the general partner. The Series A preferred stock rights and preferences include the right to vote equally with common stock and the right to elect three of five directors as a class with our Series B preferred stockholders. In January 2004 the Series A preferred stock owned by JMGG represented 60% of our voting shares of stock. Mr. McGrain served as our non-executive chairman of the board from January 2004 to June 2004. He resigned as our non-executive chairman of the board in June 2004 when JMGG dissolved its operations and distributed its assets, consisting solely of our shares of Series A preferred stock, to its partners. We did not compensate Mr. McGrain for any of his services in conjunction with the Series A preferred stock sale or as our non-executive chairman. Mr. McGrain was a control person within the meaning of federal securities laws for the period from January 2004 through June 2004.

In June 2004 we issued Mr. McGrain warrants to purchase 15,000 shares of common stock at an exercise price of $5.50 per share in consideration for consulting services in conjunction with our initial public offering.

In October 2004 Mr. McGrain loaned us $800,000 in connection with our repurchase of 800,000 shares of common stock from Mr. Norris. We repaid Mr. McGrain in full in December 2004, plus interest at a rate of 12% per year.

In December 2004 we borrowed $1,500,000 under a $1,750,000 bank line of credit. In addition to a lien on all of our gathering assets, security for this bank line of credit includes a pledge to the bank of a $1,000,000 certificate of deposit by Mr. McGrain. In consideration for this pledge, we agreed to pay Mr. McGrain a monthly fee of approximately $5,300. The pledge by Mr. McGrain was cancelled in April 2005 upon the payment in full of the bank line of credit.

Participation in Series C preferred stock private placement

In December 2004 we completed a private placement of 411,000 shares of our Series C preferred stock for $3.00 per share, or total proceeds of $1,233,000. Our chief executive officer and his wife purchased 163,500 shares in this offering. Our president, vice president of finance and special outside counsel to us in this offering purchased 3,000, 5,000 and 4,800 shares in this offering, respectively. The difference between the share price of $3.00 and $5.50, the offering price per share in our initial public offering, was deemed to be compensation to our executive officers and other interested parties, and a deemed dividend to other investors. Deemed compensation expense attributable to our chief executive officer and his wife, president, vice president of finance and special counsel to us was $408,750, $7,500, $12,500 and $12,000, respectively. Accordingly, for the year ended December 31, 2004 we recorded $440,750 in deemed compensation expense and $586,750 in deemed dividends. See Note 10 of Notes to the Financial Statements of PRB Gas Transportation, Inc. for the year ended December 31, 2004.

Description of Securities

The following is a description of our capital stock and certain provisions of our articles of incorporation, bylaws and agreements with our stockholders as well as certain provisions of applicable law. The following is only a summary and is qualified by applicable law and by the provisions of our articles of incorporation, bylaws and such other agreements, copies of which are available as set forth under the caption entitled Where You Can Find More Information.

General

We are authorized to issue 50,000,000 shares of capital stock, $0.001 par value per share. We have designated 40,000,000 shares of common stock and 4,361,000 shares of preferred stock. Capital stock of 5,639,000 remains undesignated. The following is a summary of the rights of our common stock and preferred stock. For more detailed information, see our articles of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and the provisions of applicable Nevada law.

Common stock

As of July 1, 2005, we had 7,050,000 shares of common stock outstanding. In addition there are:

411,000 shares of common stock reserved and subject to issuance upon conversion of preferred stock;

390,000 shares of common stock reserved and subject to issuance upon exercise of outstanding stock options; and

245,000 shares of common stock reserved and subject to issuance upon exercise of outstanding warrants.

Our articles do not provide for cumulative voting and the holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. A merger, conversion, exchange or consolidation of us with or into any other person or sale or transfer of all or any part of our assets (which does not in fact result in our liquidation and distribution of assets) will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of our affairs. The holders of common stock have no preemptive or conversion rights or other rights.

All outstanding shares of common stock are fully paid and nonassessable. Our board is authorized to issue additional shares of common stock within the limits authorized by our articles of incorporation and without stockholder action.

For a period of three years after the April 12, 2005 date of our initial public offering, our underwriter has the right to appoint an observer reasonably acceptable to us to attend all meetings of our board of directors. We will reimburse this person for expenses incurred in attending any meeting.

Options to acquire common stock owned by Robert W. Wright

To induce JMGG Partners Ltd. to purchase our Series A preferred stock in January 2004 when we were a development stage company with no assets and to assure JMGG of his continued employment, our chief executive officer, Robert W. Wright, granted JMGG the option to acquire up to 600,000 of his shares of common stock at a price of $0.0125 per share if he, for any reason, including death, illness or other disability, ceased to be a full time employee of PRB. According to the terms of this option, if Mr. Wright ceased to be an employee:

within 180 days following the TOP acquisition, JMGG could have acquired 600,000 of his shares;

more than 180 days following the TOP acquisition but prior to the one year anniversary of the TOP acquisition, JMGG could have acquired 400,000 of his shares; and

after the one year anniversary of the TOP acquisition but before the end of the 90 day period following completion of an underwritten public offering of our common stock, JMGG could have acquired 200,000 of his shares.

If Mr. Wright remained employed by us and the public offering had not been completed by January 2006 the option would have expired. In June 2004, JMGG liquidated its assets and distributed all of its shares of Series A preferred stock to its limited partners. As a result, the option to acquire up to 200,000 shares of Mr. Wright s common stock was held by the former limited partners of JMGG on a basis proportional to their former ownership of JMGG. As our initial public offering occurred more than 90 days ago, the option has expired.

Preferred stock

The board of directors has the authority, without action by the stockholders, to designate and issue up to 5,639,000 additional shares of preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock.

The preferred stock carries such relative rights, preferences and designations as may be determined by our board in its sole discretion upon the issuance of any shares of preferred stock. The shares of preferred stock could be issued from time to time by our board in its sole discretion without further approval or authorization by our stockholders, in one or more series, each of which could have any particular distinctive designations, relative rights and preferences as determined by our board. The relative rights and preferences that may be determined by our board in its discretion from time to time, include but are not limited to the following:

the rate of dividend and whether the dividends are to be cumulative and the priority, if any, of dividend payments relative to other series in the class;

whether the shares of any such series may be redeemed, and if so, the redemption price and the terms and conditions of redemption;

the amount payable with respect to such series in the event of voluntary or involuntary liquidation and the priority, if any, of each series relative to other series in the class with respect to amounts payable upon liquidation and sinking fund provisions, if any, for the redemption or purchase of the shares of that series; and

the terms and conditions, if any, on which the shares of a series may be converted into or exchanged for shares of any class, whether common or preferred, or into shares of any series of the same class, and if provision is made for conversion or exchange, the times, prices, rates, adjustments and other terms.

The existence of authorized but unissued shares of preferred stock could have anti-takeover effects because we could issue preferred stock with special dividend or voting rights that could discourage potential bidders. We may issue shares of preferred stock that have dividend, voting and other rights superior to those of our common stock, or that convert into shares of common stock, without the approval of the holders of common stock. This could result in the dilution of the voting rights, ownership and liquidation value of current stockholders.

As of July 1, 2005, we had 411,000 shares of Series C convertible preferred stock outstanding. All holders of our outstanding Series C preferred stock have advised us that they intend to convert their preferred stock to common stock upon the effectiveness of the registration statement, of which this prospectus is a part.

Series C convertible preferred stock. The Series C convertible preferred stock has the following terms:

- No dividend;
- Liquidation preference of $3.00 with priority over common stock;
- Voting rights equal to common stock; and
- Convertible at any time into common stock on a one-to-one basis.

For accounting purposes the difference between the share price of $3.00 and $5.50, the offering price per share in our recent initial public offering, is deemed to be compensation to our executive officers and other interested parties, and a deemed dividend to other investors. We have recorded deemed compensation expense of $440,750 and a deemed dividend of $586,750 in connection with the issuance of the Series C preferred stock.

Nevada control share laws

We may become subject to Nevada s laws that govern the acquisition of a controlling interest of issuing corporations. These laws will apply to us if we have 200 or more stockholders of record, at least 100 of whom have addresses in Nevada, unless our articles or bylaws in effect on the 10th day after the acquisition of a controlling interest provide otherwise. These laws provide generally that any person who acquires a controlling interest acquires voting rights in the control shares, as defined, only as conferred by the stockholders of the corporation at a special or annual meeting. In the event control shares are accorded full voting rights and the acquiring person has acquired at least a majority of all of the voting power, any stockholder of record who has not voted in favor of authorizing voting rights for the control shares is entitled to demand payment for the fair value of its shares.

A person acquires a controlling interest whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the Nevada Revised Statutes, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority, or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares which it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become control shares.

These laws may have a negative effect on certain transactions if our articles of incorporation or bylaws are not amended to provide that these provisions do not apply to us or to an acquisition of a controlling interest, or if our disinterested stockholders do not confer voting rights in the control shares.

Indemnification of directors and officers

Our articles of incorporation and bylaws provide that we will indemnify our directors and officers to the maximum extent permitted by Nevada law, including in circumstances in which indemnification is otherwise discretionary under Nevada law. These indemnification provisions may be sufficiently broad to permit indemnification of our directors, officers and controlling persons for liabilities, including reimbursement of expenses incurred, arising under the Securities Act. To the extent that our directors, officers and controlling persons are indemnified under the provisions contained in our articles of incorporation, bylaws, Nevada law or contractual arrangements against liabilities arising under the Securities Act, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Indemnification of underwriter

We agreed to indemnify the underwriter of our initial public offering and its controlling persons against specified liabilities, including liabilities under the Securities Act or to contribute to payments that our underwriter may be required to make for such liabilities. However, we have been advised that in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Transfer agent and registrar

The transfer agent and registrar for our common stock is Corporate Stock Transfer of Denver, Colorado.

Listing

Our common stock is listed on the American Stock Exchange under the symbol PRB.

Shares eligible for future sale

Our officers and directors who beneficially own 1,252,500 shares of common stock, including 155,000 shares issuable upon exercise of stock options, agreed not to sell their shares of common stock without the written consent of our underwriter for 15 months from the closing of our initial public offering on April 12, 2005. Following the expiration of the lockup agreement with our underwriter, shares of our common stock held beneficially by our officers and directors will remain subject to restrictions on sale or other transfer under Rule 144 of the Securities Act. We registered the resale of 112,000 of these shares by a separate prospectus concurrent with our initial public offering, we are registering 971,500 of these shares through this prospectus, and plan to register the 155,000 shares underlying common stock options within 90 days of the close of our initial public offering.

All other stockholders who beneficially own 4,077,500 shares of our common stock agreed with our underwriter not to sell their common stock for six months from the closing of our initial public offering. All of these lockup agreements were subsequently terminated pursuant to minimum trading price clauses. We registered the resale of 3,838,000 of these shares by a separate prospectus concurrent with our initial public offering and are registering 239,500 shares through this prospectus.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, including persons who may be deemed to be our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

1.0% of the number of shares of common stock then outstanding, which will equal approximately 74,610 shares immediately after this offering assuming no exercise of the underwriter s over allotment option; and

the average weekly trading volume of our common stock on the American Stock Exchange during the four calendar weeks before a notice of the sale on Form 144 is filed.

Sales under Rule 144 are also subject to a certain manner of sale provisions and notice requirements and to the availability of certain public information about us.

Options

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of common stock issuable under our equity compensation plan. At June 30, 2005 there were 390,000 options outstanding under the plan to purchase an equal number of shares of common stock. Our equity compensation plan reserves 10% of our outstanding shares for issuance. All outstanding options are exercisable at prices ranging from $5.50 to $7.85 per share and outstanding non-director options vest in four equal annual installments commencing on the first anniversary of the date of the grant, except for 50,000 options which vested immediately upon issuance. Outstanding non-employee director options vest immediately upon issuance. All employee options issued pursuant to our equity compensation plan expire 10 years from the date of grant and non-employee director options expire five years from the date of grant. Shares issued upon the exercise of stock options after the effective date of the Form S-8 registration statement will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates.

Warrants

We issued warrants to acquire 45,000 shares of common stock at $5.50 per share. These warrants were not exercisable for 12 months following their issuance in June 2004 and may be exercised only by cashless tendering of the premium which will result in no proceeds to us. The shares issuable upon exercise of these warrants were registered in our initial public offering in April 2005.

We issued warrants to the underwriter of our initial public offering to purchase 200,000 shares of common stock. These warrants are exercisable for a four year period commencing April 12, 2006 at an exercise price of $6.875 per share. These warrants are restricted from sale, transfer, assignment or hypothecation for a period of one year from the closing of our initial public offering by our underwriter, except to officers of our underwriter and broker-dealers participating in this offering and their bona fide officers and partners, by operation of law or by reason of our reorganization. These warrants contain provisions for appropriate adjustment in the event of any merger, consolidation, recapitalization, reclassification, stock dividend, stock split or similar transaction. The warrants do not entitle our underwriter or a permissible transferee to any rights as a shareholder until the warrants are exercised and shares of our common stock are purchased pursuant to the exercise of the warrants.

These warrants issued to the underwriter and the shares of our common stock issuable upon their exercise may not be offered for sale except in compliance with the applicable provisions of the Securities Act of 1933, as amended. We have agreed that if we file a registration statement with the Securities and Exchange Commission, our underwriter will have the right, for a period of seven years from the closing date of our initial public offering, to include in such registration statement the shares of our common stock issuable upon exercise of the warrants. In addition, we have agreed to register the shares of common stock underlying the warrants under certain circumstances upon the request of a majority of the holders of the warrants during the period commencing one year from the closing date of this offering and expiring four years thereafter.

Legal Matters

The validity of the securities offered hereby will be passed upon for PRB Gas Transportation, Inc. by Resch Polster Alpert & Berger LLP, Los Angeles, California. Members of Resch Polster Alpert & Berger LLP own 2,400 shares of common stock, 6,500 shares of Serics C preferred stock and warrants to acquire 15,000 shares of common stock at $5.50 per share.

Experts

Ehrhardt Keefe Steiner & Hottman PC, Certified Public Accountants, of Denver, Colorado, an independent registered public accounting firm, have audited the following financial statements for the periods indicated, as set forth in their reports, which are included in this prospectus:

financial statements for PRB Gas Transportation, Inc. as of December 31, 2004 and for the year ended December 31, 2004;

financial statements for TOP Gathering, LLC as of December 31, 2003 and 2002, and for the years ended December 31, 2003 and 2002, and the period from inception through December 31, 2001; and

Statement of Assets Acquired and Liabilities Assumed as of August 1, 2004 and Statements of Revenues and Direct Operating Expenses for Certain Gas Gathering Assets of Bear Paw Energy, LLC for the years ended December 31, 2003, 2002 and 2001, and the seven month periods ended July 31, 2004 and 2003 (unaudited).

These financial statements are included in this prospectus in reliance on their report, given their authority as experts in accounting and auditing.

Where You Can Find More Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-l under the Securities Act of 1933 regarding the shares of common stock offered hereby. This prospectus does not contain all of the information found in the registration statement, portions of which are omitted as permitted under the rules and regulations of the Securities and Exchange Commission. For further information regarding us and the common stock offered by this prospectus, please refer to the registration statement, including its exhibits and schedules. Statements made in this prospectus concerning the contents of any contract, agreement or other document filed as an exhibit to the registration statement are summaries of the terms of those documents. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

The SEC maintains a web site on the Internet at www.sec.gov. Our registration statement and other information that we file with the SEC is available at the SEC s web site on the worldwide web at *www.sec.gov* and can also be inspected and copied at the offices of the American Stock Exchange, Inc., 86 Trinity Place, New York, New York 10006.

We intend to furnish our stockholders annual reports containing our audited financial statements and furnish or make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each of our fiscal years.

If you are a stockholder, you may request a copy of these filings at no cost by contacting us at:

PRB Gas Transportation, Inc.

1401 17th, Street, Suite 650

Denver, Colorado 80202

(303) 308-1330

(303) 308-1590 (fax)

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PRB GAS TRANSPORTATION, INC.

Financial Statements

December 31, 2004

PRB Gas Transportation, Inc.

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REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

PRB Gas Transportation, Inc.

Denver, Colorado

We have audited the accompanying balance sheet of PRB Gas Transportation, Inc. as of December 31, 2004 and the related statement of operations, changes in stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRB Gas Transportation, Inc. as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the accompanying financial statements have been restated.

/s/ Ehrhardt Keefe Steiner & Hottman PC

February 4, 2005
Denver, Colorado except for Note 2 which is as of March 30, 2006

PRB Gas Transportation, Inc.

Balance Sheet

December 31, 2004

		(As restated, see Note 2)
Assets		
Current assets		
Cash	$	320,150
Accounts receivable		423,540
Prepaid expenses		103,760
Total current assets		847,450
Property and equipment, net		8,136,203
Other non-current assets		
Deferred costs of raising capital		267,068
Deposits		3,517
Contracts, net		2,145,240
Total other non-current assets		2,415,825
Total assets	$	11,399,478
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable and accrued expenses	$	157,196
Accrued TOP acquisition costs		200,000
Dividends payable		133,683
Compressor disposal liability		25,000
Note payable, Bank of Oklahoma		1,500,000
Total current liabilities		2,015,879
Asset retirement obligation		64,804
Total liabilities		2,080,683
Commitments and Contingencies		
Stockholders equity		
Capital, 50,000,000 shares authorized, par value $0.001, 5,639,000 shares undesignated		
Series A 10% Convertible Preferred, 2,400,000 shares authorized, issued and outstanding		2,400
Series B 5% Convertible Preferred, 1,550,000 shares authorized, issued and outstanding		1,550
Series C Convertible Preferred, 411,000 shares authorized, issued and outstanding		411
Common stock, 40,000,000 shares authorized, 1,600,000 issued, 800,000 outstanding		1,600
Treasury stock		(800,000)
Additional paid-in-capital		10,763,372
Accumulated deficit		(650,538)
Total stockholders equity		9,318,795
Total liabilities and stockholders equity	$	11,399,478

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

PRB Gas Transportation, Inc.

Statement of Operations

For the Year Ended December 31, 2004

		(As restated, see Note 2)
Gas gathering revenues:		
Related party	$	692,409
Other		1,839,277
Total revenues		2,531,686
Expenses:		
Operating		1,314,392
Depreciation and amortization		655,763
General and administrative		1,183,831
Total expenses		3,153,986
Operating loss		(622,300)
Other income (expense):		
Interest income		29,403
Miscellaneous income		332
Interest expense		(56,973)
Miscellaneous expense		(1,000)
Total other expense		(28,238)
Net loss		(650,538)
Convertible preferred stock dividends		(624,933)
Convertible preferred stock deemed dividends		(586,750)
Net loss applicable to common stock	$	(1,862,221)
Net loss per share - basic and diluted	$	(1.33)
Basic and diluted weighted average shares outstanding (1)		1,398,907

(1) Excludes all shares of common stock issuable upon conversion of the preferred stock to common stock. See Note 1.

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

PRB Gas Transportation, Inc.

Statement of Changes in Stockholders Equity

	Shares	Amount (As restated, see Note 2)
Series A 10% Convertible Preferred stock		
Balance, January 1, 2004		$
Shares issued for cash	2,400,000	2,400
Balance, December 31, 2004	2,400,000	2,400
Series B 5% Convertible Preferred stock		
Balance, January 1, 2004		
Shares issued for cash	1,550,000	1,550
Balance, December 31, 2004	1,550,000	1,550
Series C Convertible Preferred stock		
Balance, January 1, 2004		
Shares issued for cash	411,000	411
Balance, December 31, 2004	411,000	411
Common stock		
Balance, January 1, 2004		
Shares issued for cash	1,600,000	1,600
Purchase of common shares for cash	(800,000)	
Balance, December 31, 2004	800,000	1,600
Treasury stock		
Balance, January 1, 2004		
Purchase of common shares for cash	800,000	(800,000)
Balance, December 31, 2004	800,000	(800,000)
Additional paid-in-capital		
Balance, January 1, 2004		
Common stock issued		18,400
Series A preferred stock issued, net of offering costs		4,984,625
Series B preferred stock issued, net of offering costs		4,639,029
Series C preferred stock issued, net of offering costs		1,230,885
Deemed capital contribution related to Series A dividend		62,500
Deemed capital contribution related to Series C issuance		1,027,500
Issuance of warrants for consulting services		12,116
Series A dividends		(375,000)
Series B dividends		(116,250)
Series C deemed dividend		(586,750)
Accrued dividends on preferred stock		(133,683)
Balance, December 31, 2004		10,763,372
Accumulated deficit (As restated, see Note 2)		
Balance, January 1, 2004		
Net loss		(650,538)
Balance, December 31, 2004		(650,538)
Total stockholders equity		$ 9,318,795

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

PRB Gas Transportation, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2004

		(As restated, see Note 2)
Cash flows from operating activities		
Net loss	$	(650,538)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		650,963
Accretion		4,800
Deemed compensation		440,750
Changes in assets and liabilities:		
Accounts receivable		(423,540)
Prepaid expenses		(103,760)
Deposits		(3,517)
Accounts payable		157,196
Net cash provided by operating activities		72,354
Cash flows from investing activities		
Purchases of property and equipment		(40,949)
TOP asset purchase		(2,959,872)
BPE asset purchase		(7,646,581)
Net cash used in investing activities		(10,647,402)
Cash flows from financing activities		
Proceeds from issuance of common stock		20,000
Deferred costs of raising capital		(254,952)
Proceeds from issuance of Series A Preferred stock, net of costs		4,987,025
Proceeds from issuance of Series B Preferred stock, net of costs		4,640,579
Proceeds from issuance of Series C Preferred stock, net of costs		1,231,296
Repurchase of treasury stock		(800,000)
Dividends		(428,750)
Proceeds from bank loan		1,500,000
Net cash provided by financing activities		10,895,198
Net increase in cash		320,150
Cash - beginning of year		
Cash - end of year	$	320,150

Supplemental disclosure of non-cash activity:

The Company recorded an asset retirement obligation totaling $60,004 and capitalized the related costs to property and equipment during the year ended December 31, 2004.

The Company recorded an imputed dividend and capital contribution of $62,500 as the holder of Series A preferred shares waived payment of half the dividends due April 15, 2004. In addition, the Company accrued dividends of $133,683 as of December 31, 2004.

The Company recorded a deemed dividend of $586,750 and deemed compensation of $440,750 as a result of the issuance of Series C Convertible Preferred shares for an amount less than $5.50 per share (the Company s intended IPO price), which is the estimated fair market value**.** See Note 10 for a discussion of the issuance of Series C shares.

The Company recorded an imputed capital contribution of $12,116 for the value of warrants issued to consultants for their work on the proposed S-1. See Note 10 for a discussion of warrants issued.

See Notes 3 and 4 for discussion of TOP and BPE acquisitions, respectively, and related non-cash activity.

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

PRB GAS TRANSPORTATION, INC.

Notes to Financial Statements

December 31, 2004

Note 1 - Description of Business and Summary of Significant Accounting Policies

Description of Business

PRB Gas Transportation, Inc. (the Company) was incorporated in December 2003 and was capitalized and commenced operations in January 2004 when the Company acquired certain operating assets of TOP Gathering, LLC (TOP). The Company owns and operates three intrastate gas gathering facilities and is in the business of gathering and transporting natural gas. See Note 3 for a discussion of the TOP acquisition. Effective August 1, 2004, the Company acquired certain operating assets of Bear Paw Energy, LLC (BPE) that are located in the same area of Wyoming as the TOP assets. See Note 4 for a discussion of the BPE acquisition. In September 2004, the shareholders and Board of Directors voted to change the name of the Company from PRB Transportation, Inc. to PRB Gas Transportation, Inc.

Management s Plan

In November 2004 the Company filed a registration statement with the SEC on Form S-1. The Company intends to offer 2,300,000 shares, which includes 300,000 shares subject to the underwriter s overallotment option, for sale to the public as soon as practicable after the effective date of its registration statement. The Company estimates this sale will result in net proceeds to the Company of approximately $10,808,500, including the underwriter s overallotment option. (See Note 10 for discussion of the initial public offering.)

The Company currently has a short term note payable to the Bank of Oklahoma in the amount of $1,500,000 which is due the earlier of March 31, 2005 or within three days following the funding of the initial public offering. The Company has received assurance from the bank that it foresees no difficulty in extending the maturity date of the note if its initial public offering is not effective by March 31, 2005. The Company has also received a commitment from the pledgor of thea $1,000,000 CD which is part of the collateral for the bank note to maintain the CD as collateral until the initial public offering is complete or the due date of the note payable.

The Company is also renegotiating to extend the February 27, 2005 due date of the final payment to TOP of $200,000 (see Note 3 for discussion of the TOP acquisition.) The Company has sufficient funds available on its line of credit to repay this amount before its initial public offering is completed if necessary.

If the Company is unsuccessful in completing its current offering, it will seek alternative sources of financing which may include equity or debt.

Restatement of Results

In June 2005 the Company determined that it incorrectly invoiced a customer for the period August 2004 to April 2005. In June 2005 the Company invoiced the customer for the difference between the original invoices and the corrected invoices, The customer paid the difference due in December 2005, approximately $304 thousand. As the Company was not previously able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. The contract with the customer was acquired as part of the acquisition of the Bear Paw gas gathering system. The Company has restated its financial statements for the year ended December 31, 2004 and the effect of this restatement on the Company s financial statements for the year ended December 31, 2004 is an increase in revenues and a corresponding reduction of net loss of $162,450. For additional information on this restatement see Note 2 - Restatement of Results.

Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions it invests with. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Concentrations of Credit Risk

The Company grants credit in the normal course of business to customers in the United States. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk. Management periodically reviews accounts receivable and reduces the carrying amount by a valuation allowance that reflects management s best estimate of the amount that may not be collectible. Allowances for uncollectible accounts receivable are based on information available and historical experience. As of December 31, 2004 there was no allowance for uncollectible accounts receivable.

Sales to customers which represented 10% or more of the Company s sales for the year ended December 31, 2004 were as follows (as a percentage of sales):

Customer	**(As restated, see Note 2)**
A	31.8%
B	37.3%
C	16.9%

Customer A above represents two contracts. From January 1, 2004 through September 30, 2004, these contracts were with a related party whose president was a shareholder of the Company until September 30, 2004. Revenue under these two contracts while they were with a related party was $692,409 which is 27.3% of total sales for the year ended December 31, 2004. (See Note 11 for a discussion of related party transactions.)

Property, Equipment and Contracts

Property and equipment is stated at the estimated fair value at the date of acquisition for TOP and BPE assets and at cost for all others. Depreciation is calculated using the straight-line method over the estimated useful lives for owned assets, ranging from 3 to 10 years.

Amortization of the contracts is calculated using the straight-line method over the term of the underlying contracts or the estimated life of production which is 10 years.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Abandonment Liability

The Company follows Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations* . The estimated fair value of the future costs associated with dismantlement, abandonment and restoration of facilities was recorded as of the effective date of the TOP acquisition as discussed in Note 3. The net estimated costs are discounted to present values using a risk adjusted rate over the estimated economic life of the compressor site. Such costs are capitalized as part of the cost of the related asset and amortized. The associated liability is classified as a long-term liability and is adjusted when circumstances change and for the accretion of expense which is recorded as a component of depreciation and amortization. The Company has not yet recorded an asset retirement obligation in conjunction with the assets acquired from Bear Paw because sufficient information to make a reasonable estimate of the fair value of the liability is not available.

Use of Estimates

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

Revenue Recognition

The Company recognizes revenue at the time gas is delivered.

Income Taxes

The Company is organized as a C Corporation. In accordance with SFAS No. 109, *Accounting for Income Taxes,* deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts recorded in the balance sheet and for operating losses. In evaluating the realizability of net deferred tax assets, the Company will take into account a number of factors, primarily relating to the Company s ability to generate taxable income. The Company has not recorded a deferred tax asset attributable to the net operating loss for the year ended December 31, 2004 as it is not more likely than not that a deferred asset will be realized.

Stock Based Compensation

As permitted under SFAS No. 123, *Accounting for Stock-Based Compensation,* as amended by SFAS No. 148, the Company accounts for its stock-based compensation for options issued to employees in accordance with the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). As such, the Company accounts for its employee stock-based compensation arrangements using the intrinsic value method under which compensation expense related to employee stock grants is recorded if the fair value of the underlying stock exceeds the exercise price on the measurement date. No stock-based compensation was recorded during the year ended

December 31, 2004. Certain pro forma net income (loss) and earnings (loss) per share disclosures for employee stock option grants are reflected below as if the fair value method as defined in SFAS No. 123 had been applied. (See Note 10 for assumptions used in determining fair value.) Transactions in equity instruments with non-employees for goods or services are accounted for using the fair value method.

Had compensation cost for the options issued under the PRB Transportation, Inc. Equity Compensation Plan been determined based upon the fair value at the grant date for options granted, consistent with the provisions of SFAS No. 123, the Company s net loss and net loss per share for the year ended December 31, 2004 would have been increased to the pro forma amounts indicated below:

		(As restated, see Note 2)
Net loss:		
As reported	$	(650,538)
Total stock-based employee compensation expense determined under fair value based method for all awards		38,745
Pro forma net loss	$	(689,283)
Net loss per share, basic and diluted:		
As reported	$	(1.33)
Pro forma	$	(1.36)

Net Loss Per Share

Net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of common shares outstanding for the period.

Potentially dilutive securities, which have been excluded from the determination of diluted earnings per share because their effect would be anti-dilutive, are as follows:

Series A Convertible Preferred	2,400,000
Series B Convertible Preferred	1,550,000
Series C Convertible Preferred	411,000
Warrants	45,000
Options	220,000
Total anti-dilutive shares excluded	4,626,000

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R (revised 2004), *Share-Based Payment* . SFAS No. 123R replaced SFAS No. 123 and superseded APB 25. SFAS No. 123R will require compensation cost related to share-based payment transactions to be recognized in financial statements. As permitted by SFAS No. 123, the Company elected to follow the guidance of APB 25, which allowed companies to use the intrinsic value method of accounting to value their share-based payment transactions with employees. Based on this method, the Company did not recognize compensation expense in its financials statements as the stock options granted had an exercise price equal to the fair market value of the underlying common stock on the date of the grant. SFAS No. 123R requires measurement of the cost of share-based payment transactions to employees at the fair value of the award on the grant date and recognition of expense over the requisite service or vesting period. SFAS No. 123R requires implementation using a modified version of prospective application, under which compensation expense for the unvested portion of previously granted awards and all new awards will be recognized on or after the date of adoption. SFAS No. 123R also allows companies to adopt SFAS No. 123R by restating previously issued financial statements, basing the amounts on the expense previously calculated and reported in their pro forma footnote disclosures required under SFAS No. 123. The Company has not decided which adoption method will be used. The provisions of SFAS No. 123R will be adopted by the Company effective July 1, 2005. The effect of the adoption of SFAS No. 123R is expected to be comparable to that disclosed on a pro forma basis as a result of applying the current fair value recognition provisions of SFAS No. 123.

Note 2 Restatement of Results

The Company acquired a contract effective August 2004 as part of its Bear Paw acquisition. During June 2005 the Company determined that it had incorrectly invoiced this customer for the period August 2004 through April 2005. The original invoices for this period did not take into account that the agreement includes a minimum contract billing provision. The Company invoiced the customer for the difference between the original invoices and the corrected invoices in June 2005. As the Company was not able to determine if the $304 thousand that was invoiced to the customer during June 2005 was going to be paid or was collectible, the Company had not previously recognized the $304 thousand as revenue. The customer paid the Company for the difference due during December 2005, including $162,450 in respect to the year ended December 31, 2004. Accordingly, the Company has restated its financial statements as summarized below.

The affect of this restatement on the Company s previously issued Statement of Operations, Balance Sheets, Statement of Cash Flows and Stockholder s Equity is as follows:

	Year Ended 12/31/2004		
	As reported	**Adjustment**	**As restated**
Revenue	$ 2,369,236	$ 162,450	$ 2,531,686
Net loss	$ (812,988)	$ 162,450	$ (650,538)
Net loss applicable to common stock	$ (2,024,671)	$ 162,450	$ (1,862,221)
Net loss per share basic and diluted	$ (1.45)	$ 0.12	$ (1.33)
Accounts receivable	$ 261,090	$ 162,450	$ 423,540
Accumulated deficit	$ (812,988)	$ 162,450	$ (650,538)

Other line items in these statements such as operating income, current assets, etc. have been restated similarly. The aforementioned restatement adjustments do not affect cash flows provided by operating activities, net cash used in investing activities and net cash provided by (used in) financing activities, although certain components of cash flows provided by operating activities have been restated.

Note 3 TOP Acquisition

Effective January 1, 2004, the Company purchased the gas gathering assets of TOP, located in Campbell County Wyoming, for $3,184,873, including direct costs of $65,794, cash of $2,774,440, a compressor disposal liability of $144,639 and a payable to TOP of $200,000 that is due February 27, 2005. (See Note 1 Management s Plan for further discussion.) The compressor disposal liability represented the costs of removing one of three compressors from the system and was considered necessary to get the system in a condition that would be cost effective to operate. Rental payments of $119,639 were paid by the Company prior to June 30, 2004 leaving a balance due of $25,000 that will be paid when the compressor company removes the compressor from the site. As a result, the actual cash paid relating to the acquisition was $2,959,873. The results of operations related to these acquired assets have been included in the financial statements since January 1, 2004. As required under SFAS No. 141, *Business Combinations,* the acquisition was accounted for using the purchase method of accounting. In conjunction with the asset acquisition, the Company has recorded the fair value of a liability for an asset retirement obligation in the amount of $60,004 and increased the value of the related assets. The purchase consideration, including legal fees and other professional fees incurred, has been allocated to the following assets based on the estimated fair value of the assets acquired:

Compressor site	$ 1,239,596
Pipeline and interconnect	984,423
Gathering contracts	1,020,858

Asset retirement obligation		(60,004)
	$	3,184,873

Prior to closing the acquisition, a member of TOP acquired 800,000 shares of common stock of the Company which represented 50% of the Company s outstanding common stock. However, as discussed in Note 10, the Series A and Series B preferred stockholders hold a majority of the voting shares and elect a majority of the Company s directors. On September 30, 2004, the Company repurchased these shares of common stock. See Note 10 for further discussion.

Note 4 BPE Acquisition

In order to expand operations and provide a base for future growth, the Company, effective August 1, 2004, purchased certain gas gathering assets from BPE, located in Campbell County Wyoming, for $7,646,581, including direct costs of $146,581 The Company had an existing relationship with BPE through its TOP operations. (See Note 9 for further discussion.) Included in the acquired assets is approximately 200 miles of pipeline, related equipment such as buildings, launchers and receivers and other equipment, twelve gas gathering contracts and over 600 right-of-way and surface lease contracts. The Company did not record an asset retirement obligation relating to obligations under certain of these contracts as a reasonable estimate of the useful lives of the underlying assets cannot currently be made. The Company paid $5,500,000 in cash at closing and recorded a note payable of $1,944,480 which was the balance due of $2,000,000 reduced by adjustments of $55,520 that included August 2004 revenue net of expenses, plus prepaid rights of way and property taxes. The note was to be paid in two installments; $1,500,000 plus interest calculated at 8% per annum on December 15, 2004 and the balance plus interest on February 15, 2005. The Company paid the note in full on December 15, 2004. The results of operations related to these acquired assets have been included in the financial statements since the effective date of August 1, 2004. As required under SFAS No. 141, *Business Combinations,* the acquisition was accounted for using the purchase method of accounting. The purchase consideration, including legal fees and other professional fees incurred, has been allocated to the following assets based on the estimated fair value of the assets acquired:

Pipeline	$	5,579,175
Compressor sites		787,613
Contracts		1,279,793
	$	7,646,581

The following unaudited pro forma information presents the financial information of the Company as if the acquisition had occurred at January 1, 2004:

		As Reported (As restated, see Note 2)		**(Pro Forma)**
Revenue	$	2,531,686	$	4,065,018
Net loss	$	(650,538)	$	(412,891)
Net loss applicable to common stock	$	(1,862,221)	$	(1,732,141)
Net loss per share (basic and diluted)	$	(1.33)	$	(1.24)

Concurrent with the acquisition the Company entered into an operations agreement with BPE. The agreement requires BPE to operate the systems for the Company, including repairs, maintenance and compression services, for a monthly fee of $71,000. The Company is responsible for any major repair and maintenance expenditure in excess of $5,000 per occurrence. The agreement is a two-year agreement with two one-year extensions at the Company s option. If the Company terminates the agreement before the four year period expires, for reasons other than a change of control at BPE, the Company will enter into an agreement to lease compression from BPE for the remainder of the four year period. All other expenses associated with ownership of the assets are the responsibility of the Company including property taxes, rights of way payments and insurance.

Note 5 Property, Equipment and Contracts

Property and equipment consists of the following at December 31, 2004:

	Useful Lives		
Compressor sites	10 years	$	2,027,209
Pipelines and interconnect	10 years		6,563,598
Computer equipment	3 years		10,585
Office furniture and equipment	7 years		30,363
			8,631,755
Less accumulated depreciation			(495,552)
		$	8,136,203

Depreciation expense related to these assets totaled $495,552 for the year ended December 31, 2004.

Contracts valued at $2,300,651 are being amortized over 10 years which is the estimated life of the contracts and/or the fields underlying the contracts. Amortization expense related to these contracts was $155,411 for the year ended December 31, 2004.

Future amortization is as follows:

Year Ending December 31,		
2005	$	230,065
2006		230,065
2007		230,065
2008		230,065
2009		230,065
Thereafter		994,915
	$	2,145,240

Note 6 - Asset Retirement Obligation

Property, plant and equipment includes platforms to hold the leased compressors at the Company s TOP gas gathering facilities. The Company is legally required to dismantle these compressor platforms at the end of their useful lives. In accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, the Company recognized the fair value of a liability for an asset retirement obligation (ARO) in the amount of $60,004. The Company capitalized that cost as part of the carrying amount of the compressor site which is depreciated over the estimated life of the compressors use. The following table describes all changes to the Company s asset retirement obligation liability during the year ended December 31, 2004:

Asset retirement obligation at beginning of year	$	
Acquisition of TOP assets		60,004
Accretion expense		4,800
Asset retirement obligation	$	64,804

The Company has not yet recorded an asset retirement obligation relating to obligations under certain of the surface use agreements purchased from BPE because a reasonable estimate of the useful lives of the underlying assets cannot currently be made. The Company will periodically review available information and record an ARO in the period that a reasonable estimate of the fair market value of the liability can be made.

Note 7 Income Taxes

Income tax benefit (expense) at December 31, 2004 consists of the following:

		(As restated, see Note 2)
Current:		
Federal	$	
State		
Total current income tax benefit		
Deferred:		
Federal		71,140
Valuation allowance		(71,140)
Total deferred income tax expense		
Total income tax expense	$	

The reconciliation between tax benefit computed by applying the estimated effective tax rate of 35% to loss before income taxes at December 31, 2004 and the reported amount of income tax benefit is as follows:

		(As restated, see Note 2)
Computed at the estimated effective tax rate	$	227,694
Permanent differences		(156,554)
Valuation allowance		(71,140)
Income tax benefit	$	

The components of the net deferred income tax assets (liabilities) at December 31, 2004 are as follows:

		(As restated, see Note 2)
Non-current assets (liabilities):		
Property and equipment	$	(276,486)
Contracts		18,132
Organization costs		2,294
Asset retirement obligation		22,681
Net operating loss		304,519
Valuation allowance		(71,140)
Net deferred tax asset (liability)	$	

The net deferred tax asset at December 31, 2004, for which a valuation allowance has been recorded, will be recognized when it is more likely than not it will be realized.

Note 8 Notes Payable

Bank Line of Credit

On December 14, 2004, the Company signed a promissory note with the Bank of Oklahoma (BOK) for a $1,750,000 revolving line of credit that is due on the earlier of March 31, 2005 or upon funding of the Company s initial public offering (see Note 10). Accrued interest, calculated at prime, is due monthly. The interest rate for December 2004 was 5.25%. The note is secured by the Company s gas gathering assets, associated contracts and a $1,000,000 certificate of deposit pledged by a preferred shareholder. The Company drew down $1,500,000 upon signing and the proceeds were used in the payment of the BPE note, as discussed below. The Company has received assurance from the bank that it foresees no difficulty in extending the maturity date of the note if the initial public offering is not effective by March 31, 2005.

Shareholder Pledge of Certificate of Deposit

On December 14, 2004 a preferred shareholder (Pledgor) pledged a certificate of deposit in the amount of $1,000,000 as collateral for the BOK line of credit, as discussed above. The Company is paying the shareholder a monthly fee of .529% of the collateral value for this pledge. In the event of default under the note, the Pledgor shall have the right, for a period of 10 days after BOK gives notice of intent to foreclose, to give notice to BOK of Pledgor s election to purchase from BOK all the rights and obligations of BOK under or in connection with the note. As of December 31, 2004 the Company has paid fees of $2,958 to the Pledgor. The Company has received a commitment from the pledgor of the $1,000,000 certificate of deposit which is part of the collateral for the bank note to maintain the certificate of deposit as collateral until the initial public offering is complete or the due date of the note payable.

Note Payable to Preferred Shareholder

On October 1, 2004 the Company borrowed $800,000 from a preferred shareholder. The unsecured note accrued interest at 12% per annum, payable monthly. The principal and any unpaid, accrued interest was payable in one year or upon the closing of the Company s initial public offering, whichever occurred earlier. The Company had the option to pay off the note before it was due at its discretion. Proceeds from the issuance of Series C Convertible Preferred shares, as discussed in Note 10, were used to pay off the note on December 10, 2004. The Company paid total interest to the preferred shareholder of $18,674.

Repayment of BPE Note

On December 15, 2004 the Company paid in full its note payable to BPE. The payment of $1,974,313 included $1,944,480 of principal and $29,833 of interest. (See Note 4 for discussion of the note payable.)

Note 9 Commitments and Contingencies

Operating Leases

The Company leases two compressors under non-cancelable operating leases. One lease expires in December 2005 and the other expires in December 2006. Rent expense for year ended December 31, 2004 was approximately $502,750.

As part of the TOP purchase, the Company acquired two land leases with unrelated third parties requiring annual rentals of $600 and $3,000, respectively, for the leased premises and the access thereto. The lease terms are for the lesser of 20 years or the lives of the related estimated reserves, currently estimated to be 10 years. Rent expense for the year ended December 31, 2004 was approximately $2,350.

As part of the BPE purchase, the Company acquired more than 600 land leases, surface rights agreements, rights-of-way and other agreements with unrelated third parties. Approximately 100 of these contracts require annual rental payments totaling approximately $139,350 for the leased premises and the access thereto. The length of these contracts varies and is currently indeterminate as they are dependent on future events. The Company has chosen to use a 10 year term for the purpose of calculating its future minimum lease payments below, which is consistent with the Company s estimate of the contracts useful lives for the purpose of amortizing their cost. The rest of the contracts do not require ongoing payments. The lease terms are for the lives of the related assets, currently estimated to be 10 years. Rent expense for the year ended December 31, 2004 was approximately $32,500.

In conjunction with the BPE purchase, the Company signed an operating agreement effective August 1, 2004 with BPE to operate these assets. The contract has an initial term of two years with an automatic renewal for up to two terms of one year each thereafter until and unless terminated by the Company upon 30 days notice. The contract calls for monthly payments of $71,000. Operating expense for the year ended December 31, 2004 was $364,000.

In February 2004 the Company entered into an apartment lease for six months. On August 1, 2004, the Company renewed the apartment lease for one year with the new lease to expire July 31, 2005. The apartment is for the use of the Company s chief executive officer when he is at the corporate offices. Rent expense for the year ended December 31, 2004 was approximately $21,860.

In February 2004 the Company entered into a vehicle lease that will expire in April 2007. Rent expense for the year ended December 31, 2004 was approximately $5,200.

In September 2004 the Company entered into a sublease agreement for 2,733 square feet of office space for $3,416 per month, commencing October 15, 2004 and terminating August 31, 2005.

Total future minimum lease payments are approximately as follows:

Year Ending December 31,

2005	$	1,437,951
2006		800,022
2007		144,291
2008		142,956
2009		142,956
Thereafter		653,115
	$	3,321,291

Gas Gathering and Transportation Contracts - *TOP*

Included in the TOP acquisition were three gas gathering contracts and a gas transportation contract. See Note 3 for a discussion of the acquisition. Below is a description of these contracts:

The Company assumed a gas gathering contract that was effective in October 2001 to gather and deliver gas for $0.89 per thousand cubic feet (Mcf) until such time as the Company has received a total of 4.5 billion cubic feet (BCF) of gas from the shipper. Thereafter, the transportation fee will be reduced $0.05 for every 5 BCF of gas received. The first threshold was reached in June 2004 and accordingly the rate was reduced to $0.84 per Mcf effective July 1, 2004. The Company estimates that the next threshold will not be reached for at least 10 years. The contract remains in effect as long as the Company s gathering facility remains profitable. In the event the contract is unprofitable for the Company, the Company may terminate the contract with 30 days written notice. This contract was with a related party from January 1, 2004 through September 30, 2004. (See Note 11 for a discussion of related party transactions.) Revenue generated under this contract during the year ended December 31, 2004 was $560,138.

The Company assumed a 10-year gas gathering contract that was effective in September 2002 to gather and deliver gas for an unrelated third party for $0.58 per Mcf until such time as the shipper has delivered 2 Bcf. Thereafter the gathering fee will be reduced to $0.52. The Company estimates that this threshold will be reached in mid 2005. After the initial term, either party may terminate the contract with 30 days written notice. Revenue generated under this contract during the year ended December 31, 2004 was $415,218.

The Company assumed a 10-year gas gathering contract that was effective in November 2003 to gather and deliver gas for $0.55 per Mcf. After the initial term, either party may terminate the contract with 30 days written notice. This contract was with a company whose President was a related party from January 1, 2004 through September 30, 2004. (See Note 11 for a discussion of related party transactions.) Revenue generated under this contract during the nine months ended September 30, 2004 (unaudited) and the year ended December 31, 2004 was $222,603 and $245,404, respectively.

The Company assumed a 10-year gas transportation contract with an unrelated third party, Bear Paw Energy, that was effective in September 2001. BPE transports the Company s customers gas for $0.14 per Mcf. The Company purchased certain assets from BPE effective August 1, 2004. (See Note 4 for a discussion of the acquisition.)

Gas Gathering and Transportation Contracts - *BPE*

Included in the BPE acquisition were twelve gas gathering contracts. (See Note 4 for a discussion of the acquisition). Below is a description of these contracts:

The Company assumed four gas gathering contracts that are solely volume-based. All of the contracts are for the life of production, currently estimated to be 10 years, with prices of $0.37 per Mcf, $0.43 per Mcf and $0.539 per Mcf (two contracts currently billed together). Revenue generated under these contracts during the year ended December 31, 2004 was $11,601, $59,893 and $113,577, respectively.

The Company assumed a gas transportation contract which expired in September, 2004 but continues to be billed under the old contract rate of $0.04 per Mcf while the contract is being renegotiated. Revenue generated under this contract during the year ended December 31, 2004 was $19,764.

The Company assumed eight gas gathering contracts which have gathering rates that are based on both volume and compression used on the system. All contracts are for the life of production, currently estimated to be 10 years. Gathering fees for these eight contracts have two major components: 1) volume is measured from a central gathering point to the applicable delivery points and customers are charged a rate of $0.12 per Mcf; and 2) a compression fee is charged for each compressor through which the owner s gas flows. The owner is charged based on allocated volumes multiplied by the corresponding compression rate. As of December 31, 2004, there were six screw compressors billed at $11,000 each and two recip compressors billed at $40,000 each. One of the eight contracts is subject to an additional fee based on volume from the wellhead to the central gathering point at a rate of $0.12 per Mcf. Revenue generated under these eight contracts during the year ended December 31, 2004 was $943,641.

Possible Rescission of Series C Convertible Preferred Stock Sale

In December 2004, the Company received $1,233,000 from the sale of 411,000 shares of Series C Convertible Preferred stock. The Company paid no cash or other commissions or finders fees in connection with this offering. This placement might not have been eligible for an exemption from registration under the Securities Act of 1933. In the absence of such an exemption, investors could bring suit against the Company to rescind their stock purchases, in which event the Company could be liable for rescission payments to these investors of up to $1,233,000, exclusive of interest and costs. (See Note 10 for discussion of the sale of the stock.) In light of the significant percentage of Series C Preferred Convertible stock purchased by officers and other affiliated persons, and based upon discussions with the remaining Series C investors, management believes that the likelihood of rescission is remote.

Note 10 - Stockholders Equity

Capital Stock

The Company is authorized to issue 50,000,000 shares of $0.001 par value capital stock. There are 40,000,000 shares designated as common stock and 4,361,000 shares designated as preferred stock. Capital stock of 5,639,000 remains undesignated. The Board of Directors has designated three series of preferred stock. Series A 10% Convertible Preferred Stock (Series A) is entitled to a 10% dividend payable quarterly, Series B 5% Convertible Preferred Stock (Series B) is entitled to a 5% dividend payable quarterly and Series C Convertible Preferred Stock (Series C) is not entitled to dividends. All rights and preferences of Series A and Series B shareholders are equal. The rights and preferences of Series C shareholders are equal with the exception of electing members of the board of directors and being subordinate to the Series A and B shareholders upon liquidation. (See discussion in next paragraph.) In the event of any liquidation, preferred shareholders are entitled to be paid, prior and in preference to any payments or distributions to common shareholders, an amount equal to the original purchase price of the stock, plus all accrued and unpaid cumulative dividends thereon.

All preferred shareholders have the right to convert to an equal number of shares of common stock. If the shares are not converted within 90 days of the Company s initial public offering (IPO), the dividend rate is reduced by 50%. Each holder of Series A, Series B and Series C stock has voting rights and powers equal to the voting rights and powers of the holders of common stock and shall be entitled to the number of votes equal to the number of whole shares of common stock into which such shares could be converted. Series A and Series B Preferred shareholders are entitled as a class to elect not less than sixty percent of the Company s directors.

In January 2004, the Company sold 800,000 shares of common stock to its Chief Executive Officer (CEO) for $10,000 and 800,000 shares of common stock to an individual who is a member of TOP for $10,000. (See Note 3 for a discussion of the TOP acquisition.) On September 30, 2004, the Company repurchased 800,000 of its common shares from the individual who is a member of TOP for a total of $800,000 or $1.00 per share.

In January 2004, the Company issued 2,400,000 shares of Series A at a price of $2.083 per share resulting in proceeds of approximately $4,987,000, net of offering costs of approximately $13,000. The Series A Securities Purchase agreement contained provisions granting the Series A shareholders the right to buy back some or all of the common shares issued above if certain conditions occur. For the common shares held by the Company s CEO, the buyback provision is tied to his length of employment. At December 31, 2004, 400,000 shares were still subject to this provision. For the common shares held by the member of TOP, the buyback provision was related to performance. These 800,000 shares were purchased by the Company in September 2004 as discussed earlier.

In May 2004, the Company issued 1,550,000 shares of Series B at a price of $3.00 per share resulting in proceeds of approximately $4,640,600, net of offering costs of approximately $9,400.

In December 2004, the Company issued 411,000 shares of Series C at a price of $3.00 per share resulting in proceeds of approximately $1,231,300, net of offering costs of approximately $1,700. The Company s chief executive officer and his wife purchased 163,500 shares in this offering. The Company s president and vice president of finance purchased 3,000 and 5,000 shares in this offering, respectively.

Pursuant to EITF 98-5, *Accounting for Convertible Securities With Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, the issuance of the Series C shares resulted in a beneficial conversion (deemed dividend and deemed compensation) since the shares were issued at less than estimated fair market value. The Company recorded a deemed dividend of $586,750, deemed compensation of $440,750 for shares sold to officers and other interested parties and a deemed contribution of capital of $1,027,500 as a result of the issuance of the Series C shares for an amount less than $5.50 per share (the Company s intended IPO price), which is the estimated fair market value.

Dividends

Both the Series A and Series B shares have dividend rights which state that dividends will accrue from the date of issue until paid, whether or not earned or declared. The Company declared dividends of $125,000 on the Series A shares ($0.0521 per share) on April 15, 2004, July 15, 2004 and October 15, 2004. The Series A shareholder elected to forgo $62,500 of the April 15, 2004 dividend which was recorded as an imputed dividend and a contribution of capital. The Company declared dividends of $58,125 on the Series B shares ($0.0375 per share) on August 15, 2004 and November 15, 2004. As noted above, the Company recorded a deemed dividend of $586,750 in relation to the issuance of the Series C preferred shares. At December 31, 2004, the Company had accrued $104,620 ($0.0521 per share) and $29,063 ($0.0375 per share) for dividends payable on the Series A and Series B shares, respectively. The dividends were paid subsequent to December 31, 2004.

Equity Compensation Plan

The Company has adopted the PRB Transportation, Inc. Equity Compensation Plan (the Plan) under which the Company is authorized to grant incentive options, non-qualified stock options, stock awards and stock appreciation rights to employees and directors of the Company and consultants and advisors who perform services for the Company. The Plan may be administered by the Board or a committee of the Board made up of outside directors (the Committee). Initially, there are 400,000 shares of the Company s common stock subject to the Plan (the Share Amount). During each year which the Plan is maintained, the Share Amount shall be increased without further action by the Board or the Committee, and without further approval by the Company s stockholders, in such amount as shall cause the Share Amount to equal 10% of the Company s issued and outstanding shares as of the date of grant inclusive of any shares issuable pursuant to the conversion of any outstanding convertible preferred stock; provided, however, this provision shall expire and be of no further effect as of the date that is 10 years following May 5, 2004, unless the Company s stockholders approve such incremental share allocation.

If, and to the extent options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised or if any stock awards are forfeited, the shares subject to such Grants shall again be available for purposes of the Plan.

Under the Plan, the exercise price of an option shall be determined by the Committee and shall be equal to or greater than the fair market value of a share of Company stock on the date the option is granted; provided, however, that (x) the exercise price of an incentive stock option shall be equal to, or greater than, the fair market value of a share of Company stock on the date the incentive stock option is granted, and (y) an incentive stock option may not be granted to an employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company, unless the exercise price per share is not less than 110% of the fair market value of Company stock on the date of grant. Options granted vest over various terms with a maximum vesting period of five years and expire after a maximum of 10 years.

The following table summarizes activity for options during the year ended December 31, 2004:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2004		$
Granted during the year	220,000	5.50
Exercised during the year		

Balance, December 31, 2004	220,000	$	5.50
Exercisable at December 31, 2004	70,000	$	5.50

The weighted average remaining contractual life for the options outstanding at December 31, 2004 is 7.9 years. The fair value of each option granted is estimated on the date of grant using the Black Scholes option pricing model. The weighted average fair value of options granted during the year ended December 31, 2004 is $0.82. The weighted average fair value of options granted during the year ended December 31, 2004 and exercisable at December 31, 2004 is $0.27. For options granted during the year ended December 31, 2004 the following assumptions were used:

	Range
Risk-free interest rate (%)	3.89 4.73
Expected life (years)	5 10
Expected volatility (%)	25
Expected dividends	

See Note 1, Stock Based Compensation, for a discussion of the fair value of the options at December 31, 2004.

Warrants

On June 28, 2004, the Company granted 45,000 warrants to consultants as compensation for their work on the proposed S-1 as discussed below. The warrants have a five year term with immediate vesting and an exercise price of $5.50. The estimated fair value of the warrants at December 31, 2004 was $12,116 based on the Black Scholes option pricing model using the following assumptions:

Risk-free interest rate (%)	3.89
Expected life (years)	5
Expected volatility (%)	25
Expected dividends	

Correspondingly, the Company has recorded deferred offering costs of raising capital and an increase in additional paid in capital related to the warrants of $12,116 as of December 31, 2004.

Initial Public Offering

The Company intends to offer 2,300,000 shares of common stock, which includes 300,000 shares subject to the underwriter s overallotment option, for sale to the public as soon as practicable after the effective date of its registration statement that has been filed on Form S-1. It is anticipated the initial public offering price will be $5.50 per share. In conjunction with the offering, holders of Series A, Series B and Series C preferred stock will be able to convert their shares to an equal number of registered common shares. If Series A and Series B preferred shareholders do not convert their shares to common stock within 90 days of the effective date of the registration statement, their dividend rate will decrease by 50%. As of December 31, 2004, the Company has incurred costs of $267,068, including $12,116 attributable to the value of the warrants, related to the initial public offering that are included in non-current assets on the balance sheet as deferred costs of raising capital.

The Company anticipates entering into an underwriting agreement on or about the effective date of its registration statement. The agreement will call for the underwriter to purchase the shares on a firm commitment basis at an 8% discount to the offering price. The Company s underwriter will also receive a 3% non-accountable expense allowance. At the closing of the underwriting, the Company will sell to the underwriter warrants to purchase shares of common stock equal to 10% of the shares offered (excluding the overallotment option) at a price of $ .0001 per warrant. The warrants will have an exercise price of 125% of the initial offering price and will be exercisable for four years from the first anniversary of their issuance.

Note 11 - Related Party Transactions

In April 2003, prior to the acquisition of certain operating assets of TOP, the Chairman of the Board and Chief Executive Officer of the Company, through his investment banking company, entered into an agreement with an affiliate of TOP to provide certain services. A shareholder of the TOP affiliate, who is also a member of TOP, purchased shares of the Company as discussed in the paragraph below. The agreement called for a financial advisor fee payable upon execution of the contract and a transaction fee if any financing transactions were closed. No fees were paid under this agreement during the year ended December 31, 2004 and the agreement was terminated in September 2004.

In January 2004, the member of TOP referenced above, purchased 800,000 of the Company s common stock. On September 30, 2004, the Company repurchased all of the shares for a total of $800,000 or $1.00 per share.

This same former shareholder is also a shareholder of a company with which the Company has two gas gathering contracts. These contracts represented 29.2% of total revenues for the year ended December 31, 2004. (See Note 9 for further discussion.) This same company also provides administrative services relating to the gas gathering agreements for the Company at no cost. The Company has not recorded an expense for these services because there would be no incremental cost to the Company if they were done in-house.

The Company s bank line of credit is secured by a certificate of deposit that has been pledged by a preferred shareholder. This same preferred shareholder had previously lent the Company $800,000 that was repaid on December 10, 2004. (See Note 8 for a discussion of these transactions.)

When the Series C preferred shares were issued in December 2004, 971,500 shares, 42%, were purchased by officers of the Company. (See Note 10 for further discussion.)

PRB GAS TRANSPORTATION, INC.

Unaudited Financial Statements

As of and for the three months ended March 31, 2005

PRB Gas Transportation, Inc.

Balance Sheets

	March 31, 2005	December 31, 2004