UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10002 / January 12, 2016

SECURITIES EXCHANGE ACT OF 1934
Release No. 76876 / January 12, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3731 / January 12, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-16729

In the Matter of

MILLER ENERGY RESOURCES, INC., PAUL W. BOYD, CPA, DAVID M. HALL, AND CARLTON W. VOGT, III, CPA

Respondents.

ORDER MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER AND PENALTIES PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AS TO MILLER ENERGY RESOURCES, INC.

I.

On August 6, 2015, the Securities and Exchange Commission ("Commission") instituted proceedings pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Miller Energy Resources, Inc. ("Miller Energy" or "Respondent").

II.

Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing a Cease-and-Desist Order and Penalties Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 As To Miller Energy Resources, Inc. (the "Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

SUMMARY

1. This case involves financial accounting and reporting fraud, as well as audit failures, related to the valuation of certain oil and gas assets acquired by Miller Energy, an oil and gas company headquartered in Knoxville, Tennessee. Miller Energy purchased these assets, which are located in Alaska, for $2.25 million in cash – along with the assumption of certain liabilities it valued at approximately $2 million – during a competitive bid in a bankruptcy proceeding in December 2009.

2. The Company subsequently reported those assets at an overstated value of $480 million, and recognized a one-time "bargain purchase" gain of $277 million for its fiscal third quarter ended January 2010 and fiscal year ended April 2010.

3. Miller Energy failed to account for the acquisition in accordance with generally accepted accounting principles ("GAAP"). Accounting Standards Codification ("ASC") 805, *Business Combinations*, required Miller Energy to record the value of its acquired Alaska assets at "fair value." However, contrary to authoritative accounting guidance, Miller Energy's then-CFO ("CFO") used as fair value a reserve report that was prepared by a petroleum engineer firm using the rules for supplemental oil and gas disclosures. As set forth in GAAP, the numbers used in these supplemental disclosures do not reflect fair value, and the reserve report used by the CFO expressly disclaimed that the numbers therein represented the engineer firm's opinion of fair value. The reserve report the CFO used also contained expense numbers that were knowingly understated by the CEO of Miller Energy's Alaska operations ("Alaska CEO"). In addition, the CFO double counted $110 million of certain fixed assets that were already included in the reserve report.

RESPONDENT

4. ***Miller Energy Resources, Inc.*** is a Tennessee corporation with its principal place of business in Knoxville, Tennessee. It operates and develops oil and gas wells in north and south central Alaska. The Company operated oil and gas assets in the Appalachian region of east Tennessee until selling them in November 2014 for $3.3 million in cash. It changed its name from

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person in this or any other proceeding.

Miller Petroleum to Miller Energy Resources in April 2011. Miller Energy's securities, registered pursuant to Exchange Act Section 12(b), were listed on the NYSE until September 2015, when the securities were delisted. On October 1, 2015, Miller Energy filed a voluntary petition for reorganization under chapter 11 of title 11 of the U.S. Code in the United States Bankruptcy Court for the District of Alaska (the "Bankruptcy Case").

FACTS

Background

5. Miller Energy was founded in 1967 as an oil and gas exploration and production company, and went public via a reverse merger in 1996. Between early 2002 and December 2009, Miller Energy's stock price regularly traded below one dollar per share, falling to a low of $0.04 per share in December 2007. In August 2008, Miller Energy named a new CEO. Soon thereafter, the Company began acquiring additional oil and gas properties.

Miller Energy Acquires and Overvalues the Alaska Assets

6. In the fall of 2009, Miller Energy became aware of certain oil and gas properties in Alaska that were in the process of being "abandoned" as part of the bankruptcy proceedings of a California-based energy company.

7. Unable to service its heavy debt and pay the significant monthly costs required to operate the properties, the bankrupt entity unsuccessfully sought for almost a year to sell its Alaska assets. Beginning in December 2008, months before it filed for bankruptcy, the former owner of the assets, with the help of one of the world's leading financial advisory and asset management firms, marketed the same group of assets that Miller Energy ultimately bought to 40 potential buyers. This process failed to attract any bidders, and the assets were auctioned by the bankruptcy court in July 2009, with the winning bidder agreeing to a total purchase price of $8 million for the assets. A second entity, who bid $7 million, was designated as the back-up purchaser. Neither bidder closed.

8. As a result, the former owner of the assets sought in August 2009, and was granted in September, an order from the bankruptcy court allowing it to abandon title to the assets due to a lack of interest.

9. Due to renewed interest in the assets following their abandonment from Miller Energy, the bankruptcy court permitted the debtor to reacquire the Alaska assets and sell them to Miller Energy in a competitive auction for $2.25 million in cash and the assumption of certain limited liabilities. The transaction closed on December 10, 2009.

10. On March 22, 2010, Miller Energy filed its quarterly report on Form 10-Q for its fiscal third quarter ended January 31, 2010 and reported a value of $480 million for the Alaska acquisition, which amount was comprised of $368 million for oil and gas properties and $110 million for fixed assets. Miller Energy also reported an after-tax $277 million "bargain purchase gain," which boosted net income for the quarter to $272 million – an enormous increase over the $556,097 loss reported for the same period the year before.

11. As detailed below, these inflated balance sheet and income statement numbers were repeated in numerous documents subsequently filed with the Commission.

12. The newly-booked value of the Alaska acquisition, which resulted in a nearly 5,000% increase in Miller Energy's total assets, had a significant impact on Miller Energy's stock price. On December 10, 2009, the date of the transaction, Miller Energy's stock closed at $0.61 per share. By March 31, 2010, Miller Energy's stock closed 982% higher at $6.60 per share. Weeks later, its stock began trading on NASDAQ and, after moving to the NYSE a year later, reached an all-time high price on December 9, 2013 of $8.83 per share.

13. As described in detail below, Miller Energy materially overstated the value of its Alaska assets by more than four hundred million dollars.

Under GAAP, Miller Energy Was Required to Record the Alaska Acquisition at Fair Value

14. ASC 805, *Business Combinations* – formerly Statement of Financial Accounting Standards ("SFAS") 141(R) – became effective in December 2008. Among its principal revisions, ASC 805 requires acquisitions that result in a "bargain purchase," *e.g.*, entities purchased at fire sales prices in non-orderly transactions, to be measured at fair value, with any resulting gain recorded on the income statement.

15. ASC 820, *Fair Value Measurements* (formerly SFAS 157), provides the framework for measuring fair value. "Fair value" is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." A reporting entity must determine an appropriate fair value using one or more of the valuation techniques described in accounting literature.

16. ASC 820 outlines three broad approaches to measure fair value: the market approach, income approach, and cost approach. Under the market approach, prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities are used to measure fair value. The income approach utilizes valuation techniques to convert future amounts to a single discounted present value amount. Finally, the cost approach is based on the amount that currently would be required to replace the assets in service, i.e., current replacement cost.

17. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions market participants would use in pricing the asset or liability.

18. ASC 820 emphasizes that when a price for an identical asset or liability is not observable entities should use a "valuation technique that maximizes the use of relevant observable

inputs and minimizes the use of unobservable inputs" and entities may not ignore assumptions market participants would use.[2]

19. When computing their estimate of fair value, Miller Energy and the CFO failed to consider the existence of numerous, readily apparent data points strongly indicating that the assets were worth substantially less than the $480 million value Miller Energy recorded. In failing to do so, Miller Energy and the CFO materially overstated the value of the newly acquired Alaska assets.

20. As described below, Miller Energy purported to value its Alaska acquisition using the income approach for the oil and gas reserves and the cost approach for certain fixed assets.

The Valuation of the Acquired Oil and Gas Properties Was Based Upon a Reserve Report, Which Does Not Represent Fair Value

21. To record the value of the acquired oil and gas properties, Miller Energy and the CFO requested and improperly used a reserve report prepared by an independent petroleum engineer firm.

22. Reserve reports are commonly used in the oil and gas industry to estimate quantities of oil and gas (the reserves) expected to be recovered from existing properties.[3] Generally, these reports list reserves in categories based on a minimum estimated percentage probability of eventual recovery and production, *i.e.*, proved, probable, and possible. Information in reserve reports that are prepared in accordance with Commission regulations is frequently used, for among other purposes, to satisfy supplemental accounting disclosure requirements concerning estimates of

[2] ASC 820 defines "unobservable inputs" as "inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances" and "observable inputs" as "inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity."

[3] Oil and gas reporting companies are subject to two principal authoritative pronouncements governing financial accounting and reporting for oil and gas activities: Rule 4-10 of Regulation S-X (17 C.F.R. 210.4-10), *Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975* ("Rule 4-10"); and ASC 932-235-50-29 through 33 (formerly SFAS 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies* and SFAS 69, *Disclosures About Oil and Gas Producing Activities*). ASC 932 establishes disclosure requirements for significant oil and gas activities, including disclosure of the "standardized measure," which is the future after-tax net cash flows discounted at 10%. A non-GAAP measure known as "PV-10" is similar to the standardized measure but is typically presented on a pretax basis. The FASB has noted that the standardized measure supplies investors with useful information, however, they also noted their concern "that users of financial statements understand that it is neither fair market value nor the present value of future cash flows. It is a rough surrogate for such measures, a tool to allow for a reasonable comparison of mineral reserves and changes through the use of a standardized method that recognizes qualitative, quantitative, geographic, and temporal characteristics." Paragraph 83 of the Basis for Conclusions of SFAS 69.

future oil and gas production. However, the numbers used in reserve reports for this purpose are expressly not considered "an estimate of fair market value."[4]

23. Shortly after the acquisition, the CFO asked the Alaska CEO – a non-accountant with no formal accounting training – to obtain a reserve report for the Alaska properties in order to determine the fair value of the acquired assets to be reported on Miller Energy's Form 10-Q for the quarter ended January 31, 2010.

24. On January 5, 2010, the Alaska CEO hired a petroleum engineer firm to prepare a reserve report using a pretax present value of net cash flows discounted at 10% ("PV-10"), which, while appropriate with further adjustments for SEC supplemental disclosures, was not indicative of fair value.

25. The petroleum engineer firm did not know Miller Energy intended to use the report for fair value purposes and believed that the purpose of the report was for use as supplemental data in the company's SEC disclosures. Indeed, the two page engagement letter with the engineer firm includes no language about "fair value," "fair market value" or authoritative accounting literature.

26. The reserve report was finalized in February 2010 and reflected PV-10 of $368 million.

27. Upon receiving the reserve report, the CFO, without undertaking any additional analysis, merely recorded as the fair value of the acquired oil and gas properties the sum of the PV-10 estimates for 100% of the proved, probable, and possible reserves, which increased the book value of Miller Energy's oil and gas properties on its balance sheet by $368 million.

28. The reserve report itself clearly stated that the numbers therein were not an estimate of fair market value. Specifically, on page 3 of the report, it states that "*[t]he discounted values shown are for your information and should not be construed as our estimate of fair market value*." the CFO never reviewed or questioned any of the reserve report's assumptions or calculations, nor did he communicate with the engineer firm about the reserve report.

29. The use of the PV-10 numbers as fair value conflicted with contemporaneous representations Miller Energy made to investors. Specifically, in its fiscal 2010 Form 10-K, which was the first annual report that included the inflated values, Miller Energy expressly told investors that "[o]ur PV-10 measure and the standardized measure of discounted future net cash flows do not purport to present the fair value of our natural gas and oil reserves." Despite that disclosure, Miller Energy had actually used its PV-10 measure in that very same report as the fair value of its acquired properties.

30. The $368 million reserve report value did not represent fair value for several reasons.

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[4] *See* Paragraph 77 of the Basis for Conclusion of SFAS 69 ("Although it cannot be considered an estimate of fair market value, the standardized measure of discounted net cash flows should be responsive to some of the key variables that affect fair market value, namely, changes in reserve quantities, selling prices, production costs, and tax rates.").

31. Despite showing years of net profit that market participants would expect to be taxable, the reserve report did not make any adjustments for income taxes.

32. At Miller Energy's request, the reserve report used a 10% discount rate that was inappropriate under GAAP for determining fair value. In a discounted cash flow model, a discount rate is used to account for the uncertainties associated with risk and the time value of money. A discount rate is the required rate of return that an investor would demand – based on the risks associated with the benefit stream under consideration – to induce the investor to make an investment. By failing to consider the discount rate using assumptions market participants would use, Miller Energy materially overstated the value of the acquired oil and gas properties.

33. The valuation also overstated cash flows from certain categories of reserve estimates (*e.g.*, "probable" and "possible" reserves) by failing to apply any risk weight to such reserves and the resulting cash flows. Given the high degree of uncertainty associated with cash flows from these reserve estimate categories, they are required to be risk weighted in order to reflect an appropriate valuation.

34. The reserve report did not include amounts for certain asset retirement obligations, *i.e.*, the legal obligations associated with the retirement of tangible long-lived assets.

35. Finally, the $237 million of projected operating and capital expenses in the reserve report, which were provided by Miller Energy and the Alaska CEO, were intentionally understated, resulting in an overstated valuation.

36. In fact, one petroleum engineer firm contacted but not used by Miller Energy thought that the expected level of expenses made a significant portion of the acquisition unprofitable. Initially, the Alaska CEO contacted the petroleum engineer firm who had previously provided the past two owners of the properties with reserve reports, and thus had unfettered access to past operating data, and requested a quote for "updating" a prior reserve report. That firm told the Alaska CEO that it would not assign any value to one of the largest fields acquired, the Redoubt Shoal field, because it was uneconomical – *i.e.*, expected future expenses exceeded expected future cash flows – and explained that it would not put its "name on a report that implies value exists where it likely does not."[5]

37. The CFO was aware that Miller Energy chose the new firm because the prior firm would not assign any value to the Redoubt Shoal field. The Redoubt Shoal field – which represented $291 million of the $368 million in fair value recorded by Miller Energy – showed positive future cash flows in the reserve report primarily because the Alaska CEO gave the new engineer firm understated and unsubstantiated expense numbers. The CFO had previously been

[5] Unique among the oil and gas properties purchased by Miller Energy, Redoubt Shoal is an offshore field in Cook Inlet, Alaska, which requires the use of an offshore platform that sits in seventy feet of water, is accessible only by boat or helicopter, and drills to depths in excess of 12,000 feet. Offshore drilling presents risks and costs not associated with onshore operations.

advised by Miller Energy's independent auditor that the lack of any controls over the Alaska CEO's expense estimates was a "concerning void."

38. Miller Energy and the Alaska CEO provided expense projections that, in many cases, were significantly lower than past actual experience. For example, internal documents maintained by the Alaska CEO indicate that the cost to drill a new well in the Redoubt field was roughly $13 million. However, the Alaska CEO told the engineer firm to use a cost of $4.6 million per well in its reserve report. And instead of using recent expense data the Alaska CEO gave the engineer firm nearly three year old operating expense data, which he revised down on the pretext that Miller Energy could run a leaner operation than former operators of the properties. By way of example, the Alaska CEO told the engineer firm that the offshore Redoubt field would cost $399,000 per month to operate when it actually cost the seller more than $600,000 per month and when internal estimates show that Miller Energy and the Alaska CEO expected the field to cost more than $800,000 per month once fully operational. Additionally, in some years, the report included zero expenses for operating the facilities in Redoubt and another field.

39. Overall, the reserve report implied operating expenses of $4 per barrel of oil equivalent ("boe") for all categories of reserves. That level of operating expenses was unreasonable in light its predecessor's actual operating expenses of $32.50/boe in 2008 and $55.42/boe in the first half of 2009 before the wells were shut-in.

40. By understating the expense numbers, Miller Energy overvalued its oil and gas properties by tens of millions of dollars.

The Fair Value of the Acquired Fixed Assets Was Double-Counted and Overstated

41. In addition to the $368 million value recorded for the oil and gas properties, Miller Energy also erroneously recorded a separate value of $110 million for acquired fixed assets, such as facilities and pipelines ancillary to the oil and gas reserves.

42. In a February 8, 2010 email, the CFO informed the Alaska CEO that he needed an amount to use as fair value for the fixed assets obtained as part of the Alaska acquisition. He noted that, ideally, the value should be what a willing buyer would pay for the assets, but "[i]n the absence of that, replacement values or something similar would probably work." Two days later, the CFO was sent an "asset replacement cost study" purportedly provided by an independent insurance broker, which appeared to list the replacement cost for the assets as $110 million. The "study" was dated September 5, 2008, but "revised" on February 9, 2010.

43. Without any additional analysis, the CFO recorded the amount in the revised insurance study on Miller Energy's balance sheet.

44. The recording of assets at a value of $110 million was improper for several reasons.

45. Miller Energy's use of the values in the insurance study resulted in counting the value of the fixed assets twice, thereby overstating the value of such assets. The reserve report Miller Energy relied on to value the acquired oil and gas properties used a discounted cash flow model. Valuation specialists use such models to estimate the value of an enterprise's "operating

assets" – *i.e.*, the assets employed to generate future cash flows – by converting future benefit streams into a net present value. In Miller Energy's case, the fixed assets in the insurance study were the very same operating assets that were expected to generate the future cash flows in the reserve report. Accordingly, they should not have been separately valued.

46. Prior to the acquisition, all of the production from the offshore Redoubt Shoal field ran through the Osprey platform, which had no processing facilities or power generating capability of its own. Power was sent from generators housed within the Kustatan Production Facility to the platform via a subsea line, which was connected to an underground power grid that ran throughout all of the acquired properties. Moreover, production from the offshore platform was sent onshore for processing through pipes to the Kustatan Production Facility. Absent the platform, there would have been no way to obtain oil and gas from Redoubt Shoal without incurring upfront capital expenditures to replace the platform and its related infrastructure. Similarly, without the other production facilities, the platform would have lacked power and somewhere to process its oil and gas.

47. The reserve report Miller Energy used for the valuation recognized the interconnectedness of the properties, as it expressly listed the facilities and the offshore platform as assets used to generate the future cash flows.

48. In short, because the fixed assets were integral to the operations of the acquired properties, their values were captured in the reserve report's cash flows. Consequently, by separately valuing the same operating assets, Miller Energy overstated the value of the Alaska assets by as much as $110 million.

49. The insurance study also did not reflect fair value because the version of the insurance study used by the CFO purported to show "asset replacement cost." Absent further adjustments, replacement cost new does not qualify as fair value under GAAP.

50. Miller Energy, at the direction of the CFO and the Alaska CEO, also refashioned a preexisting insurance study to make it appear that its own value of $110 million derived from a third party. The numbers in the fixed asset study were given to the insurance broker, and its predecessor, by its clients (*i.e.*, Miller Energy and the previous owners of the fixed assets) as far back as 2007 and were used as starting points for other types of estimates, such as estimates for possible losses resulting from fire or natural disasters. The two employees at the insurance broker who were most familiar with the original "Loss Estimates Study," including the engineer who authored it, confirmed that no one at the broker ever tested or in any way double-checked the values given to them.

51. The CFO and the Alaska CEO knew or knowingly disregarded the fact that the insurance study did not reflect fair value or any analysis by the insurance broker.

52. On February 8, 2010, the Alaska CEO directed Alaska personnel to contact the insurance broker and another oil and gas consulting company to ask them for a report reflecting fair value or replacement cost. The insurance broker responded on February 9, and told Miller

Energy in an email copied to the Alaska CEO that it could not provide a report showing replacement costs.

53. Miller Energy also contacted a separate consulting firm and sent it the insurance broker's original 2008 insurance report. Late on February 8, the consulting firm informed Miller Energy that the insurance study it sent was a "good reference" but the report did not state "value or replacement cost." The firm offered to conduct its own analysis, but advised that the estimate would take "approximately 2-3 weeks to complete" and "cost around $15,000-$18,000."

54. Upon hearing the news that a new report might take two to three weeks, Alaska personnel, including the Alaska CEO, called the CFO. According to one participant on this call, the CFO said he could not wait weeks for a new report. He "needed it quickly and he needed to base it on something . . . a professional had to sign off on it, not us, some third party. . . ." During the call, the CFO and the Alaska CEO decided to rely on numbers in the insurance report as replacement costs, despite the Alaska CEO having been told by the broker that it could not provide Miller Energy with replacement costs.

55. With the aim of making the report appear as though it reflected replacement costs, the Alaska CEO provided a subordinate with edits to the 2008 insurance report that significantly altered its appearance, including changing its name from "Loss Estimates Study" to "Asset replacement cost study." The revised report, which Miller Energy gave to Sherb & Co., omitted the insurance broker's methodology and analysis. As a result, the only numbers reflected in the revised report were the ones provided to the broker by Miller Energy and its predecessors.

56. As a result of the foregoing, Miller Energy overvalued the Alaska assets by more than $400 million.

57. As a result of the fraudulent valuation, Miller Energy filed with the Commission financial reports that materially misstated the value of its assets, as follows: Forms 10-Q for the third quarter of fiscal year 2010 and all three quarters of fiscal years 2011 through 2015; Forms 10-K for fiscal years ended 2010 through 2014; the Form S-1 filed on August 8, 2010; the Forms S-3 filed on September 6, 2012 and October 5, 2012; and prospectuses filed between August 25, 2010 through August 21, 2014 pursuant to Rule 424. The fraudulent valuation also resulted in Miller Energy filing with the Commission financial reports that materially misstated its net income, as follows: Forms 10-Q for the third quarter of fiscal year 2010, all three quarters of fiscal 2011, and the first two quarter of 2012; Forms 10-K for fiscal years ended 2010 through 2012; the Form S-1 filed on August 8, 2010; the Forms S-3 filed on September 6, 2012 and October 5, 2012; and prospectus supplements filed between August 25, 2010 through August 21, 2014 pursuant to Rule 424. In addition, the fraudulent valuation rendered no fewer than 15 Forms 8-K filed between March 2010 through at least December 2014 materially false and misleading.

VIOLATIONS

58. As a result of the conduct described above, Miller Energy violated Section 17(a)(2) and (3) of the Securities Act which prohibit fraudulent conduct in the offer or sale of securities.

59. As a result of the conduct described above, Miller Energy violated Section 13(a) of the Exchange Act, and Rules 13a-1, 13a-11, and 13a-13 thereunder, which require that every issuer of a security registered pursuant to Exchange Act Section 12 file with the Commission, among other things, annual, current, and quarterly reports as the Commission may require.

60. As a result of the conduct described above, Miller Energy violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

61. As a result of the conduct described above, Miller Energy violated Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

62. As a result of the conduct described above, Miller Energy violated Rule 12b-20 under the Exchange Act which requires that, in addition to the information expressly required to be included in a statement or report filed with the Commission, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made not misleading.

UNDERTAKINGS

Miller Energy undertakes to:

63. Terminate the registration of any and all the Company's securities with the Commission and suspend any continuing reporting obligations of the Company by the earlier of the effective date of Miller Energy's Joint Plan of Reorganization [Docket No. 364 in Case No. 15-00236 (the "Bankruptcy Case") pending in the United States Bankruptcy Court for the District of Alaska (the "Bankruptcy Court")], as approved by the Bankruptcy Court in the Bankruptcy Case, or June 30, 2016 (or such later date as the Commission may agree to in its sole discretion);

64. Cooperate fully with the Commission's staff ("Staff") in any and all respects relating to or arising from the matters described in the Offer. In connection with such cooperation, Miller Energy undertakes to:

a. produce, without service of a notice or subpoena, any and all documents and other information requested by the Staff;

b. use its best efforts to cause its current and former employees to be interviewed by the Staff at such times as the Staff reasonably may direct;

c. use its best efforts to cause its current and former employees to appear and testify truthfully and completely without service of a notice or subpoena as may be requested by the Staff;

65. For good cause shown, the Staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

66. Miller Energy shall certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Peter J. Diskin, Assistant Regional Director, U.S. Securities and Exchange Commission, 950 E. Paces Ferry Road, N.E., Atlanta, GA 30326, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

67. In determining whether to accept Miller Energy's Offer, the Commission has considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in the Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Respondent Miller Energy cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act, Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

B. Respondent Miller Energy shall pay a civil money penalty in the amount of $5,000,000. In the event Miller Energy's Plan is confirmed by the Bankruptcy Court, the payment of such $5,000,000 civil penalty shall be accomplished by the Commission having an allowed general unsecured claim in Class 4 of the Plan in the amount of $5,000,000 and such claim shall be paid consistently with the payments made to Miller Energy's other general unsecured creditors in Class 4 pursuant to the terms of the Plan. In the event the Bankruptcy Case is dismissed without the confirmation by the Bankruptcy Court in the Bankruptcy Case of either (i) the Plan, or (ii) any other plan of reorganization for Miller Energy that treats the Commission's $5,000,000 civil penalty as a general unsecured claim consistently with other allowed general unsecured claims against Miller Energy, then such civil penalty shall be paid by Miller Energy directly to the Securities and Exchange Commission in the following installments: (i) $625,000 within five business days of the termination of the Bankruptcy Case, and (ii) three installments of $1,458, 333.33 each due no later than the first, second and third annual anniversary of the entry of the Order, respectively. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States

Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717, and the entire outstanding balance of civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application.

Any payment made outside of the Bankruptcy Case must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Miller Energy Resources, Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Peter J. Diskin, Division of Enforcement, U.S. Securities and Exchange Commission, 950 East Paces Ferry Road, N.E., Atlanta, GA 30326-1382

D. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary