FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

Black Raven Energy, Inc.

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SIC: **4922** Natural gas transmission

Mailing Address
1875 LAWRENCE STREET
SUITE 450
DENVER CO 80202

Business Address
1875 LAWRENCE STREET
SUITE 450
DENVER CO 80202
(303) 308-1330

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-32471

BLACK RAVEN ENERGY, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	**20-0563497**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1125 Seventeenth Street, Suite 2300 Denver, CO	**80202**
(Address of Principal Executive Offices)	(Zip Code)

Registrant' s Telephone Number, including area code: **(303) 308-1330**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒

The number of shares of the registrant’ s common stock outstanding as of November 15, 2010 was 16,658,109.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.)
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 414	$ 1,064

Cash, restricted	941	–
Accounts receivable, net	86	62
Inventory	53	62
Prepaid expenses	95	108
Total current assets	1,589	1,296
Oil and gas properties accounted for under the successful efforts method of accounting:		
Proved properties	5,248	4,626
Unproved leaseholds	4,595	5,842
Wells-in-progress	63	483
Total oil and gas properties	9,906	10,951
Less: Accumulated depreciation, depletion and amortization	(1,241)	(1,212)
Net oil and gas properties	8,665	9,739
Gathering and other property and equipment	2,983	2,964
Less: Accumulated depreciation and amortization	(986)	(925)
Net gathering and other property and equipment	1,997	2,039
Other non-current assets:		
Deferred debt issuance costs, net	194	247
Other	100	96
Total other non-current assets	294	343
TOTAL ASSETS	$ 12,545	$ 13,417

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

Table of Contents

Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.)

Condensed Consolidated Balance Sheets (Continued)

(Unaudited)

(In thousands)

	September 30, 2010	December 31, 2009
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 472	$ 238
Short-term borrowings from affiliate	250	–
Advances from Atlas (Note 4)	660	–
Accrued expenses and other current liabilities	162	308
Total current liabilities	1,544	546
Senior secured debentures, net of discount	18,848	17,828
Asset retirement obligation	235	219
Investment in insolvent subsidiary	–	1,072
Total liabilities	20,627	19,665
Commitments and Contingencies (Note 9)		
Stockholders' deficit		
Common stock, par value $.001; 150,000,000 shares authorized; 16,658,109 and 16,660,965 issued and outstanding, respectively	17	17
Additional paid-in-capital	29,683	29,441
Accumulated deficit	(37,782)	(35,706)

Total stockholders' deficit		(8,082)	(6,248)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		$ 12,545	$ 13,417

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

Table of Contents

Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.)
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenue:				
Natural gas sales	$ 114	$ 97	$ 344	$ 330
Total revenue	114	97	344	330
Operating expenses:				
Natural gas production expense	300	145	608	460
Exploration expense	–	–	11	4
Depreciation, depletion, amortization and accretion	44	54	112	197
General and administrative	463	698	1,670	1,387
Total operating expenses	807	897	2,401	2,048
Operating loss	(693)	(800)	(2,057)	(1,718)
Other income (expense):				
Interest and other income	4	9	7	9
Loss on disposal of assets and other	–	–	(6)	–
Interest expense	(146)	(439)	(1,085)	(1,183)
Total other expense	(142)	(430)	(1,084)	(1,174)
Loss before reorganization items and income taxes	(835)	(1,230)	(3,141)	(2,892)
Reorganization items:				
Gain on reorganization	–	–	1,069	24,208
Loss on disposal of assets and other	–	–	–	(4)
Professional fees	–	(13)	(4)	(133)
Interest on accumulated cash in bankruptcy	–	1	–	1
Total reorganization items	–	(12)	1,065	24,072
Net income (loss) before income taxes	(835)	(1,242)	(2,076)	21,180
Income tax provision/benefit	–	–	–	–
Net income (loss)	$ (835)	$ (1,242)	$ (2,076)	$ 21,180
Net income (loss) per common share–basic and diluted	$ (0.05)	$ (0.08)	$ (0.12)	$ 1.46
Basic and diluted weighted average shares outstanding	16,658,109	15,818,574	16,658,507	14,555,399

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

Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.)
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash flows from operating activities		
Net income (loss)	$ (2,076)	$ 21,180
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion, amortization and accretion	112	197
Amortization of debt issuance costs	53	–
Amortization of discount on debentures	672	853
Share-based compensation expense	242	269
Gain on reorganization	(1,069)	(24,208)
Loss on disposal of assets and other	6	4
Changes in assets and liabilities:		
Restricted cash	(941)	–
Accounts receivable	(24)	42
Inventory	9	(19)
Prepaid expenses	13	241
Other non-current assets	(4)	(22)
Accounts payable	205	(721)
Advances from Atlas	660	–
Accrued expenses and other current liabilities	202	(300)
Net cash used in operating activities	(1,940)	(2,484)
Cash flows from investing activities		
Capital expenditures	(320)	(310)
Proceeds from Farmout Agreement (Note 4)	1,360	–
Proceeds from sale of assets	–	1
Net cash provided by (used in) investing activities	1,040	(309)
Cash flows from financing activities		
Proceeds from loans from affiliate	250	–
Proceeds from senior secured debentures	–	1,500
Proceeds from issuance of common stock	–	3,500
Repayment of loans	–	(911)
Net cash provided by financing activities	250	4,089
Net increase (decrease) in cash	(650)	1,296
Cash–beginning of year	1,064	472
Cash and cash equivalents–end of year	$ 414	$ 1,768
Supplemental disclosure of cash flow activity		
Cash paid for interest	$ 117	$ 427
Supplemental schedule for non-cash activity		
Accrued capital expenditures	$ 33	$ 3
Conversion of interest to debt	$ 348	$ 546

BLACK RAVEN ENERGY, INC. (formerly known as PRB ENERGY, INC.)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1−Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

Description of Business

Black Raven Energy, Inc. ("Black Raven," the "Company," "us," "our" or "we"), formerly known as PRB Energy, Inc. ("PRB Energy"), operates as an independent energy company engaged in the acquisition, exploitation, development and production of natural gas and oil in the Rocky Mountain Region of the United States.

On March 5, 2008, PRB Energy and its subsidiaries filed voluntary petitions for relief for each business entity (the "Chapter 11 Bankruptcy") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Colorado (the "Bankruptcy Court"). PRB Energy continued to operate its business as a "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

On January 16, 2009, the Bankruptcy Court entered an order confirming PRB Energy' s and PRB Oil and Gas, Inc.' s ("PRB Oil"), a wholly-owned subsidiary of PRB Energy, Modified Second Amended Joint Plan of Reorganization (the "Plan"). The effective date of the Plan was deemed to be February 2, 2009 (the "Effective Date"). Pursuant to the Plan, all 8,721,994 shares of PRB Energy' s common stock were cancelled and PRB Energy changed its corporate name to Black Raven Energy, Inc. The Plan provided that we continue as a public company following our emergence from bankruptcy and for the issuance of new common stock of Black Raven to certain claimants, with such new common stock to be traded on the OTC Bulletin Board or a nationally recognized securities exchange, subject to compliance with applicable regulations. After the effective date, PRB Oil was merged into the Company.

We deconsolidated PRB Gathering, Inc. ("PRB Gathering"), a wholly-owned subsidiary of PRB Energy, during the fourth quarter of 2008. Effective November 1, 2008, control of the Recluse Gathering System was turned over to a receiver appointed by the State Court of Wyoming. The Company' s investment/obligation with regard to the PRB Gathering business is reflected as an Investment in Insolvent Subsidiary in the accompanying balance sheet as of December 31, 2009. PRB Gathering emerged from Chapter 11 Bankruptcy on February 17, 2010 and a gain on reorganization was recognized for the amount of the Company' s obligation for PRB Gathering.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying Unaudited Condensed Consolidated Financial Statements, the Company continues to experience net losses from operations, reporting a net loss before reorganization items of approximately $3.1 million for the nine months ended September 30, 2010. Cash and cash equivalents on hand and internally generated cash flows will not be sufficient to execute the Company' s business plan. Future bank financings, asset sales, or other equity or debt financings will be required to fund the Company' s debt service, working capital requirements, planned drilling, potential acquisitions and other capital expenditures. These conditions raise substantial doubt about the Company' s ability to continue as a going concern.

During the quarter ended September 30, 2010, the Company entered into a Farmout Agreement, dated July 23, 2010 (the "Farmout Agreement") with Atlas Resources, LLC ("Atlas"), as further discussed in Note 4. The Farmout Agreement is expected to provide the Company sufficient cash flow to commence drilling operations on the properties subject to the agreement and to meet working capital requirements. The Company will explore other opportunities to raise capital as needed to fund its debt service, potential acquisitions and other capital expenditures. There can be no assurances that the Company will be able to secure additional financing if and when necessary.

Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly the Company' s financial position as of September 30, 2010, the Company' s results of operations for the three and nine months ended September 30, 2010 and 2009, and cash flows for the nine months ended September 30, 2010 and 2009. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be

expected for the full year because of the impact of fluctuations in prices received for natural gas and oil, natural production declines, the uncertainty of exploration and development drilling results and other factors. For a more complete understanding of the Company' s operations, financial position and accounting policies, the Unaudited Condensed Consolidated Financial Statements and the notes thereto should be read in conjunction with the Company' s Annual Report on Form 10-K for the year ended December 31, 2009 previously filed with the SEC.

For the period from March 5, 2008 through the Effective Date, we conducted our business in the ordinary course as debtors-in-possession under the protection of the Bankruptcy Court. We emerged from Chapter 11 Bankruptcy on February 2, 2009. Our Condensed Consolidated Financial Statements have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 852, "Reorganizations" ("ASC Topic 852"), which requires financial statements for periods subsequent to our Chapter 11 Bankruptcy filings to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and provisions for losses that were realized or incurred in our Chapter 11 Bankruptcy cases are recorded in reorganization items on our Condensed Consolidated Statements of Operations. We determined that we did not meet the requirements to adopt fresh start accounting on the Effective Date of our emergence from Chapter 11 Bankruptcy because the reorganization value of our assets exceeded the total of post-petition liabilities and allowed claims. See Note 3 for further discussion of the Plan and the applicability of fresh start accounting.

Summary of Significant Accounting Policies

Use of Estimates - The preparation of financial statements in accordance with GAAP 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. Some specific examples of such estimates include the allowance for accounts receivable, accrued expenses, accrued revenue, asset retirement obligations, determining the remaining economic lives and carrying values of property and equipment and the estimates of gas reserves that affect the depletion calculations and impairments for gas properties and other long-lived assets. In addition, we use assumptions to estimate the fair value of share-based compensation. We believe our estimates and assumptions are reasonable; however, actual results may differ from our estimates.

Cash and Cash Equivalents - We consider all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. We continually monitor our positions with, and the credit quality of, the financial institutions with which we invest.

Restricted Cash − Restricted cash includes advances from Atlas restricted for drilling activities in connection with oil and gas properties subject to the Farmout Agreement. See Note 4 for further discussion of Farmout Agreement.

Income Taxes - We recognize deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. In evaluating the ability to realize net deferred tax assets, we will take into account a number of factors, primarily relating to our ability to generate taxable income. We have recognized, before the valuation allowance, a net deferred tax asset attributable to the net operating losses as of September 30, 2010 and December 31, 2009. FASB ASC Topic 740, "Income Taxes" ("ASC Topic 740"), requires that a valuation allowance be recorded against deferred tax assets unless it is more likely than not that the deferred tax asset will be utilized. As a result of this analysis, we have recorded a full valuation allowance against the Company' s net deferred tax asset.

The Company has adopted the uncertainty provisions of ASC Topic 740, which requires the Company to recognize the impact of a tax position in its financial statements only if the technical merits of that position indicate that the position is more likely than not of being sustained upon audit. We recognize potential accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense, which is consistent with the recognition of these items in prior reporting periods. Due to the significant net operating losses, no interest and penalties were accrued.

Revenue Recognition - Revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if the collectability of the revenue is probable. We derive revenue from the sale of produced natural gas. We report revenue at the gross amount received before taking into account production taxes and transportation costs, which are reported as separate expenses. Revenue is recorded in the month our production is delivered to the purchaser, but payment is generally received between 30 and 90 days after the date of production. Revenues from the production of gas properties in which we have an interest with other producers are recognized on the basis of our net working interest. At the end of each month, we calculate a revenue accrual based on the estimates of production delivered to or transported for the purchaser.

Table of Contents

Property and Equipment - Gas Gathering and Other - Gathering assets, including compressor sites and pipelines, are recorded at cost and depreciated using the straight line method over 10 years. Other property and equipment, such as office furniture, computer and related software and equipment, automobiles and leasehold improvements are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets or underlying leases, in respect to leasehold improvements, ranging from three to ten years.

Oil and Gas Producing Properties - We have elected to follow the successful efforts method of accounting for our oil and gas properties. Under this method of accounting, all property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending determination of whether the well has found proved reserves. If an exploratory well does not find proved reserves, the costs of drilling the unsuccessful exploratory well are charged to expense. Exploratory dry hole costs are included in cash flows from investing activities as part of capital expenditures in the consolidated statements of cash flows. The cost of development wells, whether productive or not, is capitalized.

Other exploration costs, including certain geological and geophysical expenses and delay rentals for oil and gas leases, are charged to expense as incurred. The sale of a partial interest in a proved property is accounted for as a cost recovery and no gain or loss is recognized as long as this treatment does not significantly affect the unit-of-production amortization rate. A gain or loss is recognized for all other sales of proved properties and is classified in other operating revenues. Unproved oil and gas property costs are transferred to proved oil and gas properties if the properties are subsequently determined to be productive and are assigned proved reserves. Proceeds from sales of partial interests in unproved properties are accounted for as a recovery of cost without recognizing gain until all costs are recovered. Maintenance and repairs are charged to expense, and renewals and betterments are capitalized to the appropriate property and equipment accounts.

Depreciation, depletion and amortization ("DD&A") of capitalized costs of proved oil and gas properties is determined on a field-by-field basis using the units-of-production method based upon proved reserves. The computation of DD&A takes into consideration restoration, dismantlement and abandonment costs and the anticipated proceeds from equipment salvage.

Impairment of Long-Lived Assets - In accordance with FASB ASC Topic 360, "Property, Plant and Equipment" ("ASC Topic 360"), we group assets at the field level and periodically review the carrying value of our property and equipment to test whenever current events or circumstances indicate that such carrying value may not be recoverable. If the tests indicate that the carrying value of the asset is greater than the estimated future undiscounted cash flows to be generated by such asset, an impairment adjustment will be recognized. Such adjustment consists of the amount by which the carrying value of such asset exceeds its fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such asset using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets, and accordingly, actual results could vary significantly from such estimates.

Discount of Debt - On February 2, 2009, we issued an Amended and Restated Senior Secured Debenture payable to West Coast Opportunity Fund, LLC ("WCOF") in the amount of $18,450,000 (the "Amended Debenture"). We recorded a $1.4 million discount on the Amended Debenture in the first quarter of 2009. The discount on the Amended Debenture was amortized using the retrospective interest method and is fully amortized at September 30, 2010. The discount is included in the balance of the Amended Debenture at December 31, 2009.

Net Loss Per Share - We account for earnings (loss) per share ("EPS") in accordance with FASB ASC Topic 260, "Earnings per Share" ("ASC Topic 260"). Under ASC Topic 260, basic EPS is computed by dividing the net loss applicable to common stockholders by the weighted average common shares outstanding without including any potentially dilutive securities. Potentially dilutive securities for the diluted earnings per share calculation consist of outstanding warrants and in-the-money outstanding stock options to purchase our common stock for the periods ended September 30, 2010 and December 31, 2009. Diluted EPS is computed by dividing the net loss applicable to common stockholders for the period by the weighted average common shares outstanding plus, when their effect is dilutive, common stock equivalents. For the periods ended September 30, 2010 and 2009, there were no potentially dilutive securities outstanding whose effect would be dilutive to our earnings per share calculation.

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:

Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Warrants	1,494,298	1,494,298	1,494,298	1,494,298
Options	1,532,500	1,232,500	1,532,500	1,232,500
Total potentially dilutive shares excluded	3,026,798	2,726,798	3,026,798	2,726,798

Subsequent to September 30, 2010, we did not issue any dilutive securities which would have increased the number of potentially dilutive shares.

Comprehensive Income (Loss) - We account for comprehensive income (loss) in accordance with FASB ASC Topic 220, "Comprehensive Income" ("ASC Topic 220"), which established standards for the reporting and presentation of comprehensive income (loss) in our consolidated financial statements. For the nine months ended September 30, 2010 and 2009, comprehensive loss is equal to net loss as reported in our Condensed Consolidated Statement of Operations.

Off-Balance Sheet Arrangements − We have not participated in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), or SPEs which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2010, the Company is not involved in any off-balance sheet arrangements.

Fair Value of Financial Instruments - Our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and secured debentures, are carried at cost. At September 30, 2010, the fair value of the cash and cash equivalents, accounts receivable, and accounts payable approximates carrying value due to the short term nature of these instruments. The fair value of our debentures at September 30, 2010 is approximately $18.9 million, based on a discounted cash flow model using expected future cash flows.

Concentrations of Credit Risk - Revenues from customers which represented 10% or more of our gas sales for the three and nine months ended September 30, 2010 and 2009, respectively, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Customer	**2010**	**2009**	**2010**	**2009**
	(% of total revenue)		(% of total revenue)	
A − Exploration and Production	75%	64%	70%	75%
B − Exploration and Production	25%	36%	30%	25%

Industry Segment and Geographic Information - The Company operates in one industry segment, which is the exploration, development and production of natural gas and crude oil, and all of the Company' s operations are conducted in the continental United States. Consequently, the Company currently reports as a single industry segment.

Note 2−Recent Accounting Pronouncements

In January 2010, the FASB issued ASC Update 2010-06, “Improving Disclosures about Fair Value Measurements,” which amends Accounting Standards Codification 820, “Fair Value Measurements and Disclosures” (“ASC Update 2010-06”), that requires additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the fair value measurements of the activity in Level 3 on a gross basis and the transfers between Levels 1 and 2. This new authoritative guidance was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures regarding gross activity in the Level 3 rollforward, which will be effective for the Company as of January 1, 2011. The adoption of ASC Update 2010-06 did not have and is not expected to have a material impact on the Company' s consolidated financial statements.

The Company adopted FASB ASC Update 2010-09, “Subsequent Events-Amendments to Certain Recognition and Disclosure Requirements,” which removes the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. However, the date-disclosure exemption does not relieve management of an SEC filer from its responsibility to evaluate subsequent events through the date on which financial statements are issued. This authoritative

guidance was effective upon issuance on February 24, 2010. The adoption of this pronouncement did not have a material impact on the Company' s consolidated financial statements.

Note 3−Emergence from Chapter 11 Bankruptcy

On January 16, 2009, the Bankruptcy Court entered an order confirming the Plan, with an effective date of February 2, 2009. Pursuant to the Plan, all 8,721,994 outstanding shares of PRB Energy' s common stock were cancelled and PRB Energy changed its corporate name to Black Raven Energy, Inc. The Plan provided that we continue as a public company following our emergence from bankruptcy and for the issuance of new common stock of Black Raven to certain claimants.

Pursuant to the terms of the Plan, the Company issued 1,419,339 shares of common stock, along with one warrant for each share at an exercise price of $2.50 per share, on a pro-rata basis to the holders of our previously outstanding convertible notes. The Company issued an additional 74,959 shares of common stock, along with one warrant for each share at an exercise price of $2.50 per share, on a pro-rata basis to the other claimants related to accounts payable, accrued expenses and other current liabilities. The Company also issued 13.5 million shares of common stock to WCOF, the principal pre-petition secured creditor.

After the effective date of the Plan, PRB Oil was merged into the Company. We deconsolidated PRB Gathering during the fourth quarter of 2008. Effective November 1, 2008, control of the Recluse Gathering System was turned over to a receiver appointed by the State Court of Wyoming. PRB Gathering emerged from Chapter 11 Bankruptcy on February 17, 2010.

Note 4−Farmout Agreement

On July 23, 2010, the Company entered into a Farmout Agreement with Atlas, a wholly-owned subsidiary of Atlas Energy, Inc, relating to natural gas drilling within an area of mutual interest in Phillips and Sedgwick counties, Colorado and Perkins, Chase and Dundy counties, Nebraska (the "AMI").

Under the terms of the Farmout Agreement, Atlas agreed to drill six initial wells identified in the Farmout Agreement (the "Initial Wells") and to complete certain initial projects, including 3D seismic shoots, upgrades of sales meter equipment, and the change-out of compressors and upgrade of a dehydrator at a Company facility. The Company assigned to Atlas all of its rights, title and interests in the defined areas around the planned wellbores (the "Drilling Units") for the Initial Wells. As of September 30, 2010, drilling of The Initial Wells has been completed.

The Farmout Agreement also provides for Atlas, at its discretion, to drill additional wells in the AMI in accordance with work plans approved by Atlas under the Farmout Agreement (each a "Work Plan"). The initial Work Plan approved by Atlas covering the period from July 23, 2010 to April 30, 2011 provides for Atlas, at its discretion, to drill 60 additional wells. For each six month period after April 30, 2011, Atlas must submit a proposal to the Company setting forth the numbers of wells that it proposes to drill for such six month period (the "Drilling Proposal") and the Company must provide a Work Plan to be approved by Atlas outlining the development plan for the wells set forth in the Drilling Proposal. In the event that Atlas determines not to drill at least 60 wells in the course of any six month period, the Company has the right, during such six month period, to drill for its own account that number of wells equal to the difference between 60 wells and the number of wells agreed to be drilled by Atlas. Upon payment of a well-site fee and delivery of an executed authorization for expenditure (AFE) for such well by Atlas, the Company will assign all of its right, title and interest in the Drilling Units established for such well.

The Farmout Agreement also provides for certain rights of the Company and Atlas with respect to the drilling of "deep wells" and for the payment of drilling and future 3D seismic costs.

In consideration for the agreements made under the Farmout Agreement, Atlas paid the Company $1,000,000 upon execution of the Farmout Agreement. Such amount has been shown as a recovery of the cost of the Company' s proved and unproved oil and gas properties, as applicable. In addition, Atlas agreed to pay the Company a $60,000 well-site fee for each well drilled by Atlas in the AMI, including the Initial Wells. As of September 30, 2010, the Company had received $360,000 as well site fees for the Initial Wells, which are also shown as a recovery of the cost of the Company' s oil and gas properties. The Company will recognize gains on any well-site fees received for future drilling under the Farmout Agreement at such time that all costs related to the oil and gas properties subject to the Farmout Agreement have been recovered.

The Company will also receive an undivided six percent of eight eighths (6% of 8/8ths) overriding royalty interest on substantially all of the oil and gas produced and sold that is attributable to the Drilling Units assigned to Atlas under the Farmout Agreement, subject to certain deductions.

Table of Contents

The term of the Farmout Agreement is ten years, subject to earlier termination pursuant to the terms set forth therein.

On August 11, 2010, in connection with the Farmout Agreement and ongoing investment advisory services, the Company entered into an advisory fee agreement with a third party, whereby the Company agreed to pay $10,000 per well for the first 220 wells that are funded and drilled by Atlas under the Farmout Agreement discussed above, up to a maximum fee of $2.2 million. To date, Atlas has funded and drilled the six Initial Wells and the Company has accrued a liability pursuant to the advisory fee agreement of $60,000 for the Initial Wells in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2010.

Note 5−Asset Retirement Obligation

The Company recognizes an estimated liability for future costs associated with the abandonment of its oil and gas properties. A liability for the fair value of an asset retirement obligation and corresponding increase to the carrying value of the related long-lived asset are recorded at the time a well is completed or acquired. The increase in carrying value is included in proved oil and gas properties in the accompanying consolidated balance sheets. The Company depletes the amount added to proved oil and gas property costs and recognizes expense in connection with the accretion of the discounted liability over the remaining estimated economic lives of the respective oil and gas properties. Cash paid to settle asset retirement obligations is included in the operating section of the Company' s accompanying consolidated statements of cash flows.

The Company' s estimated asset retirement obligation liability is based on historical experience in abandoning wells, estimated economic lives, estimates as to the cost to abandon the wells in the future, and federal and state regulatory requirements. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred or revised. The credit-adjusted risk-free rate used to discount the Company' s abandonment liabilities is ten percent. Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives, or if federal or state regulators enact new requirements regarding the abandonment of wells.

A reconciliation of the Company' s asset retirement obligations is as follows:

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(in thousands)	
Asset retirement obligations, beginning of period	$ 219	$ 345
Liabilities incurred	–	–
Liabilities settled	–	–
Sale of assets	–	–
Accretion expense	16	17
Revision to estimated cash flows	–	–
Asset retirement obligations, end of period	$ 235	$ 362

Note 6−Borrowings

As of September 30, 2010 and December 31, 2009, our borrowings consisted of the following:

Table of Contents

	September 30, 2010	December 31, 2009
	(in thousands)	
Amended senior secured debentures	$ 18,848	$ 18,500
Less discount	–	(672)
Total borrowings, net of discount	18,848	17,828
Less current portion	–	–
Total borrowings, net of discount and current portion	$ 18,848	$ 17,828

Amended and Restated Senior Secured Debentures

On February 2, 2009, in connection with the consummation of the Plan, we, along with our subsidiary PRB Oil, entered into a Modification Agreement with WCOF. Under the Modification Agreement, we issued the Amended Debenture, payable to WCOF in the amount of $18.45 million. The Amended Debenture superseded and amended the senior secured debentures issued by PRB Oil to WCOF and DKR Soundshore Oasis Holding Fund Ltd. on December 28, 2006. Under the terms of the Amended Debenture, $3.75 million of the outstanding principle balance and unpaid accrued interest were initially due on December 31, 2009, with the remainder of the outstanding balance and unpaid accrued interest due on December 31, 2010. The Amended Debenture accrued interest at 10% per annum payable quarterly.

On April 13, 2009, Black Raven, WCOF and the Official Committee of Unsecured Creditors Appointed by the Bankruptcy Court entered into an Agreement Regarding New Equity Raise Under the Modified Second Amended Joint Plan of Reorganization (the "New Equity Agreement"). The New Equity Agreement modified the obligations of the parties under the Plan and released WCOF from its obligation to raise or guarantee $7.5 million of additional funding for us. The New Equity Agreement required WCOF to purchase 166,667 shares of the New Common Stock from us for $3.00 per share within 10 business days of the New Equity Agreement and an additional $3 million of New Common Stock, preferred stock or convertible debt securities from time to time prior to September 10, 2010, at a purchase price of $2.00 per share. The New Equity Agreement also modified the interest rate under the Amended Debenture and extended the maturity date of the Amended Debenture to December 31, 2011.

On November 9, 2009, the Amended Debenture was amended to increase the principal amount to $18.5 million in lieu of paying $50,000 in interest to WCOF.

On January 10, 2010, WCOF agreed to extend the due date for all principal payments in connection with the Amended Debenture to June 30, 2013 subject to the Company raising $25 million in new equity by February 10, 2010. The Company did not raise the required capital. Therefore, the due date for all principal payments remains December 31, 2011.

On July 23, 2010, the Company and WCOF entered into the Third Amendment to the Amended Debenture (the "Third Amendment"). Pursuant to the terms of the Third Amendment, the Amended Debenture was amended as follows: (i) all current unpaid and accrued interest was added to the outstanding principal balance of the Amended Debenture, (ii) for the period from July 1, 2010 through December 31, 2011, the Company will not be required to make any payments of accrued interest on the Amended Debenture and such accrued interest will be added to the outstanding principal balance, and (iii) no event of default shall occur on the Amended Debenture until written notice of default is given to the Company by WCOF and such default shall have continued for a period of 30 days after written notice is delivered to the Company.

On October 12, 2010, the Company and WCOF entered into the Fourth Amendment to the Amended Debenture (the "Fourth Amendment"). Pursuant to the terms of the Fourth Amendment, the Amended Debenture was amended as follows: (i) the maturity date was extended to January 15, 2014, (ii) interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in shares of common stock of the Company in an amount based on a share price of $2.00 per share (the "Stock Interest") and (iii) additional interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in cash (the "Cash Interest"). The Stock Interest shall be due and payable to WCOF quarterly in arrears on the last day of each calendar quarter, commencing with the calendar quarter ending on December 31, 2010. The Cash Interest shall be due and payable to WCOF on the Maturity Date of the Debenture, offset by $5,000 per well drilled under the Farmout Agreement, which will be paid to WCOF upon the Company' s receipt of well-site fees from Atlas in accordance with the Farmout Agreement. Additionally, the Company and WCOF agreed that no event of default shall occur on the Amended

Table of Contents

Debenture until written notice of default is given to the Company by WCOF and such default shall have continued for a period of 30 days after written notice is delivered to the Company.

As the stated rate at which the Company currently pays interest is not a prevailing rate at which the Company could obtain third party financing, the Company has calculated and recorded its obligation under the Amended Debenture at a discount in the accompanying Condensed Consolidated Balance Sheets. Due to the variable nature of the interest to be paid under the Amended Debenture, the Company uses the retrospective method to amortize its discount and impute interest on the Amended Debenture. For the three months and nine months ended September 30, 2010, the Company has recorded $0 and $672,000 of interest expense, respectively, related primarily to the amortization of the discount on its Amended Debenture. The interest expense for the three and nine months ended September 30, 2009 was $320,000 and $853,000, respectively.

Short-Term Borrowings from Affiliate

The Company received a cash advance from WCOF on May 27, 2010 in the amount of $150,000. An additional cash advance of $100,000 was made from WCOF on July 2, 2010. Both advances, plus accrued interest at 10% per annum from the date of each advance, are due within thirty days of the Company' s receipt of the cash payment for the Well-Site Fees (as defined in the Farmout Agreement) related to the first sixty wells drilled under the Farmout Agreement.

PRB Funding Prepetition Loan

Immediately prior to the filing of the Chapter 11 petitions, the Company borrowed $300,000 from PRB Funding, LLC ("PRB Funding") due on February 28, 2009. PRB Funding was formed by three members of our Board of Directors. The PRB Funding Loan was secured by substantially all of the assets of PRB Energy and was repaid in 2009.

Post-Petition Debtor-in-Possession Financing

In April 2008, the Company obtained court approval of post-petition Debtor-in-Possession Financing ("DIP Loan") from PRB Funding in the amount of $275,000. The PRB Funding DIP Loan accrued interest at 13% per annum, with all unpaid principal and accrued interest due upon the earlier of March 1, 2009 or the confirmation of the Plan.

In May 2008, the Company obtained court approval of a $336,000 post-petition DIP Loan from PRB Acquisition, an entity that was affiliated with Republic Financial. The PRB Acquisition DIP Loan accrued interest at 18% per annum, with all unpaid principal and accrued interest due upon the earliest of September 30, 2008, an event of default, or the confirmation of a plan of reorganization.

Both DIP Loans were repaid in 2009.

Note 7−Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date income, plus any significant, unusual or infrequently occurring items which are recorded in the interim period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income or loss for the year, projections of the proportion of income earned and taxed in various jurisdictions, permanent and temporary timing differences, and the likelihood of recovering deferred tax assets generated in the current and prior years. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, additional information is obtained or as the tax environment changes.

The provision for income taxes for the nine months ended September 30, 2010 and 2009 differs from the amount that would be provided by applying the statutory U.S. federal income tax rate of 35% to pre-tax income because of state income taxes and the Company' s valuation allowance. The Company' s effective tax rate for the three months ended September 30, 2010 and 2009, before valuation allowance, was 37.95% and 36.06%, respectively. The Company' s effective tax rate for the nine months ended September 30, 2010 and 2009, before valuation allowance, was 37.94% and 36.06%, respectively.

In assessing the need for a valuation allowance on the Company' s deferred tax assets, all available evidence, both negative and positive, was considered in determining whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Based on this assessment, the Company has recorded a full valuation allowance against its net deferred tax asset as of September 30, 2010. The Company' s evaluation of the amount of the deferred tax asset considered more likely than not to

Table of Contents

be realizable may change in future periods as estimates of future income change due to changes in expected future oil and gas prices and other factors, and these changes could be material.

The Company accounts for its uncertain tax positions in accordance with the provisions of the ACS Topic 740. During the nine months ended September 30, 2010, there was no change to the Company' s liability for uncertain tax positions.

Note 8−Equity Compensation Plan

On June 3, 2009, the Board adopted the Black Raven Energy, Inc. Equity Compensation Plan (the "Equity Compensation Plan") under which we may grant nonqualified stock options, stock appreciation rights, stock awards or other equity-based awards to certain of our employees, consultants, advisors and non-employee directors. The Board initially reserved 3,791,666 shares of common stock for issuance under the Equity Compensation Plan.

On July 1, 2009, the Company issued 1,060,000 stock options to employees of the Company under the Equity Compensation Plan. The options have an exercise price of $2.00 per share for a total fair value of $1.1 million and vest ratably over three years. The Company issued the same employees an additional 172,500 stock options on September 16, 2009, which vested immediately. The options have an exercise price of $2.00 per share, and a total fair value of $178,000. On December 8, 2009, the Company issued 100,000 options to two directors. The options have an exercise price of $2.00 per share, and a total fair value of $64,000.

On February 7, 2010, the Company issued 100,000 options to an officer of the Company. The options have an exercise price of $2.00 per share, a total fair value of $59,000 and vests over three years. The Company recorded equity compensation expense for the three and six months ended June 30, 2010 totaling $65,000 and $120,000, respectively, related to vesting of the 2009 and 2010 grants. On August 26, 2010, the Company issued 100,000 options to two directors. The options have an exercise price of $2.00 per share, and a total fair value of $61,500.

Note 9 −Commitments and Contingencies

Commitments

In the normal course of business operations, the Company has entered into operating leases for office space, office equipment and vehicles. Rental payments under these operating leases for the three months ended September 30, 2010 and 2009 totaled $31,000 and $19,000, respectively. Rental payments for the nine months ended September 30, 2010 and 2009 totaled $82,000 and $77,000, respectively.

On August 11, 2010, in connection with the Farmout Agreement and ongoing investment advisory services, the Company entered into an advisory fee agreement with a third party, whereby the Company agreed to pay $10,000 per well for the first 220 wells that are funded and drilled by Atlas under the Farmout Agreement discussed above, up to a maximum fee of $2.2 million. To date, Atlas has funded and drilled the six Initial Wells and the Company has accrued a liability pursuant to the advisory fee agreement of $60,000 for the Initial Wells in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2010.

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

Forward-Looking Statements

All statements, other than statements of historical facts, included in this Quarterly Report that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "assume," "believe," "budget," "estimate," "expect," "forecast," "intend," "plan," "project," "will," and similar expressions are intended to identify forward-looking statements.

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments, and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties which may

cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. These risks are described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2009.

General Overview and Significant Transactions

Black Raven Energy, Inc (the "Company" or "we"), formerly known as PRB Energy, Inc. ("PRB Energy"), currently operates as an independent energy company engaged in the acquisition, exploitation, development and production of natural gas and oil in the Rocky Mountain Region of the United States. On February 2, 2009, in connection with our emergence from bankruptcy, PRB Energy changed its corporate name to Black Raven Energy, Inc.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company continues to experience net losses from its operations, reporting a net loss before reorganization items of approximately $3.1 million for the nine months ended September 30, 2010. Cash and cash equivalents on hand and internally generated cash flows will not be sufficient to execute the Company' s business plan. Future bank financings, asset sales, or other equity or debt financings will be required to fund the Company' s debt service, working capital requirements, planned drilling, potential acquisitions and other capital expenditures. These conditions raise substantial doubt about the Company' s ability to continue as a going concern.

During the quarter ended September 30, 2010, the Company entered into the Farmout Agreement as discussed below. The Farmout Agreement is expected to provide the Company sufficient cash flows to commence drilling operations on the properties subject to the agreement, from which the Company will receive an overriding royalty interest, and to meet working capital requirements. The Company will explore other opportunities to raise capital as needed to fund its debt service, potential acquisitions and other capital expenditures. There can be no assurances that the Company will be able to secure this additional financing if and when necessary.

Farmout Agreement

On July 23, 2010, the Company entered into a Farmout Agreement (the "Farmout Agreement") with Atlas Resources, LLC, a wholly-owned subsidiary of Atlas Energy, Inc. ("Atlas"), relating to natural gas drilling within an area of mutual interest in Phillips and Sedgwick counties, Colorado and Perkins, Chase and Dundy counties, Nebraska (the "AMI").

Under the terms of the Farmout Agreement, Atlas agreed to drill six initial wells identified in the Farmout Agreement (the "Initial Wells") and to complete certain initial projects, including 3D seismic shoots, upgrade of sales meter equipment, and the change-out of compressors and upgrade of a dehydrator at a Company facility. The Company assigned to Atlas all of its rights, title and interests in the defined areas around the planned wellbores (the “Drilling Units”) for the Initial Wells. As of September 30, 2010, drilling of The Initial Wells has been completed.

The Farmout Agreement also provides for Atlas, at its discretion, to drill additional wells in the AMI in accordance with work plans approved by Atlas under the Farmout Agreement (each a “Work Plan”). The initial Work Plan approved by Atlas covering the period from July 23, 2010 to April 30, 2011 provides for Atlas, at its discretion, to drill 60 additional wells. For each six month period after April 30, 2011, Atlas must submit a proposal to the Company setting forth the numbers of wells that it proposes to drill for such six month period (the “Drilling Proposal”) and the Company must provide a Work Plan to be approved by Atlas outlining the development plan for the wells set forth in the Drilling Proposal. In the event that Atlas determines not to drill at least 60 wells in the course of any six month period, the Company has the right, during such six month period, to drill for its own account that number of wells equal to the difference between 60 wells and the number of wells agreed to be drilled by Atlas. Upon payment of a well-site fee and delivery of an executed authorization for expenditure (AFE) for such well by Atlas, the Company will assign all of its right, title and interest in the Drilling Units established for such well.

The Farmout Agreement also provides for certain rights of the Company and Atlas with respect to the drilling of “deep wells” and for the payment of drilling and future 3D seismic costs.

In consideration for the agreements made under the Farmout Agreement, Atlas paid the Company $1,000,000 upon execution of the Farmout Agreement. Such amount has been shown as a recovery of the cost of the Company’ s proved and unproved oil and gas properties, as applicable. In addition, Atlas agreed to pay the Company a $60,000 well-site fee for each well drilled by Atlas in the AMI, including the Initial Wells. As of September 30, 2010, the Company had received $360,000 as well site fees for the Initial Wells, which are also shown as a recovery of the cost of the Company’ s oil and gas properties. The Company will recognize gains on any well-site fees received for future drilling under the Farmout Agreement at such time that all costs related to the oil and gas properties subject to the Farmout Agreement have been recovered.

Table of Contents

The Company will also receive an undivided six percent of eight eighths (6% of 8/8ths) overriding royalty interest on substantially all of the oil and gas produced and sold that is attributable to the Drilling Units assigned to Atlas under the Farmout Agreement, subject to certain deductions.

The term of the Farmout Agreement is ten years, subject to earlier termination pursuant to the terms set forth therein.

On August 11, 2010, in connection with the Farmout Agreement and ongoing investment advisory services, the Company entered into an advisory fee agreement with a third party, whereby the Company agreed to pay $10,000 per well for the first 220 wells that are funded and drilled by Atlas under the Farmout Agreement discussed above, up to a maximum fee of $2.2 million. To date, Atlas has funded and drilled the six Initial Wells and the Company has accrued a liability pursuant to the advisory fee agreement of $60,000 for the Initial Wells in the accompanying condensed consolidated balance sheet as of September 30, 2010.

Emergence from Bankruptcy

On March 5, 2008, PRB Energy and its subsidiaries filed voluntary petitions for relief for each business entity (the “Chapter 11 Bankruptcy”) under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Colorado (the “Bankruptcy Court”). PRB Energy continued to operate its business as a “debtor-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

On January 16, 2009, the Bankruptcy Court entered an order confirming the Plan, with an effective date of February 2, 2009. Pursuant to the Plan, all 8,721,994 outstanding shares of PRB Energy’ s common stock were cancelled and PRB Energy changed its corporate name to Black Raven Energy, Inc. The Plan provided that we continue as a public company following our emergence from bankruptcy and for the issuance of new common stock of Black Raven to certain claimants, with such New Common Stock to be traded on the OTC Bulletin Board or a nationally recognized securities exchange, subject to compliance with applicable regulations.

After the effective date of the Plan, PRB Oil was merged into the Company. We deconsolidated PRB Gathering during the fourth quarter of 2008. Effective November 1, 2008, control of the Recluse Gathering System was turned over to a receiver appointed by the State Court of Wyoming. PRB Gathering emerged from Chapter 11 Bankruptcy on February 17, 2010.

Modified Debt Agreements

On February 2, 2009, in connection with the consummation of the Plan, we, along with our subsidiary PRB Oil, entered into a Modification Agreement with WCOF. Under the Modification Agreement, we issued the Amended Debenture, payable to WCOF in the amount of $18.45 million. The Amended Debenture superseded and amended the senior secured debentures issued by PRB Oil to WCOF and DKR Soundshore Oasis Holding Fund Ltd. on December 28, 2006. Under the terms of the Amended Debenture, $3.75 million of the outstanding principal balance and unpaid accrued interest were initially due on December 31, 2009, with the remainder of the outstanding balance and unpaid accrued interest due on December 31, 2010. The Amended Debenture accrued interest at 10% per annum payable quarterly.

On November 9, 2009, the Amended Debenture was amended to increase the principal amount to $18.5 million in lieu of paying $50,000 in interest to WCOF.

On January 10, 2010, WCOF agreed to extend the due date for all principal payments in connection with the Amended Debenture to June 30, 2013 subject to the Company raising $25 million in new equity by February 10, 2010. As the Company did not raise the required capital, the due date for all principal payments remains December 31, 2011.

On July 23, 2010, the Company and WCOF entered into the Third Amendment to the Amended Debenture. Pursuant to the terms of the Third Amendment, the Amended Debenture was amended as follows: (i) all current unpaid and accrued interest was added to the outstanding principal balance of the Amended Debenture, (ii) for the period from July 1, 2010 through December 31, 2011, the Company will not be required to make any payments of accrued interest on the Amended Debenture and such accrued interest will be added to the outstanding principal balance, and (iii) no event of default shall occur on the Amended Debenture until written notice of default is given to the Company by WCOF and such default shall have continued for a period of 30 days after written notice is delivered to the Company.

On October 12, 2010, the Company and WCOF entered into the Fourth Amendment to the Amended Debenture (the "Fourth Amendment"). Pursuant to the terms of the Fourth Amendment, the Amended Debenture was amended as follows: (i) the

maturity date was extended to January 15, 2014, (ii) interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in shares of common stock of the Company in an amount based on a share price of $2.00 per share (the "Stock Interest") and (iii) additional interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in cash (the "Cash Interest"). The Stock Interest shall be due and payable to WCOF quarterly in arrears on the last day of each calendar quarter, commencing with the calendar quarter ending on December 31, 2010. The Cash Interest shall be due and payable to WCOF on the Maturity Date of the Debenture, offset by $5,000 per well drilled under the Farmout Agreement, which will be paid to WCOF upon the Company' s receipt of well-site fees from Atlas in accordance with the Farmout Agreement. Additionally, the Company and WCOF agreed that no event of default shall occur on the Amended Debenture until written notice of default is given to the Company by WCOF and such default shall have continued for a period of 30 days after written notice is delivered to the Company.

Results of Operations

Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

The financial information with respect to the three months ended September 30, 2010 and 2009, respectively, which is discussed below, is unaudited. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal year.

	Ended September 30, (In thousands)		Increase/ Decrease	Percentage Change
	2010	2009	2010 vs 2009	2010 vs 2009
Revenue				
Natural gas sales	$ 114	$ 97	$ 17	17.5%
Total revenue	114	97	17	17.5%
Operating expenses				
Natural gas production expense	300	145	155	106.9%
DD&A	44	54	(10)	-18.5%
G&A	463	698	(235)	-33.7%
Total expenses	807	897	(90)	-10.0%
Operating loss	(693)	(800)	107	13.4%
Interest and other income (loss)	4	9	(5)	-55.6%
Interest expense	(146)	(439)	293	66.7%
Reorganization items and other	–	(12)	12	100.0%
Net loss	$ (835)	$ (1,242)	$ 407	-32.8%

Revenues

Natural gas sales for the third quarter of 2010 increased $17,000, or 17.5%, from $97,000 in the third quarter of 2009 to $114,000 in the third quarter of 2010 as a result of an increase in natural gas prices partially offset by a decrease in the volume of natural gas sold. The average sales price during the third quarter of 2010 was $.73 per Mcf higher than the average sales price for the third quarter of 2009 ($3.48 for 2010 compared to $2.75 for 2009) resulting in a revenue increase of $26,000. Sales volumes decreased in the third quarter of 2010 by 2,794 Mcf, from 35,524 Mcf for the third quarter of 2009 to 32,730 Mcf for the third quarter of 2010, causing a revenue decline of $9,000 for the third quarter of 2010 compared to the third quarter of 2009.

Natural Gas Production Expenses

Natural gas production expenses in the third quarter of 2010 increased $155,000, or 106.9%, to $300,000 from $145,000 in the third quarter of 2009 as a result of an increase in repairs and workover expenses incurred during the third quarter of 2010.

Depreciation, Depletion and Amortization (“DD&A”)

DD&A expense for the third quarter of 2010 decreased $10,000, or 18.5%, from $54,000 in the third quarter of 2009 to $44,000 in the third quarter of 2010 as a result of the decrease in gas production in 2010.

Table of Contents

General and Administrative Expenses (“G&A”)

G&A expenses for the third quarter of 2010 decreased by $235,000, or 33.7%, to $463,000 from $698,000 for the third quarter of 2009. This decrease was primarily due to a decrease in equity compensation expense. In addition, the Company received a $90,000 payment from Atlas for the reimbursement of overhead costs incurred by the Company in connection with the first six wells drilled under The Farmout Agreement, which further reduced general and administrative expenses.

Interest Expense

Interest expense for the third quarter of 2010 decreased $293,000, or 66.7%, to $146,000 from $439,000 for the third quarter of 2009. This decrease is attributable to the reduced amortization of the discount on the Amended Debenture which was fully amortized during the second quarter of 2010.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

The financial information with respect to the nine months ended September 30, 2010 and 2009, respectively, which is discussed below, is unaudited. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal year.

	Nine Months Ended September 30, (In thousands)		Increase/ Decrease	Percentage Change
	2010	**2009**	**2010 vs 2009**	**2010 vs 2009**
Revenue				
Natural gas sales	$ 344	$ 330	$ 14	4.2%
Total revenue	344	330	14	4.2%
Operating expenses				
Natural gas production expense	608	460	148	32.2%
Exploration expense	11	4	7	175.0%
DD&A	112	197	(85)	-43.1%
G&A	1,670	1,387	283	20.4%
Total expenses	2,401	2,048	353	17.2%
Operating loss	(2,057)	(1,718)	(339)	-19.7%
Interest and other income (loss)	7	9	(2)	-22.2%
Interest expense	(1,085)	(1,183)	98	8.3%
Reorganization items and other	(10)	(136)	126	92.6%
Gain on reorganization	1,069	24,208	(23,139)	-95.6%
Net income (loss)	$ (2,076)	$ 21,180	$ (23,256)	-109.8%

Revenues

Natural gas sales for the nine months ended September 30, 2010 increased $14,000, or 4.2%, in comparison to the nine months ended September 30, 2009 as a result of an increase in natural gas prices partially offset by a decrease in the volume of natural gas sold. The average sales price during the nine months ended September 30, 2010 was $1.18 per Mcf higher than the average sales price for the nine months ended September 30, 2009 ($4.01 for 2010 compared to $2.83 for 2009) resulting in a revenue increase of $137,000. Sales volumes decreased during the nine months ended September 30, 2010 by 30,601 Mcf, from 116,531 Mcf for the nine months ended September 30, 2009 to 85,930 Mcf for the nine months ended September 30, 2010, causing a revenue decline of $123,000 for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009.

Natural Gas Production Expenses

Natural gas production expenses during the nine months ended September 30, 2010 increased $148,000, or 32.2%, to $608,000 from $460,000 for the nine months ended September 30, 2009 as a result of an increase in repairs and workover expenses incurred during 2010.

Depreciation, Depletion and Amortization ("DD&A")

DD&A expense for the nine months ended September 30, 2010 decreased $85,000, or 43.1%, from $197,000 for the nine months ended September 30, 2009 to $112,000 for the nine months ended September 30, 2010 as a result of the decrease in gas production in 2010.

General and Administrative Expenses ("G&A")

G&A expenses for the nine months ended September 30, 2010 increased by $283,000, or 20.4%, to $1,670,000 from $1,387,000 for the nine months ended September 30, 2009. This increase was primarily due to an increase in accounting, auditing and legal fees associated with the Company' s efforts to become current with its SEC and tax filing requirements, as well as the Company' s efforts to raise capital.

Gain on Reorganization

The Company' s obligation with regard to the PRB Gathering business was reflected as an investment in insolvent subsidiary in the accompanying balance sheet as of December 31, 2009. PRB Gathering emerged from Chapter 11 Bankruptcy on February 17, 2010 and a gain on reorganization of approximately $1.1 million was recognized.

During the nine months ended September 30, 2009, the Company recorded a gain on reorganization of approximately $24.2 million, related to PRB Energy' s emergence from bankruptcy effective February 2, 2009.

Interest Expense

Interest expense for the nine months ended September 30, 2010 decreased $98,000, or 8.3%, to $1,085,000 from $1,183,000 for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. This decrease is attributable to the reduced amortization of the discount on the Amended Debenture.

Liquidity and Capital Resources

At September 30, 2010, cash and cash equivalents totaled approximately $414,000. At September 30, 2010, the Company had working capital of $45,000 compared to working capital of $750,000 at December 31, 2009. The decline is attributable to continued operating losses.

On July 23, 2010, the Company entered into the Farmout Agreement with Atlas. In consideration for the agreements made under the Farmout Agreement, Atlas paid the Company $1.0 million upon execution of the Farmout Agreement. In addition, Atlas agreed to pay the Company a $60,000 well-site fee for each well drilled by Atlas under the Farmout Agreement. As of September 30, 2010, the Company had received $360,000 for the Initial Wells. The Company will also receive an undivided six percent of eight eighths (6% of 8/8ths) overriding royalty interest on substantially all of the oil and gas produced and sold that is attributable to the Drilling Units assigned to Atlas under the Farmout Agreement, subject to certain deductions. The Farmout Agreement is expected to provide the Company sufficient cash flows to commence drilling operations on the properties subject to the agreement and to meet working capital requirements. Cash and cash equivalents on hand and internally generated cash flows will require augmentation from future bank financings, asset sales, or other equity or debt financing to fund our debt service, potential acquisitions and other capital expenditures. The Company will continue to explore opportunities to raise capital as needed, including through the sale of equity and debt securities. The Amended Debenture may restrict the Company from such capital raising activities. The amount and allocation of future capital and exploitation expenditures will depend upon a number of factors including the number and size of acquisitions and drilling opportunities, our cash flows from operating and financing activities and our ability to assimilate acquisitions. Also, the impact of oil and gas market prices on investment opportunities, the availability of capital and borrowing facilities and the success of our exploitation and development activities, particularly in Colorado, could lead to changes in funding requirements for future development. There can be no assurances that the Company will be able to secure this additional financing if and when necessary.

Cash Flow Used in Operating Activities

During the nine months ended September 30, 2010, our net loss of $2.1 million included non-cash DD&A expense of $112,000, non-cash amortization of our discount on the Amended Debentures of $672,000 and a non-cash gain on reorganization of approximately $1.1 million. Cash used in operating activities was $1.9 million during the nine months ended September 30, 2010 compared to $2.5 million for the same period of 2009.

Cash Flow from Investing Activities

Cash provided by investing activities was $1.0 million during the nine months ended September 30, 2010, representing a $1.3 million increase compared to cash used in investing activities of $309,000 for the nine months ended September 30, 2009. This increase was due to an increase in drilling operations under the Farmout Agreement.

Cash Flow from Financing Activities

Cash of $250,000 was provided by financing activities during the nine months ended September 30, 2010, compared to approximately $4.1 million for the nine months ended September 30, 2009. During the first three quarters of 2009, we raised $1.5 million from the issuance of additional debentures, and the Company sold 1,666,667 shares of common stock to WCOF for total proceeds of $3.5 million.

Off Balance-Sheet Arrangements

We do not have any off-balance sheet financing arrangements as of September 30, 2010.

Critical Accounting Policies and Estimates

We refer you to the corresponding section in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009 and to the footnote disclosures included in Part I, Item 1 of this Quarterly Report.

ITEM 4T.   CONTROLS AND PROCEDURES.

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in the SEC' s rules and forms, and to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Acting Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Acting Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Acting Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the effectiveness of our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1.   LEGAL PROCEEDINGS.

We are not currently party to any material pending litigation.

Table of Contents

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

ITEM 5. OTHER INFORMATION.

On October 12, 2010, the Company and WCOF entered into the Fourth Amendment to the Amended Debenture (the "Fourth Amendment"). Pursuant to the terms of the Fourth Amendment, the Amended Debenture was amended as follows: (i) the maturity date was extended to January 15, 2014, (ii) interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in shares of common stock of the Company in an amount based on a share price of $2.00 per share (the "Stock Interest") and (iii) additional interest will be paid on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in cash (the "Cash Interest"). The Stock Interest shall be due and payable to WCOF quarterly in arrears on the last day of each calendar quarter, commencing with the calendar quarter ending on December 31, 2010. The Cash Interest shall be due and payable to WCOF on the Maturity Date of the Debenture, offset by $5,000 per well drilled under the Farmout Agreement, which will be paid to WCOF upon the Company' s receipt of well-site fees from Atlas in accordance with the Farmout Agreement. Additionally, the Company and WCOF agreed that no event of default shall occur on the Amended Debenture until written notice of default is given to the Company by WCOF and such default shall have continued for a period of 30 days after written notice is delivered to the Company.

ITEM 6. EXHIBITS.

Exhibit Number	Description
2.1	Modified Second Amended Joint Plan of Reorganization Filed by PRB Energy, Inc. and PRB Oil & Gas, Inc., dated December 3, 2008 (incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K filed on January 21, 2009)
3.1	Amended and Restated Articles of Incorporation of Black Raven Energy, Inc. (incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 6, 2009)
3.2	Amended and Restated Bylaws of Black Raven Energy, Inc. (incorporated herein by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on February 6, 2009)
4.1	Amended and Restated Senior Secured Debenture (incorporated herein by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on February 6, 2009)
10.1┼	Farmout Agreement, dated July 23, 2010, between Black Raven Energy, Inc. and Atlas Resources, LLC.
10.2┼	Third Amendment to Amended and Restated Senior Secured Debenture, dated July 23, 2010, between Black Raven Energy, Inc. and West Coast Opportunity Fund, LLC.
10.3┼	Fourth Amendment to Amended and Restated Senior Secured Debenture, dated October 12, 2010, between Black Raven Energy, Inc. and West Coat Opportunity Fund, LLC.
31.1┼	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act

31.2┼	Certification of the Acting Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1┼	Certification of the Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.

┼ Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Black Raven Energy, Inc.

Date: November 18, 2010	/s/ Thomas E. Riley
	Thomas E. Riley
	Chief Executive Officer
Date: November 18, 2010	/s/ Patrick A. Quinn
	Patrick A. Quinn
	Acting Chief Financial Officer

Exhibit 10.1

FARMOUT AGREEMENT

THIS AGREEMENT (this "Agreement") is made, entered into and effective this 23th day of July 2010 by and between, **BLACK RAVEN ENERGY, INC.**, a Nevada corporation ("FARMOR"), and **ATLAS RESOURCES, LLC**, a Pennsylvania limited liability company ("FARMEE").

RECITALS

A. FARMEE plans to engage in drilling for hydrocarbons in the area of mutual interest in Phillips and Sedgwick Counties, Colorado, and Perkins, Chase and Dundy Counties Nebraska, as further described in Schedule A (the "AMI").

B. FARMOR owns the working interest and the net revenue interest in certain hydrocarbon interests listed on Schedule B, as the same may be amended from time to time to reflect FARMOR' s acquisition of other such interests in the AMI (the "Leases"). The Leases include Drilling Units (as defined below) for six (6) wells (the "Initial Wells") identified on Schedule B-1 (the "Initial Drilling Units") as to which FARMOR has not commenced drilling. FARMOR may in the future acquire additional working interests and net revenue interests in hydrocarbon interests in the AMI. For avoidance of doubt, the Leases do not include the wells in the AMI that were in production by FARMOR or had already been drilled and cased before the date of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be bound hereby, the parties hereby agree as follows:

I. DEFINITIONS

Terms used but not otherwise defined herein shall have the following meanings:

"AFE" means an Authority for Expenditure for a Well.

"Affiliate" means, with respect to any person or entity, any other person or entity that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with the first person or entity; provided however, that West Coast Opportunity Fund, LLC and West Coast Asset Management, Inc. will not be considered an "Affiliate" of FARMOR and the Partnerships will not be considered an "Affiliate" of FARMEE.

"Drilling Unit" means 40 acres of a Lease around a wellbore, planned or actual, from the surface to the center of the earth or such depths as to which FARMOR has an interest.

"Earning Well" means a Well which FARMEE has determined to be capable of producing hydrocarbons in commercial quantities.

"Force Majeure Event" means an event beyond a party' s reasonable control that prevents such party from performing its obligations hereunder, including natural disasters, unavailability of materials, conditions arising out of or attributable to war, rebellion or acts of terrorism, epidemics, strikes, labor disturbances and lockouts (other than strikes and labor disturbances that result from violation of agreements with employees, or lockouts that are in violation of such agreements, by the party claiming such Force Majeure Event, or its Affiliates).

"Initial Projects" means the 3D Seismic Shoots, Railroad Crossing, Sales Meter Upgrade, Change Out Compressors and Upgrade Dehydrator at Facility as defined in the initial Work Plan (as defined below).

"Well" means a well drilled for FARMEE' s account pursuant to this Agreement.

II. REPRESENTATIONS

A. FARMOR' S Representations and Warranties

FARMOR makes the following representations, warranties and covenants to FARMEE:

1. FARMOR is the present owner of the acreage, working interest and net revenue interest attributed to each Lease on Schedule B, and warrants its title thereto against anyone claiming by, from, through or under FARMOR. Such Leases are in full force and effect in accordance with their terms; there are no defaults by lessee thereunder; except as set forth on Schedule B, the lessee has no obligation under any such Lease to drill any well for the production of any hydrocarbons; all amendments to each such Lease are identified in Schedule B; and all consents required under such Leases to permit FARMEE to exercise its rights, contemplated hereby, have been or will be obtained prior to the assignment thereof to FARMEE, including consents to the assignment of such Leases. At the time of assignment pursuant to Article IV, the Leases will be free and clear of any and all encumbrances, liens and other interests. Upon request, FARMOR shall furnish FARMEE copies of all lease and title and other data in FARMOR' s files or its Affiliates' files concerning the Leases and the AMI.

2. FARMOR has obtained all governmental and other approvals and permits to drill, complete and operate the Initial Wells within the Initial Drilling Units and all surface use rights necessary or

appropriate to drill, complete, produce and operate the Initial Wells. FARMOR shall use its reasonable best efforts to obtain all governmental and other approvals and permits to drill, complete and operate Wells within the Drilling Units and all surface use rights necessary or appropriate to drill, complete, produce and operate the such Wells. FARMOR has the exclusive right to drill, complete, produce and operate hydrocarbon wells on the property covered by each Lease, and FARMOR agrees not to grant, assign or otherwise transfer to any person, corporation or other entity, except to FARMEE or as otherwise provided herein, the right to explore for or produce hydrocarbons from any properties covered by any Lease.

3. There are no claims, demands, actions, suits, governmental inquiries, or proceedings pending or to FARMOR' s knowledge threatened against FARMOR which would have an adverse effect upon the consummation of the transactions contemplated by this Agreement.

4. FARMOR and its Affiliates are not party to any marketing, financial or physical hedge, forward sale or similar agreement affecting production from the Leases. Except as set forth on Schedule C, FARMOR and its Affiliates are not party or subject to any joint operating agreement or other agreement affecting the Leases. Except as permitted herein, FARMOR shall not enter into any such agreement during the term of this Agreement affecting the Leases or production therefrom without the consent of FARMEE, such consent not to be unreasonably withheld.

5. FARMOR shall from time to time, but not more frequently than once every six (6) months, provide to FARMEE a revised Schedule B reflecting all Leases acquired after the date hereof.

6. Prior to the commencement of drilling on any Drilling Unit subject to assignment hereunder, FARMOR shall provide FARMEE with a drilling title opinion (prepared by an attorney reasonably satisfactory to FARMEE) regarding the relevant Drilling Unit demonstrating that such Drilling Unit is free and clear of all liens and encumbrances of whatsoever kind and character.

7. FARMOR has provided FARMEE with a copy of the written consent of the holder of the Amended and Restated Senior Secured Debenture dated as of February 2, 2009 to West Coast Opportunity Fund, LLC (as amended through the date hereof) to the transactions contemplated by this Agreement.

B. FARMEE' S Representations and Warranties

FARMEE represents and warrants to FARMOR that there are no claims, demands, actions, suits, governmental inquiries, or proceedings pending or to FARMEE' s knowledge threatened against FARMEE which would have an adverse effect upon the consummation of the transactions contemplated by this Agreement.

C. Mutual Representations and Warranties

Each of FARMOR and FARMEE makes the following representations and warranties to the other:

1. It is duly organized and validly existing under the laws of the jurisdiction where it is organized. To the extent required, each party is qualified to conduct business in the jurisdiction as necessary to perform this Agreement. It has all requisite corporate or limited liability company power and authority to enter into this Agreement, to perform its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

2. The execution, delivery, and performance of this Agreement by it, the consummation of the transactions contemplated hereby, and the compliance with the provisions hereof will not:

   a. violate any applicable laws or regulations, judgment, decree or award;

   b. contravene its organizational documents; or

   c. result in a violation of a term or provision, or constitute a default or accelerate the performance of an obligation under any contract or agreement to which it is a party.

D. Timing of Representations and Warranties

The representations, warranties and covenants made by the parties in this Article II shall be deemed given as of the date hereof and as of the date of each assignment under Article IV.

III. WELLS

A. Development Obligations

FARMEE shall be obligated to drill and complete or drill, plug and abandon Initial Wells in the Initial Drilling Units and complete the Initial Projects.

B. Development Rights

Subject to Article V, C, 1 and 3, FARMEE shall have the exclusive right, but not an obligation, to drill Wells on the Leases in accordance with the Work Plans approved by FARMEE.

C. Well-Site Fee

FARMEE shall pay FARMOR a well-site fee in the amount of Sixty Thousand Dollars ($60,000) (the "Well-Site Fee") for each Well drilled on the Leases, including the Initial Drilling Units. Upon FARMEE' s approval of an AFE for a Well as provided in Article V, B, 1, FARMEE shall pay the Well-Site Fee with respect to the Well to FARMOR, and FARMOR shall simultaneously deliver to FARMEE an executed assignment in recordable form for the Drilling Unit on which such Well will be located in accordance with Article IV, B.

D. Ingress and Egress

FARMOR hereby grants FARMEE such rights of ingress and egress from and to the Leases and any other property of FARMOR within the AMI as are necessary for and incidental to the rights and obligations under this Agreement.

IV. ASSIGNMENT

A. Assignment Upon Execution of this Agreement

1. Upon the execution of this Agreement, FARMOR shall execute and deliver to FARMEE an assignment of all of FARMOR' s right, title and interest in the Lease(s) covering the Initial Drilling Units, but insofar as, and only insofar as, the Lease(s) covers the lands comprising the Initial Drilling Units and all depths covered by such Lease(s) in respect of such lands, together with FARMOR' s right, title and interest in all permits, licenses, franchises, easements, servitudes and rights-of-way, and other instruments, contracts and agreements, of every character to the extent they cover or affect such assigned lands and depths. Such assignment shall be in the form of the assignment attached hereto as Schedule D. If FARMEE does not complete any of the Initial Wells as Earning Wells, FARMEE may quitclaim and release to FARMOR the

applicable Initial Drilling Unit, without additional consideration or warranty of title, and shall receive credit therefor as set forth in Article V, C, 5.

2. In consideration of FARMOR' s agreements hereunder, upon the execution of this Agreement, FARMEE shall pay FARMOR cash in the amount of One Million Dollars ($1,000,000).

3. Upon the execution of this Agreement, FARMOR and FARMEE shall enter into an agreement with respect to FARMEE' s use of FARMOR' s midstream facilities (the "Gathering Agreement") in the form attached hereto as Schedule E.

B. Assignment Upon Delivery of AFE

Except as provided in Article IV, A, upon receipt by FARMOR of (i) the Well-Site Fee for such Well from FARMEE and (ii) an AFE approved by FARMEE as described in Article V, B, 1, FARMOR shall execute and deliver to FARMEE an assignment of all of FARMOR' s right, title and interest in the Lease(s) covering the Drilling Unit established for such Well, but insofar as, and only insofar as, the Lease(s) covers the lands comprising the relevant Drilling Unit and all depths covered by such Lease(s) in respect of such lands, together with FARMOR' s right, title and interest in all permits, licenses, franchises, easements, servitudes and rights-of-way, and other instruments, contracts and agreements, of every character to the extent they cover or affect such assigned lands and depths. The assignment will not release FARMOR from any obligation that should have been performed by it or any liability that may have accrued to it prior to that assignment. Such assignment shall be in the form of the assignment attached hereto as Schedule D. If FARMEE does not complete any such Wells as Earning Wells, FARMEE may quitclaim and release to FARMOR the applicable Drilling Unit, without additional consideration or warranty of title, and shall receive credit therefor as set forth in Article V, C, 5.

C. Lease Administration

At all times during the term of this Agreement, FARMOR shall be solely responsible for lease administration of the Leases, including, without limitation, payment of all delay rentals, minimum royalties, shut-in royalties and other amounts required to be paid under the Leases and to keep them in full force and effect, and, within twenty (20) days after the end of each month, FARMOR shall provide evidence of such payment in such detail as FARMEE may reasonably request and shall provide a list of Leases subject to expiration within the next sixty (60) days. FARMOR shall not be entitled to recoup such delay rentals, minimum royalties

and/or other amounts as may be provided in any Lease. Additionally, FARMOR shall comply with all other provisions of the Leases and shall use its reasonable and economic best efforts to otherwise keep them in full force and effect, with respect to the property. Promptly after receipt of any notice, or any document or other writing, from any lessor of a Lease, any governmental or regulatory authority or agency or any other person, corporation or authority relating to any such Lease or Well or any activities conducted on the property subject to the Leases or relating to any other matter concerning the drilling, completion or operation of one or more Wells, or the transportation, compression, processing, marketing or sale of hydrocarbons produced therefrom that may reasonably be expected to adversely affect the Lease or Well, FARMOR shall provide the FARMEE with such notice, or document or other writing.

FARMOR shall not agree to any amendment or other modification of any Lease without the prior written consent of FARMEE, such consent not to be unreasonably withheld.

D. Overriding Royalty Interest

1. FARMOR shall reserve unto itself, its successors and assigns an overriding royalty interest on all of the hydrocarbons produced and sold that is attributable to the assigned Leases equal to an undivided six percent of eight eighths (6% of 8/8ths); provided, that such overriding royalty interest shall be proportionately reduced to the extent the leasehold interest under the Lease covers less than a one hundred percent (100%) mineral leasehold interest in the lands covered thereby, and provided, further, that (unless otherwise agreed in writing by FARMEE) such overriding royalty interest shall be reduced so that FARMEE’ s net revenue interest in the Lease shall never be less than eighty percent of eight eighths (80% of 8/8ths), taking into account the existing burdens along with such overriding royalty interest. Such overriding royalty interest shall be free and clear of all costs and expenses of drilling and completion, but shall be burdened by FARMOR’ s pro-rata share of (a) reasonable volume deductions for line loss and fuel usage, (b) post-production charges incurred by FARMEE for processing, gathering, transportation, marketing, dehydration, compression, and any other charges (which may include charges payable to Affiliates of FARMEE) required to deliver the hydrocarbons for sale, and (c) ad valorem, severance and other similar taxes. FARMEE shall use its reasonable best efforts to pay to FARMOR from funds received from the sale or other disposition of hydrocarbons produced from the Wells such overriding royalty interest within forty five (45) days after receipt

of such funds, but in any case shall pay FARMOR within sixty (60) days after receipt of such funds.

2. Unless FARMOR shall elect to take the overriding royalty interest in kind or otherwise arranges for the sale of the related hydrocarbons, FARMEE shall have exclusive charge and control of the marketing of all hydrocarbons, shall market FARMOR' s interest proportionately and shall collect and receive the proceeds of the sale of all such production. FARMEE shall advise FARMOR of the terms and conditions of the marketing contracts to sell hydrocarbons from the overriding royalty interest. Notwithstanding the foregoing sentence, FARMOR shall have the right to take the overriding royalty interest in kind and, subject to any existing production sales contracts and upon at least thirty (30) days' written notice from FARMOR, FARMEE shall deliver the hydrocarbons to FARMOR at the tanks or pipeline inlet, as the case may be, where FARMEE delivers the hydrocarbons to the purchaser thereof; provided, however, that that if FARMOR exercises its right and privilege to take in kind, such exercise shall be for one hundred percent (100%) of its overriding royalty share of the production and FARMOR shall use its best efforts to actually take in kind one hundred percent (100%) of such overriding royalty, and provided further, that FARMOR shall be responsible for the payment of all costs and expenses incurred by FARMOR, FARMEE or otherwise in connection with FARMOR' s receipt in kind and failure, if any, to take in kind one hundred percent (100%) of such overriding royalty.

E. Recording of Assignment

Upon delivery of the assignments, FARMEE agrees to file said instruments of record in the appropriate county offices and to furnish FARMOR with a copy of the recorded and/or approved instruments.

F. Assignment by FARMEE

FARMOR acknowledges and agrees that FARMEE intends to, and hereby permits FARMEE to, assign the Leases or portions thereof assigned to it hereunder to investment partnerships sponsored by FARMEE and its Affiliates (the "Partnerships") or to any of its Affiliates, provided that such assignment shall not relieve FARMEE of its obligations under this Agreement.

V. DEVELOPMENT OPERATIONS

A. Designation and Responsibilities

1. FARMEE shall register as the "Operator" of record with respect to the Drilling Unit operations with the appropriate governing regulatory agency or authority, and shall comply with all rules and regulations established by such governing agency or authority to maintain itself in good standing. Subject to clause 3 of this Article V, A and the provisions of the applicable Operating Contract (as defined below), FARMEE hereby designates FARMOR to conduct, as subcontractor for FARMEE, all drilling, completing, producing and superintendant/maintenance operations for all Wells and the Initial Projects in accordance with the Work Plan. FARMOR and FARMEE shall enter into an operating contract, in substantially the same form as Schedule F (an "Operating Contract"), with respect to each project, comprising such number of Wells as they shall agree.

   FARMOR shall conduct its activities hereunder as a reasonably prudent contractor, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable laws and regulations.

2. FARMEE shall have access to the Wells and to any information in the possession of FARMOR pertaining to the Wells, and shall be entitled to inspect and observe operations of every kind and character upon the property covered

by any Lease. Upon reasonable notice to FARMOR and during normal business hours, FARMEE shall also have access to, and be entitled to receive copies of, the records and other documents on file at FARMOR' s or any of its Affiliates' office relating to the drilling, completion and operation of the Wells, including all well logs and production records. In addition, during the drilling and completion of a Well, such number (as FARMEE or its designated agent may reasonably request) of copies of drilling reports, logs, completion reports and other data produced in connection with such activities shall, upon request, be made available and provided to FARMEE or such agent, as they are produced or promptly thereafter.

3. In the event of a Service Event of Default, as defined below, FARMEE shall have the right to terminate FARMOR' s duties, obligations and rights to perform the services provided under this Article V and the Operating Contracts (collectively, "FARMOR' s Services"), and FARMEE, or its designee, shall have the right to perform such services as are consistent with its desired or required activities provided for hereunder, in accordance with the following terms:

Any of the following shall be an event of default (a "Services Event of Default") by FARMOR: (i) FARMOR commits gross negligence or willful misconduct in connection with any of FARMOR' s Services, or (ii) in respect of FARMOR' s Services, FARMOR is in breach of, or fails to meet, the standards of operation set out in this Agreement or any Operating Contract in any material respect, or FARMOR fails or is unable to perform its obligations under this Agreement or any Operating Contract in any material respect, and, in any such case, FARMOR fails to cure any such breach, failure or inability within thirty (30) days after written notice thereof is given by FARMEE to FARMOR, or (iii) (x) if, at any time on or prior to the second anniversary of this Agreement, either Tom Riley or Bill Hayworth ceases to be employed by FARMOR in the same position held by him as of the date of this Agreement, with the same duties and responsibilities as of the date of this Agreement, or (y) if, at any time after the second anniversary of this Agreement, both Tom Riley and Bill Hayworth cease to be employed by FARMOR in the same positions held by them, respectively, as of the date of this Agreement, with the same respective duties and responsibilities as of the date of this Agreement, or (iv) if FARMOR breaches any financial covenant under any financing agreement or arrangement to which it or any of its Affiliates is a party, and such breach is not cured within sixty (60) days after the occurrence thereof and notice from the lender (if required by the financing agreement or arrangement), or if the lender or other party under any such agreement or arrangement accelerates the maturity date of any such financing as a result of such breach or other default by FARMOR thereunder.

If a Services Event of Default occurs, FARMEE shall have the right to terminate FARMOR' s Services under this Agreement and terminate any or all of the Operating Contracts effective on the date which is ninety (90) days following the giving of written notice thereof by FARMEE to FARMOR, unless FARMEE selects a successor to perform FARMOR' s Services and such successor assumes FARMOR' s Services at an earlier date, then FARMOR' s termination or removal with respect to FARMOR' s Services shall be effective on such earlier date. Upon the termination of FARMOR' s Services, FARMOR shall submit to FARMEE a final accounting of its operations hereunder and transfer all the records, reports, books, data and other material(s) related to the performance of FARMOR' s Services that are in the possession of FARMOR and its Affiliates as promptly as possible. All special tools, supplies, spare parts, equipment, consumables, and any other items furnished or maintained under this Agreement (the costs of which have been reimbursed by FARMEE to FARMOR) shall

remain the property of FARMEE without additional charge. To the extent permitted by the relevant third parties, FARMOR shall assign to FARMEE, and FARMEE shall assume and become liable for, any contracts or obligations (including subcontracts) that FARMOR may have undertaken with third parties that are not Affiliates of FARMOR in connection with FARMOR' s Services and in accordance with this Agreement, and FARMOR shall execute all documents and take all other reasonable steps required by FARMEE which may be required to assign to and vest in FARMEE all rights, benefits, interests and title in connection with such contracts or obligations. Effective as of the termination of FARMOR' s Services, FARMOR shall terminate any contracts or obligations (including subcontracts) that FARMOR may have undertaken with Affiliates of FARMOR in connection with FARMOR' s Services. FARMOR will cooperate with FARMEE and any successor contractor to cause an orderly transition of operations to the successor contractor.

B. Development and Operating Costs

1. At least forty-five (45) days, but not more than sixty (60) days, prior to the spud date of a Well, FARMOR shall provide FARMEE an AFE therefor. Each AFE shall include all costs necessary to drill and complete the applicable Well (including a line item for overhead of not more than $15,000 for each of the first 220 Wells and $10,000 per Well thereafter) and shall be prepared in accordance with the charging procedures provided for in the applicable Operating Contract. FARMEE shall approve or reject an AFE within fifteen (15) days of its receipt. The AFEs for the Initial Drilling Units and the Initial Projects are attached as Schedule G. FARMEE shall pay its pro rata share, under the relevant Lease and related documents, of the costs set forth in each approved AFE as provided in the applicable Operating Agreement.

2. FARMOR shall be entitled to receive payment from FARMEE for direct costs incurred by the FARMOR for the services of FARMOR pursuant to the applicable Operating Contract. Such charges shall be invoiced on a monthly basis, and FARMEE shall make such payments as are consistent with this Agreement within thirty (30) days after receipt of such invoice.

3. If FARMEE fails to timely make payments under this Article V, B or Article IV, D, and such failure shall remain uncured for thirty (30) days, FARMEE shall be obligated to pay FARMOR interest on such amount equal to the greater of twelve percent (12%) per annum or the prime interest rate as published in the Wall Street

Journal.

C. Work Plan

1. No later than January 15 and July 15 of each year, beginning January 15, 2011, FARMEE shall provide FARMOR with written notice setting forth the number of wells it proposes to drill for the following six-month period beginning May 1 and November 1, respectively (a "Drill Proposal"). If a Drill Proposal proposes less than sixty (60) Wells, FARMOR shall have the right to drill for its own account, during the relevant period, that number of wells equal to the difference between sixty (60) wells and the number of Wells set forth in the Drill Proposal FARMOR may engage third parties in development operations, farmout arrangements or other similar activities with respect to any such well.

2. No later than February 15 and August 15 of each year, FARMOR shall provide FARMEE a development plan, in a form substantially similar to Schedule H, for the following six-month period beginning May 1 and November 1, respectively, for the number of Wells set forth in the Drill Proposal (a "Work Plan"), which shall include the following:

   a. well names, locations and target formations

b. permit numbers, if available

c. proposed spud dates, frac dates and turn into line dates

In addition, FARMOR shall provide FARMEE a proposed monthly budget, including estimated production from Wells, and a form of AFE expected for the Work Plan, in substantially the same forms as Schedule I. The initial Work Plan covering the period from the date hereof through April 30, 2011 is attached as Schedule J.

3. Within fifteen (15) days of receipt of the Work Plan, FARMEE shall approve or request changes thereto. Within fifteen (15) days of receipt of written notice of FARMEE' s requested changes, if any, FARMOR shall provide FARMEE with a revised Work Plan. In the event the parties do not agree on all the terms of the revised Work Plan, the last version proposed by FARMEE, with such changes therein approved by FARMEE, shall govern and be carried out by FARMOR. In the event FARMEE determines not to drill at least sixty (60) Wells in the course of any six-month period, FARMEE shall provide FARMOR with written notice at least

forty five (45) days prior to the date indicated in the Work Plan for the commencement of drilling on the affected Well(s) and FARMOR shall have the right to drill for its own account, during the relevant period, that number of wells equal to the difference between sixty (60) wells and the number of Wells to be drilled for FARMEE. FARMOR may engage third parties in development operations, farmout arrangements or other similar activities with respect to any such well.

4. No later than the fifteenth (15^{th}) day of each month, FARMOR shall provide FARMEE with a report for the previous month' s development operations, which shall include a reconciliation of spud dates, frac dates, turn into line dates, budget and production to the relevant Work Plan.

5. The following shall apply to any Well (a "Deep Well") planned for drilling in any zone below the Niobrara formation within the AMI (a "Deep Zone"):

a. If any Work Plan approved by FARMEE provides for a Deep Well, and FARMEE requires additional acreage within the AMI beyond the size of the shallow Well Drilling Unit in order to drill the Deep Well (a "Deep Well Drilling Unit"), then:

(x) FARMOR may elect to participate in such Deep Well Drilling Unit, pro-rata, based on the amount of acreage contributed to the Deep Well Drilling Unit by FARMOR, and if FARMOR so elects, then:

(A) FARMOR shall subject such acreage to a "joint operation" consistent with Article VI of the AAPL Model Form Joint Operating Agreement and shall pay its pro-rata share of costs; and

(B) no Work-Site Fee or site fees of any kind shall be payable by FARMEE to FARMOR;

OR,

(y) FARMOR may elect not to participate, and if FARMOR so elects, then:

(A) FARMOR shall assign to FARMEE all of its working interest and other rights to such additional acreage, together with all depths, as is needed to complete the Deep Well Drilling Unit;

(B) FARMOR shall not be required to pay any part of the development cost for such Deep Well;

(C) FARMOR shall receive a site fee equal to the amount obtained when multiplying its pro-rata share of such additional acreage contributed by it to FARMEE by $60,000; and

(D) FARMOR shall receive an overriding royalty interest in all hydrocarbons produced and sold that are attributable to the Deep Well Drilling Unit equal to the amount obtained when multiplying its pro-rata share of such additional acreage contributed by it to such drilling unit times 6%, but subject to the same reductions and burdens set forth in Article IV, D, 1 for the overriding royalty interest described therein.

b. If FARMOR is entitled to drill wells in the AMI for its own account pursuant to Article V, C and desires to drill a Deep Well, and in order to drill such Deep Well FARMOR requires some of the acreage previously assigned to FARMEE pursuant to the terms of this Agreement, and FARMEE has determined in its sole discretion that it does not wish to develop, for its own account, the portion of the acreage required by FARMOR, then:

(x) FARMEE may elect to participate in such Deep Well Drilling Unit, pro-rata, based on amount of acreage contributed to the Deep Well Drilling Unit by FARMEE, and if FARMEE so elects, then:

(A) FARMEE shall subject such acreage to a "joint operation" consistent with Article VI of the AAPL Model Form Joint

Operating Agreement and shall pay its pro-rata share of costs; and

(B) no Work-Site Fee or site fees of any kind shall be payable by FARMOR to FARMEE;

OR,

(y) FARMEE may elect not to participate, and if FARMEE so elects, then:

(A) FARMEE shall assign to FARMOR all of its working interest and other rights to such additional acreage, but only to the extent of the Deep Zone, as is needed to complete the Deep Well Drilling Unit;

(B) FARMEE shall not be required to pay any part of the development cost for such Deep Well;

(C) FARMEE shall receive a site fee equal to the amount obtained when multiplying its pro-rata share of such additional acreage contributed by it to FARMOR by $60,000; and

(D) FARMEE shall receive an overriding royalty interest in all hydrocarbons produced and sold that are attributable to the Deep Well Drilling Unit equal to the amount obtained when multiplying its pro-rata share of such additional acreage contributed by it to such drilling unit times 6%, but subject to the same reductions and burdens set forth in Article IV, D, 1 for the overriding royalty interest described therein;

provided however, that the number of wells that FARMOR drills for its own account, including Deep Wells pursuant to this Article V, C, 5, shall not exceed in the aggregate the number of wells it is permitted to drill for its own account pursuant to Article V, C, 3.

D. AMI

1. All Leases held by FARMOR as of the date hereof, and all Leases acquired by FARMOR after the date hereof on acreage within the AMI that is undeveloped as of the date of acquisition by FARMOR, shall be included in the AMI. The AMI shall remain in effect for a period commencing on the date hereof and continuing until the termination of this Agreement. Except as specifically permitted herein, FARMOR shall not engage in development operations, farmout arrangements or other similar activities for the account of any person other than FARMEE within the AMI.

2. In the event FARMEE identifies a prospective leasehold interest within the AMI, it shall promptly notify FARMOR in writing. FARMOR shall elect whether or not to acquire such leasehold interest, and pay the acquisition and associated costs therefor, within the time period set forth in such notice. If FARMOR acquires the leasehold interest, it will be subject to the provisions of this Agreement. If FARMOR does not elect to acquire the leasehold interest, FARMEE may acquire it for its own account and it shall not be subject to the provisions of this Agreement.

3. Notwithstanding the foregoing, if, after the date hereof, (A) either of FARMOR or FARMEE, or any of their respective Affiliates, acquires any acreage in the AMI (i) directly or indirectly as a result of a consolidation, amalgamation, merger or other business combination, or through the acquisition of stock or equity interests or (ii) by acquiring all or substantially all of the assets of a third party unaffiliated with FARMOR or FARMEE, as the case may be, and any of their respective Affiliates or (B) FARMOR or FARMEE is acquired by an unaffiliated third party ("Acquirer") in a transaction similar to those described in clause (A) and the Acquirer held acreage in the AMI prior to such transaction (each of the transactions described in clauses (A) and (B), an "Business Transaction"), then such acreage acquired in a Business Transaction described in clause (A), and the acreage held by the Acquirer prior to a Business Transaction described in clause (B), shall not be deemed included in the AMI and not subject to the terms hereof.

E. 3-D SEISMIC

Prior to conducting a 3-D seismic acquisition in the AMI, FARMOR shall submit to FARMEE in writing a plan and budget for such 3-D seismic acquisition (a "3-D Seismic Plan"). Within forty-five (45) days of receipt of a 3-D Seismic Plan, FARMEE shall provide written notice to

FARMOR of its approval or rejection of such 3-D Seismic Plan. If FARMEE approves the 3-D Seismic Plan, FARMEE shall make the 3-D seismic acquisition in its name or, if possible without incurring any additional costs, in the joint names of both FARMOR and FARMEE, and FARMEE shall pay the costs thereof. In the event FARMEE rejects a 3-D Seismic Plan and subsequently desires to drill Well(s) on any acreage covered in the 3-D Seismic Plan, FARMEE shall reimburse FARMOR for the costs of the 3-D seismic acquisition pro rata, based on the number of well locations identified in the 3-D seismic, for each Well FARMEE desires to drill, plus interest, accruing from the date of FARMOR' s payment for the 3-D seismic, at the rate of ten percent (10%) per annum, compounded. The parties shall use their best efforts to share the 3-D seismic with each other.

VI. ADDITIONAL PROVISIONS

A. Relationship of Parties

This Agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. If, for Federal income tax purposes, this Agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986 as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. If any present or future income tax laws of the state or states in which any of the Leases is located or any future income tax laws of the United States contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986 under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws.

B. Insurance

For as long as this Agreement is in effect, FARMOR shall maintain in effect at its sole cost and expense the following minimum types and amounts (whether primary or a combination of primary and excess, as applicable) of insurance coverage with insurance companies reasonably satisfactory to FARMEE:

1. Workers' Compensation insurance including Occupational Disease, that is in compliance with all Workers' Compensation laws that apply.

2. Employer' s Liability Insurance with a limit of not less than One

Million Dollars ($1,000,000) per accident.

3. Commercial General Liability Insurance, including contractual liability insuring the indemnity agreement, if any, set forth in this Agreement, with limits of not less than One Million ($1,000,000) applicable to bodily injury, sickness or death and property damage in any one occurrence, and Two Million Dollars ($2,000,000) in the aggregate.

4. Business Automobile Liability Insurance, covering owned, non-owned, hired and all vehicles used by FARMOR with limits of not less than One Million Dollars ($1,000,000) applicable to bodily injury, sickness or death of any one person, and property damage in any one occurrence.

5. Other than with respect to the coverages described in Article VI, B, 1 and 2, all policies shall be endorsed to provide that FARMEE is an additional insured under such policy and that underwriters and insurance companies of FARMOR shall not have any right of subrogation against FARMEE or its Affiliates, subsidiaries, agents, employees, officers, directors, invitees, co-owners, lessors, servants, contractors, sub-contractors, insurers, and underwriters.

6. Upon request, FARMOR shall furnish Certificates of Insurance to FARMEE, showing to FARMEE' s satisfaction that the required insurance coverages are in full force and effect.

7. To the extent reasonably practical, FARMOR shall require (a) all contractors and sub-contractors to obtain and keep in force similar insurance coverage and, upon request, furnish FARMEE acceptable evidence of such insurance and (b) all policies of FARMOR' s contractors and sub-contractors shall be endorsed to provide a waiver of subrogation as set forth above.

8. **THE LIABILITY OF FARMOR UNDER THE PROVISIONS OF THIS AGREEMENT, WHEREBY FARMOR AGREES OR UNDERTAKES TO DEFEND, INDEMNIFY, PROTECT AND HOLD FARMEE HARMLESS, SHALL NOT BE LIMITED TO OR BY THE INSURANCE REQUIRED OF FARMOR HEREUNDER.**

9. Any coverage provided FARMEE by FARMOR' s insurance under this Agreement is primary insurance and shall not be considered contributory insurance with any insurance policies of FARMEE.

10. No portion of FARMOR' s costs of all the foregoing insurances

shall be chargeable to FARMEE.

FARMEE shall maintain, at its sole cost and expense, insurance coverage for its own Wells, including, but not limited to property and general liability insurance.

C. Compliance with Laws and Lease Obligations

FARMOR agrees that it will conduct all of its operations in material compliance with all the terms, provisions, and covenants, express or implied, of the Lease(s) upon which any Well is located, and in material compliance with all applicable Local, State and Federal laws, rules, regulations, and orders. At any time after the date hereof, FARMOR agrees to perform any remedial activities necessary or proper to restore the surface or subsurface of the Leases or to assume and bear any monetary responsibility for any surface or subsurface (including groundwater) damages in lieu of or in addition to any such remedial activities which may be required by any Lease or other contract pertinent hereto, or as may be required by any applicable law or regulation of any Federal, State or local governmental body so as to place the Leases in a condition as near as practicable to its condition as of the date hereof or, with respect to Leases acquired by FARMOR after the date hereof, the date of acquisition; provided, however, FARMOR shall not be obligated by the terms of this Agreement to perform remedial activities except with respect to damages directly caused by its operations, including, but not limited to, production, transportation, drilling, work-over, remediation, hauling and related activities on the Leases.

D. Liens and Encumbrances

FARMOR agrees that it will keep the Leases that are subject to an assignment hereunder free and clear of all liens and encumbrances of whatsoever kind and character, including liens for labor performed and material furnished, **AND AGREES TO INDEMNIFY AND SAVE FARMEE HARMLESS FROM ALL CLAIMS, DEMANDS, LOSSES,**

DAMAGES, AND LIABILITY ARISING OUT OF OR RESULTING FROM ANY SUCH LIENS AND ENCUMBRANCES.

E. Claims and Lawsuits

FARMOR AGREES TO INDEMNIFY, DEFEND, AND HOLD FARMEE HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, LOSSES, DAMAGES, OR LIABILITY (INCLUDING REASONABLE ATTORNEY' S FEES) ARISING OUT OF OR DIRECTLY RELATED TO (i) FARMOR' S PRIOR OPERATIONS, OCCUPATION, OWNERSHIP OF THE LEASES, (ii) FARMOR' S

FUTURE OPERATIONS, OCCUPATION, OWNERSHIP OF THE LEASES NOT ASSIGNED TO FARMEE HEREUNDER AND THE DEEP WELLS FARMOR DRILLS FOR ITS OWN ACCOUNT, OR (iii) FARMOR' S FAILURE TO PERFORM HEREUNDER.

FARMEE AGREES TO INDEMNIFY, DEFEND, AND HOLD FARMOR HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, LOSSES, DAMAGES, OR LIABILITY (INCLUDING REASONABLE ATTORNEY' S FEES) ARISING OUT OF OR DIRECTLY RELATED TO (i) FARMEE' S OPERATIONS OCCUPATION, OWNERSHIP OF THE LEASES AFTER AND DURING THEIR ASSIGNMENT TO FARMEE HEREUNDER (EXCEPT TO THE EXTENT FARMOR IS REQUIRED TO INDEMNIFY FARMEE PURSUANT TO THE OPERATING AGREEMENTS) AND THE DEEP WELLS FARMEE DRILLS FOR ITS OWN ACCOUNT, OR (ii) FARMEE' S FAILURE TO PERFORM HEREUNDER.

F. Notices

All notices authorized or required hereunder, unless otherwise specifically provided, shall be given in writing by mail, postage or charges prepaid, or by telecopy or electronic mail and confirmed in writing and addressed to the party to whom the notice is given at the address listed below.

If to FARMOR: Black Raven Energy, Inc.
Attn: William F. Hayworth
1125 Seventeenth Street, Suite 2300
Denver, CO 80202
Phone: (303) 308-1330
Fax: (303) 308-1590
E-mail: bhayworth@blackravenenergy.com

If to FARMEE: Atlas Resources, LLC
Attn: Jeffrey C. Simmons
1550 Coraopolis Heights Road
Moon Township, PA 15108
Telephone: (412) 262-2830
Fax: (412) 262-2820
Email: jsimmons@atlasenergy.com

G. Modifications

This Agreement shall not be modified, altered or waived except by prior written consent of the parties. This Agreement shall be binding upon the successors and permitted assigns of the parties hereto and shall be deemed a covenant running with the Leases. Neither party may assign its rights or obligations hereunder without the prior consent of the other party, not to be unreasonably withheld, except as provided herein and except that FARMEE may assign its rights and obligations hereunder to any wholly-owned subsidiary of its parent, Atlas Energy, Inc.; provided, however, that any such assignment shall not relieve FARMEE of its obligations hereunder.

H. Governing Law

This Agreement and any arbitration or dispute resolution conducted pursuant hereto shall be construed in accordance with, and governed by, the laws of the State of New York. Notwithstanding the foregoing, the Law of the state in which any real property interest covered or created by or granted under this Agreement is located shall govern the following: (i) whether this Agreement creates an interest in real property for security purposes or otherwise; (ii) the nature and attributes of any interest in real property that is covered or created by or granted under this Agreement; and (iii) the manner and effect of recording or failing to record memoranda of this Agreement or evidence of any action or transaction that occurs under this Agreement and that results in the creation or transfer of any interest in real property.

I. Counterparts

This Agreement may be executed in one or more counterparts and by facsimile or other electronic transmission, which when taken together shall constitute a single, original document.

J. Memorandum

FARMOR agrees that FARMEE may file in local land records relevant to the Leases and the AMI memoranda of this Agreement. At the request of FARMEE, FARMOR shall execute and deliver each memoranda and such further documents and instruments and shall take such other actions as may be reasonably required or appropriate in respect of the foregoing.

K. Term

1. The term of this Agreement shall continue until the tenth (10^{th}) anniversary hereof, unless earlier terminated by (a) mutual written agreement of the parties, (b) by either party immediately upon the commencement of case or proceeding against the other party under any bankruptcy, reorganization, insolvency or similar law of any jurisdiction, (c) by FARMEE pursuant to Article VI, K, 2 below, or (d) by FARMOR pursuant to Article VI, K, 3 below. The

provisions of Article VI, D, E, L, N and P and the last sentence of Article VI, K, 3 shall survive termination of this Agreement.

2. Subject to Article VI, O, FARMEE may terminate this Agreement upon thirty (30) days' prior written notice to FARMOR upon (i) material breach of any representation or warranty by FARMOR set forth herein, (ii) gross negligence or willful misconduct of FARMOR in the performance of its obligations hereunder, or (iii) material default by FARMOR in the performance or observation of any covenant or obligation hereunder which default remains uncured for a period of thirty (30) days after written notice thereof is given to FARMOR by FARMEE.

3. Subject to Article VI, O, FARMOR may terminate this Agreement upon thirty (30) days' prior written notice to FARMEE upon:

a. Material default by FARMEE in the performance or observation of any covenant or obligation hereunder which default remains uncured for a period of thirty (30) days after written notice thereof is given to FARMEE by FARMOR;

b. Failure of FARMEE to make payments in accordance with Article V, B or any other material payment required by FARMEE under this Agreement for sixty (60) consecutive days; or

c. Failure (other than by reason of FARMOR's failure to perform a Work Plan) by FARMEE to drill at least the cumulative number of Wells set forth below by the date set forth opposite such cumulative number of Wells:

Cumulative No. of Wells	Date
120	September 30, 2011
160	March 31, 2012
240	March 31, 2013
320	March 31, 2014
400	March 31, 2015
480	March 31, 2016
540	March 31, 2017
600	March 31, 2018

d. Failure by FARMEE to propose any Wells in the Drill Proposal to be delivered to FARMEE by January 15, 2011 in accordance with Article V, D, 1.

e. If FARMOR terminates this Agreement pursuant to this Article VI, K, 3, FARMOR shall, at FARMEE's request, continue to provide FARMOR's Services for up to ninety (90) days after the effective date of the termination, or such shorter period as FARMEE selects a successor provider and such provider assumes provision of FARMOR's Services.

L. Dispute Resolution

All controversies, disputes or claims between FARMOR and FARMEE and their subsidiaries, Affiliates, shareholders, officers, directors, agents and employees relating to this Agreement or the transactions contemplated hereby (each, a "Dispute") shall be submitted to Judicial Arbitration and Mediation Services ("JAMS") for mediation. The parties will cooperate with JAMS and with one another in selecting a mediator from JAMS panel of neutrals, and in promptly scheduling the mediation proceedings. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employee, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. If the dispute is not resolved within thirty (30) days from the date of the submission of the dispute to mediation (or such later date as the parties may mutually agree in writing), the administration of the arbitration shall proceed forthwith. The mediation may continue, if the parties so agree, after the appointment of the arbitrators. Unless otherwise agreed by the parties, the mediator shall be disqualified from serving as arbitrator in the case. The pendency of a mediation shall not preclude a party from seeking provisional remedies in aid of the arbitration from a court of appropriate jurisdiction, and the parties agree not to defend against any application for provisional relief on the ground that a mediation is pending.

Following the mandatory mediation procedures all Disputes will be submitted for binding arbitration to the New York, New York office of JAMS on demand of either party. Unless otherwise agreed between the parties, such arbitration proceedings will be conducted in New York, New York, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of JAMS, who shall be required to deliver to the parties a written opinion with respect to his or her award. The award of the arbitrator shall be conclusive and binding on all parties hereto, and judgment upon the award may be entered in any court of

competent jurisdiction. Each party waives the right to contest the validity or enforceability of such award, except as allowed under the Federal Arbitration Act. The parties to the arbitration shall equally share the costs of the arbitration proceeding; provided that each party shall bear its own attorneys' fees and other professional fees; and provided further that, if the arbitrator shall determine that a party's position in arbitration is frivolous, that party shall bear all costs of the arbitration proceeding, including the other party's attorneys' fees.

M. Acknowledgement

Each provision of this Agreement shall be construed as though both parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement. **EACH OF THE PARTIES HERETO SPECIFICALLY ACKNOWLEDGES AND AGREES (A) THAT IT HAS THE DUTY TO READ THIS AGREEMENT AND THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS HEREOF, (B) THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT, (C) THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT PROVIDE FOR THE ASSUMPTION BY ONE PARTY OF, AND/OR RELEASE OF THE OTHER PARTY FROM, CERTAIN LIABILITIES ATTRIBUTABLE TO THIS TRANSACTION OR THE PREMISES COVERED HEREBY THAT SUCH PARTY WOULD OTHERWISE BE RESPONSIBLE FOR UNDER THE LAW. EACH PARTY HERETO FURTHER AGREES THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY OF SUCH PROVISIONS OF THIS AGREEMENT ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISIONS OR THAT SUCH PROVISIONS ARE NOT "CONSPICUOUS".**

N. Integral Part/Direct Relationship of Ancillary Agreements

FARMOR and FARMEE agree that each and every agreement (and any amendment thereto) benefiting FARMEE, including without limitation, the Leases, the Gathering Agreement and the Operating Contracts, ancillary to this Agreement and related to the Leases and/or preparation of the hydrocarbons for sale, through and including the sale of said hydrocarbons by FARMEE and/or its representatives into sales line, shall be deemed an integral part of and directly related to this Agreement.

O. Force Majeure

If by reason of a Force Majeure Event either party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, and if such party gives notice and the details of such Force Majeure in writing or by facsimile to the other party within a reasonable time after the occurrence of the cause relied on, the party giving such notice, so far as and to the extent that its performance is affected by such Force Majeure Event and during the continuance of its inability to perform as a result of such Force Majeure Event, shall not be liable hereunder, including with respect to the obligations set forth in Article VI, K; provided, however, that the party claiming such Force Majeure Event shall cause such Force Majeure Event to be remedied with all reasonable dispatch.

P. Confidentiality

Certain terms of this Agreement and of the information that the parties have shared or will share with each other pursuant hereto is confidential or proprietary and has not been publicly disclosed (the "Information"). The Information, except as permitted herein, will not be disclosed without the prior written consent of both parties, such consent not to be unreasonably withheld. Disclosure of such Information may cause irreparable harm to one or both parties. Accordingly, each party represents that it has not, and agrees that it will not, and will inform its directors, officers, agents, advisors and Affiliates not to, disclose to any third party any Information or confirm any statement made by third parties regarding Information unless the other party has provided its prior written consent to such disclosure. Notwithstanding anything to the contrary herein, Information shall not include information that: (i) is in the public domain; (ii) is previously known or independently developed by a party; or (iii) is acquired by a party from any third party having a right to disclose such information. Notwithstanding anything to the contrary herein each party may disclose Information (x) to the extent such disclosure is required, as reasonably determined by the disclosing party, by applicable federal or state securities law or regulations or by the rules of any stock exchange upon which shares of the disclosing party or any of its Affiliates (which, for the purposes of this provision, shall include the Partnerships with respect to FARMEE) are registered or are in the process of being registered, which rules require the disclosure to be made; provided, however, that the disclosing party, in consultation with the other party, shall make a confidential treatment request to the appropriate regulatory authority; and (y) to its partners, shareholders, investors, lenders, potential investors (including potential investors in the Partnerships), potential lenders, directors, officers, employees, agents or representatives, including attorneys, accountants and consultants, in each case under circumstances

in which the disclosing party takes reasonable steps to maintain the confidentiality of the Information.

Q. Publicity

Neither FARMOR nor FARMEE, nor any of their respective Affiliates (which, for the purposes of this provision, shall include West Coast Opportunity Fund, LLC and West Coast Management, Inc., in the case of FARMOR) shall issue any press release or similar public announcement pertaining to this Agreement or the transactions contemplated hereby without the consulting with the other party prior to making any such issuance.

[Remainder of page intentionally left blank; signatures appear on following page]

IN WITNESS WHEREOF, and intending to be legally bound, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first shown above.

FARMOR:

BLACK RAVEN ENERGY, INC.

By: /s/ William F. Hayworth_

Name (printed): William F. Hayworth

Title: President

FARMEE:

ATLAS RESOURCES, LLC
By: AIC, LLC, its sole member
By: Atlas Energy Operating Company, LLC, its sole member
By: Atlas Energy Resources, LLC, its sole member

By: /s/ Daniel Herz

Name (printed): Daniel Herz

Title: Senior Vice President

THIRD AMENDMENT TO
AMENDED AND RESTATED SENIOR SECURED DEBENTURE

This THIRD AMENDMENT TO AMENDED AND RESTATED SENIOR SECURED DEBENTURE (this "Amendment") is made and entered into effective as of July 23, 2010 by and between Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.), a Nevada corporation ("Parent"), and West Coast Opportunity Fund, LLC, a Delaware limited liability company ("WCOF").

Recitals:

A. Parent and WCOF are parties to that certain Amended and Restated Senior Secured Debenture dated February 2, 2009 in the original principal amount of $18,450,000 (as amended, the "Debenture").

B. On April 13, 2009, an Agreement Regarding New Equity Raise Under the Modified Second Amended Joint Plan of Reorganization (the "New Equity Raise") was executed by and among the Parent, WCOF and the Official Committee of Unsecured Creditors Appointed by the Bankruptcy Court in the Company' s Bankruptcy Case, whereby certain provisions of the Debenture were amended, including the maturity date of the Debenture being extended to December 31, 2011.

C. On October 1, 2009, Parent and WCOF entered into that certain Amendment of Amended and Restated Senior Secured Debenture, whereby $50,000 of accrued interest was added to the Principal balance of the Debenture, which increased the Principal balance of the Debenture to $18,500,000.

D. On January 10, 2010, Parent and WCOF entered into that certain Second Amendment of Amended and Restated Senior Secured Debenture, whereby the maturity date of the Debenture was extended to June 30, 2013 subject to Parent raising at least $25 million in a new common equity offering by February 12, 2010. Parent did not raise $25 million by February 12, 2010, therefore the maturity date of the Debenture was not extended.

E. Certain Events of Default have occurred and are continuing on the date hereof resulting from Parent' s failure to pay Interest due and payable on the outstanding Principal of the Debenture for the period from January 1, 2010 to June 30, 2010 (collectively, the "Specified Defaults").

F. Parent desires to enter into a Farmout Agreement with Atlas Resources, LLC ("Atlas") whereby Parent and Atlas agree to drill oil and gas wells in certain areas of Colorado and Nebraska (the "Farmout Agreement").

G. WCOF desires to waive the Specified Defaults and consent to the transactions contemplated by the Farmout Agreement as provided herein. Parent and WCOF also desire to amend certain provisions of the Debenture as provided herein.

Agreement:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Waiver. Effective as of the date hereof, WCOF hereby waives the Specified Defaults; provided that all accrued and unpaid Interest due and payable on the Debenture in connection with the Specified Defaults shall be added to the outstanding Principal balance of the Debenture.

2. Consent. Notwithstanding anything to the contrary set forth in the Debenture, WCOF hereby consents to the Farmout Agreement and all transactions, documents and agreements contemplated in connection therewith.

3. Amendment of Debenture.

(a) Deferral of Accrued Interest. For the period from July 1, 2010 through December 31, 2011, Parent shall not be required to make any payments of Interest under the Debenture and all accrued and unpaid Interest for such period shall be added to the outstanding Principal balance of the Debenture.

(b) Addition of Accrued Interest. Effective as of the date hereof, the accrued and unpaid Interest as a result of the Specified Defaults (i) shall be added to the outstanding Principal balance of the Debenture, (ii) shall bear Interest from and after the date hereof at the same rate as the Principal, and (iii) shall be due and payable on the Maturity Date along with all other outstanding Principal and accrued and unpaid Interest under the Debenture.

(c) Events of Default. Notwithstanding anything to the contrary set forth in the Debenture, the events set forth in Section 3 of the Debenture, currently existing or occurring after the date hereof, shall not constitute an Event of Default unless and until WCOF shall have delivered written notice of default to Parent and such default shall continue for a period of thirty (30) days after written notice of such default is delivered to Parent from WCOF. Effective as of the date hereof, Parent must notify WCOF of any known defaults under the Debenture, either currently existing or occurring after the date hereof; provided, however, failure of Parent to notify WCOF of known defaults shall not constitute an Event of Default.

4. Release of Liens.

(a) Simultaneous with the execution of the Farmout Agreement, WCOF hereby releases and discharges any and all liens and other security interests that WCOF has on the leases covering the Initial Drilling Units (as defined in the Farmout Agreement).

(b) Simultaneous with the assignment of a lease covering a Drilling Unit (as defined in the Farmout Agreement) by Parent to Atlas in accordance with the Farmout

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Agreement, WCOF hereby releases and discharges any and all liens and other security interests that WCOF has on the lease(s) covering such Drilling Unit.

(c) Parent may prepare and file such amendments to UCC filings or other security documents as Parent may reasonably deem necessary or desirable in connection with the termination of the liens and other security interests described in this Section 4.

(d) WCOF agrees to provide Parent with such other documents and executed items to evidence or complete the foregoing as Parent reasonably requests, at Parent’ s expense.

5. Miscellaneous. Except as expressly modified by this Amendment, (a) no other term or provision of the Debenture shall be modified or amended, and (b) the Debenture shall remain in full force and effect in accordance with its original terms and is hereby ratified and confirmed by Parent and WCOF. All capitalized terms used herein and not defined shall have the meaning assigned to them in the Debenture. This Amendment may be executed in one or more counterparts, each of which may be delivered by facsimile or other electronic transmission and shall be deemed an original, all of which together shall constitute one and the same instrument. This Amendment will be governed by and construed under the laws of the State of Colorado, without giving effect to conflicts of laws principles.

[*The remainder of this page is intentionally left blank.*]

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first written above.

WCOF:

West Coast Opportunity Fund, LLC

By: /s/ Atticus Lowe
Name: Atticus Lowe
Title: Chief Investment Officer of Managing Member

Parent:

Black Raven Energy, Inc.

By: /s/ William F. Hayworth
Name: William F. Hayworth
Title: President

FOURTH AMENDMENT TO
AMENDED AND RESTATED SENIOR SECURED DEBENTURE

This FOURTH AMENDMENT TO AMENDED AND RESTATED SENIOR SECURED DEBENTURE (this "Amendment") is made and entered into effective as of October 12, 2010 by and between Black Raven Energy, Inc. (formerly known as PRB Energy, Inc.), a Nevada corporation ("Parent"), and West Coast Opportunity Fund, LLC, a Delaware limited liability company ("WCOF").

Recitals:

A. Parent and WCOF are parties to that certain Amended and Restated Senior Secured Debenture dated February 2, 2009 in the original principal amount of $18,450,000 (as amended, the "Debenture").

B. On April 13, 2009, an Agreement Regarding New Equity Raise Under the Modified Second Amended Joint Plan of Reorganization (the "New Equity Raise") was executed by and among the Parent, WCOF and the Official Committee of Unsecured Creditors Appointed by the Bankruptcy Court in the Company' s Bankruptcy Case, whereby certain provisions of the Debenture were amended, including the maturity date of the Debenture being extended to December 31, 2011.

C. On October 1, 2009, Parent and WCOF entered into that certain Amendment of Amended and Restated Senior Secured Debenture, whereby $50,000 of accrued interest was added to the Principal balance of the Debenture, which increased the Principal balance of the Debenture to $18,500,000.

D. On January 10, 2010, Parent and WCOF entered into that certain Second Amendment of Amended and Restated Senior Secured Debenture, whereby the maturity date of the Debenture was extended to June 30, 2013 subject to Parent raising at least $25 million in a new common equity offering by February 12, 2010. Parent did not raise $25 million by February 12, 2010, therefore the maturity date of the Debenture was not extended.

E. On July 23, 2010, Parent and WCOF entered into that certain Third Amendment of Amended and Restated Senior Secured Debenture (the "Third Amendment"), whereby accrued interest was added to the Principal balance of the Debenture, all interest payments on the Debenture were deferred until December 31, 2011, and certain provisions with respect to Events of Default were amended.

F. On July 23, 2010, Parent entered into a Farmout Agreement with Atlas Resources, LLC ("Atlas"), whereby Parent and Atlas agree to drill oil and gas wells in certain areas of Colorado and Nebraska (the "Farmout Agreement").

G. Parent and WCOF desire to amend certain provisions of the Debenture as provided herein.

Agreement:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Amendment of Debenture.

(a) Maturity Date. The Maturity Date of the Debenture is hereby extended to January 15, 2014 (as of which date all of the outstanding Principal, accrued Interest, and any other amounts due under the Debenture shall be due and payable in full).

(b) Interest. Notwithstanding anything to the contrary set forth in the Debenture, except with respect to Default Interest, effective as of the date hereof:

(i) Parent shall pay Interest on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in shares of common stock of Parent in an amount based on a share price of $2.00 per share (the "Stock Interest"). The Stock Interest shall be due and payable to WCOF quarterly in arrears on the last day of each calendar quarter, commencing with the calendar quarter ending on December 31, 2010.

(ii) In addition to the Stock Interest, Parent shall pay Interest on any outstanding Principal to WCOF at a rate equal to five percent (5%) per annum payable in cash (the "Cash Interest"). The Cash Interest (offset by any Farmout Fee as defined and set forth below) shall be due and payable to WCOF in arrears on the Maturity Date of the Debenture. For avoidance of doubt, notwithstanding anything to the contrary set forth in the Debenture, including the deferral of interest payments until December 31, 2011 as set forth in the Third Amendment, and except for the payment of the Farmout Fee set forth in Section 1(b)(iii) below, no payment of Cash Interest shall be due until the Maturity Date.

(iii) Parent shall pay $5,000 to WCOF (the "Farmout Fee") promptly upon Parent' s receipt of a Well-Site Fee (as defined in the Farmout Agreement) from Atlas in accordance with the Farmout Agreement. The payment of any Farmout Fee to WCOF shall offset the amount of Cash Interest due to WCOF under the Debenture.

2. Miscellaneous. Except as expressly modified by this Amendment, (a) no other term or provision of the Debenture shall be modified or amended, and (b) the Debenture shall remain in full force and effect in accordance with its original terms and is hereby ratified and confirmed by Parent and WCOF. All capitalized terms used herein and not defined shall have the meaning assigned to them in the Debenture. This Amendment may be executed in one or more counterparts, each of which may be delivered by facsimile or other electronic transmission and shall be deemed an original, all of which together shall constitute one and the same instrument. This Amendment will be governed by and construed under the laws of the State of Colorado, without giving effect to conflicts of laws principles.

[*The remainder of this page is intentionally left blank.*]

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first written above.

WCOF:

West Coast Opportunity Fund, LLC

By: /s/ Atticus Lowe
Name: Atticus Lowe
Title: Chief Investment Officer of Managing Member

Parent:

Black Raven Energy, Inc.

By: /s/ William F. Hayworth
Name: William F. Hayworth
Title: President

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Thomas E. Riley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Black Raven Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 18, 2010

/s/ Thomas E. Riley
Thomas E. Riley
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Patrick A. Quinn, certify that:

2. I have reviewed this quarterly report on Form 10-Q of Black Raven Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 18, 2010

/s/ Patrick A. Quinn

Patrick A. Quinn
Acting Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Raven Energy, Inc. (the "Company") on Form 10-Q for the three and nine months ended September 30, 2010 (the "Report"), the undersigned, Chief Executive Officer and Acting Chief Financial Officer of the Company, hereby certify that, to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this report.

Date: November 18, 2010

/s/ Tom Riley
Tom Riley
Chief Executive Officer
(Principal Executive Officer)

/s/ Patrick A. Quinn
Patrick A. Quinn
Acting Chief Financial Officer
(Principal Financial Officer)