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POWDER RIVER BASIN GAS CORP
Form 10QSB
November 16, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549

Form 10 QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-31945

For the quarter ended September 30, 2004

POWDER RIVER BASIN GAS CORP.

(Exact name of small business issuer as specified in its charter)

Colorado

(State of Incorporation)

84-1521645

(IRS Employer Identification #)

104, 3208 8th Ave NE
Calgary, AB T2A 7V8
(403) 263-5010

(Address and telephone number of principal executive office)

Indicate by checkmark 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 X No

As of September 30, 2004, 93,941,939 shares of common stock, \$0.001 par value, were outstanding.

Transitional Small Business Disclosure Format (check one): [X] Yes [] No

Powder River Basin Gas Corp.
Consolidated Balance Sheet
September 30, 2004
Unaudited

ASSETS

CURRENT ASSETS

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Cash		\$	24,521
Accounts receivable			673,742
Prepaid expenses			67,100

Total current assets			765,363
OIL AND GAS PROPERTIES USING FULL COST ACCOUNTING (NOTE 1)			
Properties not subject to amortization			1,385,253
Properties subject to amortization			973,406
Accumulated amortization			(10,793)
Net oil and gas properties			2,347,866

Total assets		\$	3,113,229
			=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$	7,110
Accrued expenses			21,000
Notes payable			181,000

Total current liabilities			209,110

Total liabilities			209,110

STOCKHOLDERS' EQUITY			
Common stock, par value \$.001 per share; 50,000,000 shares authorized; 87,828,689 shares issued and outstanding			103,430
Capital in excess of par value			6,160,520
Accumulated Comprehensive Income			2,705
Retained earnings			(3,362,536)

Total stockholders' equity			2,904,119

Total liabilities and shareholders' equity		\$	3,113,229
			=====

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Powder River Basin Gas Corp.
Consolidated Statement of Operations

	For the three months ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2004	2003	2004	2003
	-----	-----	-----	-----
REVENUE				
Oil and gas sales	\$ 66,000	\$ -	\$ 154,829	\$ -
	-----	-----	-----	-----
Total revenue	66,000	-	154,829	-
EXPENSES				
Depletion	3,800	-	10,793	-
General and administrative	186,124	-	195,582	358,462

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Lease operating costs	36,172	-	53,325	-
Legal and professional	2,559	17,097	23,025	38,468
Travel	38,546	-	42,156	-
	-----	-----	-----	-----
Total expenses	267,201	17,097	324,881	396,930
	-----	-----	-----	-----
NET OPERATING LOSS	(201,201)	(17,097)	(170,052)	(396,930)
OTHER INCOME (EXPENSE)				
Gain on Sale of Properties	605,978	-	605,978	-
Interest expense	(34,636)	-	(59,446)	(9,476)
	-----	-----	-----	-----
NET INCOME / (LOSS)	\$ 370,141	\$ (17,097)	\$ 376,480	\$ (406,406)
	=====	=====	=====	=====
BASIC INCOME / (LOSS)				
PER COMMON SHARE	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER				
OF SHARES OUTSTANDING	93,941,939	46,387,833	89,292,963	39,337,811
	=====	=====	=====	=====

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Powder River Basin Gas Corp.
Consolidated Statement of Cash Flows
For the Nine Months Ended September 30,

	2004	2003
	-----	-----
Cash flows from operating activities		
Net income / (loss)	\$ 376,480	\$ (406,406)
Adjustments to net income provided by operating activities:		
Common stock issued for services rendered	55,000	-
Common stock issued for retirement of payables	70,003	(642,000)
Depletion	10,793	-
Changes in assets and liabilities:		
Increase in prepaid expenses	(60,100)	-
Decrease (increase) in accounts receivable	(673,742)	-
(Decrease) increase in accounts payable & accrued expenses	(28,860)	21,550
	-----	-----
Net cash used in operating activities	(250,426)	(1,026,856)
Cash flows from investing activities		
Relinquishment of leases/ Sale of interest in Leases	137,057	569,217
Expenditures for oil and gas property development	(40,670)	-
	-----	-----
Net cash used in investing activities	(40,670)	569,217
Cash flows from financing activities		
Proceeds from notes payable and long-term liabilities	76,617	(1,282)
Cash received from Stock issuance	280,000	312,500

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Cash paid on long term debt	(41,000)	-
Proceeds from issuance of common stock	-	130,000
	-----	-----
Net cash provided by financing activities	315,617	441,218
Net increase/(decrease) in cash and cash equivalents	24,521	(16,421)
	-----	-----
Cash at beginning of year	-	18,938
	-----	-----
Cash at end of year	\$ 24,521	\$ 2,517
	=====	=====
Cash paid for:		
Interest	15,000	9,476
Income Taxes	-	-

Powder River Basin Gas Corp.
Notes to Consolidated Financial Statements
For the Nine Months Ended September 30, 2004

Note 1 PREPARATION OF FINANCIAL STATEMENTS

The unaudited financial statements of Powder River Basin Gas Corp. for the nine months ended September 30, 2004, included herein have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission ("SEC") and should read in conjunction with the audited financial statements and notes thereto contained in the Company's latest Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent year, 2003, as reported in the Form 10-KSB, have been omitted.

NOTE 2 ORGANIZATION

The Company was incorporated under the laws of Colorado on August 27, 1999 as Celebrity Sports Network, Inc. The principal activities since inception have been organizational matters and obtaining financing. The Company was formed in an effort to broaden the scope of public appearances available to current and former professional athletes. The Company, however, changed their operations in 2001 through a reverse acquisition with Powder River Basin Gas Corp., an oil and gas company.

Powder River Basin Gas Corp. (PRGB) was incorporated in Colorado on June 13, 2001. The Company is engaged in the business of assembling and managing a portfolio of undeveloped acreage in the Powder River basin coal bed methane (CBM) play in Sheridan County, Wyoming. This acreage is located in a proven geological setting and near operators such as Western Gas Resources, Barrett Resources, Phillips Petroleum, J.M. Huber and others. The Company has leasehold interests in 8,096 net acres. Two wells have been drilled on one lease and eleven additional wells have been

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spudded. The Company also purchased a 960 acre oil and gas lease in Louisiana which has nine wells. Two of the wells are in production and the other seven require re-work and clean-out to be activated. At September 30th, 2004 the Company had also purchased a 25% working interest in 9 wells in Osage County, Oklahoma.

Pursuant to a reverse acquisition and reorganization agreement, PRGB was acquired by Celebrity Sports on September 5, 2001. At the time of the acquisition, the Company changed its name to Powder River Basin Gas Corp. and issued 9 million shares of common stock for all the issued and outstanding stock of PRBG; thus, making PRGB a wholly-owned subsidiary of the Company. Because PRGB is the accounting acquirer in the reverse acquisition, all financial history in these financial statements are that of PRGB.

The Company issued 9 million shares of common stock for 9 million shares of PRGB, therefore, an adjustment to the shares outstanding was necessary to reflect the other shareholders of the Company at the time of acquisition. No goodwill was recorded in the acquisition and the purchase method of accounting was used to record the transaction.

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NOTE 3 OIL AND GAS PROPERTIES

The full cost method is used in accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized. In addition, depreciation on property and equipment used in oil and gas exploration and interest costs incurred with respect to financing oil and gas acquisition, exploration and development activities are capitalized in accordance with full cost accounting. Capitalized interest for the quarter ended September 30, 2004 was \$0. All capitalized costs of proved oil and gas properties subject to amortization are being amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects not subject to amortization are not amortized until proved resources associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. Therefore amortization was taken at \$10,793 for the nine months ended September 30, 2004. As of September 30, 2004, proved oil and gas reserves had been activated on one of the Company's oil and gas properties. All other wells are incomplete as of September 30, 2004.

NOTE 4 COMMON STOCK

In February 2004 the Company issued 3,640,856 shares of Common Stock in satisfaction of a convertible debenture entered into in previous years. In September 2004, 8,602,272 shares of Common Stock were issued in payment of an outstanding note. The Company also issued 7,000,000 shares of Common Stock for a private placement of \$280,000.00.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

The Company is including the following cautionary statement to make

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applicable and take advantage of the safe harbor provision of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. This quarterly report on form 10QSB contains forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, expectations, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Certain statements contained herein are forward-looking statements and, accordingly, involve risks and uncertainties which could cause actual results or outcomes to differ materially from third parties, but there can be no assurance that management's expectations, beliefs or projections will result of be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements: the ability of the Company to respond to changes in the information system environment, competition, the availability of financing, and, if available, on terms and conditions acceptable to the Company, and the availability of personnel in the future.

PLAN OF OPERATION

The Company's business strategy for the next twelve months includes focused acquisitions and drilling operations which may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, weather conditions and shortages or delays in equipment delivery. The Company has drilled two gas wells that will produce commercially viable gas resources once the appropriate infrastructure (i.e., pipeline) is in place. The Company plans on implementing its drilling plan and being recognizing revenues during the fiscal year 2004. The Company also plans to continue to increase production on the Louisiana project in the second quarter and is in the process of completing a project in Oklahoma.

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LIQUIDITY AND CAPITAL RESOURCES

The Company increased its revenue from oil and gas sales during the third quarter to \$66,000 as compared to \$49,766 for the second quarter making a nine month total of \$154,829. The Company also had a gain on the sale of a property of \$605,978 bringing total revenue to \$760,807 for the nine months ended September 30, 2004. There was no income in previous years. The Company is currently working to raise development capital to increase production and anticipates it will be successful in raising the funds necessary to complete work in progress.

CURRENT LIABILITIES

On September 30, 2004 the Company had approximately \$28,110 in current liabilities and \$181,000 in long term liabilities. Of this amount approximately \$181,000 is related to the purchase of leasehold interests and related expenses incurred by the Company. The current accounts payable include payments to auditors, accounting and legal as well as start up costs. The accrued expenses include accumulated interest on the outstanding notes owed by the Company.

NEED FOR ADDITIONAL FINANCING FOR GROWTH

The growth of the Company's business will require substantial capital on a

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continuing basis, and there is no assurance that any such required additional capital will be available on satisfactory terms and conditions, if at all. The Company may pursue, from time to time, opportunities to acquire oil and natural gas properties and businesses that may utilize the capital currently expected to be available for its present operations. The amount and timing of the Company's future capital requirements, if any, may depend upon a number of factors, including drilling, transportation, and equipment costs, marketing expenses, staffing levels, competitive conditions, and purchases or dispositions of assets, many of which are not in the Company's control. Failure to obtain any required additional financing could materially adversely affect the growth, cash flow and earnings of the Company. In addition, the Company's pursuit of additional capital could result in the incurrence of additional debt or potentially dilutive issuances of equity securities.

The Company's ability to meet any future debt service will be dependant upon the Company's future performance, which will be subject to oil and natural gas prices, the Company's level of production, general economic conditions and financial, business and other factors affecting the operations of the Company, many of which are beyond its control. There can be no assurance that the Company's future performance will not be adversely affected by such changes in oil and natural gas prices and / or production nor by such economic conditions and / or financial, business and other factors. In addition, there can be no assurance that the Company's business will generate sufficient cash flow from operations or that future bank credit will be available in an amount to enable the Company to service its indebtedness or make necessary expenditures. In such event, the Company would be required to obtain such financing from the sale of equity securities or other debt financing. There can be no assurance that any such financing will be available on terms acceptable to the Company. Should sufficient capital not be available, the Company may not be able to continue to implement its business strategy.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The Company had an outstanding judgment which was settled prior to September 30, 2004.

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ITEM 2: CHANGES IN SECURITIES

The Company effected the following transactions in reliance upon exemptions from registration under the Securities Act of 1933 as amended (the "Act") as provided in Section 4(2) thereof. Each certificate issued for unregistered securities contained a legend stating that the securities have not yet been registered under the Act and setting forth the restrictions on the transferability and the sale of the securities. No underwriter participated in, nor were any commissions or fees paid to any underwriter in connection with any of these transactions. None of the transactions involved a public offering. The Company believes that each person had knowledge and experience in financial and business matters which allowed them to evaluate the merits and risks of its securities; and that each person was knowledgeable about its operations and financial condition.

In February 2004 the Company issued 3,640,856 shares of its common stock to satisfy a previously negotiated convertible debenture. In September 2004 the Company issued 8,602,272 shares to settle a note and issued 7,000,000 restricted shares for a private placement of \$280,000.00

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ITEM 3: DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5: OTHER INFORMATION

NONE

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

NONE

(b) Reports

Report on Form 8-K, as amended, Celebrity Sports Network, Inc.,
filed January 24, 2003; Change in Registrants Certifying
Accountant

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Signatures

Pursuant to the requirements of Section 13 or 15(d) the Securities and
Exchange Act of 1934 the registrant has duly caused this report to be
signed on its behalf by the undersigned, thereunto duly authorized.

Powder River Basin Gas Corporation
Registrant

By: /S/ Brian Fox, President
Brian Fox, President and Chief Financial Officer

Date: November 15th, 2004

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