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PRB Energy, Inc.
Form DEF 14A
April 23, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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PRB Energy, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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April 23, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of the Stockholders of PRB Energy, Inc. The meeting will be held at the offices of Merrill Corporation located at 1225 17th Street, Suite 2800, Denver, Colorado 80202 at 9:00 a.m. on May 31, 2007.

At the meeting you and other stockholders will vote on the election of seven directors and the approval of the PRB Energy, Inc. 2007 Equity Incentive Plan. You will also have an opportunity to hear reports on our operations and ask questions of general interest. You can find other more specific information about the meeting in our accompanying proxy statement and detailed information about us in the enclosed annual report.

Please complete and sign the enclosed proxy card and return it promptly in the accompanying envelope. This will ensure that your shares are represented at the meeting even if you cannot attend.

Thank you for your cooperation in returning your proxy card. We hope to see you at our meeting in Denver.

Sincerely,

Robert W. Wright
Chairman and Chief Executive Officer

PRB ENERGY, INC.
1875 Lawrence Street, Suite 450
Denver, Colorado 80202

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 31, 2007**

To our Stockholders:

The 2007 Annual Meeting of the Stockholders of PRB Energy, Inc. will be held at the offices of Merrill Corporation located at 1225 17th Street, Suite 2800, Denver, Colorado 80202 at 9:00 a.m. on May 31, 2007, or at any adjournment or postponement thereof, for the following purposes:

1. To elect seven members of the Board of Directors to serve one-year terms expiring at the earlier of the 2008 Annual Meeting of Stockholders or upon a successor being elected and qualified.
2. To approve the PRB Energy, Inc. 2007 Equity Incentive Plan.
3. To transact such other business as may properly come before the meeting.

Details relating to the above matters are set forth in the attached Proxy Statement. All stockholders of record as of the close of business on April 20, 2007 will be entitled to notice of and to vote at such meeting or at any adjournment or postponement thereof.

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. IF YOU DO NOT PLAN TO ATTEND THE MEETING, YOU ARE URGED TO SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY. A REPLY CARD IS ENCLOSED FOR YOUR CONVENIENCE. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.

BY ORDER OF THE BOARD OF DIRECTORS

Susan C. Wright, *Corporate Secretary*

April 23, 2007

PRB ENERGY, INC.
1875 Lawrence Street, Suite 450
Denver, Colorado 80202
Telephone: (303) 308-1330

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of PRB Energy, Inc., a Nevada corporation, for use at our Annual Meeting of Stockholders (Annual Meeting) to be held at the offices of Merrill Corporation located at 1225 17th Street, Suite 2800, Denver, Colorado 80202 at 9:00 a.m. on May 31, 2007, or at any adjournment or postponement thereof. The Notice of Annual Meeting, this Proxy Statement and the accompanying proxy card are being mailed to our stockholders on or about April 20, 2007.

VOTING INFORMATION

Who is qualified to vote?

You are qualified to receive notice of and to vote at the Annual Meeting if you own shares of our common stock at the close of business on our record date of April 20, 2007

How many shares of common stock may vote at the Meeting?

As of April 20, 2007, there were 8,601,994 shares of our common stock issued and outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter presented.

What is the difference between a stockholder of record and a street name holder?

These terms describe how your shares are held. If your shares are registered directly in your name with Corporate Stock Transfer, Inc., our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

How do I vote my shares?

If you are a stockholder of record, you can vote by mailing in the enclosed proxy card. Please refer to the specific instructions set forth on the enclosed proxy card.

If you hold your shares in street name, your broker/bank/trustee/nominee will provide you with materials and instructions for voting your shares.

If you are a stockholder of record, you may vote your shares in person at the Annual Meeting. If you hold your shares in street name, you must obtain a proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the Annual Meeting.

What constitutes a quorum for the Annual Meeting?

The presence in person or by proxy of stockholders owning a majority of the issued and outstanding shares of our common stock constitutes a quorum for the Annual Meeting. Broker non-votes and abstentions will be counted for purposes of determining whether a quorum is present.

What are the Board's recommendations on how I should vote my shares?

Our Board of Directors recommends that you vote your shares as follows:

Proposal 1 FOR the election of all seven nominees for directors with terms expiring at the 2008 Annual Meeting of Stockholders.

Proposal 2 FOR the approval of the PRB Energy, Inc. 2007 Equity Incentive Plan.

What are my choices when voting?

Proposal 1 You may cast your vote in favor of one or more of the director nominees or withhold your vote on one or more nominees.

Proposal 2 You may cast your vote in favor of or against this proposal, or you may elect to abstain from voting your shares.

How would my shares be voted if I do not specify how they should be voted?

If you sign and return your proxy card without indicating how you want your shares to be voted, the proxies appointed by the Board will vote your shares as follows:

Proposal 1 FOR the election of all seven director nominees with terms expiring at the 2008 Annual Meeting of Stockholders.

Proposal 2 FOR the approval of the PRB Energy, Inc. 2007 Equity Incentive Plan.

The proxies will vote in their discretion for any other matters properly coming before the Annual Meeting.

How are votes withheld, abstentions and broker non-votes treated?

Votes withheld and abstentions are deemed as present at the Annual Meeting, are counted for quorum purposes, will have the same effect as a vote against the matter. Abstentions will have the effect of a vote against the approval of the proposals. Broker non-votes, if any, while counted for general quorum purposes, will have no effect on the election of directors or approval of the 2007 Equity Compensation Plan unless the number of broker non-votes is so significant as to reduce the total number voting for the matter to less than a majority, which would have the effect of a vote against the matter.

Can I change my vote after I have mailed in my proxy card?

You may revoke your proxy by doing one of the following:

- (i) by sending a written notice of revocation to our Secretary that is received prior to the Annual Meeting, stating that you revoke your proxy;
- (ii) by signing a later-dated proxy card and submitting it so that it is received prior to the Annual Meeting in accordance with the instructions included in the proxy card(s); or
- (iii) by attending the Annual Meeting and voting your shares in person.

What vote is required to approve each proposal?

If a quorum is present, the affirmative vote of a majority present, in person or by proxy, is required to approve Proposal 1 and Proposal 2.

Who will count the votes?

Representatives from Corporate Stock Transfer, Inc., our transfer agent, will count the votes cast by proxy. Votes cast in person at the Annual Meeting will be counted by the person we appoint to act as election inspector for the meeting.

Who pays the cost of this proxy solicitation?

We will pay the costs of soliciting proxies. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock. In addition to the solicitation by mail, proxies may be solicited by our officers and other employees by telephone, facsimile or personal interview. Such persons will receive no compensation for their services other than their regular salaries. Arrangement will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the shares held of record by such persons, and we may reimburse such persons for reasonable out-of-pocket expenses incurred by them in so doing. We have also retained Corporate Stock Transfer, Inc. to assist in the solicitation of proxies for an estimated fee of \$700 plus reimbursement of reasonable expenses.

If you have any further questions about voting your shares or attending the Annual Meeting, please call Susan Wright at (303) 308-1330 Ext 105.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

All of the members of our Board of Directors are elected annually. At this meeting, seven directors are nominated for election to serve until the 2008 annual meeting of stockholders or until their successors are elected and qualified. Each of the nominees identified below were nominated by our Nominating Committee. Joseph W. Skeehan has informed us that he will not be standing for reelection at the meeting.

Shares represented by properly executed proxies will be voted in favor of the nominees unless a contrary specification is made in the proxy. All nominees are currently directors and have consented to serve as directors if elected. However, if any nominee is unable to serve or for good cause will not serve as a director, the proxy holders intend to vote in their discretion for a substitute who will be designated by the Board of Directors.

Vote Required

If a quorum is present, the affirmative vote of a majority present, in person or by proxy, is required to approve the election of directors.

The Board of Directors unanimously recommends voting FOR the election of the nominees.

NOMINEES FOR ELECTION AS DIRECTORS

Biographical information as of January 1, 2007, including principal occupation and business experience during the last five years, of each nominee for Director is set forth below.

Director

Gus J. Blass III Mr. Blass joined the Board in June 2006. He has been a General Partner of Capital Properties LLC since 1981. Capital Properties owns and manages over one million square feet of warehouse space in the Little Rock, Arkansas area and invests in public and private companies. Mr. Blass currently serves on the Board of Directors at Bancorp South, Cajuns Wharf Corporation and NutraCheck, Inc. Mr. Blass has a Bachelor of Science Degree in Finance and Banking from the University of Arkansas.

Age	Since
55	2006

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

52	2004
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Paul L. Maddock, Jr. Mr. Maddock joined the Board in February 2007. He has been President and Trustee of the Paul L. Maddock Marital Trust D/B/A The Maddock Companies for the past 20 years. The Maddock Companies is a diversified commercial and residential real estate management and securities investment company. He has served on the Board of Florida Public Utilities (FPU) and Flo Gas Corporation for eight years. Mr. Maddock is Chairman of the Corporation Governance Committee and a member of the Audit and Compensation Committees. FPU distributes natural gas, propane and electricity throughout Florida. He has also been a member of the Board of Directors of Lydian Bank and Trust where he is Chairman of the Audit Committee and a member of the Corporate Governance Committee. Formerly, he was Founding Member and Vice Chairman of Island National Bank, Director 1st United Bank, Director of Wachovia Bank of Florida (purchaser of 1st United) and Director of Alamac Knits a North Carolina company. He graduated from Brown University with an AB in English and a Minor in Political Science and Economics. 58 2007

Sigmund J. Rosenfeld Mr. Rosenfeld joined the Board in February 2007. He has been an independent geologist and consultant to the oil and gas industry since 1987. In 1978, he joined Thomas N. Jordan, Jr. as manager of Gulf Coast Venture and, in 1980, was a founder of Valex Petroleum Company, a public company, serving as its President until 1987. From 1970 to 1978, he was a founder and President of Juniper Petroleum Corporation, another public company. Prior to that, he was Assistant to the Chairman of Inexco Oil Company, worked for Wolf Land Company and was Vice President and Manager of Andex Oil Company in Calgary, Canada. Mr. Rosenfeld began his career in the oil and gas industry in 1955 as an exploration geologist with Shell Oil Company and Monsanto Chemical Company. Mr. Rosenfeld holds a BS degree in Geology from the University of Florida, a MS degree in Geology from Emory University and a JD degree from the University of Denver. 78 2007

Reuben Sandler, Ph.D Dr. Sandler joined the Board in October 2005. He has been Chairman and Chief Executive Officer of Intelligent Optical Systems, Inc., a research and development company developing technologies in optical sensing and instrumentation, since 1999. Before that he was President and Chief Information Officer for MediVox, Inc., a medical software development company, and prior to that was an Executive Vice President for Makoff R&D Laboratories, Inc. Dr. Sandler currently serves on the Board of Directors of JMG Exploration, Inc., Optech Ventures, LLC, and Optisense, LLC. He was a director of PASW, Inc. from 1999 to 2000 and a director of Alliance Medical Corporation from 1999 to 2002. Dr. Sandler received a Ph.D. from the University of Chicago, is the author of four books on the subject of mathematics and has held professorships at Victoria University of Wellington, the University of Chicago, the University of Illinois, the University of Hawaii and Technion University of Haifa. 70 2005

James P. Schadt Mr. Schadt joined the Board in October 2005. He retired as Chairman and Chief Executive of the Reader s Digest Association in 1997 and has since been involved in various board and private investment activities. He is currently a partner of Contagion, LLC, an operator of magazine publishing services, a director of LEK, a Boston-based consultancy specializing in shareholder value and a Life Trustee of Northwestern University. From 1980 to 1991, Mr. Schadt was with London-based Cadbury Schweppes plc serving on the Board of Directors and rising to Chief Executive Officer of the global beverages business. He has also served several not-for-profit organizations, including the Wallace Reader s Digest Funds, The American Enterprise Institute and the Norwalk (CT) Hospital. Mr. Schadt began his business career in the marketing department at Procter & Gamble following his graduation from Northwestern University with a BA in Arts and Sciences. 68 2005

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

68 2004

DIRECTOR NOT STANDING FOR REELECTION

Director

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

Age Since
52 2004

CORPORATE GOVERNANCE

Corporate Governance Principles and Board Matters

We are committed to sound corporate governance principles and practices. Our primary corporate governance documents, including current copies of our Code of Business Conduct and Ethics, and the Board's committee charters are available to the public on our internet website at www.prbenergy.com.

Independence of Directors

The Board has determined that Gus J. Blass III, Paul L. Maddock Jr., Sigmund J. Rosenfeld, Reuben Sandler and James P. Schadt have no material relationship with us, directly or indirectly, that would interfere with the exercise of independent judgment, and are independent within the meaning of the American Stock Exchange's (AMEX) director independence standards. In addition, the Board determined that Joseph Skeehan, our retiring director, and Justin Yorke, our former director, were independent within the meaning of the AMEX independence standards. Joseph Skeehan and Reuben Sandler also serve on the Board of JMG Exploration (JMG). JMG is indebted to us. Mr. Skeehan and Mr. Sandler's independence was based on a date prior to the transaction that indebted JMG to us. More detailed information can be found in Certain Transactions within this document.

Board Meetings

During 2006, our Board met 13 times. All directors attended at least 75% of the aggregate of (i) the total number of meetings of the Board during 2006 and (ii) the total number of meetings held by all committees of the Board on which such director served in 2006. We do not have a policy with regard to attendance of directors at annual meetings, but encourage all of our directors to attend the annual meeting. Two of our directors attended last year's annual meeting.

Committees of the Board

Audit Committee. The Board has an Audit Committee and at December 31, 2006, its members were Joseph W. Skeehan (Chairman), Reuben Sandler and James P. Schadt. During 2006, the Audit Committee met four times. Each member of the Audit Committee satisfies the independence standards specified in Section 121A of the AMEX listing standards and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (1934 Act). All current members of the Audit Committee are financially literate and are able to read and understand fundamental financial statements, including the balance sheet, income statement and statement of cash flows. The Board has determined that Joseph W. Skeehan qualified as an audit committee financial expert as defined within Section 229-401(h) of the 1934 Act. The Audit Committee operates pursuant to a written charter a current copy of which is available at www.prbenergy.com. As enumerated in the charter, the Audit Committee makes recommendations concerning the engagement of independent public accountants and reviews our quarterly and annual financial statements with the independent public accountants. The Audit Committee also reviews with the independent accountants the plans and results of the audit engagement, the range of audit and non-audit fees, and the integrity, adequacy and effectiveness of our disclosure controls and internal control over financial reporting. The Audit Committee oversees and periodically confirms the independence of our independent accountants, pre-approves services performed by our independent accountants and reviews the results of the audit and the independent accountant s report for each fiscal year with management and with the independent accountants. The Audit Committee also reviews all proposed transactions between us and persons that are considered related parties.

Compensation Committee. The Board has a Compensation Committee and at December 31, 2006, its members were James P. Schadt (Chairman), Gus J. Blass III and Joseph W. Skeehan. Each member of the Compensation Committee satisfies the independence standards specified in Section 121A of the AMEX listing standards. The Compensation Committee operates pursuant to a written charter a current copy of which is available at www.prbenergy.com. The Compensation Committee, among other things, advises the Board on all matters pertaining to compensation programs and policies, recommends for Board approval the compensation payable to each of our officers and administers our equity compensation plan. The Compensation Committee met three times in 2006.

The Compensation Committee considers the evaluations of the named executive officers prepared by the Chief Executive Officer and Chief Operating Officer, with the exception of the evaluation of the Chief Executive Officer, who was evaluated by the Compensation Committee when determining salary, bonus and equity amounts. Senior Management makes final compensation decisions. These decisions are ultimately subjective and specific compensation levels are not based on pre-established formulas.

Nominating Committee. In March 2006, the Board formed a Nominating Committee whose members at December 31, 2006 were former director Justin Yorke (Chairman), Gus J. Blass III and Joseph W. Skeehan. Each member of the Nominating Committee satisfies the independence standards specified in Section 121A of the AMEX listing standards.

The Nominating Committee, among other things, identifies, evaluates and recommends individuals qualified to be directors. In evaluating candidates for nomination to the Board, the Nominating Committee takes into account the applicable requirements for Directors under the 1934 Act and the listing standards of the AMEX. The Nominating Committee selects each nominee based on the nominee s knowledge, skills, expertise, integrity, judgment and business experience, with the objective that the Board as a whole should have broad and relevant experience in high policymaking levels in business and a commitment to representing the long-term interests of the stockholders. The Board of Directors believes that each nominee should have experience in positions of responsibility and leadership, an understanding of our business environment and a reputation for integrity.

When seeking candidates for director, the Nominating Committee solicits suggestions from incumbent directors, management, stockholders and others. The Nominating Committee evaluates each potential nominee individually and in the context of the Board as a whole. The objective is to recommend a group that will effectively contribute to our long-term success and represent stockholder interests. In determining whether to recommend a director for re-election, the Nominating Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board. The Nominating Committee met one time in 2006. The Nominating Committee recommended the director nominees listed in Proposal No. 1 Election of Directors for election to the Board. The Nominating Committee operates pursuant to a written charter a current copy of which is available at www.prbenergy.com.

Stockholder Procedures to Nominate Directors

The Nominating Committee will consider qualified candidates for possible nomination that are submitted by stockholders in accordance with our policies regarding director nominations. Any stockholder nominations will be evaluated using the same criteria as are applicable to persons nominated by other sources.

Stockholders wishing to make such a submission may do so by providing all information regarding the nominee that would be required under applicable Securities and Exchange Commission proxy rules, including (in addition to the information required in the bylaws or by applicable law): (i) the full name and resident address of nominee; (ii) the age of nominee; (iii) the principal occupation of the nominee for the past five years; (iv) any current directorship held on public company boards; (v) the number of shares of our common stock held by nominee, if any; and (vi) a signed statement of the nominee consenting to serve if elected. In addition, the stockholder making the nomination and the beneficial owner, if any, on whose behalf the nomination is being made must provide: (i) the name and address, as they appear on our books, of such record stockholder or such beneficial owner, (ii) the class and number of shares which are owned beneficially and of record by such stockholder or such beneficial owner and (iii) any material interest of the stockholder or such beneficial owner in the nominee or the nominee's election as a director. Such information should be sent to the Nominating Committee, PRB Energy, Inc., 1875 Lawrence Street, Suite 450, Denver, Colorado 80202.

In addition to potential director nominees submitted by stockholders, the Nominating Committee considers candidates submitted by directors, as well as self-nominations by directors and, from time to time in its sole discretion, it may consider candidates submitted by a third-party search firm hired for the purpose of identifying director candidates. The committee has not retained a third-party search firm to assist in the identification or evaluation of Board member candidates for election to the Board at the Annual Meeting, although it may do so in the future. The Nominating Committee investigates potential candidates and their individual qualifications, and evaluates all such candidates, including those submitted by stockholders, using the Board membership criteria described under Nominating Committee above.

Stockholder nominations for director should be delivered on or before December 22, 2007 for inclusion in the proxy statement for the 2008 Annual Meeting.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics to provide guidance on maintaining our commitment to being honest and ethical in our business endeavors. The Code of Business Conduct and Ethics covers a wide range of business practices, procedures and basic principles regarding corporate and personal conduct and applies to all of our directors, executives, officers and employees. A current copy of the Code of Business Conduct and Ethics is available on our website at www.prbenergy.com or may be obtained by written request submitted to the Secretary at PRB Energy, Inc., 1875 Lawrence Street, Suite 450, Denver, Colorado 80202. We intend to satisfy any disclosure requirements regarding

amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics by disclosing these items on our website.

Stockholder Communications with the Board

Any stockholder desiring to contact the Board, or any individual director, may do so by written communication directed to Gus J. Blass III the independent director who has been designated by the Board to receive such communications. Communications should be addressed to Gus J. Blass III, PRB Energy, Inc., 1875 Lawrence Street, Suite 450, Denver, Colorado 80202. Phone calls from stockholders will also be accepted at (303) 308-1330 Ext. 105. Any communications received that are directed to the Board will be processed by the Susan Wright, Vice President and Secretary, and distributed promptly to the Board or individual directors, as appropriate. If it is unclear from the communication received whether it was intended or appropriate for the Board, the Secretary will (subject to any applicable regulatory requirements) use his or her business judgment to determine whether such communication should be conveyed to the Board.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding our executive officers.

Name	Age	Positions
Robert W. Wright	68	Chairman, Chief Executive Officer and Director
William F. Hayworth	52	President, Chief Operating Officer and Director
Daniel D. Reichel	62	Vice President Finance and Treasurer
Paul W. Ritzdorf	43	Vice President Corporate Development

The principal occupation of each executive officer of the Company, for at least the past five years, is as follows:

Robert W. Wright Chairman of the Board and Chief Executive Officer. More detailed information regarding Mr. Wright's business experience is set forth under Nominees for Election as Directors.

William F. Hayworth Director, President, and Chief Operating Officer. More detailed information regarding Mr. Hayworth's business experience is set forth under Nominees for Election as Directors.

Daniel D. Reichel Vice President Finance and Treasurer. Mr. Reichel joined PRB in August 2006 as Vice President, Finance and Treasurer. He was formerly with Denver-based Bridge Petroleum, a private international oil and gas exploration company, where he served as chief financial officer from March 2005 to June 2006. In that position, he was responsible for all treasury and financial reporting, coordination of financing proposals with investment firms and the management of joint operating agreements with international project partners. From September 2004 to March 2005, he served as a senior accounting and finance manager with Black Hills Exploration & Production, Inc. of Golden, CO, responsible for all accounting and SEC financial reporting functions of this subsidiary of a publicly held company that operates in the Rocky Mountain region. During the previous three years, Mr. Reichel was an independent consultant to two privately-held oil and gas exploration companies in 2003 and 2004 and, in 2002, was a project leader for accounting and software consulting firms in the petroleum industry. Mr. Reichel started his career in 1971 in public accounting, and over the next three decades held senior-level accounting and finance positions for various public and private oil and gas companies based in the Denver area. He holds a Colorado license as a certified public accountant and a Bachelor of Science degree in Business Administration from the University of Nebraska.

Paul W. Ritzdorf Vice President Business Development. Mr. Ritzdorf joined us as Director of Business Development in May 2005. Prior to joining PRB, Mr. Ritzdorf was Manager of Business Development and Origination at Bear Paw Energy, LLC focusing on developing and maintaining gas gathering and processing business around Bear Paw's assets in the Powder River and Williston Basins. From 1999 to 2001, he was Director of IRU Management and Project Manager of Facility Construction for Enron Broadband Services. His responsibilities included conducting due diligence on fiber-optic systems exchanged through lease and swap agreements and monitoring the receipt and delivery of cross-country fiber-optic systems. From 1991 to 1999, Mr. Ritzdorf worked for Texaco Pipeline, Inc. as a Project Engineer designing, constructing, and maintaining crude oil transportation, storage, and delivery facilities in Texas, Louisiana, Washington, and California and then as a Business Development Representative identifying and developing new business opportunities and maximizing profitability of existing assets. From 1987 to 1991 Mr. Ritzdorf held various civil engineering positions with small and large engineering consulting firms. He has a Bachelor of Science degree in Civil Engineering from Kansas State University and an MBA from University of Phoenix.

EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management.

Based on the review and discussions referred to above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2007 Notice of Annual Meeting and Proxy Statement.

The Compensation Committee:

James P. Schadt (Chairman)

Gus J. Blass, III

Paul L. Maddock, Jr.

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis has been prepared by our management and reviewed by the Compensation Committee of our Board of Directors. After the review, the Compensation Committee recommended the inclusion of this compensation discussion and analysis in this proxy statement. See Compensation Committee Report.

Overview of Our Performance

Our financial and operational highlights for the year ended December 31, 2006 are summarized below:

- We increased production by 65.9% over 2005
- We increased revenues to \$4.8 million in 2006, a 53% increase over 2005
- We added approximately 5.2 Bcfe in proved reserves, increasing our proved reserves by approximately 1,100% from year-end 2005
- We increased our field and executive staffing significantly to manage and optimize the shareholder value of the above significant increase in reserves; importantly, we replaced our principal financial officer
- We had development success in the Powder River Basin

Compensation Philosophy and Objectives of Compensation Programs

Philosophy

Our Compensation Committee seeks to encourage growth in our natural gas reserves, production, cash flow and profitability in order to enhance stockholder value. To achieve these objectives, we believe it is critical to create and maintain compensation opportunities that attract and retain committed, highly qualified personnel by providing appropriate rewards and incentives. As part of this philosophy, in 2004 we established an equity compensation plan to further these objectives.

Elements of Compensation

To achieve those goals, we believe that the compensation of all employees, including executive officers, should include the following components:

- A base salary that is competitive with compensation offered by other companies with which we compete
- An opportunity for an individual's total compensation to compete with industry averages based on rewarding outstanding performance for increasing both company and stockholder values through the use of both cash bonuses and equity awards
- Annual incentive compensation in the form of cash bonuses to reward achievement of company-wide objectives, individual responsibility and productivity, high quality work and impact on our results, including company-wide performance and profitability
- Equity awards to reward performance, to provide incentive to increase stockholder value and thus total compensation and as a retention device through vesting provisions over time
- Case-specific compensation arrangements to accommodate individual circumstances or non-recurring situations as appropriate

Allocation among these components varies to address specific needs of individuals and circumstances. For example, additional long term incentives in the form of equity awards may be needed to attract candidates from other companies or to retain employees or officers being solicited by competitors. We also recognize that individual pay or benefits levels should reflect experience and our performance and needs. While we seek to differentiate in the compensation of employees in order to reward superior performance and higher levels of responsibility, we also believe it is necessary to review compensation of our employees in similar positions or at similar levels of management in order to retain qualified employees in the face of competition in the industry and for good employee relations.

Performance Evaluations

In determining salary, bonus and equity amounts, the Compensation Committee also considered the evaluations of the named executive officers prepared by the Chief Executive Officer and Chief Operating Officer, with the exception of the evaluation of the Chief Executive Officer, who was evaluated by the Compensation Committee. These individual evaluations focused on the significant accomplishments, individual performance levels, work quality, management skills and opportunities for improvement for each of the named executive officers.

Pay-for-Performance

While we review many criteria, which are described below, to attempt to measure performance, final compensation decisions are ultimately subjective and specific compensation levels are not based on pre-established formulas. We believe this approach is appropriate because the nature of our business is such

that an individual can successfully perform his or her duties but measurable goals may not be met due to circumstances outside his or her control, such as commodity prices, outside service provider costs, regulatory delays and other risks of the industry. We believe that, over the long term, the portion of compensation that consists of equity awards provides performance-based incentives related to increases in stock value over time and also serves as a retention device because the total value of these awards may only be realized over a four-year period. We believe that equity awards are an appropriate measure to use to provide incentive to our executives because equity most closely aligns executives interests with those of our stockholders. Also, we generally believe that our stock price is a fair measure of our long-term financial and operational performance.

Peer Group

In addition to individual performance criteria and position-specific considerations, the Compensation Committee considered the compensation levels of other small public and private energy companies operating in the Rocky Mountain Region in determining compensation for executive officers and other senior level employees.

Discussion of Compensation Elements and Performance Criteria

Base Salary

As described above under Elements of Compensation, executive officer salaries are reviewed by the Compensation Committee on an annual basis and are set for individual executive officers based on subjective evaluations of each individual officer's performance, our company's performance and a comparison to salary ranges for executives holding comparable positions at other independent companies in our industry. Through these criteria, the Compensation Committee and management believe that base salaries are set in a manner that is both competitive and reasonable within our industry and that allow us to attract and retain qualified executives in the face of competition from other independent energy companies. Based on these considerations, at the December 2006 and January 2007 meetings, the Compensation Committee set the following 2007 annual salaries:

Name	2006 Salary	2007 Salary
Robert Wright	\$ 200,000	\$ 240,000
Daniel Reichel(1)	\$ 52,500	\$ 145,000
William Hayworth	\$ 175,000	\$ 200,000