

EMPIRE PETROLEUM CORP  
Form 10-K  
March 27, 2015

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

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FORM 10-K

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☐ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

EMPIRE PETROLEUM CORPORATION  
(Exact name of registrant as specified in its charter)

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DELAWARE  
(State or Other Jurisdiction  
of Incorporation or  
Organization)

001-16653  
(Commission File Number)

73-1238709  
(I.R.S. Employer  
Identification No.)

165 S. Union Blvd., Union Tower, Suite 360, Lakewood, CO

80228

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(Address of principal executive offices)

(Zip Code)

(720) 627-5641

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(Registrant's telephone number, including area code, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: NONE

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Name of each exchange on which registered: N/A

Securities registered pursuant to 12(g) of the Act:

Title of each class: Common Stock, \$0.001 par value

Name of each exchange on which registered: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Smaller reporting  
company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the average bid and asked prices of the registrant's Common Stock on the last business day of the registrant's most recently completed second fiscal quarter was \$1,100,439.

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of March 1, 2015, was 8,710,609.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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## EMPIRE PETROLEUM CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS.

Background

Empire Petroleum Corporation, a Delaware corporation (the “Company” or “Empire”), was incorporated in the State of Utah in August 1983 under the name Chambers Energy Corporation and domesticated in Delaware in March 1985 under the name Americomm Corporation. The Company’s name was changed to Americomm Resources Corporation in July 1995. On May 29, 2001, Americomm Resources Corporation acquired Empire Petroleum Corporation, which became a wholly owned subsidiary of Americomm Resources Corporation. On August 15, 2001, Americomm Resources Corporation and Empire Petroleum Corporation merged and the Company’s name was changed to Empire Petroleum Corporation. The Company operates from leased office space at 165 S. Union Blvd., Union Tower, Suite 360, Lakewood, CO, and its telephone number is (720) 627-5641.

During the past three fiscal years and until December 30, 2014 and September 10, 2014, respectively, the Company has focused on the exploration of the Gabbs Valley Prospect and the evaluation of the South Okie Prospect, respectively, as further described below.

Gabbs Valley Prospect

Until December 30, 2014, the Company owned a working interest in oil and gas leases in Nye County, Nevada (the “Gabbs Valley Prospect”). The Albert E. Whitehead Living Trust (the “Whitehead Trust”) had advanced funds to the Company from time to time in the past. As of December 30, 2014, the total outstanding indebtedness owed by the Company to the Whitehead Trust was \$196,451. Albert E. Whitehead, the Chief Executive Officer of the Company and Chairman of its Board until January 20, 2015, is the trustee of the Whitehead Trust. Effective as of December 30, 2014, the Company exchanged its leasehold interest in its Gabbs Valley Prospect to Mr. Whitehead in exchange for the debt owed to the Whitehead Trust. At the time of such exchange, the Company’s interest in the Gabbs Valley Prospect was valued on its books at approximately \$191,715. The Company did not have the funds to pay rentals on such properties as they came due in 2015 and intended to let them expire. The exchange was approved by the disinterested directors at that time.

South Okie Prospect

Until September 10, 2014, the Company owned a working interest in oil and gas leases in Natrona County, Wyoming (the “South Okie Prospect”). On August 4, 2009, the Company purchased, for \$25,000 and payment of lease rentals of \$4,680, a nine month option to purchase oil and gas leases known as the South Okie Prospect in Natrona County, Wyoming. The option allowed the Company to purchase the leasehold interests for \$35,000. The Tensleep Sand at depths from 3,300 feet to 4,500 feet is the primary target. As of December 31, 2009, the Company acquired 11 miles of seismic data and studies of this data were completed in early January 2010. An additional geological study was also completed early January 2010. Based on these studies, the Company exercised its option in 2010. In October, 2012 the Company allowed one of the leases to terminate on the South Okie Prospect, Wyoming. As of December 31, 2013, the Company’s interest in the South Okie Prospect consisted of approximately 110 net acres of leases. On September 10, 2014, the Company re-assigned the aforementioned leases to the original owner, Viking Exploration, LLC, as required by the option agreement, since the Company had not drilled a well on the site.

New Directors and Executive Officers

On December 30, 2014, each of Albert E. Whitehead, the Company’s Chief Executive Officer and the Chairman of the Board, and Montague H. Hackett, Jr., a member of the Company’s Board of Directors, transferred and assigned all of

the common stock owned by them to Empire Petroleum Holdings, LLC, an Oklahoma limited liability company (“Empire Holdings”). In connection with such transaction, each of Montague H. Hackett, Jr. and Kevin R. Seth resigned from the Board of Directors effective as of January 16, 2015 and Albert E. Whitehead appointed two designees of Empire Holdings to fill such vacancies effective as of January 19, 2015. Empire Holdings designated J. C. Whorton, Jr., and Michael R. Morrisett to be appointed to the Board. Messrs. Whorton and Morrisett each own 45% of the equity interest of and are managers of Empire Holdings. Albert E. Whitehead resigned from the Company’s Board of Directors effective as of January 20, 2015. Effective as of January 21, 2015, the reconstituted Board of the Company appointed J. C. Whorton, Jr., as the new Chairman of the Board and Chief Executive and Michael R. Morrisett, as President, of the Company.

#### New Business

Messrs. Whorton and Morrisett have stated that the Company intends to continue its focus on the exploration and production of oil and gas.

#### Competition

The oil and gas business is extremely competitive. The Company must compete with many long-established companies with greater financial resources and technical capabilities. The Company is not a significant participant in the oil and gas industry.

## Markets; Price Volatility

The market price of oil and gas is volatile, subject to speculative movement and depends upon numerous factors beyond the control of the Company, including expectations regarding inflation, global and regional demand, political and economic conditions and production costs. Future profitability, if any, will depend substantially upon the prevailing prices for oil and gas. If the market price for oil and gas remains depressed in the future, it could have a material adverse effect on the Company's ability to raise additional capital necessary to finance operations. Lower oil and gas prices may also reduce the amount of oil and gas, if any, that can be produced economically from the Company's properties. The Company anticipates that the prices of oil and gas will fluctuate somewhat in the near future.

## Regulation

The oil and gas industry is subject to extensive federal, state and local laws and regulations governing the production, transportation and sale of hydrocarbons as well as the taxation of income resulting therefrom.

Legislation affecting the oil and gas industry is constantly changing. Numerous federal and state departments and agencies have issued rules and regulations applicable to the oil and gas industry. In general, these rules and regulations regulate, among other things, the extent to which acreage may be acquired or relinquished; spacing of wells; measures required for preventing waste of oil and gas resources; and, in some cases, rates of production. The heavy and increasing regulatory burdens on the oil and gas industry increase the Company's cost of doing business and, consequently, affect profitability.

Many times leases are granted by the federal government and administered by the BLM and the Minerals Management Service ("MMS") of the U.S. Department of the Interior, both of which are federal agencies. Such leases are issued through competitive bidding, contain relatively standardized terms and require compliance with detailed BLM and MMS regulations and orders (which are subject to change by the BLM and the MMS). Leases are also accompanied by stipulations imposing restrictions on surface use and operations. Operations to be conducted by the Company on federal oil and gas leases must comply with numerous regulatory restrictions, including various nondiscrimination statutes. Federal leases also generally require a complete archaeology and environmental impact assessment prior to the authorization of an exploration or development plan.

The oil and gas operations are also subject to numerous federal, state and local laws and regulations relating to environmental protection. These laws govern, among other things, the amounts and types of substances and materials that may be released into the environment, the issuance of permits in connection with exploration, drilling and production activities, the reclamation and abandonment of wells and facility sites and the remediation of contaminated sites. These laws and regulations may impose substantial liabilities if the Company fails to comply or if any contamination results from the Company's operations.

## Employees

The Company had one employee, a full-time secretary, through November 1, 2014. As of December 31, 2014, the Company had no employees. Mr. Albert E. Whitehead, the Company's Chairman and Chief Executive Officer until January 20, 2015, devoted a considerable amount of time to the affairs of the Company and received no compensation. On January 21, 2015, J. C. Whorton, Jr. was appointed as the Company's Chief Executive Officer and Michael R. Morrisett was appointed as the Company's President. Neither Mr. Whorton nor Mr. Morrisett currently receive any compensation from the Company.



Not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of December 31, 2014, the Company did not own any interest in oil and gas properties. As further described under Item 1, Business, the Company disposed of its interest in Gabbs Valley Prospect effective as of December 30, 2014 and the South Okie Prospect effective as of September 10, 2014.

ITEM 3. LEGAL PROCEEDINGS.

As of December 31, 2014, the Company was not subject to any legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5.ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

The Company's Common Stock is traded on the OTCQB under the symbol "EMPR".

The following table sets forth the high and low bid information for the Company's common stock during the time periods indicated.

Year ending December 31, 2013:

Quarter	High	Low
03/31/13	\$0.02	\$0.01
06/30/13	\$0.02	\$0.01
09/30/13	\$0.14	\$0.01
12/31/13	\$0.14	\$0.05

Year ending December 31, 2014:

Quarter	High	Low
03/31/14	\$0.65	\$0.01
06/30/14	\$0.65	\$0.05
09/30/14	\$0.35	\$0.15
12/31/14	\$0.15	\$0.10

Quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

At December 31, 2014, there were approximately -----200 stockholders of record of the Company's Common Stock.

Dividends

The Company has never paid cash dividends on its Common Stock. The Company intends to retain future earnings for use in its business and, therefore, does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

Recent Sales of Unregistered Securities

On December 11, 2012, the Company entered in a note conversion agreement with the Albert E. Whitehead Living Trust (the "Whitehead Trust"). Pursuant to the note conversion agreement, on December 11, 2012, the Company converted \$300,013 in debt owed by the Company to the Whitehead Trust into shares of Common Stock at a conversion rate of \$0.60 per share (post-split), resulting in the issuance of 500,021 shares of Common Stock to the Whitehead Trust. Upon the issuance of such shares, such debt owed by the Company to the Whitehead Trust was

deemed paid in full and certain notes issued by the Company and the other obligations relating to such debt were terminated. Albert E. Whitehead, the Chief Executive Officer of the Company and Chairman of its Board of Directors until January 20, 2015, is the trustee of the Whitehead Trust.

The Company completed a private placement to seven accredited investors on dates from February 12, 2015 through February 24, 2015, of 1,080,000 shares of its common stock, along with warrants to purchase up to 540,000 shares of the Company's common stock at an exercise price of \$0.25, for an aggregate purchase price of \$135,000. The warrants may be exercised at any time from the date of issuance until February 28, 2017.

The offers and sales related to the securities described above were not registered under the Securities Act of 1933, as amended, in reliance upon the exemption from the registration requirements of that act provided by section 4(2) thereof and Regulation D promulgated by the Securities and Exchange Commission thereunder. Each of the investors described above is a sophisticated accredited investor with the experience and expertise to evaluate the merits and risks of an investment in the Company's securities and the financial means to bear the risks of such an investment. In addition, each investor was provided access to all of the material information regarding the Company that such investor would have received if the offer and sale of the securities had been registered.

ITEM 6.

SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Note Regarding Forward-Looking Statements.

All statements, other than statements of historical fact, contained in this report are forward-looking statements. Forward-looking statements generally are accompanied by words such as "anticipate," "believe," "estimate," "expect," "may," "might," "potential," "project" or similar statements.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Factors that could cause results to differ materially from the results discussed in such forward-looking statements include:

- \* the need for additional capital,
- \* the costs expected to be incurred in exploration and development,
- \* unforeseen engineering, mechanical or technological difficulties in drilling wells,
- \* uncertainty of exploration results,
- \* operating hazards,
- \* competition from other natural resource companies,
- \* the fluctuations of prices for oil and gas,
- \* the effects of governmental and environmental regulation, and
- \* general economic conditions and other risks described in the Company's filings with the Securities and Exchange Commission (the "SEC").

Information on these and other risk factors are discussed under "Factors That May Affect Future Results" below. Accordingly, the actual results of operations in the future may vary widely from the forward-looking statements included herein, and all forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements in this paragraph.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief and expectations only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Factors That May Affect Future Results.

The Company does not have any significant on-going income producing oil and gas properties and has limited financial resources.

For the past three fiscal years, the Company has financed its operations primarily from sales of its equity securities and from loans made to the Company by Albert E. Whitehead, the Company's former Chief Executive Officer. There is no assurance that the Company will be able to continue to finance its operations through the sale of its equity securities, or through loans or advances by third parties.

The Company reported losses of \$(236,585) and \$(227,823) for the years ended December 31, 2014 and 2013, respectively. The Company also had an accumulated deficit of \$(14,724,309) as of December 31, 2014. The Company can provide no assurance that it will be profitable in the future and, if the Company does not become profitable, it may have to suspend its operations. As a result of the foregoing, the audit report of the Company's independent registered public accounting firm relating to the Company's financial statements has been modified because of a going concern uncertainty. If the Company is able to raise the funds necessary to continue its operations, its future performance will be dependent on the successful drilling results. The failure of drilling activities to achieve sufficient quantities of economically attractive reserves and production would have a material adverse effect on the Company's liquidity, operations and financial results.

The Company could be adversely affected by fluctuations in oil and gas prices.

Even if the Company's drilling activities achieve commercial quantities of economically attractive reserves and production revenue, the Company will remain subject to prevailing prices for oil, natural gas and natural gas liquids, which are dependent upon numerous factors such as weather, economic, political and regulatory developments and competition from other sources of energy. The volatile nature of the energy markets makes it particularly difficult to estimate future prices of oil, natural gas and natural gas liquids. Prices of oil, natural gas and natural gas liquids are subject to wide fluctuations in response to relatively minor changes in circumstances, and there can be no assurance that future prolonged decreases in such prices will not occur. All of these factors are beyond the control of the Company. Any significant decline in oil and gas prices could have a material adverse effect on the Company's liquidity, operations and financial condition.

The Company could be adversely affected by increased costs of service providers utilized by the Company.

In accordance with customary industry practice, the Company has relied and will rely on independent third party service providers to provide most of the services necessary to drill new wells, including drilling rigs and related equipment and services, horizontal drilling equipment and services, trucking services, tubulars, fracing and completion services and production equipment. The industry has experienced significant price fluctuations for these services during the last year and this trend is expected to continue into the future. These cost uncertainties could, in the future, significantly increase the Company's development costs and decrease the return possible from drilling and development activities, and possibly render the development of certain proved undeveloped reserves uneconomical.

The Company is subject to numerous drilling and operating risks.

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's operations may be curtailed, delayed or canceled as a result of title problems, weather conditions, compliance with governmental requirements, mechanical difficulties and shortages or delays in the delivery of equipment. In addition, the Company's properties may be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

The Company's insurance policies may not adequately protect the Company against certain unforeseen risks.

In accordance with customary industry practice, when the Company again begins conducting drilling operations, the Company intends to maintain insurance against some, but not all, of the risks described herein. There can be no assurance that any insurance will be adequate to cover the Company's losses or liabilities. The Company cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase.

The Company is subject to various environmental risks, and governmental regulation relating to environmental matters.

The Company is subject to a variety of federal, state and local governmental laws and regulations related to the storage, use, discharge and disposal of toxic, volatile or otherwise hazardous materials. These regulations subject the Company to increased operating costs and potential liability associated with the use and disposal of hazardous materials. Although these laws and regulations have not had a material adverse effect on the Company's financial condition or results of operations, there can be no assurance that the Company will not be required to make material expenditures in the future. Moreover, the Company anticipates that such laws and regulations will become increasingly stringent in the future, which could lead to material costs for environmental compliance and remediation by the Company. Any failure by the Company to obtain required permits for, control the use of, or adequately restrict the discharge of hazardous substances under present or future regulations could subject the Company to substantial liability or could cause its operations to be suspended. Such liability or suspension of operations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's activities are subject to extensive governmental regulation. Oil and gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and gas operations are subject to regulation under federal, state and local laws and regulations

primarily relating to protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the operations of the Company. There can be no assurance that the trend of more expansive and stricter environmental legislation and regulations will not continue.

The Company is subject to intense competition.