

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

EMPIRE PETROLEUM CORP  
Form 10-Q  
May 13, 2011

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 March 31, 2011

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 001-16653

EMPIRE PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	73-1238709
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4444 E. 66th Street, Lower Annex, Tulsa, Oklahoma 74136-4207  
(Address of principal executive offices)

(918) 488-8068  
(Registrant's telephone number, including area code)

Not Applicable

---

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check 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 (Sec. 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.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

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 Exchange Act).  Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS:

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of May 13, 2011 was 83,129,235.

# Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

## INDEX TO FORM 10-Q

	Page
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheets at March 31, 2011 (Unaudited) and December 31, 2010	1
Statements of Operations - Three months ended March 31, 2011 and 2010 (Unaudited)	2
Statements of Cash Flows - Three months ended March 31, 2011 and 2010 (Unaudited)	3
Notes to Financial Statements	4-8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10
Item 4. Controls and Procedures	10
Part II. OTHER INFORMATION	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	11
Item 6. Exhibits	11
Signatures	12

PART I. FINANCIAL INFORMATION  
Item 1. FINANCIAL STATEMENTS

# Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

## EMPIRE PETROLEUM CORPORATION

### BALANCE SHEETS

	March 31, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash	\$ 41,861	\$ 68,689
Accounts receivable (net of allowance of \$3,750 at March 31, 2011 and December 31, 2010)	61,964	45,915
Prepaid expenses	4,218	7,336
<b>Total current assets</b>	<b>108,043</b>	<b>121,940</b>
Property & equipment, net of accumulated depreciation and depletion	255,215	255,215
<b>Total assets</b>	<b>\$ 363,258</b>	<b>\$ 377,155</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 51,079	\$ 149,065
Note payable - related party	100,000	0
<b>Total current liabilities</b>	<b>151,079</b>	<b>149,065</b>
<b>Total liabilities</b>	<b>151,079</b>	<b>149,065</b>
Stockholders' equity:		
Common stock - \$.001 par value, authorized 100,000,000 shares, issued and outstanding 83,129,235 and 83,069,235 shares, respectively	83,129	83,069
Additional paid in capital	13,957,867	13,904,142
Accumulated deficit	(13,828,817)	(13,759,121)
<b>Total stockholders' equity</b>	<b>212,179</b>	<b>228,090</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 363,258</b>	<b>\$ 377,155</b>

See accompanying notes to unaudited financial statements.

-1-

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF OPERATIONS

(UNAUDITED)

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

	Three Months Ended	
	March 31,	
	2011	2010
Revenue:		
Petroleum sales	\$ 0	\$ 0
	<u>0</u>	<u>0</u>
Costs and expenses:		
Production & operating	(11,279)	9,930
General & administrative	80,732	67,061
	<u>69,453</u>	<u>76,991</u>
Operating loss	<u>(69,453)</u>	<u>(76,991)</u>
Other income and (expense):		
Interest income	7	1,641
Interest expense	(250)	0
	<u>(243)</u>	<u>1,641</u>
Total other income and (expense)	<u>(243)</u>	<u>1,641</u>
Net income (loss)	<u>\$ (69,696)</u>	<u>\$ (75,350)</u>
Net income (loss) per common share, basic and diluted	<u>\$ (.00)</u>	<u>\$ (.00)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>83,121,145</u>	<u>77,069,412</u>

See accompanying notes to unaudited financial statements.

-2-

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CASH FLOWS

(UNAUDITED)

Three Months Ended

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

	March 31, 2011	March 31, 2010
Cash flows from operating activities:		
Net loss	\$ (69,696)	\$ (75,350)
Adjustments to reconcile net loss to net cash used in operating activities:		
Value of services contributed by employee Stock incentive plan expense	12,500 11,295	12,500 16,380
Change in operating assets and liabilities:		
Accounts receivable	(16,049)	0
Prepaid expenses	3,118	0
Accounts payable and accrued liabilities	(67,996)	991
Net cash used in operating activities	(126,828)	( 45,479)
Cash flows from investing activities:		
Acquisition of lease acres	0	( 17,500)
Net cash provided by (used in) investing activities	0	( 17,500)
Cash flows from financing activities:		
Proceeds from private equity placement	0	285,000
Proceeds from related party, note payable	100,000	0
Net increase (decrease) in cash	( 26,828)	222,021
Cash - Beginning of period	68,689	1,171,565
Cash - End of period	\$ 41,861	\$1,393,586
Supplemental Disclosure for Non Cash Items:		
Common Stock issued for accounts payable	\$ 29,990	0

See accompanying notes to unaudited financial statements.

-3-

EMPIRE PETROLEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

(UNAUDITED)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

The accompanying unaudited financial statements of Empire Petroleum Corporation ("Empire" or the "Company") have been prepared in accordance with United States generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, the results of operations, and the cash flows for the interim period are included. All adjustments are of a normal, recurring nature. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The information contained in this Form 10-Q should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2010 which are contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 23, 2011.

The Company has incurred significant losses in recent years. The continuation of the Company as a going concern is dependent upon the ability of the Company to attain future profitable operations. These financial statements have been prepared on the basis of United States generally accepted accounting principles applicable to a company with continuing operations, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption were not appropriate for these financial statements, then adjustments might be necessary to adjust the carrying value of assets and liabilities and reported expenses.

The Company continues to explore and develop its oil and gas interests. The ultimate recoverability of the Company's investment in its oil and gas interests is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Company's interest in the oil and gas interests, the ability of the Company to obtain necessary financing to further develop the interests, and the ability of the Company to attain future profitable production.

As of March 31, 2011, the Company had \$41,861 of cash on hand. In order to sustain the Company's operations on a long-term basis, the Company continues to look for merger opportunities and consider public or private financings.

### Compensation of Officers and Employees

The Company's only executive officer serves without pay or other compensation.

-4-

The fair value of these services is estimated by management and is recognized as a capital contribution. For the three months ended March 31, 2011, the Company recorded \$12,500 as a capital contribution by its executive officer.

### Fair Value Measurements

The Financial Accounting Standards Board ("FASB") fair value measurement standards defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. The Company's primary marketable asset is cash, and it owns no marketable securities.

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

### 2. PROPERTY AND EQUIPMENT:

#### GABBS VALLEY PROSPECT

The Company's leasehold acreage at March 31, 2011 consisted of 48,541 acres. The Company's ownership is now 50%.

As of December 31, 2005, there had been no wells drilled on the Gabbs Valley Prospect. However, in November 2005, the Company received the results of a 19-mile 2-D swath seismograph survey conducted on the prospect and, based on the results of the survey, the Company and its partners determined that a test well should be drilled on the prospect. The Company also elected to increase its interest in the prospect by taking a farm-in from Cortez Exploration LLC (formerly O. F. Duffield). Empire agreed to pay Cortez \$675,000 in lease costs plus 45% of the costs associated with the drilling of a test well to earn an additional 30% working interest which made its total working interest 40%. The lease block of 44,604 acres was increased to 75,521 acres by the acquisition of an additional 30,917 acres from the Department of the Interior (Bureau of Land Management) in June 2006. The block was reduced to 75,201 acres due to the expiration of one 320-acre lease during 2007. In 2008 and 2009, the

Company acquired leases on 17,624 additional acres through federal lease sales, bringing its total to 92,825 acres.

After reaching 5,195 feet in connection with drilling this first test well, the Company and its partners elected to suspend operations on the well, release the drilling rig, and associated equipment and personnel to evaluate the drilling and logging data. After the study was completed, Empire and its partners decided to conduct a thorough testing program on the well. The Company re-entered the well on April 17, 2007 and conducted a series of drill stem tests and recovered only drilling mud. It was then determined after considerable study that the formation is likely very sensitive to mud and water used in drilling which may have caused clays in the formation to swell preventing any oil that might be present to flow into the well bore. During 2007, the Company increased its interest in the prospect leases to 57% when one of the joint participants elected to surrender its 30% share of the prospect. The Company and its joint owners assumed liabilities of approximately \$68,000 to acquire this interest.

In 2008, the Company and its partners engaged W. L. Gore and Associates to carryout an Amplified Geochemical Imaging Survey which covered approximately sixteen square miles. The survey was concentrated along the apex of the large Cobble Cuesta structure which included the areas around the Empire Cobble Cuesta 1-12 exploratory test and the other test well drilled in the immediate area. Both of these tests encountered oil shows and the geochemical survey

-5-

indicated potential hydrocarbons beyond the two well bores. A new Federal drilling unit was formed and approved by the Bureau of Land Management. This unit was known as the Paradise Drilling Unit and contained 40,073 acres out of our total lease block then containing 92,825 acres.

In July 2010, the Company entered into a farm-in agreement with its joint lease holders holding a 41% working interest in the 40,073 acre Paradise Unit. On July 19, 2010, the Company commenced drilling a test well in the Paradise Unit on the Gabbs Valley Prospect in Nevada. The Company drilled the Paradise Unit 2-12 test well to a depth of 4,250 feet before drilling problems caused the Company to cease drilling. The Company tested the well between 3,700 feet and 3,782 feet where oil shows had been found. The Company recovered small amounts of oil containing paraffin, which may have



## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

been restricting the oil flow. However, swab tests failed to increase the oil flow and the Company has suspended operations on the well and reassigned the lease and the 1-12 and 2-12 wells to the other leasehold owners from which the Company had taken a farmout. The new owners plan to do further testing on the 2-12 well and assumed the liabilities associated with the lease and both the 1-12 and 2-12 wells. Further testing by the new owners is expected in the second quarter of 2011 pending financing. The Company will utilize the results of the testing and other factors to determine its next actions with respect to the Gabbs Valley leasehold.

### Sale of Working Interest

In October 2010, the Company sold 7% of its working interest in the Gabbs Valley Prospect leases for \$700,000. In connection with such sale, the purchasers were granted a working interest in the Paradise Unit 2-12 well, unit leases and an option to participate in the farmin of the non-unit leases, which option has expired.

### 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 2,630 net acres of 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. The Tensleep is an excellent oil reservoir with the potential of 700 barrels of oil per acre foot recovery. 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. Further engineering studies have estimated the reserve potential of this prospect at between 1,000,000 to 4,000,000 barrels of oil. Subject to securing additional financing and/or engaging an industry partner, the Company plans to drill or cause to be drilled a test well in 2011.

### 3. NOTE PAYABLE - RELATED PARTY

On February 1, 2011 the Albert E. Whitehead Living Trust, under the terms of a convertible note, advanced \$100,000 to the Company. The note has a term of one (1) year and accrues interest at the rate of four (4) percent per annum. The principal and interest owed under the note may be converted by the holder into common stock at the strike price of \$0.10 per share.

-6-

### 4. EQUITY

As of March 31, 2011, the Company had outstanding warrants that expire in June and July 2011. Fair values of the warrants were estimated at the date of issuance using the Black-Scholes Option Valuation Model with the following weighted average assumptions: risk free interest rate of .3%, volatility factor of the expected market price of the Company's common stock of 155%, no dividend yield, and a weighted average expected life of the warrants of one year. The outstanding warrants were valued at \$101,250, which had no income statement effect.

On March 17, 2010, John C. Kinard, a member of the Company's Board of Directors, was issued options to purchase 70,000 shares of the Company's common stock under the 2006 Stock Incentive Plan at a strike price of \$0.25 per share. The options immediately vested and expire after ten years. The

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

Company recorded an expense of \$16,380 for the options. Fair values were estimated at the date of grant of the options, using the Black-Scholes Option Valuation Model with the following weighted average assumptions: risk free interest rate of 3.65%, volatility factor of the expected market price of the Company's common stock of 162%, no dividend yield, and a weighted average expected life of the options of 5 years. For the purpose of determining the expected life of the options, the Company utilizes the Simplified Method as defined in Staff Accounting Bulletin No. 107 issued by the SEC.

On September 9, 2010, Alfred H. Pekarek, a consulting geologist to the Company was issued options to purchase 50,000 shares of the Company's common stock under the 2006 Stock Incentive Plan at a strike price of \$0.26 per share. The options immediately vested and expire after ten (10) years. The Company recorded an expense of \$11,700 for the options. Fair values were estimated at the date of grant of the options, using the Black-Scholes Option Valuation Model with the following weighted average assumptions: risk free interest rate of 2.77%, volatility factor of the expected market price of the Company's common stock of 142%, no dividend yield, and a weighted average expected life of the options of 5 years. For the purpose of determining the expected life of the options, the Company utilizes the Simplified Method as defined in Staff Accounting Bulletin No. 107 issued by the SEC.

On February 28, 2011, Kevin R. Seth, a new member of the Company's Board of Directors, was issued options to purchase 150,000 shares of the Company's common stock under the 2006 Stock Incentive Plan at a strike price of \$0.10 per share. The options immediately vested and expire after ten years. The Company recorded an expense of \$11,295 for the options. Fair values were estimated at the date of grant of the options, using the Black-Scholes Option Valuation Model with the following weighted average assumptions: risk free interest rate of 3.42%, volatility factor of the expected market price of the Company's common stock of 172%, no dividend yield, and a weighted average expected life of the options of 5 years. For the purpose of determining the expected life of the options, the Company utilizes the Simplified Method as defined in Staff Accounting Bulletin No. 107 issued by the SEC.

Diluted EPS gives effect to all dilutive potential common shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on losses. As a result, if there is a loss from continuing operations, Diluted EPS is computed in the same manner as Basic EPS. At March 31, 2011, the Company had 1,245,000 options and 2,222,226 warrants outstanding,

-7-

that were not included in the calculation of earnings per share for the period then ended. Such financial instruments may become dilutive and would then need to be included in future calculations of Diluted EPS. At March 31, 2011, the outstanding options and warrants were considered anti-dilutive since the strike prices was above the market price and since the Company has incurred losses year to date.

In January 2010, the Company received stock subscriptions of \$285,000 as a part of its then ongoing private placement offering, which concluded on January 26, 2010. The subscribers received 4,071,428 shares of stock valued at \$.07 per share. Subsequent to the private placement, the Company determined that it needed to enter into the farm-in agreement and raise additional funds in order to drill the 2-12 well on the Gabbs Valley Prospect.

In July 2010, the Company completed its most recent private placement offering by issuing 4,444,446 shares of common stock, with an aggregate purchase price of

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

\$400,000 and 2,222,226 warrants to purchase shares of common stock at a price of \$.50, which expire in June and July, 2011, as applicable. Proceeds from the private placement were utilized for the Company's share of costs to drill the 2-12 well on the Gabbs Valley Prospect (See Note 2).

Proceeds of the June-July 2010 private placement were allocated \$101,250 to common stock warrants and \$298,750 to common stock and paid in capital. The value of the warrants was estimated using the Black-Scholes Valuation Model with the following weighted average assumptions: risk free interest rate of .30%, no dividend yield, volatility factor of the expected market price of the Company's common stock of 157%, and a weighted average expected life of the warrants of one year.

### 5. SUBSEQUENT EVENTS

Subject to final documentation, the Company has agreed to issue 435,000 shares of the Company's common stock to a drilling company to settle an account payable of \$43,500 which was the balance of the 2-12 drilling costs.

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

#### RESULTS OF OPERATIONS

##### GENERAL TO ALL PERIODS

The Company's primary business is the exploration and development of oil and gas interests. The Company has incurred significant losses from operations, and there is no assurance that it will achieve profitability or obtain the funds necessary to finance its operations. For all periods presented, the Company's effective tax rate is 0%. The Company has generated net operating losses since inception, which would normally reflect a tax benefit in the statement of operations and a deferred asset on the balance sheet. However, because of the current uncertainty as to the Company's ability to achieve profitability, a valuation reserve has been established that offsets the amount of any tax benefit available for each period presented in the statements of operations.

THREE MONTH PERIOD ENDED MARCH 31, 2011, COMPARED TO THREE MONTH PERIOD ENDED MARCH 31, 2010.

-8-

Production and operating expenses decreased \$21,209 to \$(11,279) for the three months ended March 31, 2011, from \$9,930 for the same period in 2010. The decrease was primarily due to costs related to the Gabbs Valley Prospect in 2010 while 2011 reflects refunds of certain drilling costs which were expensed in 2010.

General and administrative expenses increased by \$13,671 to \$80,732 for the three months ended March 31, 2011, from \$67,061 for the same period in 2010. The increase was primarily due to issuance of stock options to the newest member of the Company's Board of Directors and increased insurance costs in 2011.

There was no depreciation expense attributable to the three months ended March 31, 2011 or December 31, 2010 because the depreciable assets were fully depreciated.

For the reasons discussed above, net loss decreased \$5,654 from \$(75,350) for the three months ended March 31, 2010, to \$(69,696) for the three months ended March 31, 2011.

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

### RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. The Company has reviewed the recently issued pronouncements and no new accounting standards have been adopted since the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 was filed.

### LIQUIDITY AND CAPITAL RESOURCES

#### GENERAL

As of March 31, 2011, the Company had \$41,861 of cash on hand. The Company believes that its cash on hand will allow it to finance its operations for the next six months. In order to sustain the Company's operations on a long-term basis, the Company intends to continue to look for merger opportunities and consider public or private financings. The Company plans to undertake further exploration of the Gabbs Valley and South Okie Prospects in 2011. The Company will likely look to industry partners to drill the next wells on these prospects.

#### OUTLOOK

As stated elsewhere in this Form 10-Q, on May 1, 2007, after further testing of the Company's 1-12 well in the Gabbs Valley Prospect, the Company decided to partially plug and abandon the well since no hydrocarbons were recovered. However, the Company was encouraged by the data it acquired in connection with the drilling, logging and testing of the well. Such data, additional studies of such data, the assistance of geological and engineering consultants and an Advanced Geochemical Imaging Survey conducted in December 2008 led the Company to determine that further drilling was warranted. It is possible that excessive mud exposure in the hole for over five months seriously impeded the process of recovering hydrocarbons. It was determined that a new test well should be drilled using a different method of drilling.

The Company drilled the Paradise Unit 2-12 well to a depth of 4,250 feet before drilling problems caused the Company to cease drilling. The Company recovered

-9-

small amounts of oil containing paraffin, which may have been restricting the oil flow. However, swab tests failed to increase the oil flow and the Company suspended operations on the well and reassigned the lease and the 1-12 and 2-12 wells to the other leasehold owners from which the Company had taken a farmout. The new owners plan to do further testing on the 2-12 well and assumed the liabilities associated with the lease and both the 1-12 and 2-12 wells. Further testing by the new owners is expected in the second quarter pending financing. The Company will reassess its plans for the Gabbs Valley leasehold, however, additional studies indicate potential drill sites exist on the remaining acreage and the Company plans to attempt to get industry partner(s) to drill another test well this year on this prospect.

Subject to securing additional financing and/or engaging an industry partner, the Company plans to drill or cause to be drilled a test well on its South Okie Prospect in 2011.

#### MATERIAL RISKS

The Company has incurred significant losses from operations and there is no assurance that it will achieve profitability or obtain the funds necessary to finance continued operations. For other material risks, see the Company's

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

Form 10-K for the period ended December 31, 2010, which was filed on March 23, 2011.

### FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, including this section, includes certain statements that may be deemed "forward-looking statements" within the meaning of federal securities laws. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including future sources of financing and other possible business developments, are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties and could be affected by a number of different factors, including the Company's failure to secure short and long-term financing necessary to sustain and grow its operations, increased competition, changes in the markets in which the Company participates and the technology utilized by the Company and new legislation regarding environmental matters. These risks and other risks that could affect the Company's business are more fully described in reports it files with the SEC, including its Form 10-K for the fiscal year ended December 31, 2010. Actual results may vary materially from the forward-looking statements.

The Company undertakes no duty to update any of the forward-looking statements in this Form 10-Q.

### Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision of the Company's Chief Executive Officer (and principal financial officer) of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, the Company's Chief Executive Officer (and principal financial officer) has concluded that the disclosure controls and procedures as of the end of the period covered by this report are effective. During the period covered by this report, there was no change in the Company's internal controls over financial reporting that has materially affected or that is reasonably likely to materially affect the Company's internal control over financial reporting.

-10-

### PART II. OTHER INFORMATION

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 1, 2011, the Company sold The Albert E. Whitehead Living Trust (the "Trust") that certain Convertible Note Due February 1, 2012, in the principal amount of \$100,000 (the "Convertible Note"). Albert E. Whitehead, the Company's Chief Executive Officer and a member of the Company's board of directors, is the trustee of the Trust. The Trust paid the Company \$100,000 for the Convertible Note. The Convertible Note accrues interest at a rate of 4% per annum. The Convertible Note may be converted at any time prior to February 1, 2012 into shares of the Company's common stock, at an initial conversion price of \$0.10 per share of common stock.

On or about February 24, 2011, the Company settled an outstanding invoice of a third party service provider in the net amount of \$54,900 by paying \$25,000 in cash and issuing 60,000 shares of Common Stock.

Subject to final documentation and subsequent to the quarter ended March 31, 2011, the Company agreed to issue 435,000 shares of its common stock to Riley Paige Oilfield Services to settle an account payable of \$43,500 which was the balance of the 2-12 drilling costs.

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

The offer and sale of 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 SEC thereunder. All of the purchasing parties are sophisticated investors with the experience and expertise necessary to evaluate the merits and risks of an investment in the Company's stock and the financial means to bear the risks of such an investment.

### Item 6. Exhibits

- 10 Convertible Note Due February 1, 2012 (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated February 1, 2011, which was filed on February 7, 2011).
- 31 Certification of Chief Executive Officer (and principal financial officer) pursuant to Rules 13a - 14 (a) and 15(d) - 14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(1) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32 Certification of Chief Executive Officer (and principal financial officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).

-11-

### EMPIRE PETROLEUM CORPORATION 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.

EMPIRE PETROLEUM CORPORATION

Date: May 13, 2011

By: /s/ Albert E. Whitehead

\_\_\_\_\_  
Albert E. Whitehead  
Chairman, Chief Executive  
Officer and Principal  
Financial Officer

### EXHIBIT INDEX

- | NO. | DESCRIPTION                                                                                                                                                                     |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10  | Convertible Note Due February 1, 2012 (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated February 1, 2011, which was filed on February 7, 2011). |

## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

- 31 Certification of Chief Executive Officer (and principal financial officer) pursuant to Rules 13a - 14 (a) and 15(d) - 14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(1) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32 Certification of Chief Executive Officer (and principal financial officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).

EXHIBIT 31

### CERTIFICATION

I, Albert E. Whitehead, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Empire Petroleum Corporation;
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;

-12-

4. The registrant's other certifying officer(s) 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

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

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(s) 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.

May 13, 2011

/s/ Albert E. Whitehead  
Albert E. Whitehead,  
Chief Executive Officer and  
Principal Financial Officer

EXHIBIT 32

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 Empire Petroleum Corporation (the "Company") on Form 10-Q for the period ending March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert E. Whitehead, Chief Executive Officer (and principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 13, 2011

/s/ Albert E. Whitehead  
Albert E. Whitehead  
Chief Executive Officer and  
Principal Financial Officer



## Edgar Filing: EMPIRE PETROLEUM CORP - Form 10-Q

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.