

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

EMPIRE PETROLEUM CORP
Form 10QSB/A
February 08, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB/A

Amendment No. 1

(Mark One)

Quarterly Report Under Section 13 OR 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2005

Transition Report Under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission file number 001-16653

EMPIRE PETROLEUM CORPORATION

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

8801 S. Yale, Suite 120, Tulsa, Oklahoma 74137-3575
(Address of principal executive offices)

(918) 488-8068
(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, \$.001 Par Value - 42,830,190 shares outstanding as of June 30, 2005.

Transitional Small Business Disclosure Format: Yes No

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

EMPIRE PETROLEUM CORPORATION

INDEX TO FORM 10-QSB/A

Part I. FINANCIAL INFORMATION	Page
Item 1. Financial Statements	
Balance Sheet at June 30, 2005 (Unaudited)	1
Statements of Operations for the three months and six months ended June 30, 2005 and 2004 (Unaudited)	2
Statements of Cash Flows for the six months ended June 30, 2005 and 2004 (Unaudited)	3
Notes to Financial Statements	4-8
Item 2. Management's Discussion and Analysis	8-11
Item 3. Controls and Procedures	11
Part II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	11
Signatures	12

Explanatory Note

This Form 10-QSB/A is being filed by Empire Petroleum Corporation (the "Company"), as Amendment No. 1 (this "Amendment" or "Form 10-QSB/A"), to the Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2005 (the "Prior Form 10-QSB").

As previously reported in the Company's Current Report on Form 8-K filed on November 21, 2005, the Board of Directors of the Company concluded on November 16, 2005 that its previously issued annual and quarterly financial statements for fiscal years 2003 and 2004 and quarterly financial statements for the first two quarters of 2005 should not be relied upon because of errors in those financial statements and that the Company would restate its previously issued annual financial statements for fiscal year 2003, annual and quarterly financial statements for fiscal year 2004 and quarterly financial statements for the first two quarters of 2005 to make the necessary accounting adjustments. The restatement pertains to the Company's accounting for exit activities in connection with its office space in Canada, which was leased by the former management of the Company, abandoned upon the resignation of such management and subleased by a third party for a period of time thereafter.

This Amendment is being filed in connection with the restatement described above. Although this Amendment amends and restates the Prior Form 10-QSB in its entirety, the information contained herein has not been updated to reflect events or developments that may have occurred subsequent to June 30, 2005, except to the limited extent as specifically described in Items 2 and 3 of Part I below.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EMPIRE PETROLEUM CORPORATION

BALANCE SHEET

	June 30
	2005
	Restated
	(Unaudited)
ASSETS	
Current assets:	
Cash	\$ 439,910
Accounts receivable (net of allowance of \$3,750)	80,987
Total current assets	<u>520,897</u>
Property & equipment, net of accumulated depreciation and depletion	527,109
Total Assets	<u>\$ 1,048,006</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 120,624
Accounts payable to related party	274,682
Note payable	95,771
Total current liabilities	<u>491,077</u>
Total liabilities	<u>491,077</u>
Stockholders' deficiency:	
Common stock at par value	42,830
Warrants to purchase common stock	67,875
Additional paid in capital	8,870,260
Accumulated deficit	(8,424,036)
Total stockholders' deficiency	<u>556,929</u>
Total liabilities and stockholder's deficiency	<u>\$ 1,048,006</u>

See accompanying notes to financial statements.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005 Restated	2004 Restated	2005 Restated	2004 Restated
Revenue:				
Petroleum sales	\$ 73,178	\$ 1,497	\$ 74,358	\$ 36,104
	<u>73,178</u>	<u>1,497</u>	<u>74,358</u>	<u>36,104</u>
Costs and expenses:				
Production & operating	(6,097)	17,652	18,929	39,772
General & administrative	39,886	35,172	82,222	79,182
Reversal of accrued lease Obligation	(222,561)	0	(222,561)	0
	<u>(188,772)</u>	<u>52,824</u>	<u>(121,410)</u>	<u>118,954</u>
Operating income (loss)	<u>261,950</u>	<u>(51,327)</u>	<u>195,768</u>	<u>(82,850)</u>
Other (income) and expense:				
Miscellaneous	(2,132)	(5,814)	(4,401)	(7,998)
Interest expense	1,725	1,725	3,450	3,450
	<u>(407)</u>	<u>(4,089)</u>	<u>(951)</u>	<u>(4,548)</u>
Total other (income) expense	<u>(407)</u>	<u>(4,089)</u>	<u>(951)</u>	<u>(4,548)</u>
Net income (loss)	\$ <u>262,357</u>	\$ <u>(47,238)</u>	\$ <u>196,719</u>	\$ <u>(78,302)</u>
Net income (loss) per common share	\$.01	\$.00	\$.01	\$.00
Weighted average number of common shares outstanding	<u>39,219,079</u>	<u>37,830,190</u>	<u>39,219,079</u>	<u>37,830,190</u>

See accompanying notes to financial statements.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
	June 30,	June 30,
	2005 Restated	2004 Restated
Cash flows from operating activities:		
Net income (loss)	\$ 196,719	\$ (78,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Value of services contributed by employees	25,000	25,000
Reversal of accrued lease obligation	(222,561)	0
(Increase) decrease in assets:		
Accounts receivable	(71,778)	3,564
Prepaid expenses	0	2,651
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(51,066)	(18,347)
Net cash used in operating activities	<u>(123,686)</u>	<u>(65,434)</u>
Cash flows from financing activities:		
Advances from related party	60,190	45,344
Proceeds from private equity placement	500,000	0
Net cash provided by financing activities	<u>560,190</u>	<u>45,344</u>
Net increase (decrease) in cash	436,504	(20,090)
Cash - Beginning	3,406	21,622
Cash -Ending	<u>\$439,910</u>	<u>\$ 1,532</u>

See accompanying notes to financial statements.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(UNAUDITED)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

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-QSB. 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. See Note 4 for a description of non-recurring adjustments. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The information contained in this Form 10-QSB should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2004, which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the SEC) on March 31, 2005.

The Company has been incurring 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 upon the ability to attain future profitable production.

In 2003, the Company engaged a partner to explore its Cheyenne River Prospect, and signed an agreement to acquire a 10% interest in a block of acreage in the Gabbs Valley Prospect of western Nevada. In June 2005, the Company completed a private placement of 5,000,000 shares of its common stock along with warrants to purchase 1,250,000 shares of its Common Stock for an aggregate purchase price of \$500,000. Subject to certain restrictions, the warrants may be exercised for a period of one year at an exercise price of \$0.25

-4-

per share. Proceeds of the private placement were allocated \$67,875 to common stock warrants and \$432,125 to common stock and paid-in capital. These funds

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

will be used for general corporate purposes and to pay the Company's share of the costs associated with its 10% interest in the Gabbs Valley Oil Prospect in Nevada. The Company believes that its available cash as of June 30, 2005 will be sufficient to finance its operations through the next twelve 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.

Compensation of Officers and Employees

The Company's only executive officer serves without pay or other compensation. The fair value of these services is estimated by management and is recognized as a capital contribution. For the three months ended June 30, 2005, the Company recorded \$12,500 as a capital contribution by its executive officer.

2. NOTES PAYABLE:

In December 2001, the Company executed a note with Weatherford U.S., L.P. to satisfy an outstanding indebtedness for service in the drilling of the Timber Draw #1-AH well. The principal amount of this note was \$108,334 with interest payments at 10% per annum commencing on May 27, 2001, until all interest and principal amounts are paid in full. Timely payments were made in accordance with the terms of this note through March 2002. In April 2002, the "payee" of this note agreed to a revised payment schedule extending final payment of \$66,997 from April 10, 2002, until June 10, 2002. In connection with this payment schedule, an initial payment of \$10,000 was made in April 2002, however, since that time, no further payments have been made. At June 30, 2005, \$95,771 was due under this note.

3. PROPERTY AND EQUIPMENT:

At December 31, 2002, the Company's management determined that an impairment allowance of \$6,496,614 was necessary to properly value the Company's oil and gas properties bringing the net book value of the oil and gas properties to \$594,915. The basis for the impairment was the determination by the United States Bureau of Land Management (BLM) that it does not consider the Timber Draw #1-AH well economic. In other words, under the BLM's criteria for economic determination, the well will not pay out the cost incurred to drill and complete the well. The BLM also advised the Company that since it did not commence another test well prior to August 12, 2002, the Timber Draw Unit was terminated. Furthermore, a bottom hole pressure survey conducted in April 2002 indicated a limited reservoir for the well. The value was calculated using an estimated \$10 per acre market price for the leases multiplied by the Company's working interest.

In the first quarter 2003, the Company recorded an additional leasehold impairment charge of \$190,066 as a result of the assignment of the leases on 42,237 acres in the Cheyenne River Prospect (See Note 5).

On May 8, 2003, the Company entered into an agreement with O.F. Duffield (Duffield Agreement) to acquire a ten percent (10%) interest in a block of acreage in the Gabbs Valley Prospect by agreeing to issue 2,000,000 shares of the Company's Common Stock to Mr. Duffield for such 10% interest. The shares were issued in July 2003. This block of acreage in the Gabbs Valley Prospect consists of federal leases covering approximately 45,000 acres in Nye and Mineral Counties, Nevada in which Mr. Duffield has a 100% working interest. Pursuant to the Duffield Agreement, the Company is also entitled to

-5-

acquire up to a 10% interest in a block of 26,080 acres also located in the Gabbs Valley Prospect should Duffield acquire an interest in this block. The shares were valued at \$.10 per share based on the closing price of the Company's common stock on the date of issuance.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

4. CONTINGENCIES:

The Company's former management (Messrs. McGrain and Jacobsen) entered into a lease agreement for office space in Canada. This office was closed after Messrs. McGrain and Jacobsen resigned as officers of the Company. This lease agreement calls for monthly lease and tax payments of approximately \$6,834 (Canadian) through April of 2006. The Company accrued its obligation under the lease through the term of the lease. During the second quarter of 2005, the Company determined that the statute of limitations had expired with respect to its obligation under the lease. Accordingly, the Company reversed expenses of \$222,561, including foreign exchange gains of \$4,401 for the six months ended June 30, 2005, previously recorded for the lease.

5. CHEYENNE RIVER PROSPECT:

On March 28, 2003, a third party paid approximately \$84,485 of the Company's lease rentals on 42,237 acres in the Cheyenne River Prospect in return for an assignment of such leases. In connection with this transaction, the Company retained an overriding royalty of 1.5% on 33,597 of the acres and a 2% overriding royalty on 8,640 of the acres.

On March 31, 2004, a third party paid approximately \$52,128 of the Company's lease rentals on 32,643 acres in the Cheyenne River Prospect in exchange for an option to drill a test well in order to earn an interest in the farmout block, which option was subject to the third party first completing a seismic survey covering 16 square miles in the Cheyenne River Prospect. This survey was completed in September of 2003. The processing and interpreting of the data from such survey was completed September 30, 2003, and earned the third party a 25% interest in the Timber Draw #1-AH well and prospect acreage. This third party commenced a test well in the NW/4NE/4 Section 15, Twp 39N, Rge 66W, Niobrara County, Wyoming, known as the Empire Hooligan Draw Unit #1-AH, on August 6, 2004. The well was drilled horizontally to a measured drilling depth of 9,332 feet. As a result of this earning well being drilled the Company's working interest in the Hooligan Draw #1-AH well and prospect acreage was reduced to 26.785% and to 17.5% of the Timber Draw #1-AH well. This well has undergone testing using different choke and orifice sizes during this reporting period, and a flow rate of 15 barrels of oil per day was achieved in mid April however it did not sustain this rate and remedial work was carried out on it and the Timber Draw #1-AH, however it did not improve the wells. The producing procedure used in the past whereby the Timber Draw #1-AH well is shut-in 30 days then produced for about 10 days will be continued. Other remedial work is currently being considered.

6. RESTATEMENT:

On November 11, 2005, the Company filed a Form 8-K with the SEC disclosing that it would restate its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004, and quarterly financial statements for the first two quarters of 2005 after determining that it had erroneously accounted for its exit activities in connection with its former office space in Canada.

In the third quarter of 2003, the Company recorded an expense for its

-6-

obligation under the lease for the period up to the balance sheet date. It continued to record an expense of \$13,200 per quarter through March 31, 2005 related to the lease (see Note 4). After further review, the Company's management determined that it should have accrued an obligation for the lease equal to total amounts owed from the "cease use date" (the date in January

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

2003 on which the Company's subtenant moved out of the office space) through the end of the lease term. Additionally, since the lease obligation was in Canadian dollars, the Company should have recorded a currency exchange gain or loss on its obligation in each quarter. Based on this analysis, the Company and its Board of Directors concluded that its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004 and quarterly financial statements for the first two quarters of 2005 required adjustments of the amounts previously reported for accounts payable and accrued liabilities, and general and administrative expenses. The following table summarizes the adjustments required to previously reported amounts included in these financial statements.

	3 Months Ended June 30, 2005		6 Months Ended June 30, 2005	
	Previously Reported	As Restated	Previously Reported	As Restated
Petroleum sales	73,178	73,178	74,358	74,358
Cost & Expenses:				
Production & Operation	(6,097)	(6,097)	18,929	18,929
General & Administrative	39,886	39,886	95,422	82,222
Reversal of accrued lease Obligation	(158,400)	(222,561)	(158,400)	(222,561)
	<u>(124,611)</u>	<u>(188,772)</u>	<u>(44,049)</u>	<u>(121,410)</u>
Operating income	<u>197,789</u>	<u>261,950</u>	<u>118,407</u>	<u>195,768</u>
Other (income) expense:				
Miscellaneous	-	(2,132)	-	(4,401)
Interest Expense	1,725	1,725	3,450	3,450
	<u>1,725</u>	<u>(407)</u>	<u>3,450</u>	<u>(951)</u>
Net income	<u>196,064</u>	<u>262,357</u>	<u>114,957</u>	<u>196,719</u>
Net income per share	<u>.00</u>	<u>.01</u>	<u>.00</u>	<u>.01</u>
	3 Months Ended June 30, 2004		6 Months Ended June 30, 2004	
	Previously Reported	As Restated	Previously Reported	As Restated
Petroleum sales	1,497	1,497	36,104	36,104
Cost & Expenses:				
Production & Operation	17,652	17,652	39,772	39,772
General & Administrative	48,372	35,172	105,582	79,182
	<u>66,024</u>	<u>52,824</u>	<u>145,354</u>	<u>118,954</u>
Operating loss	<u>(64,527)</u>	<u>(51,327)</u>	<u>(109,250)</u>	<u>(82,850)</u>
	-7-			
Other (income) expense:				
Miscellaneous	(128)	(5,814)	(153)	(7,998)
Interest Expense	1,725	1,725	3,450	3,450
	<u>1,597</u>	<u>(4,089)</u>	<u>3,297</u>	<u>(4,548)</u>

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

Net loss	(66,124)	(47,238)	(112,547)	(78,302)
Net loss per share	.00	.00	.00	.00
	.00	.00	.00	.00

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

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 funds necessary to finance its operations. Sales revenue for all periods presented is attributable to the production of oil from the Company's Timber Draw #1-AH and the Hooligan Draw #1-AH wells located in the Eastern Powder River Basin in the State of Wyoming, otherwise known as the Cheyenne River Prospect.

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.

RESTATEMENT

On November 11, 2005, the Company filed a Form 8-K with the SEC disclosing that it would restate its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004, and quarterly financial statements for the first two quarters of 2005 after determining that it had erroneously accounted for its exit activities in connection with its former office space in Canada.

In the third quarter of 2003, the Company recorded an expense for its obligation under the lease for the period up to the balance sheet date. It continued to record an expense of \$13,200 per quarter through March 31, 2005 related to the lease (see Note 4 to the financial statements). After further review, the Company's management determined that it should have accrued an obligation for the lease equal to total amounts owed from the "cease use date" (the date in January 2003 on which the Company's subtenant moved out of the office space) through the end of the lease term. Additionally, since the lease obligation was in Canadian dollars, the Company should have recorded a currency exchange gain or loss on its obligation in each quarter. Based on this analysis, the Company and its Board of Directors concluded that its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004 and quarterly financial statements for the first two quarters of 2005 required adjustments of the amounts previously reported for accounts payable and accrued liabilities, and general and administrative expenses. The effect of the restatement was to increase the previously reported net income by \$66,293 and \$81,762 for the

-8-

three months and six months ended June 30, 2005. The restatement increased net income per share to \$.01 for both the three and six month periods ended June 30, 2005.

THREE MONTH PERIOD ENDED JUNE 30, 2005, COMPARED TO THREE MONTH PERIOD ENDED JUNE 30, 2004.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

For the three months ended June 30, 2005, sales revenue increased \$71,681 to \$73,178, compared to \$1,497 for the same period during 2004. The increase in sales revenue was the result of production from the Timber Draw #1-AH and the Hooligan Draw #1-AH wells. For the three months ended June 30, 2005, sales volume increased to 1,137 barrels, compared to -0- barrels for the same period in 2004. The average realized per barrel oil price was \$46.66 for the three months ended June 30, 2005.

Production and operating expenses decreased \$23,749 to \$(6,097) for the three months ended June 30, 2005, from \$17,652 for the same period in 2004. This decrease was primarily attributable to the re-negotiation, settlement and reimbursement of costs previously incurred for the Company's Cheyenne River and Gabbs Valley Prospects.

General and administrative expenses increased by \$4,714 to \$39,886 for the three months ended June 30, 2005, from \$35,172 for the same period in 2004. Expense amounts were consistent with the prior years.

There was no depreciation or depletion expense attributable to the three months ended June 30, 2005 and 2004, because the depreciable assets were fully depreciated.

For the three months ended June 30, 2005, interest expense remained at \$1,725 which is the same as for the three months ended June 30, 2004. The Company accrued interest on the Weatherford note in both periods.

For the reasons discussed above, net income increased \$309,595 from \$(47,238) for the three months ended June 30, 2004, to \$262,357 for the three months ended June 30, 2005.

SIX MONTH PERIOD ENDED JUNE 30, 2005, COMPARED TO SIX MONTH PERIOD ENDED JUNE 30, 2004.

For the six months ended June 30, 2005, sales revenue increased \$38,254 to \$74,358, compared to \$36,104 for the same period during 2004. The increase in sales revenue was the result of improved oil prices and additional production attributable to the Hooligan Draw #1-AH well. For the six months ended June 30, 2005, sales volume increased 543 barrels to 2,021 barrels, compared to 1,478 barrels for the same period in 2004. The average realized per barrel oil price increased 37% from \$24.76 for the six months ended June 30, 2004 to \$33.88 for the six months ended June 30, 2005.

Production and operating expenses decreased \$20,843 to \$18,929 for the six months ended June 30, 2005, from \$39,772 for the same period in 2004. This decrease was primarily attributable to the re-negotiation, settlement and reimbursement of costs previously incurred for the Company's Cheyenne River and Gabbs Valley Prospects.

General and administrative expenses increased by \$3,040 to \$82,222 for the six months ended June 30, 2005, from \$79,182 for the same period in 2004. Expense amounts were consistent with the prior year.

-9-

There was no depreciation or depletion expense attributable to the six months ended June 30, 2005 and 2004, because the depreciable assets were fully depreciated.

For the six months ended June 30, 2005, interest expense remained at \$3,450 which is the same as for the six months ended June 30, 2004. The Company accrued interest on the Weatherford note in both periods.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

For the reasons discussed above, net income increased \$275,021 from \$(78,302) for the six months ended June 30, 2004, to \$196,719 for the six months ended June 30, 2005.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

As of June 30, 2005 the Company had \$439,910 of cash on hand. In June 2005, the Company completed a private placement of 5,000,000 shares along with warrants to purchase 1,250,000 shares of its Common Stock for an aggregate purchase price of \$500,000. For more information regarding this private placement, see the Company's current report on Form 8-K, which was filed with the SEC on June 9, 2005. The cash from this funding will enable the Company to pay its share of a seismic survey on its Gabbs Valley Prospect, Nevada, which is expected to be approximately \$35,000 and to fund its share of a well to be drilled on the Nevada Prospect which is estimated to be \$150,000. After such payment, the Company believes it will have sufficient funds to pay its normal operational costs of approximately \$10,000 per month for the next 12 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.

As of June 30, 2005, the Company owes approximately \$95,771 including accrued interest to Weatherford U.S., L.P. for services rendered by Weatherford.

ADVANCES FROM RELATED PARTY

Through March 31, 2005, the Company financed its operations primarily through advances made to the Company by the Albert E. Whitehead Living Trust, of which the Company's Chairman of the Board and Chief Executive Officer, Mr. Whitehead, is the trustee. At June 30, 2005 the Company is indebted to the Albert E. Whitehead Living Trust in the amount of \$274,682.

MATERIAL RISKS

The Company has incurred significant losses from operations and there is no assurance that it will achieve profitability or obtain funds necessary to finance continued operations. For other material risks, see the Company's form 10-KSB for the period ended December 31, 2004, which was filed March 31, 2005.

FORWARD-LOOKING INFORMATION

This quarterly report on Form 10-QSB, 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

-10-

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 Securities and Exchange Commission, including its Form 10-KSB for the fiscal year ended December 31, 2004. Actual results may vary materially from the forward-looking statements. The Company undertakes no duty to update any of

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

the forward-looking statements in this Form 10-QSB.

Item 3. CONTROLS AND PROCEDURES

As of June 30, 2005, 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 the 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) concluded that the Company's disclosure controls and procedures were effective at such time. However, prior to the date of the filing of this Form 10-QSB/A and as a result of the Company's decision to restate its financial statements as described under the "Explanatory Note" in this Form 10-QSB/A above, the Company completed a second 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 as of June 30, 2005. In connection with this second evaluation and based upon the Company's decision to restate its financial statements for the quarterly period ended June 30, 2005, the Company's Chief Executive Officer (and principal financial officer) concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2005.

PART II. OTHER INFORMATION

Item 6. Exhibits

31 Certification of Chief Executive Officer (and principal financial officer) pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-B, 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).

EMPIRE PETROLEUM CORPORATION

SIGNATURES

In accordance with the requirements of the Exchange Act, the small business issuer caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMPIRE PETROLEUM CORPORATION

-11-

Date: February 8, 2006

By: /s/ Albert E. Whitehead

Albert E. Whitehead
Chairman/CEO

EXHIBIT INDEX

NO. DESCRIPTION

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

31 Certification of Chief Executive Officer (and principal financial officer) pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-B, 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, Chief Executive Officer (and principal financial officer) of Empire Petroleum Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

-12-

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

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

Edgar Filing: EMPIRE PETROLEUM CORP - Form 10QSB/A

(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 small business issuer'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 small business issuer's internal control over financial reporting.

February 8, 2006

/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-QSB for the period ending June 30, 2005 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.

February 8, 2006

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

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.