

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, 2004

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 - 37,830,190 shares outstanding as of June 30,
2004.

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, 2004 (Unaudited)	1
Statements of Operations for the three months and six months ended June 30, 2004 and 2003 (Unaudited)	2
Statements of Cash Flows for the six months ended June 30, 2004 and 2003 (Unaudited)	3
Notes to Financial Statements	4-8
Item 2. Plan of Operation	8-12
Item 3. Controls and Procedures	12
Part II. OTHER INFORMATION	
Item 6. Exhibits	12
Signatures	13

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, 2004 (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, 2004, 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

Item 1. FINANCIAL STATEMENTS

EMPIRE PETROLEUM CORPORATION

BALANCE SHEET

	June 30, 2004 Restated (Unaudited)
ASSETS	
Current assets:	
Cash	\$ 1,532
Accounts receivable	17,498
Total current assets	19,030
Property & equipment, net of accumulated depreciation and depletion	527,109
Total Assets	\$ 546,139
 LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 358,146
Accounts payable to related party	175,524
Note payable	88,871
Total current liabilities	622,541
Total liabilities	622,541
Stockholders' deficiency:	
Common stock at par value	37,830
Additional paid in capital	8,393,135
Accumulated deficit	(8,507,367)
Total stockholders' deficiency	(76,402)
Total Liabilities and Deficiency	\$ 546,139

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,	
	2004 Restated	2003 Restated	2004 Restated	2003 Restated
Revenue:				
Petroleum sales	\$ 1,497	\$ 33,888	\$ 36,104	\$ 33,888
	<u>1,497</u>	<u>33,888</u>	<u>36,104</u>	<u>33,888</u>
Costs and expenses:				
Production & operating	17,652	21,882	39,772	39,117
General & administrative	35,172	72,727	79,182	279,761
Depreciation expense	0	30,000	0	31,028
Leasehold impairment	0	0	0	190,066
	<u>52,824</u>	<u>124,609</u>	<u>118,954</u>	<u>539,972</u>
Operating loss	<u>(51,327)</u>	<u>(90,721)</u>	<u>(82,850)</u>	<u>(506,084)</u>
Other (income) and expense:				
Miscellaneous	(5,814)	17,202	(7,998)	22,066
Interest expense	1,725	0	3,450	0
Gain on sale of assets	0	(2,201)	0	(2,201)
	<u>(4,089)</u>	<u>15,001</u>	<u>(4,548)</u>	<u>19,865</u>
Total other (income) and expense	<u>(4,089)</u>	<u>15,001</u>	<u>(4,548)</u>	<u>19,865</u>
Net loss	\$ <u>(47,238)</u>	\$ <u>(105,722)</u>	\$ <u>(78,302)</u>	\$ <u>(525,949)</u>
Net loss per common share	\$.00	\$.00	\$.00	\$ (.02)
Weighted average number of common shares outstanding	<u>37,830,190</u>	<u>35,830,190</u>	<u>37,830,190</u>	<u>31,205,630</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
2004 2003	June 30,	June 30,
	Restated	Restated
Cash flows from operating activities:		
Net loss	\$ (78,302)	\$ (525,949)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	0	31,028
Leasehold impairment	0	190,066
Gain on sale of assets	0	(2,201)
Value of services contributed by employees	25,000	25,000
(Increase) decrease in assets:		
Accounts receivable	3,564	182
Prepaid expenses	2,651	3,920
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(18,347)	268,932
Net cash used in operating activities	(65,434)	(9,022)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	0	7,311
Net cash provided by investing activities	0	7,311
Cash flows from financing activities:		
Advances from related party	45,344	0
Net cash provided by financing activities	45,344	0
Net decrease in cash	(20,090)	(1,711)
Cash - Beginning	21,622	5,454
Cash -Ending	\$ 1,532	\$ 3,743
Non-cash investing and financing activities:		
Common stock issued for accounts payable and accrued liabilities	\$ 0	\$278,441
Common Stock issued for notes and debentures payable	\$ 0	\$220,000

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(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 (consisting of only normal recurring 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. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

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, 2003 which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the SEC) on March 30, 2004.

The continuation of the Company 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. The Company has been incurring significant losses in recent years and has a significant working capital deficiency as of June 30, 2004. The Company also recognized an impairment charge of \$6,496,614 on its oil and gas property in 2002 and an additional impairment charge of \$190,066 in the first quarter of 2003.

The Company believes it is the intention of the Company's Chief Executive Officer, or a trust controlled by him, to continue funding the Company's basic expenses through December 31, 2004, or until such time as the Company secures other sources of financing. However, there can be no assurance that such funds will be provided by Mr. Whitehead or an affiliate of Mr. Whitehead. In 2003, the Company engaged a partner to explore its Cheyenne

-4-

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 order to sustain the Company's operations on a long term basis, the Company intends to continue to

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

look for merger opportunities and consider public or private financings.

Compensation of Officers and Employees

The Company's executive officer serves without pay or other non-equity compensation. The fair value of these services is estimated by management and is recognized as a capital contribution. For the six months ended June 30, 2004, the Company recorded \$25,000 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, 2004, \$88,871 was due under this note.

In addition, on March 17, 2003, the Company issued 2,842,243 shares of Company common stock as payment for notes payable to related parties of \$220,000 plus accrued interest of \$22,601. Also, on March 17, 2003, the Company issued 7,653,970 shares of Company common stock as payment for accounts payable totaling \$255,840. Of this amount, \$238,986 was payable to the Company's executive officer.

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

-5-

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 acquire

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

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.

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. No lease payment was made subsequent to December of 2002 and, in January of 2003, the Company was notified that the lease had been terminated without prejudice to the landlord's right to hold the Company liable for future damages related to lost rent. The Company has recorded a liability of \$203,371 in the June 30, 2004, financial statements for payments due under the lease. The foreign currency exchange gain of \$7,845 associated with the lease obligation is reported in miscellaneous income.

5. PAYMENT OF LEASE RENTALS:

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, 2003, 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 #1-AH well and prospect acreage. This third party has advised Empire it elects to drill a test well and a new Federal Drilling Unit has been formed on which to test (utilize) the seismic data. Preparations are being made to drill a test well in the third quarter of 2004.

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 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

-6-

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

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

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, 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 income (loss)	<u>(64,527)</u>	<u>(51,327)</u>	<u>(109,250)</u>	<u>(82,850)</u>
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>
Net income (loss)	<u>(66,124)</u>	<u>(47,238)</u>	<u>(112,547)</u>	<u>(78,302)</u>
Net income (loss) per share	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

	3 Months Ended June 30, 2003		6 Months Ended June 30, 2003	
	Previously Reported	As Restated	Previously Reported	As Restated
Petroleum sales	33,888	33,888	33,888	33,888
Cost & Expenses:				
Production & Operation	21,882	21,882	39,117	39,117
General & Administrative	72,727	72,727	100,854	279,761
Depreciation Expense	30,000	30,000	31,028	31,028
Leasehold Impairment	-	-	190,066	190,066
	<u>124,609</u>	<u>124,609</u>	<u>361,065</u>	<u>539,972</u>
Operating income (loss)	<u>(90,721)</u>	<u>(90,721)</u>	<u>(327,177)</u>	<u>(506,084)</u>
Other (income) expense:				
	-7-			
Miscellaneous	(19)	17,202	(2,043)	22,066
Gain on Sale of Assets	(2,201)	(2,201)	(2,201)	(2,201)
Interest Expense	-	-	-	-
	<u>(2,220)</u>	<u>15,001</u>	<u>(4,244)</u>	<u>19,865</u>

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

Net income (loss)	(88,501)	(105,722)	(322,933)	(525,949)
Net income (loss) per share	.00	.00	(.01)	(.02)

June 30, 2004
Previously Reported As Restated

ASSETS

Current Assets:

Cash	1,532	1,532
Accounts Receivable	17,498	17,498
Total Current Assets	19,030	19,030
Property, Plant & Equipment (net)	527,109	527,109
Total Assets	546,139	546,139

LIABILITIES & STOCKHOLDERS EQUITY

Current Liabilities:

Accounts payable & accrued expenses	273,575	358,146
Accounts payable - related party	175,524	175,524
Note payable	88,871	88,871
Total current liabilities	537,970	622,541
Total liabilities	537,970	622,541

Stockholders' equity:

Common stock	37,830	37,830
Additional paid in capital	8,393,135	8,393,135
Accumulated deficit	(8,422,796)	(8,507,367)
Total stockholder's equity	8,169	(76,402)
Total liabilities and stockholders' equity	546,139	546,139

Item 2. PLAN OF OPERATION

The Company has no significant on-going income producing oil and gas properties at June 30, 2004. To date, the Company's operations have been primarily financed through sales of its Common Stock and loans from related parties. The Company's limited revenues have been generated by its Timber Draw #1-AH well, which is further described below.

-8-

Pursuant to that certain Americomm Cheyenne River Prospect Agreement dated March 4, 1998, as amended (the "Prospect Agreement"), the Company paid \$234,500 in March 1998 to cover the initial expenses of acquiring leases in an oil and gas prospect in the Eastern Powder River Basin in the State of Wyoming (the "Cheyenne River Prospect"). Also in accordance with the Prospect Agreement, the Company issued an aggregate of 566,000 shares of Common Stock and agreed to grant overriding royalty interests to five individuals as

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

consideration for services performed and to be performed in connection with the acquisition and exploration of the Cheyenne River Prospect.

Prior to the Company acquiring Empire Petroleum Corporation, the Company entered into that certain farmout agreement dated November 15, 2000 by and among the Company, Empire Petroleum Corporation and certain other partners. Pursuant to such Farmout Agreement, drilling of the Timber Draw #1-AH well commenced during December of 2000 within the 25,000 acre Timber Draw Federal Drilling Unit included in the Cheyenne River Prospect. The following parties participated with Empire Petroleum Corporation in the drilling of the Timber Draw #1-AH well at the following participation levels: Maxy Resources, LLC (25%), Enterra Energy Corp. (formerly Big Horn Resources Ltd.) (15%) and 74305 Alberta Ltd. (10%). The drilling of the Timber Draw #1-AH well was completed at a total measured depth of 10,578 feet, of which the last 2,030 feet were drilled horizontally through the Newcastle "B" formation. The Timber Draw 1-AH encountered flows of oil and gas during the horizontal drilling. Thereafter, the Company conducted a series of production methods on its Timber Draw Unit #1-AH well during the period from February 13, 2001 to June 22, 2001. During the test period, the well flowed 8,139 barrels of 44 degree light gravity sweet crude and 29,072,000 cubic feet of natural gas with a BTU content of 1,493 and rich in natural gas liquids. The well was shut-in on June 22, 2001 to conserve the natural gas, which was flared during the test period. A bottom hole pressure survey of the Timber Draw #1-AH well conducted in April of 2002 indicated a limited reservoir for this well.

The Bureau of Land Management ("BLM") advised the Company that it did not consider the Timber Draw Unit #1-AH well economic. In other words, under the BLM's criteria for economic determination, the well would not pay out the cost incurred to drill and complete the well. The Company planned on initiating additional drilling during the second half of 2002; however, due to poor financial market conditions, the Company was unable to raise the funds necessary to complete such drilling. The BLM also advised the Company that since it did not commence another test well prior to August 12, 2002, the Timber Draw Unit had been terminated.

Beginning in April of 2003, the Company initiated testing of the well for 10 days per month for an extended period by authority of the BLM. During the test periods indicated below, the #1-AH well produced the following number of barrels in 2003 and 2004:

Month	Days in Test Period	Number Of Barrels
April (2003)	7	1,335
June	10	1,421
July	10	1,321
August	10	1,029
October	10	954
November	10	693
January (2004)	13	585
February	11	479
March	17	389

-9-

All of the Company's limited revenues in 2003 and 2004 were attributable to the above described production from its #1-AH well. The well was not tested in the second quarter of 2004, but is expected to be tested at least 10 days in July of 2004. The test results will be evaluated to determine what future production practice might be utilized.

Through the period ended June 30, 2004, the Company has been actively engaged in seeking viable sources of financing to support continued operations and to

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

continue its drilling plan. However, the Company has not been able to raise the funds necessary to conduct its drilling program. As a result, in 2003, the Company entered into arrangements with certain third parties in an attempt to commercially exploit its properties. On March 19, 2003, another company agreed to pay the lease rentals totaling \$84,485 on 42,237 acres in the Cheyenne River Prospect in return for an assignment of the leases. The Company retained an overriding royalty of 1.5% on 33,597 acres and a 2% overriding royalty on approximately 8,640 acres. The third party paid the lease rentals on March 28, 2003.

As of June 30, 2004, the Company owns a thirty three and one-third percent (33.33%) working interest in the Timber Draw #1-AH well. The Company's working interest in the #1-AH well, was reduced from 50% by virtue of the terms of a Farmout Agreement dated May 7, 2004, by and among the Company, Maxy Gold Corp. and Enterra Energy Corp., as Farmors, JED Oil (USA) Inc., as the Farmee, and 74305 Alberta, Ltd. as a Participant, pursuant to which Enterra Energy Corp. completed a 16 square mile seismic program and earned a 25% interest in the 1-AH well effective October 1, 2003. Enterra Energy Corp. earned the right to drill a new test well on the farmout lands for which it will earn an additional interest in the #1-AH. Upon the completion of this new test well, the Company's interest in the #1-AH well will be reduced to 17.5% and its working interest in the balance of the 36,410 gross acres of leases currently held by the Company will be reduced to 26.8%. The Company will have no cost obligation associated with the new test well. In order to drill the test well, a new Federal Unit has been formed and is known as the Hooligan Draw Unit. The new test well will be drilled by JMG Exploration, Inc., as an assignee of JED Oil (USA) Inc., and the Company anticipates that drilling operations will commence on or about August 4, 2004.

On May 8, 2003, the Company entered into an agreement with O.F. Duffield (the "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 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. The Company has made an application for a new federal drilling unit covering 28,783 acres on the Gabbs Valley Prospect and is seeking one or more industry partners to drill a test well on this prospect or carry out a seismic survey with an option to drill.

As of June 30, 2004, the Company had \$1,532 of cash on hand. The Company expects that its cash on hand will not be sufficient to fund its operations for any material length of time. During the next twelve months, the Company's material commitments include payments to be made and obligations that could arise as further described below. In addition, the Company expects to incur costs of approximately \$10,000 per month relating to administrative, office and other expenses.

-10-

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. No lease payment was made subsequent to December of 2002 and, in January of 2003, the Company was notified that the lease had been terminated without prejudice to the landlord's right to hold the Company liable for future damages related to lost rent. The Company has recorded a liability of \$203,372 in the financial statements relating to the

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

lease including foreign exchange losses at June 30, 2004.

In Tulsa, Oklahoma, the Company leases office space under a sub-lease agreement with an unrelated party which will expire in December 2004. The lease calls for monthly lease payments of \$1,039.

As of June 30, 2004, the Company owes approximately \$88,871 including accrued interest to Weatherford U.S., L.P. for services rendered by Weatherford.

Through June 30, 2004, 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. The Company believes it is the intention of the Whitehead Trust to continue funding the Company's basic expenses through December 31, 2004, or until such time as the Company secures other sources of financing. However, there can be no assurance the Whitehead Trust will continue to fund such expenses. In order to sustain the Company's operations on a long term basis, management intends to continue to look for merger opportunities and consider public or private financings. Through the six months ended June 30, 2004, the Whitehead Trust has advanced \$45,344 to the Company.

The Company employs one secretary in its Tulsa office and does not at this time expect any significant change in the number of its employees during the next twelve months. If the Company is successful in raising additional capital, it will employ part-time or temporary persons and consultants in situations where special expertise is required. Mr. Whitehead serves as an executive officer of the Company without compensation.

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, 2003, which was filed March 30, 2004.

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

-11-

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

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

reported for accounts payable and accrued liabilities, and general and administrative expenses. The effect of the restatement was to decrease the previously reported net loss by \$18,886 for the three months ended June 30, 2004 and to decrease the net loss reported by \$34,245 for the six months ended June 30, 2004. The restatement did not affect the per share amounts reported for either period.

Item 3. CONTROLS AND PROCEDURES

As of June 30, 2004, 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, 2004. 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, 2004, 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, 2004.

PART II. OTHER INFORMATION

Item 6. Exhibits

- 10 Farmout Agreement dated May 7, 2004 by and among the Company and the other parties named therein (incorporated herein by reference in Exhibit 10 of the Company's Form 10-QSB for the period ended June 30, 2004, which was filed August 2, 2004).
- 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).

-12-

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

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

Date: February 8, 2006

By: /s/ Albert E. Whitehead

Albert E. Whitehead
Chairman/CEO

EXHIBIT INDEX

NO. DESCRIPTION

- 10 Farmout Agreement dated May 7, 2004 by and among the Company and the other parties named therein (incorporated herein by reference in Exhibit 10 of the Company's Form 10-QSB for the period ended June 30, 2004, which was filed August 2, 2004).
- 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;

-13-

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;

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

(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

(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):

(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, 2004 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:

-14-

(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

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

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.