

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

EMPIRE PETROLEUM CORP
Form 424B3
December 03, 2007

FILED PURSUANT TO RULE 424(B)(3)
REGISTRATION NO. 333-144321

PROSPECTUS SUPPLEMENT NO. 2
(TO PROSPECTUS DATED JULY 13, 2007)

15,312,500
SHARES
EMPIRE PETROLEUM CORPORATION
COMMON STOCK

This prospectus supplement No. 2 supplements and amends the prospectus dated July 13, 2007, as supplemented and amended by that certain prospectus supplement No. 1 dated August 9, 2007 (the "Prospectus"). This prospectus supplement should be read in conjunction with the Prospectus, which is to be delivered with this prospectus supplement.

This prospectus supplement includes the attached Quarterly Report on Form 10-QSB (the "Form 10-QSB") of Empire Petroleum Corporation (the "Company"), for the three months ended September 30, 2007, filed by the Company with the Securities and Exchange Commission on November 14, 2007. The exhibits to the Form 10-QSB are not included with this prospectus supplement and are not incorporated by reference herein.

THERE ARE SIGNIFICANT RISKS ASSOCIATED WITH AN INVESTMENT IN OUR SECURITIES. THESE RISKS ARE DESCRIBED UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 3 OF THE PROSPECTUS, AS THE SAME MAY BE UPDATED IN PROSPECTUS SUPPLEMENTS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus supplement is December 3, 2007.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2007

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

[] 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 73-1238709
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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.
[X] Yes [] No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
[] Yes [X] 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 55,080,190 shares outstanding as of September 30, 2007.

Transitional Small Business Disclosure Format: [] Yes [X] No

EMPIRE PETROLEUM CORPORATION

INDEX TO FORM 10-QSB

Table with 2 columns: Description and Page. Includes Part I. FINANCIAL INFORMATION, Item 1. Financial Statements, Balance Sheet at September 30, 2007 (Unaudited) 1, Statements of Operations for the three months and the nine months ended September 30, 2007 and 2006 (Unaudited) 2, Statements of Cash Flows for the nine months ended September 30, 2007 and 2006 (Unaudited) 3, Notes to Financial Statements 4-7.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

Item 2. Management's Discussion and Analysis	7-10
Item 3. Controls and Procedures	10
Part II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	10
Signatures	11

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EMPIRE PETROLEUM CORPORATION

BALANCE SHEET

September 30,
2007

ASSETS

(Unaudited)

Current assets:

Cash	\$ 469,614
Accounts receivable (net of allowance of \$3,750)	51,702

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

Total current assets	521,316
Property & equipment, net of accumulated depreciation and depletion	1,017,102
Total Assets	<u>\$ 1,538,418</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 52,301
Accounts payable to related party	274,682
Total current liabilities	<u>326,983</u>
Long term liabilities:	
Asset retirement obligation	52,200
Total liabilities	<u>379,183</u>
Stockholders' equity:	
Common stock - \$.001 par value, authorized 100,000,000 shares, issued 55,080,190 shares	55,080
Additional paid in capital	11,519,676
Accumulated deficit	(10,415,521)
Total stockholders' equity	<u>1,159,235</u>
Total liabilities and stockholders' equity	<u>\$ 1,538,418</u>

See accompanying notes to financial statements.

-1-

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue:				
Petroleum sales	\$ 0	\$ 6,575	\$ 5,255	\$ 29,476
	<u>0</u>	<u>6,575</u>	<u>5,255</u>	<u>29,476</u>

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

Costs and expenses:				
Production & operating	21,024	31,403	67,849	127,524
General & administrative	70,388	86,757	193,497	214,728
Well abandonment expense	38,984	0	1,158,680	0
	<u>130,396</u>	<u>118,160</u>	<u>1,420,025</u>	<u>342,252</u>
Operating income (loss)	<u>(130,396)</u>	<u>(111,585)</u>	<u>(1,418,221)</u>	<u>(312,776)</u>
Other (income) and expense:				
Miscellaneous income	(99,606)	0	(99,606)	(43)
Interest income	0	0	(71)	(148)
Interest expense	0	1,725	3,450	5,175
	<u>(99,606)</u>	<u>1,725</u>	<u>(96,227)</u>	<u>4,984</u>
Total other (income) expense	<u>(99,606)</u>	<u>1,725</u>	<u>(96,227)</u>	<u>4,984</u>
Net loss	<u>\$ (30,790)</u>	<u>\$ (113,310)</u>	<u>\$ (1,318,543)</u>	<u>\$ (317,760)</u>
Net loss per common share	<u>\$.00</u>	<u>\$.00</u>	<u>\$.02</u>	<u>\$.00</u>
Weighted average number of common shares outstanding	<u>55,080,190</u>	<u>47,420,849</u>	<u>53,241,955</u>	<u>44,366,036</u>

See accompanying notes to financial statements.

-2-

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended	
	September 30, 2007	September 30, 2006
Cash flows from operating activities:		
Net loss	<u>\$ (1,318,543)</u>	<u>\$ (317,760)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Value of services contributed by employees	37,500	37,500
Well abandonment costs	1,158,680	0
Stock option plan expense	0	26,925
Gain on settlement of note obligation	(96,121)	0

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

(Increase) decrease in assets:		
Accounts receivable	38,443	(420,043)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(59,221)	77,585
Net cash used in operating activities	<u>(239,262)</u>	<u>(595,793)</u>
Cash flows from financing activities:		
Proceeds from private equity placement	1,000,000	1,450,000
Settlement of note	(10,000)	0
Net cash provided by financing activities	<u>990,000</u>	<u>1,450,000</u>
Cash flows from investing activities:		
Lease interest acquisition-Gabbs Valley	0	(675,000)
Well drilling and testing costs	(341,910)	(392,034)
Net cash used by investing activities	<u>(341,910)</u>	<u>(1,067,034)</u>
Net increase (decrease) in cash	408,828	(212,827)
Cash - Beginning	60,786	369,292
Cash -Ending	<u>\$469,614</u>	<u>\$156,465</u>

See accompanying notes to financial statements.

-3-

EMPIRE PETROLEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(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. Operating results for the interim period are not

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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, 2006 which are contained in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the SEC) on April 3, 2007.

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 until May 15, 2008 (extended from the previous date of August

-4-

2007) at an exercise price of \$0.25 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 were used for general corporate purposes and to pay the Company's share of the costs associated with its then 10% interest in the Gabbs Valley Oil Prospect in Nevada. By subsequent agreement with Cortez Exploration, LLC (formerly O. F. Duffield) dated May 8, 2006, Empire acquired an additional 30% interest by agreeing to pay \$675,000 in land and related costs to Cortez and 45% of the drilling and completion costs on a test well to be known as the Empire Cobble Cuesta 1-12-12-34E, Nye County, Nevada. When combined with the original 10% working interest in the well and lease block which was expanded to 75,806 gross acres by the acquisition of an additional 30,917 acres from the U. S. Department of the Interior on June 14, 2006, the Company's working interest increased to 40%, after paying 55% of the drilling and completion costs of the Empire Cobble Cuesta 1-12-12N-34E test well. To fund this increased interest, the Company initiated a private placement of common stock along with warrants to purchase common stock in June 2006. In connection with this private placement, the Company issued 7,250,000 shares of common stock and warrants to purchase 1,812,500 shares of its common stock for an aggregate purchase price of \$1,450,000. In April, 2007 the Company raised \$1,000,000 through 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 (See Note 4). On August 2, 2007, Empire acquired a further 17% interest which increased its interest in the Gabbs Valley Prospect and leases

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

to 57% (See Note 3). The Company is planning to drill another well in the Gabbs Valley Prospect. To fund this well the Company is talking to potential industry partner(s) about drilling a well deep enough to penetrate 1,000 feet into the Triassic formation or 8,000 feet, whichever first occurs. As of September 30, 2007, the Company had \$469,614 of cash on hand. 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 anticipates that it has the funds necessary to continue its operations through the next twelve months.

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 nine months ended September 30, 2007, the Company recorded \$37,500 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, the Company only made the initial payment of \$10,000. At June 30, 2007, the Company had accrued a liability of \$109,571 in connection with this note.

In July, 2007 the Company and Weatherford settled the liability for a payment of \$10,000 by the Company. The Company recorded the difference between the settlement amount and its previously recorded liability in the amount of \$99,571 as other income in the period ending September 30, 2007.

-5-

3. PROPERTY AND EQUIPMENT:

The Company owns a working interest in approximately 27,900 acres of oil and gas leases located in Niobrara County, Wyoming (the "Cheyenne River Prospect") and an overriding royalty interest of between 1.5% and 2% in 40,758 acres of oil and gas leases located in or near the Cheyenne River Prospect. 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. As a result of the reduction in the Company's working interest as described above, the Company recorded an impairment charge of \$188,507 in 2005.

The Company and the other interest owners of the Cheyenne River Prospect

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

have agreed in principle with a third party whereby the third party agrees to drill three test wells, at no cost to the existing interest owners, on the Company's leases for a working interest in the three drilling units subject to an override and a 50% working interest in the balance of the leases. The third party would also take over operations on the two oil wells with the option to acquire a 50% working interest. This agreement is subject to formal agreements currently being prepared.

On May 8, 2003, the Company entered into an agreement with O.F. Duffield (now Cortez Exploration, LLC) (Duffield Agreement) to acquire a ten percent (10%) working 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 44,604 acres in Nye and Mineral Counties, Nevada in which Mr. Duffield had a 100% working interest. The shares were valued at \$.10 per share based on the closing price of the Company's common stock on the date of issuance.

During September 2005, surveyors laid out a 19.5 mile seismic program on the Gabbs Valley Prospect, and a seismic survey was commenced in October 2005. Field work was carried out and final interpretation of the data was completed in November 2005. Based on the results of the seismic survey, the Company increased its working interest in the prospect to 40% (See Note 1) and contracted a drilling rig which commenced drilling the Empire Cobble Cuesta 1-12-12N-34E, Nye County, Nevada on September 14, 2006. Drilling operations were suspended October 23, 2006 in order to give the Company time to evaluate the drilling results. The total gross acres in this prospect was increased to 75,806 acres by the acquisition of 30,917 acres from the U. S. Department of the Interior on June 14, 2006.

Coastal Energy Company Nevada (CECN) (formerly PetroWorld Nevada Corp.) was a participant in the Gabbs Valley Prospect with a seismic option under which it elected to drill a well and earn a 30% interest from Cortez Exploration, Inc. The Company's Chief Executive Officer is a member of the Board of Directors of

-6-

both CECN and its parent company Coastal Energy Company (formerly PetroWorld Corporation) and owns approximately 1.63% of the parent Company which is traded on the AIM Exchange in London and the Toronto Venture Exchange in Toronto. The Coastal interest was acquired on August 2, 2007 by Empire (17%) and Cortez (13%), resulting in Empire's interest being increased to 57%. To acquire the interest, Empire and Cortez agreed to pay Coastal's share of the remaining costs related to abandonment of the Cobble Cuesta test well. Empire's share of these costs are estimated to be approximately \$34,200.

On May 1, 2007 the Company announced it had re-entered and completed testing on the Empire Cobble Cuesta 1-12-12N-34E, Nye County, Nevada well. As no hydrocarbons were recovered, the Company has taken steps to partially plug and abandon the well. The Company and its consultants have analyzed the data obtained from the Cobble Cuesta 1-12 and have concluded another well should be drilled on this prospect. The Company is pursuing one or more industry partners to drill the next test well, the timing of which could be determined by the BLM's posting for sale certain unleased lands situated on the Gabbs Valley Structure. For the nine months ended September 30, 2007, based on the results of testing the well, the Company expensed \$1,158,680 of equipment and intangible drilling costs which had been incurred to drill the test well, including \$38,984 incurred in the three months ended September 30, 2007.

4. EQUITY

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

In April, 2007 the Company completed a private placement of 5,000,000 shares of its common stock along with warrants to acquire up to 1,250,000 shares of its common stock for an aggregate purchase price of \$1,000,000. The warrants have an exercise price of \$.50 per share and, subject to certain restrictions, may be exercised until May 15, 2008. Proceeds of the placement were allocated \$80,000 to common stock warrants, and \$920,000 to common stock and paid in capital. Approximately \$337,000 of the funds were used to pay for the Company's costs associated with the re-entry and testing of the Cobble Cuesta 1-12 well in the Gabbs Valley Prospect in Nevada and the remaining funds have been or will be used for general corporate purposes.

On September 21, 2007 the Company extended all of its outstanding warrants to May 15, 2008.

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.

-7-

THREE MONTH PERIOD ENDED SEPTEMBER 30, 2007, COMPARED TO THREE MONTH PERIOD ENDED SEPTEMBER 30, 2006.

For the three months ended September 30, 2007, sales revenue decreased \$6,575 to \$0 compared to \$6,575 for the same period during 2006. The decrease in sales revenue was the result of no production from the Timber Draw #1-AH and the Hooligan Draw #1-AH wells.

Well abandonment expenses increased to \$38,984 for the three months ended September 30, 2007 from \$0 in 2006. The increase is due to the determination to partially plug and abandon the Cobble Cuesta test well in Nevada.

Production and operating expenses decreased \$10,379 to \$21,024 for the three months ended September 30, 2007, from \$31,403 for the same period in 2006. The decrease was primarily due to no drilling activity in the current period.

General and administrative expenses decreased by \$16,369 to \$70,388 for the three months ended September 30, 2007, from \$86,757 for the same period in 2006. The decrease was primarily due to our partners paying their share of the lease rentals.

Miscellaneous income increased \$99,606 for the three months ended September 30, 2007 from the same period in 2006. The increase was attributable to the settlement of the Weatherford Note.

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007, COMPARED TO NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006.

For the nine months ended September 30, 2007, sales revenue decreased \$24,221 to \$5,255, compared to \$29,476 for the same period during 2006. The decrease in sales revenue was the result of lower production from the Timber Draw #1-AH and the Hooligan Draw #1-AH wells.

Well abandonment expenses increased to \$1,158,680 for the nine months ended September 30, 2007 from \$0 in 2006. The increase is due to the determination to partially plug and abandon the Cobble Cuesta test well in Nevada.

Production and operating expenses decreased \$59,675 to \$67,849 for the nine months ended September 30, 2007, from \$127,524 for the same period in 2006. The decrease was primarily due to no drilling activity in the current period.

General and administrative expenses decreased by \$21,231 to \$193,497 for the nine months ended September 30, 2007, from \$214,728 for the same period in 2006. The decrease was primarily due to lower professional fees in the first quarter of 2007.

Miscellaneous income increased \$99,563 to \$99,606 for the nine months ended September 30, 2007, from \$43 for the same period in 2006. The increase was attributable to the settlement of the Weatherford Note.

For the nine months ended September 30, 2007, interest expense decreased \$1,725 to \$3,450, compared to \$5,175 for the same period in 2006. The decrease was due to settlement of the Weatherford note.

LIQUIDITY AND CAPITAL RESOURCES

-8-

GENERAL

As of September 30, 2007, the Company had \$469,614 of cash on hand. In April, 2007 the Company raised \$1,000,000 through a private placement of common stock along with warrants to purchase common stock. The Company believes that its cash on hand will allow it to finance its operations for the next twelve months, and to participate in further exploration of the Gabbs Valley Prospect. 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 anticipates that it has the funds necessary to continue its operations through the next twelve months. The Company does not plan to undertake further exploration of the Gabbs Valley or Cheyenne River Prospects without an industry partner or additional equity placement.

OUTLOOK

The Company and the other interest owners of the Cheyenne River Prospect have agreed in principle with a third party whereby the third party agrees to drill three test wells, at no cost to the existing interest owners, on the Company's leases for a working interest in the three drilling units subject to an override and a 50% working interest in the balance of the leases. The third party would also take over operations on the two oil wells with the option to acquire a 50% working interest. This agreement is subject to formal agreements currently being prepared.

As stated elsewhere in this Form 10-QSB, on May 1, 2007, after further

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

testing of the Company's only 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 and additional studies of such data, with the assistance of geological and engineering consultants, determined that further drilling is 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 plans to engage an industry partner to drill the next test well and this effort is underway.

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 September 30, 2007 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, 2006, which was filed April 3, 2007.

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

-9-

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 Securities and Exchange Commission, including its Form 10-KSB for the fiscal year ended December 31, 2006. 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-QSB.

Item 3. 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

Edgar Filing: EMPIRE PETROLEUM CORP - Form 424B3

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.

PART II. OTHER INFORMATION

Item 6. Exhibits

a) 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).

-10-

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

Date: November 14, 2007

By: /s/ Albert E. Whitehead

Albert E. Whitehead
Chairman/CEO

