

EMPIRE PETROLEUM CORP
Form 10-Q
November 13, 2017

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2017

or

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

For the transition period from: _____ to _____

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

DELAWARE 001-16653 73-1238709
(State or Other Jurisdiction (Commission (I.R.S. Employer
of Incorporation or Organization) File Number) Identification No.)

2651 East 21st Street, Suite 310, Tulsa, OK 74114
(Address of Principal Executive Offices) (Zip Code)

(539) 444-8002
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of September 30, 2017 was 8,803,942.

EMPIRE PETROLEUM CORPORATION

INDEX TO FORM 10-Q

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheets at September 30, 2017 (Unaudited) and December 31, 2016	4
Statements of Operations – For the three months and nine months ended September 30, 2017 and 2016 (Unaudited)	5
Statements of Cash Flows – For the nine months ended September 30, 2017 and 2016 (Unaudited)	6
Notes to Financial Statements	7-9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10-11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	11
Item 4. Controls and Procedures	11
 PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	12
Item 1A. Risk Factors	12
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 3. Defaults Upon Senior Securities	12
Item 4. Mine Safety Disclosures	12
Item 5. Other Information	12
Item 6. Exhibits	12
Signatures	13

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EMPIRE PETROLEUM CORPORATION

BALANCE SHEETS

	September 30, 2017 (UNAUDITED)	December 31, 2016
ASSETS		
Current assets:		
Cash	\$ 14,143	\$68,743
Prepays	37,894	14,000
Total current assets	52,037	82,743
Investment in Masterson West II	300,000	300,000
Total assets	\$ 352,037	\$382,743
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,415	\$22,518
Accrued interest payable	10,237	0
Total current liabilities	47,652	22,518
Convertible notes, net	170,092	58,844
Stockholders' equity:		
Common stock-\$.001 par value authorized 150,000,000 shares, issued and outstanding 8,803,942 and 8,710,609 respectively	8,804	8,710
Common stock subscribed not yet issued (2,000,000 shares)	2,000	2,000
Additional paid in capital	15,621,210	15,571,819
Accumulated deficit	(15,497,721)	(15,281,148)
Total stockholders' equity	134,293	301,381
Total liabilities and stockholders' equity	\$ 352,037	\$382,743

See accompanying notes to unaudited financial statements

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue:				
Petroleum sales	\$0	\$0	\$0	\$0
Costs and expenses:				
General and administrative	51,250	18,859	164,260	161,901
	51,250	18,859	164,260	161,901
Operating loss	(51,250)	(18,859)	(164,260)	(161,901)
Other expense:				
Interest expense	17,399	0	52,313	0
Total other expense	17,399	0	52,313	0
Net loss	\$(68,649)	\$(18,859)	\$(216,573)	\$(161,901)
Net loss per common share, basic & diluted	\$(0.01)	\$(0.00)	\$(0.02)	\$(0.02)
Weighted average number of common shares outstanding basic and diluted	8,779,326	8,710,609	8,733,599	8,710,609

See accompanying notes to unaudited financial statements

- 5 -

EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$(216,573)	\$(161,901)
Adjustments to reconcile net loss to net cash used in operating activities:		
Value of services contributed by officers	0	37,500
Value of stock options issued	0	65,660
Amortization of warrant value and conversion feature on convertible notes	43,339	0
Change in operating assets and liabilities:		
Prepays	(23,894)	0
Accounts payable and accrued liabilities	19,791	41,425
Accrued interest payable	10,237	0
Net cash used in operating activities	(167,100)	(17,316)
Cash flows from financing activities:		
Proceeds from convertible notes issued	112,500	0
Net cash provided by financing activities	112,500	0
Net change in cash	(54,600)	(17,316)
Cash - Beginning of period	68,743	18,105
Cash - End of period	\$14,143	\$789
Supplemental Disclosure:		
Common stock and warrants issued for settlement of trade payables	\$4,894	\$0

See accompanying notes to unaudited financial statements

EMPIRE PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(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-Q. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, the results of operations, and the cash flows for the interim period are included. All adjustments are of a normal, recurring nature. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The information contained in this Form 10-Q should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2016 which are contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 31, 2017.

The Company has incurred significant losses in recent years. The continuation of the Company as a going concern is dependent upon the ability of the Company to attain future profitable operations and/or additional debt or equity financing until profitable operations are achieved. 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 seek partners to help it explore and develop oil and gas interests. The ultimate recoverability of the Company's investment in oil and gas interests is dependent upon the existence and discovery of economically recoverable oil and gas reserves, the ability of the Company to obtain necessary financing to further develop the interests, and the ability of the Company to attain future profitable production.

As of September 30, 2017, the Company had \$14,143 of cash. In order to sustain the Company's operations on a long-term basis, the Company continues to consider public or private financings and continue negotiations to complete the Masterson West II transaction (see Note 3 for additional information).

Compensation of Officers and Employees

As of September 30, 2017, the Company had no employees. Until December 22, 2016, J.C. Whorton served as the Company's Chief Executive Officer and Michael R. Morrisett was appointed as the Company's President. On December 22, 2016, Mr. Whorton resigned his position as Chief Executive Officer at which time Mr. Morrisett appointed Anthony Kamin to fill the vacancy on the Board of Directors created by Mr. Whorton's resignation. No Board members received compensation from the Company in the first nine months of 2016. The fair value of these services was estimated by management and is recognized as a capital contribution. For the nine months ended September 30, 2016, the Company recorded \$37,500 as a contribution by its executive officers. For the nine months ended September 30, 2017, the Company paid Mr. Morrisett \$32,500 for services rendered.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") fair value measurement standards define fair value, establish a consistent framework for measuring fair value and establish a fair value hierarchy based on the observability of inputs used to measure fair value.

The carrying value of the convertible debt and investment in Masterson West II approximate fair value as of September 30, 2017. Management's estimates are based on the assessment of qualitative factors that are considered Level 3 measurements in the fair value hierarchy as required by FASB ASC 820.

2. PROPERTY AND EQUIPMENT

As of September 30, 2017, the Company did not own any interest in oil and gas properties or equipment.

3. INVESTMENT IN MASTERSON WEST II

On December 22, 2016, the Company entered into a subscription and contribution agreement with Masterson West, LLC ("Masterson West") (the "Contribution Agreement") relating to the newly formed Masterson West II, LLC, a Texas limited liability company ("Masterson West II"). Pursuant to the Contribution Agreement, among other things, (a) at the initial closing, the Company agreed to contribute 2,000,000 shares of its common stock, par value \$0.001 per share (the "Common Stock"), to Masterson West II, along with an additional 38,000,000 shares of Common Stock and (b) at the final closing, Masterson West has an obligation to contribute certain oil and gas properties (the "Contributed Properties") to Masterson West II in exchange for the Company contributing cash of not less than \$9,000,000 and up to \$18,000,000 to Masterson West II. There is no assurance that the Company will be able to secure the funds necessary for the final closing. Under the terms of the Agreement, the final closing was scheduled to occur no later than April 1, 2017. After April 1, 2017 either party has the right to terminate the Agreement. If the final closing occurs, the Company will own 50% of Masterson West II if it delivers \$18,000,000 of cash at the final closing and 25% of Masterson West II if it delivers \$9,000,000 of cash at the final closing.

Also on December 22, 2016, the Company entered into a limited liability agreement of Masterson West II with Masterson West (the "LLC Agreement"). Pursuant to the Contribution Agreement and the LLC Agreement, Masterson West was immediately entitled to a distribution of the 2,000,000 shares of Common Stock, but is only entitled to a distribution of all or a portion of the 38,000,000 shares of Common Stock if and when the final closing occurs.

In connection with the contribution of the Contributed Properties by Masterson West, at the final closing, Masterson West II will assume a credit facility affiliated with the Contributed Properties that has approximately \$20,000,000 outstanding as of the date hereof. Masterson West and the Company intends to use the cash consideration paid by the Company at the final closing to pay down such credit facility and/or as working capital to continue to develop the Contributed Properties. If the proceeds are used to pay down part or all of such credit facility, the credit facility will be used to continue to develop the Contributed Properties.

All of Contributed Properties are located in Moore and Potter Counties in Texas and the wells to be included in such Contributed Properties primarily target the red cave formation at a depth of 2,100 to 2,300 feet. Masterson West and affiliate of Masterson West, Adams Affiliates Inc., have owned and operated the Contributed Properties for over 20 years. The Company has targeted this transaction for a number of reasons. First, the Contributed Properties are currently producing approximately 1,000 barrels of oil per day equivalent and include approximately 8,000 net acres of leasehold that are held by such production. Second, the Company believes this transaction is a lower risk oil-weighted infill drilling opportunity as Masterson West has identified approximately 380 locations to develop on five to ten acre spacing units, with approximately 200 proved undeveloped drilling locations. The Company estimates the total cost to complete each well will be approximately \$250,000.

On February 18, 2017, Gary C. Adams, the majority owner of Masterson West unexpectedly passed away. As a result of this development, the final closing did not occur on April 1, 2017, the final close date per the Contribution Agreement. Though the transaction did not close before the stated final closing date, the Agreement remains in effect until one or both parties serve a notice of termination. As of the date of this filing, neither party has elected to terminate the Contribution Agreement. The Company is continuing its discussions with representatives of Masterson West regarding the continuation of the Contribution Agreement.

4. EQUITY

Diluted Earnings per Share ("EPS") gives effect to all dilutive potential common shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on losses. As a result, if there is a loss from continuing operations, Diluted EPS is computed in the same manner as Basic EPS. At September 30, 2017 and 2016, the Company had 1,154,167 and 2,946,250 options outstanding, respectively, that were not included in the calculation of earnings per share for the periods then ended. Such financial instruments may become dilutive and would then need to be included in future calculations of Diluted EPS. At September 30, 2017 and 2016, the outstanding options were considered anti-dilutive since the strike prices were above the market price and since the Company has incurred losses year to date.

On June 1, 2016 the Company issued options to purchase a total of 1,150,000 shares of the Company's common stock under the 2006 Stock Incentive Plan for services rendered to the Company, including capital formation, prospective deal origination, evaluation, due diligence, and administrative support. The options immediately vested and expire after 2 years. 600,000 of the options have a strike price of 15 cents, with the remainder, 550,000, having a strike price of 25 cents. The Company recorded an expense of \$65,660 for the options, \$27,500 related to the 25 cent options and \$38,160 related to the 15 cent options. The value assigned to the stock options was determined using the Black-Scholes option valuation with the following assumptions: no dividend yield, expected annual volatility of 113%, risk free interest rate of .91% and an expected useful life of two years.

In December 2016, the Company entered into securities purchase agreements (each, a "Securities Purchase Agreement" and, collectively, the "Securities Purchase Agreements") with four accredited investors, pursuant to which it issued senior unsecured convertible promissory notes due December 31, 2018 (each, a "Convertible Note" and, collectively, the "Convertible Notes") in the aggregate amount of \$132,500 in cash. Each Convertible Note accrues interest at 6%, is due December 31, 2018 and is convertible at the option of the holder at \$0.15 per share. Each investor was also issued a warrant certificate (each, a "Warrant Certificate" and, collectively, the "Warrant Certificates"), pursuant to which such investor could acquire one share of Common Stock at \$0.25 per share for each \$0.25 invested in the applicable Convertible Note until December 31, 2018. The full amount of interest under each Convertible Note is accrued and paid upon the maturity date or earlier conversion.

The value allocated to the Warrant Certificates was the fair value determined using the Black-Scholes option valuation with the following assumptions: no dividend yield, expected annual volatility of 112%, risk free interest rate of 0.91% and an expected useful life of two years. The fair value of the Warrant Certificates was allocated \$38,115 to Paid in Capital. The Notes' conversion features were valued at their intrinsic value in excess of the debt's allocated value of \$38,115 and resulted in additional Paid in Capital. The Debt Issue Costs represent a direct deduction of the face amount the Convertible Notes is amortized as interest expense over the life of the Notes.

In January 2017, the Company entered into securities purchase agreements (each, a "Securities Purchase Agreement" and, collectively, the "Securities Purchase Agreements") with two accredited investors, pursuant to which it issued senior unsecured convertible promissory notes due December 31, 2018 (each, a "Convertible Note" and, collectively, the "Convertible Notes") in the aggregate amount of \$62,500 in cash. Each Convertible Note accrues interest at 6%, is due December 31, 2018 and is convertible at the option of the holder at \$0.15 per share. Each investor was also issued a warrant certificate (each, a "Warrant Certificate" and, collectively, the "Warrant Certificates"), pursuant to which such investor could acquire one share of Common Stock at \$0.25 per share for each \$0.25 invested in the applicable Convertible Note until December 31, 2018. The full amount of interest under each Convertible Note is accrued and paid upon the maturity date or earlier conversion.

The value allocated to the Warrant Certificates was the fair value determined using the Black-Scholes option valuation with the following assumptions: no dividend yield, expected annual volatility of 110%, risk free interest rate of 1.23% and an expected useful life of two years. The fair value of the Warrant Certificates was allocated \$16,975 to Paid in Capital. The Notes' conversion features were valued at their intrinsic value in excess of the debt's allocated value of \$16,975 and resulted in additional Paid in Capital. The Debt Issue Costs represent a direct deduction of the face amount the Convertible Notes and is amortized as interest expense over the life of the Notes.

On July 25, 2017 the Company issued 93,333 shares of its common stock and warrants to purchase 56,000 shares of its common stock for \$.25 per share which expires on December 31, 2018 to an investment banking service firm in return for past and future services. The Common Stock was valued at \$4,200 which represents the market price of 4.5 cents per share on the date of issuance. The value allocated to the warrants was the fair value determined using the Black-Scholes option valuation with the following assumptions: no dividend yield, expected annual volatility of 145%, risk free interest rate of 1.23% and an expected useful life of 17 months. The fair value of the warrants of \$694 was allocated to Paid in Capital.

In September 2017, the Company entered into securities purchase agreements (each, a "Securities Purchase Agreement" and, collectively, the "Securities Purchase Agreements") with two accredited investors, pursuant to which it issued senior unsecured convertible promissory notes due December 31, 2019 (each, a "Convertible Note" and, collectively, the "Convertible Notes") in the aggregate amount of \$50,000 in cash. Each Convertible Note accrues interest at 6%, is due December 31, 2019 and is convertible at the option of the holder at \$0.15 per share. Each investor was also issued a warrant certificate (each, a "Warrant Certificate" and, collectively, the "Warrant Certificates"), pursuant to which such investor could acquire one share of Common Stock at \$0.25 per share for each \$0.25 invested in the applicable Convertible Note until December 31, 2019. The full amount of interest under each Convertible Note is accrued and paid upon the maturity date or earlier conversion. The value allocated to the Warrant

Certificates was the fair value determined using the Black-Scholes option valuation with the following assumptions: no dividend yield, expected annual volatility of 154%, risk free interest rate of 1.35% and an expected useful life of 28 months. The fair value of the Warrant Certificates of \$5,320 was allocated to Paid in Capital. The Notes' conversion features were valued at their intrinsic value in excess of the debt's allocated value of \$5,320 and resulted in additional Paid in Capital. The Debt Issue Costs represent a direct deduction of the face amount the Convertible Notes and is amortized as interest expense over the life of the Notes.

The following table reflects the changes in long term debt during the nine months ended September 30, 2017 and 2016, respectively:

	2017	2016
Convertible Notes Outstanding	\$245,000	\$ 0
Debt Issue Costs – Warrants and Conversion Feature	(74,908)	0
Convertible Notes Outstanding, Net	\$170,092	\$ 0

5. SUBSEQUENT EVENT

On October 11, 2017, the Company entered into a securities purchase agreement with an accredited investor, pursuant to which it issued senior unsecured convertible promissory notes due December 31, 2019 (each, a "Convertible Note" and, collectively, the "Convertible Notes") in the amount of \$15,000 in cash. The Convertible Note accrues interest at 6%, is due December 31, 2019 and is convertible at the option of the holder at \$0.15 per share. The investor was also issued a warrant certificate, pursuant to which such investor could acquire one share of Common Stock at \$0.25 per share for each \$0.25 invested in the applicable Convertible Note until December 31, 2019 up to a maximum of 60,000 shares of common stock issued. The full amount of interest under each Convertible Note is accrued and paid upon the maturity date or earlier conversion.

- 9 -

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

RESULTS OF OPERATIONS

GENERAL TO ALL PERIODS

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

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017, COMPARED TO THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016.

General and administrative expenses increased by \$32,391 to \$51,250 for the three months ended September 30, 2017, from \$18,859 for the same period in 2016. The decrease is primarily due to legal and other costs related to potential asset purchases.

Interest expense increased by \$17,399 for the three months ended September 30, 2017 to \$17,399 from \$ -0- for the same period in 2016. The increase is due to the issuance of the convertible notes in the last quarter of 2016 and 2017.

There was no depreciation expense attributable to the three months ended September 30, 2017 or 2016 because there are no assets.

For the reasons discussed above, net loss increased by \$49,790 from \$(18,859) for the three months ended September 30, 2016, to \$(68,649) for the three months ended September 30, 2017.

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017, COMPARED TO NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016.

General and administrative expenses increased by \$2,359 to \$164,260 for the nine months ended September 30, 2017, from \$161,901 for the same period in 2016. The increase is primarily due to stock options issued in 2016, where none were issued in 2017 offset by 2017 increased legal fee costs associated with Masterson West, fees associated with the over the counter stock listing, and legal and other costs related to locating oil and gas investments and financing.

Interest expense increased by \$52,313 for the nine months ended September 30, 2017 to \$52,313 from \$ -0- for the same period in 2016. The increase is due to the issuance of the convertible notes in the last quarter of 2016 and 2017.

There was no depreciation expense attributable to the three months ended September 30, 2017 or 2016 because there are no assets.

For the reasons discussed above, net loss increased by \$54,672 from \$(161,901) for the nine months ended September 30, 2016, to \$(216,573) for the nine months ended September 30, 2017.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. The following is a summary of recent accounting pronouncements that are relevant to the Company:

In August 2016, the FASB issued ASU 2016-15: "Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments." This ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Management is evaluating the impact that ASU No. 2016-15 will have on the Company's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

As of September 30, 2017, the Company had \$14,143 of cash. The Company is considering various options, including raising additional equity, in order to raise cash for acquisitions and transactions and continuing operations.

OUTLOOK

See Note 3 to the financial statements for information regarding the Contribution Agreement the Company entered into with Masterson West. On February 18, 2017, Gary C. Adams, the majority owner of Masterson West unexpectedly passed away. As a result of this development, the final closing did not occur on April 1, 2017, the final close date per the Contribution Agreement. Though the transaction did not close before the stated final closing date, the Agreement remains in effect until one or both parties serve a notice of termination. As of the date of this filing, neither party has elected to terminate the Contribution Agreement. The Company is continuing its discussions with representatives of Masterson West regarding the continuation of the Contribution Agreement. The Company anticipates that the Contribution Agreement and/or the LLC Agreement will either be amended, replaced or terminated in the fourth quarter of 2017.

On August 29, 2017 the Company entered into a non-binding Term Sheet which provided a 50 day exclusivity period for it to acquire producing oil and gas assets in Louisiana. The properties are in the East Haynesville and Oaks Fields located in Claiborne Parish, Louisiana and the wells to be included in the transaction target the Petit, Lower & Upper Haynesville, Cotton Valley and Smackover reservoirs. On October 18, 2017 the exclusive term expired, however the parties remain in discussion. The Company anticipates that the Term Sheet provisions will be either amended, replaced or terminated by the first quarter of 2018.

The Company is also actively pursuing the acquisition of other operated and non-operated oil and gas properties. It is anticipated that such acquisitions will be financed through equity or debt transactions.

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, including this section, includes certain statements that may be deemed "forward-looking statements" within the meaning of federal securities laws. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including future sources of financing and other possible business developments, are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties and could be affected by a number of different factors, including the Company's failure to secure short and long-term financing necessary to sustain and grow its operations, increased competition, changes in the markets in which the Company participates and the technology utilized by the Company and new legislation regarding environmental matters. These risks and other risks that could affect the Company's business are more fully described in reports it files with the SEC, including its Form 10-K for the year ended December 31, 2016. Actual results may vary materially from the forward-looking statements.

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

MATERIAL RISKS

The Company has incurred significant losses from operations and there is no assurance that it will achieve profitability or obtain the funds necessary to finance continued operations. For other material risks, see the Company's Form 10-K for the year ended December 31, 2016, which was filed on March 31, 2017.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision of the Company's President (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 President (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.

- 11 -

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Not applicable.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Certification of Michael R. Morrisett, President and principal financial officer pursuant to Rules 13a - 14 (a) and 31.1 15(d) - 14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(1) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).

32.1 Certification of Michael R. Morrisett, President 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).

101 Financial Statements for XBRL format (submitted herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Empire Petroleum Corporation

Date: November 13, 2017 By: /s/ Michael R. Morrisett
Michael R. Morrisett
President
(principal executive officer)

EXHIBIT INDEX

NO. DESCRIPTION

- 31.1 Certification of Michael R. Morrisett, President (principal financial officer) pursuant to Rules 13a - 14 (a) and 15(d) - 14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(1) (31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.1 Certification of Michael R. Morrisett, President (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).
- 101 Financial Statements for XBRL format (submitted herewith).