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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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 of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2200 S. Utica Place, Suite 150, 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $.001 par value	**EP**	**NYSE American**

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer X	Smaller reporting company X
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 X

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of the latest practicable date of May 11, 2023 was 22,104,592.

EMPIRE PETROLEUM CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

EMPIRE PETROLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash	$ 6,763,873	$ 11,944,442
Accounts Receivable	6,504,017	7,780,239
Derivative Instruments	93,168	121,584
Inventory	2,261,133	1,840,274
Prepaids	1,413,336	1,048,434
Total Current Assets	17,035,527	22,734,973
Property and Equipment:		
Oil and Natural Gas Properties, Successful Efforts	66,127,534	63,986,339
Less: Accumulated Depreciation, Depletion and Impairment	(20,679,739)	(20,116,696)
	45,447,795	43,869,643
Other Property and Equipment, Net	1,452,137	1,441,529
Total Property and Equipment, Net	46,899,932	45,311,172
Sinking Fund	—	2,779,000
Utility and Other Deposits	746,884	719,930

Total Assets	$ 64,682,343	$ 71,545,075
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 5,733,313	$ 5,843,366
Accrued Expenses	6,280,462	9,461,010
Current Portion of Lease Liability	256,975	256,975
Current Portion of Long-Term Debt	2,481,236	2,059,309
Total Current Liabilities	14,751,986	17,620,660
Long-Term Debt	3,594,500	4,063,115
Long-Term Note Payable - Related Party (Note 8)	1,073,376	1,076,987
Long-Term Lease Liability	519,852	547,692
Asset Retirement Obligations	25,142,831	25,000,740
Total Liabilities	45,082,545	48,309,194
Commitments and Contingencies (Note 15)		
Stockholders' Equity:		
Series A Preferred Stock - $.001 Par Value, 10,000,000 Shares Authorized, 6 and 6 Shares Issued and Outstanding, Respectively	—	—
Common Stock - $.001 Par Value, 190,000,000 Shares Authorized, 22,104,592 and 22,093,503 Shares Issued and Outstanding, Respectively	81,626	81,615
Additional Paid-in Capital	74,126,976	75,303,479
Accumulated Deficit	(54,608,804)	(52,149,213)
Total Stockholders' Equity	19,599,798	23,235,881
Total Liabilities and Stockholders' Equity	$ 64,682,343	$ 71,545,075

See accompanying notes to condensed consolidated financial statements.

EMPIRE PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Revenue:		
Oil Sales	$ 8,938,715	$ 10,416,422
Gas Sales	656,035	883,902
Natural Gas Liquids Sales	504,954	1,215,494
Total Product Revenues	10,099,704	12,515,818
Other	19,364	24,043
Gain (Loss) on Derivatives	(66,823)	(112,321)
Total Revenue	10,052,245	12,427,540
Costs and Expenses:		
Lease Operating Expense	6,520,163	4,572,401
Production and Ad Valorem Taxes	758,114	901,238
Depletion, Depreciation & Amortization	622,489	434,446
Accretion of Asset Retirement Obligation	401,275	330,000
General and Administrative	3,972,918	2,455,380
Total Costs and Expenses	12,274,959	8,693,465
Operating Income (Loss)	(2,222,714)	3,734,075
Other Income and (Expense):		
Interest Expense	(237,299)	(110,648)
Other Income (Expense)	422	—
Income (Loss) Before Income Taxes	(2,459,591)	3,623,427
Income Tax (Provision) Benefit	—	—
Net Income (Loss)	$ (2,459,591)	$ 3,623,427
Net Income (Loss) per Common Share:		
Basic	$ (0.11)	$ 0.18
Diluted	$ (0.11)	$ 0.15
Weighted Average Number of Common Shares Outstanding:		
Basic	22,096,796	19,866,687
Diluted	22,096,796	24,018,453

EMPIRE PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2023 and 2022
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	
	Shares	Par Value	Shares	Par Value	Capital	Deficit	Total
Balances, December 31, 2022	22,093,503	$ 81,615	6	$ —	$ 75,303,479	$ (52,149,213)	$ 23,235,881
Net Loss	—	—	—	—	—	(2,459,591)	(2,459,591)
Impact of Former CEO settlement	—	—	—	—	(2,126,131)	—	(2,126,131)
Stock-based Compensation	11,089	11	—	—	949,628	—	949,639
Balances, March 31, 2023	22,104,592	$ 81,626	6	$ —	$ 74,126,976	$ (54,608,804)	$ 19,599,798

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	
	Shares	Par Value	Shares	Par Value	Capital	Deficit	Total
Balances, December 31, 2021	19,840,648	$ 79,362	—	$ —	$ 68,988,134	$ (59,233,343)	$ 9,834,153
Net Income	—	—	—	—	—	3,623,427	3,623,427
Issuance of Preferred Stock	—	—	6	—	6	—	6
Warrants Exercised	48,750	195	—	—	97,305	—	97,500
Stock-based compensation	—	—	—	—	376,278	—	376,278
Balances, March 31, 2022	19,889,398	$ 79,557	6	$ —	$ 69,461,723	$ (55,609,916)	$ 13,931,364

EMPIRE PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2023	2022
Cash Flows From Operating Activities:		
Net Income (Loss)	$ (2,459,591)	$ 3,623,427
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities:		
Stock Compensation and Issuances	949,639	376,284
Amortization of Right of Use Assets	76,225	39,706
Depreciation, Depletion and Amortization	622,489	434,446
Accretion of Asset Retirement Obligation	401,275	330,000
Gain (loss) on Derivatives	66,823	112,321
Settlement on or Purchases of Derivative Instruments	(41,187)	(83,260)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(849,909)	(757,466)
Inventory, Oil in Tanks	(420,859)	62,202
Prepaids, Current	89,812	137,010
Other Long Term Assets & Liabilities	(213,611)	—

Accounts Payable	(110,053)	(1,654,437)
Accrued Expenses	(3,177,767)	440,471
Net Cash Provided By (Used in) Operating Activities	(5,066,714)	3,060,704
Cash Flows from Investing Activities:		
Additions to Oil and Natural Gas Properties	(2,210,004)	(424,651)
Purchase of Other Fixed Assets	(27,170)	(9,030)
Cash Paid for Right of Use Assets	(86,545)	(42,833)
Sinking Fund Deposit	2,779,000	(480,000)
Net Cash Provided by (Used In) Investing Activities	455,281	(956,514)
Cash Flows from Financing Activities:		
Principal Payments of Debt	(569,136)	(459,952)
Proceeds from Stock and Warrant Issuance	—	97,500
Net Cash Used in Financing Activities	(569,136)	(362,452)
Net Change in Cash	(5,180,569)	1,741,738
Cash - Beginning of Period	11,944,442	3,611,871
Cash - End of Period	$ 6,763,873	$ 5,353,609
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 136,761	$ 104,981

See accompanying notes to condensed consolidated financial statements.

EMPIRE PETROLEUM CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Basis of Presentation

Empire Petroleum Corporation (the "Company", collectively with its subsidiaries) is an independent energy company operator engaged in optimizing developed production by employing field management methods to maximize reserve recovery while minimizing costs. Empire operates the following wholly-owned subsidiaries in its areas of operations:

- Empire New Mexico, LLC ("Empire New Mexico")
- Empire Rockies Region
  - Empire North Dakota LLC ("Empire North Dakota")
  - Empire North Dakota Acquisition LLC ("Empire NDA")
- Empire Texas ("Empire Texas"), consisting of the following entities:
  - Empire Texas LLC
  - Empire Texas Operating LLC
  - Empire Texas GP LLC
  - Pardus Oil & Gas Operating, LP (owned 1% by Empire Texas GP LLC and 99% by Empire Texas LLC)
- Empire Louisiana LLC ("Empire Louisiana")

Empire was incorporated in the State of Delaware in 1985. The consolidated financial statements of Empire Petroleum Corporation and subsidiaries include the accounts of the Company and its wholly-owned subsidiaries.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP 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. Certain amounts in prior periods have been reclassified to conform to current presentation. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

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, 2022 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, 2023.

Note 2 – Summary of Significant Accounting Policies

Significant Accounting Policies

There have been no material changes to significant accounting policies and estimates from the information provided in the Form 10-K for the year ended December 31, 2022.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") ASC Topic 820, *Fair Value Measurement* (ASC Topic 820), defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value.

The three-level fair value hierarchy for disclosure of fair value measurements defined by ASC Topic 820 is as follows:

Level 1 – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs, other than quoted prices within Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Prices or valuations that require unobservable inputs that are both significant to the fair value measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve a degree of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instrument's complexity. The Company reflects transfers between the three levels at the beginning of the reporting period in which the availability of observable inputs no longer justifies classification in the original level. There were no transfers between fair value hierarchy levels for the period ended March 31, 2023.

Financial instruments and other – The fair values determined for accounts receivable, accrued expenses and other current liabilities were equivalent to the carrying value due to their short-term nature.

Derivatives – Derivative financial instruments are carried at fair value and measured on a recurring basis. The Company's commodity price hedges are valued based on discounted future cash flow models that are primarily based on published forward commodity price curves; thus, these inputs are designated as Level 2 within the valuation hierarchy.

The fair values of derivative instruments in asset positions include measures of counterparty nonperformance risk, and the fair values of derivative instruments in liability positions include measures of the Company's nonperformance risk. These measurements were not material to the Condensed Consolidated Financial Statements.

Fair Value on a Nonrecurring Basis

The Company applies the provisions of fair value measurement on a non-recurring basis to its non-financial assets and liabilities, including oil and gas properties and asset retirement obligations. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments if events or changes in certain circumstances indicate that adjustments may be necessary. No triggering events that require assessment of such items were observed during the three months ended March 31, 2023.

Related Party Transactions

Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. FASB ASC 850, *Related Party Disclosures* requires that transactions with related parties that would have influence in decision making shall be disclosed so that users of the financial statements can evaluate their significance. Related party transactions typically occur within the context of the following relationships: affiliates of the entity; entities for which investments in their equity securities is typically accounted for under the equity method by the investing entity; trusts for the benefit of employees; principal owners of the entity and members of their immediate families; management of the entity and members of their immediate families; and other parties that can significantly influence the management or operating policies of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Concentrations of Credit Risk

The Company's accounts receivable are primarily receivables from oil and natural gas purchasers and joint interest owners. The purchasers of the Company's oil and natural gas production consist primarily of independent marketers, major oil and natural gas companies and gas pipeline companies. Historically, the Company has not experienced any significant losses from uncollectible accounts from its oil and natural gas purchasers. The Company operates a substantial portion of its oil and natural gas properties. As the operator of a property, the Company makes full payments for costs associated with the property and seeks reimbursement from the other working interest owners in the property for their share of those costs. Joint operating agreements govern the operations of an oil or natural gas well and, in most instances, provide for offsetting of amounts payable or receivable between the Company and its joint interest owners. The Company's joint interest partners consist primarily of independent oil and natural gas producers. If the oil and natural gas exploration and production industry in general was adversely affected, the ability of the Company's joint interest partners to reimburse the Company could be adversely affected.

Recently Issued Accounting Pronouncements

FASB periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. The Company has reviewed the recently issued pronouncements and concluded that the following new accounting standards are applicable:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. This ASU, as further amended, affects trade receivables, financial assets and certain other instruments that are not measured through net income. This ASU will replace the currently required incurred loss approach with an expected loss model for instruments measured at amortized cost and is effective for financial

statements issued for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this ASU on January 1, 2023 by the Company did not have a material impact on the Company's consolidated financial statements since the Company does not have a history of material credit losses.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this ASU affect entities that issue convertible instruments and/or contracts in an entity's own equity. The amendments in this ASU primarily affect convertible instruments issued with beneficial conversion features or cash conversion features because the accounting models for those specific features are removed. However, all entities that issue convertible instruments are affected by the amendments to the disclosure requirements of this ASU. For contracts in an entity's own equity, the contracts primarily affected are freestanding instruments and embedded features that are accounted for as derivatives under the current guidance because of failure to meet the settlement conditions of the derivatives scope exception related to certain requirements of the settlement assessment. Also affected is the assessment of whether an embedded conversion feature in a convertible instrument qualifies for the derivatives scope exception. Additionally, the amendments in this ASU affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The amendments in this ASU are effective for public business entities, excluding entities eligible to be smaller reporting companies, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Board specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Board decided to allow entities to adopt the guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company is analyzing the effect that adoption will have but does not expect a material impact as a result of adopting these standards.

Note 3 – Property

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Under this method, costs to acquire oil and natural gas properties and costs incurred to drill and equip development and exploratory wells are capitalized. Exploration costs are charged to operations as incurred. Upon sale or retirement of oil and natural gas properties, the costs and related accumulated depreciation, depletion and amortization are eliminated from the accounts and the resulting gain or loss is recognized.

Costs incurred to maintain wells and related equipment and lease and well operating costs are charged to expense as incurred.

Depletion is calculated on a units-of-production basis at the field level based on total proved developed reserves.

Proved Properties and Impairments

Proved oil and natural gas properties are reviewed for impairment at least annually, or as indicators of impairment arise. There have been no indicators of impairment in any period disclosed in these financial statements.

Aggregate capitalized costs of oil and natural gas properties are as follows:

		March 31, 2023		December 31, 2022
Proved properties	$	58,651,754	$	52,831,131
Unproved properties		2,901,047		2,865,556
Work in process		4,574,733		8,289,652
Gross capitalized costs		66,127,534		63,986,339
Depreciation, depletion, amortization and impairment		(20,679,739)		(20,116,696)
Total oil and gas properties, net	$	45,447,795	$	43,869,643

Depletion and amortization expense for the three months ended March 31, 2023 and 2022 was approximately $563,000 and $401,000, respectively.

Other property and equipment consists of operating lease assets, vehicles, office furniture, and equipment with lives ranging from three to five years.

		March 31, 2023		December 31, 2022
Other property and equipment, at cost	$	1,812,095	$	1,878,325
Less: accumulated depreciation		(359,958)		(436,796)
Other property and equipment, net	$	1,452,137	$	1,441,529

Depreciation expense for the three months ended March 31, 2023 and 2022 was approximately $59,000 and $34,000, respectively.

Note 4 - Asset Retirement Obligations

The Company's asset retirement obligations represent the estimated present value of the estimated cash flows the Company will incur to plug, abandon, and remediate its producing properties at the end of their productive lives, in accordance with applicable state laws. Market risk premiums associated with asset retirement obligations are estimated to represent a component of the Company's credit-adjusted risk-free rate that is utilized in the calculations of asset retirement obligations.

The Company's asset retirement obligation activity is as follows:

	For the Three Months Ended March 31,			
		2023		2022
Asset retirement obligations, beginning of period	$	25,000,740	$	20,640,599
Revisions		(68,809)		—
Liabilities settled		(190,375)		—
Accretion expense		401,275		330,000
Asset retirement obligation, end of period	$	25,142,831	$	20,970,599

Note 5 – Commodity Derivative Financial Instruments

The Company uses derivative financial instruments to manage its exposure to commodity price fluctuations. Commodity derivative instruments are used to reduce the effect of volatility of price changes on the oil and natural gas the Company produces and sells. The Company does not enter into derivative financial instruments for speculative or trading purposes. The Company's derivative financial instruments consist of put options.

The Company does not designate its derivative instruments in such a way that would qualify for hedge accounting. Accordingly, the Company reflects changes in the fair value of its derivative instruments in its consolidated statements of operations as they occur. Unrealized gains and losses related to the contracts are recognized and recorded as changes to the derivative asset or liability on the Company's consolidated balance sheets.

The following table summarizes the net realized and unrealized gains (losses) reported in earnings related to the commodity derivative instruments for the three months ended

March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Gain (Loss) on Derivatives:		
Oil derivatives	$ (66,823)	$ (112,321)

The following represents the Company's net cash payments on derivatives for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Oil derivatives	$ (41,187)	$ (83,260)

The following table sets forth the Company's outstanding derivative contracts at March 31, 2023:

	2023		
	2nd Quarter	3rd Quarter	4th Quarter
WTI Index Put Options:			
Quarterly volume (MBbls)	40.35	41.86	41.00
Floor price (Bbl)	$40.00-$55.00	$40.00-$60.00	$40.00-$50.00

Note 6 – Accounts Receivable

The following table represents the Company's accounts receivable as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Oil and gas receivables	$ 2,957,597	$ 3,060,341
Joint interest billings	3,422,417	2,057,719
Receivable from former CEO (See Note 12)	—	2,130,614
Other	124,003	531,565
Total accounts receivable	$ 6,504,017	$ 7,780,239

Note 7 – Accrued Expenses

The following table represents the Company's accrued expenses as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Accrued and suspended third-party revenue	$ 3,862,829	$ 4,415,311
Accrued salaries and payroll taxes	957,634	3,299,785
Accrued production taxes	650,043	500,481
Income taxes payable	208,898	208,898
Other	601,058	1,036,535
	$ 6,280,462	$ 9,461,010

Note 8 – Debt and Long Term Note Payable - Related Party

The following table represents the Company's outstanding debt as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023	As of December 31, 2022
Senior Revolver Loan Agreement	$ 5,369,500	$ 5,869,500
Long Term Note Payable – Related Party	1,073,376	1,076,987
Equipment and vehicle notes, 0% to 9.0% interest rates, due in 2025 to 2027 with monthly payments ranging from $400 to $1,400 per month	296,994	252,924
Note Payable to insurance provider, bears 5.78% interest, matures January 2024, monthly payments of principal and interest of $46,928	409,242	—
Total debt	7,149,112	7,199,411
Less: Current maturities	(2,481,236)	(2,059,309)
Less: Long Term Note Payable – Related Party	(1,073,376)	(1,076,987)
Long-Term debt	$ 3,594,500	$ 4,063,115

On July 7, 2021, the Company entered into the Fourth Amendment to its Senior Revolver Loan Agreement with CrossFirst Bank ("CrossFirst") as further amended by Letter Agreements in conjunction with redetermination dates ("the Amended Agreement"). The maximum amount that can be advanced under the Amended Agreement is $20,000,000 and the existing commitment amount following a February 27, 2023 Letter agreement is $6,180,000 which is reduced by $500,000 per calendar quarter beginning March 31, 2023 and includes interest at Wall Street Journal Prime plus 150 basis points (9.5% as of March 31, 2023). The Amended Agreement matures on May 26, 2024. Collateral for the loan is a lien on all of the assets of Empire Louisiana and Empire North Dakota, wholly owned subsidiaries of the Company, and a first priority mortgage lien, pledge of and security interest in not less than 80% of Empire Louisiana's and Empire North Dakota's producing oil, gas and other leasehold and mineral interests. The Amended Agreement requires the Company maintain commodity derivatives at certain thresholds based on projected production and, beginning March 31, 2021, to maintain certain covenants including an EBITDAX to interest expense of at least 3:1 and funded debt to EBITDAX of 4:1 on a trailing twelve-month basis. The current maturities of the Amended Agreement is $2,000,000. The Company was in compliance with the loan covenants at March 31, 2023.

In August 2020, the Company, through its wholly owned subsidiary, Empire Texas, entered into a joint development agreement (the "JDA") with Petroleum & Independent Exploration, LLC and related entities ("PIE"), a related party (See Note 14), dated August 1, 2020. Under the terms of the JDA, PIE will perform recompletion or workover on specified mutually agreed upon wells ("Workover Wells") owned by Empire Texas. Concurrent with the JDA with PIE, a related party, the Company entered into a term loan agreement dated August 1, 2020, whereby PIE will loan up to $2,000,000, at an interest rate of 6% per annum, maturing August 7, 2024 unless terminated earlier by PIE. The loan proceeds were used for recompletion or workover of certain designated wells. As part of the JDA, Empire Texas will assign to PIE a combined 85% working and revenue interest in the Workover Wells. Of the assigned interest, 70% working and revenue interest will be used to repay the obligations under the term loan agreement. Once the term loan is repaid, PIE will reassign a 35% working and revenue interest to Empire Texas in each of the Workover Wells and retain a 50% working and revenue interest. To the extent the cash flows from the revenue interest are insufficient to repay the obligations under the term loan, the Company remains required to repay the obligation.

Note 9 - Leases

As a lessee, the Company leases its corporate office headquarters in Tulsa, Oklahoma and three field offices. The leases expire between 2024 and 2027. The corporate office has an option to renew for an additional five-year term. The option to renew the lease is generally not considered reasonably certain to be exercised. Therefore, the period covered by such optional period is not included in the determination of the term of the lease and the lease payments during these periods are similarly excluded from the calculation of right-of-use lease asset and lease liability balances.

The Company recognizes right-of use lease expense on a straight-line basis, except for certain variable expenses that are recognized when the variability is resolved, typically during the period in which they are paid. Variable right-of-use lease payments typically include charges for property taxes, insurance, and variable payments related to non-lease components, including common area maintenance.

Right of use lease expense was approximately $77,600 and $60,000 for the three months ended March 31, 2023 and 2022, respectively. Cash paid for right of use lease was approximately $78,400 and $59,000 for the same periods.

Supplemental balance sheet information related to the right of use leases is as follows:

	March 31, 2023		December 31, 2022	
Operating lease asset (included in Other Property and Equipment)	$	821,024	$	978,548
Current portion of lease liability	$	256,975	$	256,975
Long-term lease liability		519,852		547,692
Total right of use lease liabilities	$	776,827	$	804,667

The weighted average remaining term for the Company's right-of-use leases is 2.8 years.

Maturities of lease liabilities are as follows as of March 31, 2023:

2024	$	323,959
2025		311,849
2026		187,852
2027		37,200
2028		3,100
Total lease payments		863,960
Less imputed interest		(87,133)
Total lease obligation	$	776,827

Note 10 – Equity

Pursuant to the Company's Amended and Restated Certificate of Incorporation ("Charter"), effective as of March 4, 2022, the total number of shares of all classes of stock that the Company has the authority to issue is 200,000,000, consisting of 190,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share.

Preferred Stock

Preferred stock may be issued from time to time in one or more series at the direction of the Board of Directors and the directors also have the ability to fix dividend rates and rights, liquidation preferences, voting rights, conversion rights, rights and terms of redemption and other rights, preferences, privileges and restrictions as determined by the Board of Directors, subject to certain limitations set forth in the Charter.

Series A Voting Preferred Stock

On March 8, 2022, the Company formalized the issuance of preferred stock as was required under the terms of the Company's May 2021 financing agreements with Energy Evolution (Master Fund), Ltd. (the "Fund") and issued six shares of Series A Voting Preferred Stock. The Series A Voting Preferred Stock was issued in connection with the strategic investment in the Company by the Fund. For so long as the Series A Voting Preferred Stock is outstanding, the Company's Board of Directors will consist of six directors. Three of the directors are designated as the Series A Directors and the three other directors (each, a "common director") are elected by the holders of common stock and/or any preferred stock (other than the Series A Voting Preferred Stock) granted the right to vote on the common directors. Any Series A Director may be removed with or without cause but only by the affirmative vote of the holders of a majority of the Series A Voting Preferred Stock voting separately and as a single class. The holders of the Series A Voting Preferred Stock have the exclusive right, voting separately and as a single class, to vote on the election, removal and/or replacement of the Series A Directors. Holders of common stock or other preferred stock do not have the right to vote on the Series A Directors. The approval of the holders of the Series A Voting Preferred Stock, voting separately and as a single class, is required to authorize any resolution or other action to issue or modify the number, voting rights or any other rights, privileges, benefits, or characteristics of the Series A Voting Preferred Stock, including without limitation, any action to modify the number, structure and/or composition of the Company's current Board of Directors.

The Series A Voting Preferred Stock is held by Phil Mulacek, chairman of the Board of Directors and one of the principals of the Fund, as the Fund's designee (the "Initial Holder"). The Series A Voting Preferred Stock may be transferred only to certain controlled affiliates of the Initial Holder ("Permitted Transferees"), and the voting rights of the Series A Voting Preferred Stock are contingent upon the Initial Holder and Permitted Transferees (collectively, the "Series A Holders") holding together at least 3,000,000 shares of the Company's outstanding common stock.

The Series A Voting Preferred Stock is not entitled to receive any dividends or distributions of cash or other property except in the event of any liquidation, dissolution or winding up of the Company's affairs. In such event, before any amount is paid to the holders of the Company's common stock but after any amount is paid to the holders of the Company's senior securities, the holders of the Series A Voting Preferred Stock will be entitled to receive an amount per share equal to $1.00.

Except as discussed above or as otherwise set forth in the certificate of designation of the Series A Voting Preferred Stock, the holders of the Series A Voting Preferred Stock have no voting rights.

The Series A Voting Preferred Stock is not redeemable at the Company's election or the election of any holder, except the Company may elect to redeem the Series A Voting Preferred Stock for $1.00 per share following satisfaction of its notice and cure requirements in the event that:

- any or all shares of Series A Voting Preferred Stock are held by anyone other than the Initial Holder or a Permitted Transferee; or
- the Series A Holders together hold less than 3,000,000 shares of the Company's outstanding common stock.

The Series A Voting Preferred Stock is not convertible into common stock or any other security.

Common Stock

On August 27, 2021, the Company's Board of Directors approved a one-for-four reverse stock split such that every holder of the Company's common stock would receive one share of common stock for every four shares owned. The reverse stock split was effective as of 6:00 p.m. Eastern Time on March 7, 2022, immediately prior to the Company's listing of its common stock on the NYSE American.

The holders of shares of common stock are entitled to one vote per share for all matters on which common stockholders are authorized to vote on. Examples of matters that common stockholders are entitled to vote on include, but are not limited to, election of three of the six directors and other common voting situations afforded to common stockholders.

Earnings Per Share

The computation of diluted shares outstanding for the three months ended March 31, 2023, excluded 2,348,009 stock options, warrants, and outstanding RSUs, as their effect would have been anti-dilutive. There were no such anti-dilutive shares outstanding for the three months ended March 31, 2022.

Note 11 – Stock-Based Compensation

The Company recognizes stock-based compensation expense associated with granted stock options and restricted stock units (RSUs). The Company accounts for forfeitures of equity-based incentive awards as they occur. Stock-based compensation expense related to time-based restricted stock units is based on the price of the common stock on the grant date and recognized as vesting occurs. For options, the fair value is determined using the Black-Scholes option valuation assumptions on dividend yield, expected annual volatility, risk free interest rate and an expected useful life. Stock-based compensation is included in General and Administrative expense in the Condensed Consolidated Statements of Operations and is recorded with a corresponding increase in Additional Paid-in Capital within the Condensed Consolidated Balance Sheets.

The following summary reflects nonvested restricted stock unit activity and related information for the three months ended March 31, 2023.

	RSUs	Weighted Average Fair Value (a)
Outstanding, December 31, 2022	224,288	$ 15.42
Granted	—	—
Vested	(11,089)	11.82
Forfeited	(36,701)	15.32
Outstanding, March 31, 2023	176,498	$ 15.66

(a) Shares are valued at the grant-date market price.

The following summary reflects stock option activity and related information:

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2022	2,379,700	$ 3.31
Granted	—	—
Cancelled	(373,234)	3.29
Outstanding, March 31, 2023	2,006,466	$ 2.91

The following table summarizes information about stock options outstanding as of March 31, 2023.

Range of Exercise Prices	Options Outstanding at 3/31/23	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at 3/31/23	Weighted Average Exercise Price
$1.32 to $11.80	2,006,466	6.0 years	$2.91	1,828,960	$2.18

Note 12 – Executive Separation

On March 16, 2023, Thomas W. Pritchard resigned as Chief Executive Officer and a director of the Company to pursue other opportunities. Although not required under Mr. Pritchard's Employment Agreement with the Company, in recognition of Mr. Pritchard's past service to the Company, the Company will pay Mr. Pritchard severance benefits in the amount of approximately $360,000, as set forth in Section 4.2 of his Employment Agreement, in one lump sum payment within 30 days after March 23, 2023, rather than in monthly installments. This was accrued as of March 31, 2023, and payment was made in April 2023. The Company is also extending the period under which Mr. Pritchard has the right to exercise his outstanding vested non-qualified stock options from three months after the date of his termination of employment to September 16, 2024. In addition, Mr. Pritchard has surrendered to the Company 340,234 RSUs and options as satisfaction for the $2.1 million receivable that primarily resulted from incorrect withholdings associated with an April 2022 option exercise by Mr. Pritchard. The Company also has a $2.1 million liability recorded at December 31, 2022, related to withholding payables that were remitted in the first-quarter 2023.

On March 17, 2023, the Board of Directors appointed Michael R. Morrisett to the position of Chief Executive Officer. Mr. Morrisett is not receiving any additional compensation for assuming the role of Chief Executive Officer.

Note 13 – Income Taxes

For all periods presented, the Company's effective tax rate is 0%. Other than the full year of 2022, the Company has generated net operating losses since inception, which would normally reflect a tax benefit in the condensed consolidated statement of operations and a deferred asset on the condensed consolidated balance sheet. However, because of the current uncertainty as to the Company's ability to achieve sustained profitability, a valuation reserve has been established that offsets the amount of any tax benefit available for each period presented in the condensed consolidated statements of operations. The following table presents a reconciliation of its effective income tax rate to the U.S. statutory income tax rate for the three months ended March 31, 2023.

	For the Three Months Ended March 31,			
	2023		2022	
	$	%	$	%
Provision (benefit) at statutory rate	(516,514)	21.0%	760,920	21.0%
State Taxes (net of federal impact)	(118,333)	4.8%	175,736	4.9%
Nondeductible Expenses	(2,460)	0.1%	—	0.0%
Valuation Allowance	637,307	-25.9%	(936,656)	-25.9%
Income tax provision (benefit)	—	0%	—	0%

Note 14 – Related Party Transactions

The Energy Evolution Master Fund, Ltd. ("Energy Evolution") is a related party of the Company as it beneficially owns approximately 24% of the Company's outstanding shares of common stock as of March 31, 2023. Additionally, a board member of Energy Evolution was appointed to the Company's board in October 2021. This board member separately beneficially owns approximately 17% of the Company's outstanding shares of common stock as of March 31, 2023. The board member also is a majority owner of PIE. In October 2021 another Energy Evolution member was appointed to the Company's board of directors.

In March 2021, the majority owner of PIE, through the exercise of warrants, became a significant shareholder of the Company's outstanding shares of stock. The Company has a joint development agreement with PIE to perform recompletion or workover on specified mutually agreed upon wells. As of March 31, 2023, the Company has incurred obligations of approximately $1.1 million as a part of the joint development agreement (See Note 8).

Note 15 – Commitments and Contingencies

From time to time, the Company is subject to various legal proceedings arising in the ordinary course of business, including proceedings for which the Company may not have insurance coverage. While many of these matters involve inherent uncertainty, as of the date hereof, the Company does not currently believe that any such legal proceedings will have a material adverse effect on the Company's business, financial position, results of operations or liquidity.

The Company is subject to extensive federal, state, and local environmental laws and regulations. These laws, among other things, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Management believes no materially significant liabilities of this nature existed as of the balance sheet date.

Note 16 – Subsequent Events

In May 2023, the Company signed an agreement for the purchase of additional working interests in its New Mexico properties for $6.7 million. The acquisition is expected to close in summer of 2023.

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

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, which 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 distinct 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 the Company files with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2022. 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.

Overview

Our primary business is the exploration and development of oil and gas interests. We have incurred significant losses from operations in years prior to 2022, and there is no assurance that we will maintain profitability or obtain funds necessary to finance our future operations.

We seek to increase shareholder value by growing reserves, production, revenues, and cash flow from operating activities by executing our mission to use highly-skilled personnel to thoughtfully and expertly spend capital to realize reserves on producing properties.

Management places emphasis on operating cash flow in managing our business, as operating cash flow considers the cash expenses incurred during the period and excludes non-cash expenditures not related directly to our operations.

Business Strategy

Our business strategy is to obtain long-term growth in reserves and cash flow on a cost-effective basis. Management regularly evaluates potential acquisitions of properties that would enhance current core areas of operation.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to use judgment to make estimates and assumptions that affect certain amounts reported in the consolidated financial statements. As additional information becomes available, these estimates and assumptions are subject to change and thus impact amounts reported in the future. Critical accounting policies are those accounting policies that involve judgment and uncertainties affecting the application of those policies and the likelihood that materially different amounts would be reported under different conditions or using differing assumptions. Management periodically updates the estimates used in the preparation of the financial statements based on management's latest assessment of the current and projected business and general economic environment. There have been no significant changes to the Company's critical accounting policies during the three months ended March 31, 2023.

Liquidity

As of March 31, 2023, the Company had approximately $6.8 million of cash on hand and approximately $300,000 available on its Credit Facility. For additional information regarding the Credit Facility, see Note 8 to the Condensed Consolidated Financial Statements included in this report. The Company expects to incur costs related to limited drilling activities in core areas as well as future oil and natural gas acquisitions in core areas. It is expected that management will use a combination of cash on hand, cash flows from operations as well as seeking additional debt and/or equity funding for these acquisitions, capital programs and to fund ongoing operations.

Working Capital

Working capital (presented below) decreased by approximately $2.8 million between December 31, 2022 and March 31, 2023. This change is primarily a result of a weaker pricing environment in the first three months of 2023 coupled with the capital expenditures in in North Dakota. Additionally, the Company incurred significant workover expense in the three months ended March 31, 2023.

	March 31, 2023	December 31, 2022
Current Assets	$ 17,035,527	$ 22,734,973
Current Liabilities	14,751,986	17,620,660
Working Capital	$ 2,283,541	$ 5,114,313

Cash Flows

Cash Flows Provided By (Used In):	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Variance

Operating Activities	$ (5,066,714)	$ 3,060,704	$ (8,127,418)
Investing Activities	455,281	(956,514)	1,411,795
Financing Activities	(569,136)	(362,452)	(206,684)

Cash Flows from Operating Activities

The impact of lower commodity prices in 2023 contributed to the decrease in cash flows as well as a $2.1 million payment for withholding obligations on an option exercise (see Note 12). The Company had net income in the first three months of 2022 primarily driven by higher commodity pricing and increasing cash provided by operating activities.

Cash Flows from Investing Activities

In 2022, we began recompletions and other capitalizable efforts in multiple states as we sought to bring production online from existing wells and bring on new production from sidetrack drilling in North Dakota. The activity continued into 2023 and was the primary driver of $2.2 million of capital expenditures. As part of the XTO acquisition, we entered into an agreement to create a sinking fund for future plugging liabilities, paying approximately $4.8 million into that fund in 2021 and 2022. In 2022, we were able to negotiate for the release of the sinking fund requirement and received $2.0 million in 2022. The remaining $2.8 million of the sinking fund balance was returned to us in 2023.

Cash Flows from Financing Activities

For the three months ended March 31, 2023, the Company made principal payments on debt of approximately $500,000.

Capital Resources

Capital Expenditures

For the three months ended March 31, 2023, the Company spent approximately $2.2 million on additions to oil and natural gas properties and primarily reflects well enhancement projects in North Dakota and non-operated drilling. We anticipate a significant capital program in 2023 that will be funded with cash on hand, cash flows from operations, and/or debt issuances.

Production and Operating Data

The following table sets forth a summary of the Company's production and operating data for the three months ended March 31, 2023 and 2022. Because of normal production declines, increased or decreased production due to future acquisitions, divestitures, and development, and fluctuations in commodity prices, the historical information presented below should not be interpreted as being indicative of future results.

	Three Months Ended March 31,	
	2023	**2022**
Production and Operating Data:		
Net Production Volumes:		
Oil (Bbl)	120,257	114,255
Natural gas (Mcf)	231,218	213,945
Natural gas liquids (Bbl)	39,756	40,152
Total (Boe)	198,549	190,064
Average Price per Unit:		
Oil (Bbl)	$ 74.33	$ 91.17
Natural gas (Mcf)	$ 2.84	$ 4.13
Natural gas liquids (Bbl)	$ 12.70	$ 30.27
Total (Boe)	$ 50.87	$ 65.85
Operating Costs and Expenses per Boe:		
Lease operating expense	$ 32.84	$ 24.06
Production and ad valorem taxes	$ 3.82	$ 4.74
Depreciation, depletion, amortization and accretion	$ 5.16	$ 4.02
General & administrative	$ 20.01	$ 12.92

Bbl – One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to oil, condensate, or natural gas liquids.
Mcf – One thousand cubic feet of natural gas.
Boe – One barrel of oil equivalent, a standard convention used to express oil and natural gas volumes on a comparable oil equivalent basis. Natural gas equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of natural gas to 1.0 Bbl of oil or condensate.

Three Months Ended March 31, 2023 and 2022

Results of Operations

The following table reflects the Company's summary operating information. Because of normal production declines, increased or decreased drilling activity and the effects of acquisitions, the historical information presented below should not be interpreted as indicative of future results.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Variance	Variance %
Oil Revenues	$ 8,938,715	$ 10,416,422	$ (1,477,707)	-14%
Natural Gas Revenues	656,035	883,902	(227,867)	-26%
NGL Revenues	504,954	1,215,494	(710,540)	-58%
Total Product Revenues	10,099,704	12,515,818		
Lease Operating Expense	6,520,163	4,572,401	1,947,762	43%
Production and Ad Valorem Taxes	758,114	901,238	(143,124)	-16%
Depreciation, Depletion, Amortization and Accretion	1,023,764	764,446	259,318	34%
General and Administrative Expenses (excluding stock based compensation)	3,023,279	2,079,096	944,183	45%
Stock-based Compensation	949,639	376,284	573,355	152%
Interest Expense	237,299	110,648	126,651	114%
Operating Income (Loss)	(2,222,714)	3,734,075	(5,956,789)	NM
Net Income (Loss)	(2,459,591)	3,623,427	(6,083,018)	NM

NM: *A percentage calculation is not meaningful due to change in signs, a zero-value denominator or a percentage change that is greater than 200.*

Revenues

Revenues for the three-month period decreased over the same period as the prior year primarily due to decreased realized oil and natural gas pricing despite higher sales volumes.

Realized oil pricing for the three months ended March 31, 2023, was approximately $74 per barrel, while realized pricing for the same period in the prior year was approximately $91, a decrease in price of approximately 19%.

Realized natural gas pricing for the three months ended March 31, 2023, was approximately $3 per mcf, while realized pricing for the same period in the prior year was approximately $4, a decrease in price of approximately 31%.

Net oil sales volumes were approximately 120,000 Bbls for the three months ended March 31, 2023, an increase of approximately 5% over the same period in the prior year.

Net gas sales volumes were approximately 231,000 mcf for the three months ended March 31, 2023, an increase of approximately 8% over the same period in the prior year.

Lease Operating Expense and Production Taxes

Lease operating expense was higher in 2023 due in part to higher workover activity in the first quarter of 2023 coupled with higher production. Lease operating expenses includes approximately $2.7 million workover expense for the three months ended March 31, 2023 as compared to $1.5 million for the same period in 2022. Part of the higher workover expense was in North Dakota as the Company continued to work over wells in the state to enhance production alongside capital recompletions and sidetrack drilling started in 2022.

Depreciation, Depletion, Amortization and Accretion

The higher DD&A in 2023 is due in part to the increase in production as well as the impact of the capitalized costs associated with the activity in North Dakota.

General and Administrative Expense

General and administrative expenses in 2023 includes $360,000 of severance expense for the former CEO (see Note 12) along with higher legal and professional expense, board compensation and an increase in salaries and benefits period over period. The three months ended March 31, 2022 includes a $650,000 expense accrual related to a sales tax audit.

Stock-based Compensation

The Company utilizes stock-based compensation to compensate members of management and retain talented personnel. The Company anticipates stock-based compensation to continue to be utilized in 2023 and beyond to attract and retain talented personnel and compensate Board members and consultants.

Interest Expense

Cash-based interest expense increased despite a decrease in the Company’s Credit Facility due to an increase in interest rate from 5.0% at March 31, 2022 to 9.5% at March 31, 2023.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation under the supervision and participation of the Company's Chief Executive Officer and Chief Financial Officer, along with the Company's management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Securities Exchange Act Rules 13a - 15(e). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of the end of the period covered by this report were not effective due to a material weakness identified below. As described in the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2023, the Company's Chief Executive Officer and Principal Financial Officer concluded that, as of December 31, 2022, the Company's internal control over financial reporting was not effective at a reasonable assurance level due to a material weakness as the Company did not have sufficient resources in its accounting function, which restricts the Company's ability to gather, analyze and properly review information related to financial reporting in a timely manner.

Management has evaluated the material weakness described above and is in the process of updating its design and implementation of internal control over financial reporting to remediate the aforementioned material weakness and enhance the Company's internal control environment which to date has included the hiring of a Chief Accounting Officer in October 2021. In the first quarter of 2022, the Chief Accounting Officer engaged an outside company to undertake an internal controls review. This review concluded in the third quarter of 2022. Controls that would strengthen the Company's internal control structure that were identified during the course of the review continue to be designed and will be implemented on an ongoing basis. In December 2022, we had a change in the Chief Accounting Officer although the former Chief Accounting Officer has continued to assist the Company on a part-time basis. In addition to continuing to enhance and refine control design, management plans to add the appropriate resources and focus efforts during 2023 to test the operational effectiveness of the controls that will be established. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures.

Changes in Internal Control Over Financial Reporting

While we continue to implement design enhancements to our internal control procedures, we believe that other than the changes described above regarding the ongoing remediation efforts, there were no changes to our internal control over financial reporting during the three months ended March 31, 2023, which were identified in connection with the evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. It is management's expectation that the Company will implement enhanced controls throughout 2023 with additional controls implemented as they are identified by the outside consultants. Management will continue to diligently and rigorously review the financial reporting controls and procedures on an ongoing basis.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 15 of the Unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

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

31.1	Rule 13a - 14 (a)/15(d) - 14(a) Certification of Michael R. Morrisett, Chief Executive Officer (submitted herewith).
31.2	Rule 13a - 14 (a)/15(d) - 14(a) Certification of Stephen L. Faulkner, Chief Financial Officer (submitted herewith).
32.1	Section 1350 Certification of Michael R. Morrisett, Chief Executive Officer (submitted herewith).
32.2	Section 1350 Certification of Stephen L. Faulkner, Chief Financial Officer (submitted herewith).
101	Financial Statements for Inline XBRL format (submitted herewith).
104	Cover Page Interactive Data File (embedded within Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Empire Petroleum Corporation

Date: May 15, 2023

By: /s/ Michael R. Morrisett
Michael R. Morrisett
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 15, 2023

By: /s/ Stephen L. Faulkner, Jr
Stephen L. Faulkner, Jr
Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Michael R. Morrisett, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2023

/s/ Michael R. Morrisett
Michael R. Morrisett
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Stephen L. Faulkner, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2023

/s/ Stephen L. Faulkner
Stephen L. Faulkner
Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Empire Petroleum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Morrisett, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 15, 2023

/s/ Michael R. Morrisett
Michael R. Morrisett
President and Chief Executive Officer

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

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

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Empire Petroleum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen L. Faulkner, Chief Financial Officer and Chief Accounting Officer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 15, 2023

/s/ Stephen L. Faulkner
Stephen L. Faulkner
Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)

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

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