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EMPIRE PETROLEUM CORP  
Form 10KSB  
March 31, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-16653

EMPIRE PETROLEUM CORPORATION

(Name of small business issuer in its charter)

Delaware 73-1238709  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

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

Issuer's Telephone Number: (918) 488-8068

Securities registered under Section 12(b) of the Exchange Act:  
None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value

(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for  
such shorter period that the registrant was required to file such reports)  
and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if disclosure of delinquent filers in response to Item 405 of  
Regulation S-B is not contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form  
10-KSB or any amendment to this Form 10-KSB

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The issuer's gross revenues for the most recent fiscal year were \$57,588. The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the average bid and asked prices of the Common Stock on March 21, 2006 was \$5,045,550.

The number of shares outstanding of the issuer's Common Stock, as of March 21, 2006 was 42,830,190.

Transitional Small Business Disclosure Format (check one): Yes  No

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EMPIRE PETROLEUM CORPORATION

FORM 10-KSB

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## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### Background

Empire Petroleum Corporation, a Delaware corporation (the "Company"), was incorporated in the state of Utah in August 1983 under the name Chambers Energy Corporation and domesticated in Delaware in March 1985 under the name Americomm Corporation. The Company's name was changed to Americomm Resources Corporation in July 1995. On May 29, 2001, Americomm Resources Corporation acquired Empire Petroleum Corporation, which became a wholly owned subsidiary of Americomm Resources Corporation. On August 15, 2001, Americomm Resources Corporation and Empire Petroleum Corporation merged and the Company's name was changed to Empire Petroleum Corporation. Since August 15, 2001, the Company has not had any subsidiaries. The Company operates from leased office space at 8801 S. Yale, Suite 120, Tulsa, OK 74137-3575, and its telephone number is (918) 488-8068.

During the past three fiscal years, the Company has focused on developing the Cheyenne River and Gabbs Valley Prospects as further described below.

#### Cheyenne River Prospect

The Company owns a 26.785% working interest in approximately 33,485 acres of oil and gas leases located in Niobrara County, Wyoming (the "Cheyenne River Prospect") and an overriding royalty interest of between 1.5% and 2% in 42,237 acres of oil and gas leases located in or near the Cheyenne River Prospect.

The drilling of the Company's first well in the Cheyenne River Prospect, the Timber Draw #1-AH, was completed in January 2001 at a total measured depth of 10,578 feet, of which the last 2,030 feet were drilled horizontally through the Newcastle "B" formation. The Timber Draw #1-AH encountered flows of oil and gas during the horizontal drilling. The Company conducted a series of production tests on this well during the period from February 13, 2001 to June 22, 2001. During the test period, the well flowed 8,139 barrels of 44 degree light gravity sweet crude and 29,072,000 cubic feet of natural gas with a BTU content of 1,493 and rich in natural gas liquids. However, the well was shut-in on June 22, 2001 to conserve the natural gas, which was flared during the test period, and a bottom hole pressure survey of the well conducted in April 2002 indicated a limited reservoir. As of December 31, 2005, the Company owned a 17.5% working interest in the Timber Draw #1-AH and the well had produced 21,875 barrels of oil.

Pursuant to a farmout agreement, a third party conducted a seismic survey in the Cheyenne River Prospect and the drilling of the Company's second well, the Hooligan Draw Unit #1-AH, was completed in December 2004 at no cost to the Company. Shortly thereafter, the well was tested every fifth day for approximately a three-hour period during which it produced 50 to 60 barrels of oil during each test period and during the balance of 2005 it was produced at different intervals and had accumulative production of 3,370 barrels at year end. As of December 31, 2005, the Company owned a 26.785% working interest in the Hooligan Draw Unit #1-AH.

The Cheyenne River Prospect is located near a mature producing area

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with an established pipeline and service network.

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The Company is currently in the process of analyzing studies completed in March 2006 to determine the viability of the Cheyenne River Prospect. In addition, as of such time, the Company was exploring the possibility of selling its interests in the Cheyenne River Prospect.

### Gabbs Valley Prospect

The Company owns a 10% working interest in approximately 44,604 acres of oil and gas leases in Nye and Mineral Counties, Nevada (the "Gabbs Valley Prospect").

As of December 31, 2005, there have been no wells drilled on the Gabbs Valley Prospect. However, in November 2005, the Company received the results of a 19-mile 2-D swath seismograph survey conducted on the prospect and, based on the results of the survey, the Company and its partners determined that a test well should be drilled on the prospect.

A 28,783 acre unit on the Gabbs Valley Prospect, the Cobble Cuesta Unit, was approved by the Bureau of Land Management on March 1, 2005 and a test well is being planned for the second or third quarter of 2006. As of December 31, 2005, the demand for drilling rigs was very high. As such, it could be difficult for the Company to secure a drilling rig, and the actual timing of the commencement of this test well could be delayed.

Other than a 5,000 barrel-per-day refinery located approximately 115 miles from the Gabbs Valley Prospect, there are no pipelines or service networks located near the prospect.

### Competition

The oil and gas business is extremely competitive. The Company must compete with many long-established companies with greater financial resources and technical capabilities. The Company is not a significant participant in the oil and gas industry.

### Markets; Price Volatility

The market price of oil and gas is volatile, subject to speculative movement and depends upon numerous factors beyond the control of the Company, including expectations regarding inflation, global and regional demand, political and economic conditions and production costs. Future profitability, if any, will depend substantially upon the prevailing prices for oil and gas. If the market price for oil and gas is significantly depressed in the future, it could have a material adverse effect on the Company's ability to raise additional capital necessary to finance operations and to explore the Cheyenne River and Gabbs Valley Prospects. Lower oil and gas prices may also reduce the amount of oil and gas, if any, that can be produced economically from the Company's properties. Although the prices of oil and gas remain volatile, the oil and gas industry has recently experienced historically high prices for oil and gas. The Company does not anticipate that the prices of oil and gas will decline substantially in the near future.

### Regulation

The oil and gas industry is subject to extensive federal, state and local laws and regulations governing the production, transportation and sale of hydrocarbons as well as the taxation of income resulting therefrom.

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Legislation affecting the oil and gas industry is constantly changing. Numerous federal and state departments and agencies have issued rules and

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regulations applicable to the oil and gas industry. In general, these rules and regulations regulate, among other things, the extent to which acreage may be acquired or relinquished; spacing of wells; measures required for preventing waste of oil and gas resources; and, in some cases, rates of production. The heavy and increasing regulatory burdens on the oil and gas industry increase the costs of doing business and, consequently, affect profitability.

A substantial portion of the leases, which constitute the Cheyenne River and Gabbs Valley Prospects are granted by the federal government and administered by the Bureau of Land Management ("BLM") and the Minerals Management Service ("MMS") of the U.S. Department of the Interior, both of which are federal agencies. Such leases are issued through competitive bidding, contain relatively standardized terms and require compliance with detailed BLM and MMS regulations and orders (which are subject to change by the BLM and the MMS). Leases are also accompanied by stipulations imposing restrictions on surface use and operations. Operations to be conducted by the Company on federal oil and gas leases must comply with numerous regulatory restrictions, including various nondiscrimination statutes. Federal leases also generally require a complete archaeology and environmental impact assessment prior to the authorization of an exploration or development plan.

The Company's oil and gas properties and operations are also subject to numerous federal, state and local laws and regulations relating to environmental protection. These laws govern, among other things, the amounts and types of substances and materials that may be released into the environment, the issuance of permits in connection with exploration, drilling and production activities, the reclamation and abandonment of wells and facility sites and the remediation of contaminated sites. These laws and regulations may impose substantial liabilities for the Company's failure to comply with them or for any contamination resulting from the Company's operations.

### Employees

As of December 31, 2005, the Company had one employee, a full-time secretary. Mr. Albert E. Whitehead, Chairman and Chief Executive Officer, devotes a considerable amount of time to the affairs of the Company and receives no compensation. For financial statement purposes, Mr. Whitehead's services have been recorded as contributed capital and expense in the amount of \$50,000 for the year ended December 31, 2005.

### ITEM 2. DESCRIPTION OF PROPERTY

#### Cheyenne River Prospect

As of December 31, 2005, the Cheyenne River Prospect consisted of approximately 33,485 gross acres of federal and fee leases located in Niobrara County, Wyoming, of which the Company owns a 26.785% working interest. The land in the Cheyenne River Prospect consists of gently rolling ranch land with a substantial network of ranch roads, which permit easy access to most areas of the prospect. The prospect is located near a mature producing area with an established pipeline and service network.

Numerous wells were drilled within the prospect area in the 1950's through the 1970's, with initial potential flowing rates in the range of 200 to 1,500 barrels of oil per day. Management believes that these wells may identify a fractured reservoir with the potential for significant oil and gas production,

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which would be most effectively exploited utilizing horizontal drilling technology. The Company is currently in the process of analyzing studies completed in March 2006 to determine the viability of the Cheyenne River

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Prospect. In addition, as of such time, the Company was exploring the possibility of selling its interests in the Cheyenne River Prospect. The Company's Timber Draw #1-AH well was drilled on the Prospect using horizontal drilling technology. The Company has retained a 17.5% working interest in such well. For more information on the Timber Draw #1-AH well, see "Cheyenne River Prospect" under Item 1, Description of Business.

The Company's leases in the Cheyenne River Prospect are predominately federal leases with 10 year terms, most of which have two years remaining. In connection with drilling the Timber Draw #1-AH well, the Company formed the Timber Draw Unit. Since the Company did not commence Drilling another well within the unit by August 12, 2002, the BLM informed the Company the Timber Draw Unit had been terminated.

A new unit known as the Hooligan Draw Unit was formed in 2004 consisting of leases covering 2,560 acres. The Hooligan Draw Unit #1-AH well was drilled in this unit. Subsequent to the drilling of this well, it was determined the unit was no longer needed and the unit was allowed to terminate. Unless a new unit is formed a well will need to be drilled on each federal and fee lease in order to extend such lease for the life of its producing capability.

Pursuant to a farmout agreement, a third party carried out a seismic program in 2003 and, based on the results of such survey, the third party drilled a test well, the Hooligan Draw Unit #1-AH, in 2004. For more information on this test well, see "Cheyenne River Prospect" under Item 1, Description of Business.

### Gabbs Valley Prospect

As of December 31, 2005, the Gabbs Valley Prospect consisted of approximately 44,604 acres of federal leases located in Nye and Mineral Counties, Nevada, of which the Company owns a 10% working interest.

As of December 31, 2005, no wells had been drilled on the Gabbs Valley Prospect, but there are plans to drill a test well. For more information regarding the Gabbs Valley Prospect, see "Gabbs Valley Prospect" under Item 1, Description of Business.

### COMPANY UNDEVELOPED ACREAGE (LEASES) AS OF DECEMBER 31, 2005

Prospect	Undeveloped Acreage		Productive Acreage		Completed Oil Wells		
	Gross Acres	Net Acres	Gross Acres	Net Acres	2003	2004	2005
Cheyenne River	33,085.19	8,861.81	400	84.9	-0-	2	-0-
Gabbs Valley	44,604	4,460	-	-	-0-	-0-	-0-

### ITEM 3. LEGAL PROCEEDINGS

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As of December 31, 2005, neither the Company nor its properties were Subject to any legal proceedings.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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There were no matters submitted to a vote of security holders during the year ended December 31, 2005.

### PART II

#### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### Market Information:

The Company's Common Stock is traded on the National Association of Securities Dealers Automatic Quotation (NASDAQ) over-the-counter bulletin board system under the symbol "EMPR."

The following table sets forth the high and low bid information for the Company's common stock during the time periods indicated, as reported by NASDAQ.

Year ending December 31, 2004:

Quarter	High	Low
03/31/04	.30	.16
06/30/04	.40	.17
09/30/04	.42	.08
12/31/04	.13	.06

Year ending December 31, 2005:

Quarter	High	Low
03/31/05	.12	.07
06/30/05	.155	.055
09/30/05	.19	.09
12/31/05	.18	.10

Quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

##### Number of Holders of Common Stock

At December 31, 2005, there were approximately 171 stockholders of record of the Company's Common Stock.

##### Dividends

The Company has never paid cash dividends on its Common Stock. The Company intends to retain future earnings for use in its business and, therefore, does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

##### Recent Sales of Unregistered Securities

During the quarter ended December 31, 2005, the Company did not sell any securities of the Company that were not registered under the Securities Act.

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#### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

##### Cautionary Note Regarding Forward-Looking Statements

All statements, other than statements of historical fact, contained in this



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report are forward-looking statements. Forward-looking statements generally are accompanied by words such as "anticipate," "believe," "estimate," "expect," "may," "might," "potential," "project" or similar statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause results to differ materially from the results discussed in such forward-looking statements include:

- \* the need for additional capital,
- \* the costs expected to be incurred in exploration and development,
- \* unforeseen engineering, mechanical or technological difficulties in drilling wells,
- \* uncertainty of exploration results,
- \* operating hazards,
- \* competition from other natural resource companies,
- \* the fluctuations of prices for oil and gas,
- \* the effects of governmental and environmental regulation, and
- \* general economic conditions and other risks described in the Company's filings with the Securities and Exchange Commission.

Information on these and other risk factors are discussed under "Factors That May Affect Future Results" below. Accordingly, the actual results of operations in the future may vary widely from the forward-looking statements included herein, and all forward-looking statements in this Form 10-KSB are expressly qualified in their entirety by the cautionary statements in this paragraph.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief and expectations only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

### Factors That May Affect Future Results

The Company does not have any significant on-going income producing oil and gas properties and has limited financial resources.

For the past three fiscal years, the Company has financed its operations primarily from sales of equity securities and advances made to the Company by Albert E. Whitehead, the Company's Chief Executive Officer. There is no assurance that the Company will be able to continue to finance its operations through the sale of equity securities or loans or advances by third parties. In addition, Mr. Whitehead has no obligation to advance the Company any additional money, and there is no assurance that he will do so.

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The report of the Company's independent auditor regarding the Company's financial statements has been modified because of a going concern uncertainty.

The Company reported losses of \$158,191 and \$191,689 for the years ended December 31, 2005 and 2004, respectively. The Company also has an accumulated deficit of \$8,789,448 as of December 31, 2005. The Company can

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provide no assurance that it will be profitable in the future and, if the Company does not become profitable, it may have to suspend its operations. As a result of the foregoing, the audit report of the Company's independent auditors relating to the Company's financial statements has been modified because of a going concern uncertainty. If the Company is able to raise the funds necessary to continue its operations, its future performance will be dependent on the successful drilling results of its inventory of unproved locations in Wyoming and Nevada. The failure of drilling activities to achieve sufficient quantities of economically attractive reserves and production would have a material adverse effect on the Company's liquidity, operations and financial results.

The Company could be adversely affected by fluctuations in oil and gas prices.

Even if the Company's drilling activities achieve commercial quantities of economically attractive reserves and production revenue, the Company will remain subject to prevailing prices for oil, natural gas and natural gas liquids, which are dependent upon numerous factors such as weather, economic, political and regulatory developments and competition from other sources of energy. The volatile nature of the energy markets makes it particularly difficult to estimate future prices of oil, natural gas and natural gas liquids. Prices of oil, natural gas and natural gas liquids are subject to wide fluctuations in response to relatively minor changes in circumstances, and there can be no assurance that future prolonged decreases in such prices will not occur. All of these factors are beyond the control of the Company. Any significant decline in oil and gas prices could have a material adverse effect on the Company's liquidity, operations and financial condition.

The Company could be adversely affected by increased costs of service providers utilized by the Company.

In accordance with customary industry practice, the Company relies on independent third party service providers to provide most of the services necessary to drill new wells, including drilling rigs and related equipment and services, horizontal drilling equipment and services, trucking services, tubulars, fracing and completion services and production equipment. The industry has experienced significant price increases for these services during the last year and this trend is expected to continue into the future. These cost increases could, in the future, significantly increase the Company's development costs and decrease the return possible from drilling and development activities, and possibly render the development of certain proved undeveloped reserves uneconomical.

The Company is subject to numerous drilling and operating risks.

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's operations may be curtailed, delayed or canceled as a result of title problems, weather conditions, compliance with governmental requirements, mechanical difficulties and shortages or delays in the delivery of equipment. In addition, the Company's properties may be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and

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environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The Company anticipates that it will utilize horizontal drilling techniques. The horizontal drilling activities in the

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Cheyenne River Prospect involve greater risk of mechanical problems than conventional vertical drilling operations.

The Company's insurance policies may not adequately protect the Company against certain unforeseen risks.

In accordance with customary industry practice, the Company maintains insurance against some, but not all, of the risks described herein. There can be no assurance that any insurance will be adequate to cover the Company's losses or liabilities. The Company cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase.

The Company's activities are subject to extensive governmental regulation.

Oil and gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and gas operations are subject to regulation under federal, state and local laws and regulations primarily relating to protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the operations of the Company. There can be no assurance that the trend of more expansive and stricter environmental legislation and regulations will not continue.

The Company is subject to various environmental risks, and governmental regulation relating to environmental matters.

The Company is subject to a variety of federal, state and local governmental laws and regulations related to the storage, use, discharge and disposal of toxic, volatile or otherwise hazardous materials. These regulations subject the Company to increased operating costs and potential liability associated with the use and disposal of hazardous materials. Although these laws and regulations have not had a material adverse effect on the Company's financial condition or results of operations, there can be no assurance that the Company will not be required to make material expenditures in the future. Moreover, the Company anticipates that such laws and regulations will become increasingly stringent in the future, which could lead to material costs for environmental compliance and remediation by the Company. Any failure by the Company to obtain required permits for, control the use of, or adequately restrict the discharge of hazardous substances under present or future regulations could subject the Company to substantial liability or could cause its operations to be suspended. Such liability or suspension of operations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to intense competition.

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The Company operates in a highly competitive environment and competes with major and independent oil and gas companies for the acquisition of desirable oil and gas properties, as well as for the equipment and labor required to develop and operate such properties. Many of these competitors have financial and other resources substantially greater than those of the Company.

The Company currently depends on the Company's Chief Executive Officer.

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The Company is dependent on the experience, abilities and continued services of its current Chief Executive Officer and President, Albert E. Whitehead. Mr. Whitehead has played a significant role in the development and management of the Company. The loss or reduction of services of Mr. Whitehead could have a material adverse effect on the Company.

The Company's stock trades in a limited public market, is subject to price volatility, and there can be no assurance that an active trading market will be sustained.

There has been a limited public trading market for the Company's Common Stock, and there can be no assurance that an active trading market will be sustained. There can be no assurance that the Common Stock will trade at or above any particular price in the public market, if at all. The trading price of the Common Stock could be subject to significant fluctuations in response to variations in quarterly operating results or even mild expressions of interest on a given day. Accordingly, the Common Stock should be expected to experience substantial price changes in short periods of time. Even if the Company is performing according to its plan and there is no legitimate company-specific financial basis for this volatility, it must still be expected that substantial percentage price swings will occur in the Company's Common Stock for the foreseeable future.

Certain restricted shares of the Company will be eligible for sale in the future which could affect the prevailing market price of the Company's Common Stock.

Certain of the outstanding shares of the Company's Common Stock are "restricted securities" under Rule 144 of the Securities Act, and (except for shares purchased by "affiliates" of the Company's as such term is defined in Rule 144) would be eligible for sale as the applicable holding periods expire. In the future, these shares may be sold only pursuant to a registration statement under the Securities Act or an applicable exemption, including pursuant to Rule 144. Under Rule 144, a person who has owned common stock for at least one year may, under certain circumstances, sell within any three-month period a number of shares of common stock that does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume during the four calendar weeks prior to such sale. A person who is not deemed to have been an affiliate of the Company at any time during the three months preceding a sale, and who has beneficially owned the restricted securities for the last two years is entitled to sell all such shares without regard to the volume limitations, current public information requirements, manner of sale provisions and notice requirements. Sale or the expectation of sales of a substantial number of shares of Common Stock in the public market by selling stockholders could adversely affect the prevailing market price of the Common Stock, possibly having a depressive effect on any trading market for the Common Stock, and may impair the Company's ability to raise capital at that time through additional sales of its equity securities.

The Company does not expect to declare or pay any dividends in the foreseeable future.

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The Company has not declared or paid any dividends on its Common Stock. The Company currently intends to retain future earnings to fund the development and growth of its businesses, to repay indebtedness and for general corporate purposes, and therefore, does not anticipate paying any cash dividends on its Common Stock in the foreseeable future.

The Company's Common Stock may be subject to secondary trading restrictions related to penny stocks.

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Certain transactions involving the purchase or sale of Common Stock of the Company may be affected by a SEC rule for "penny stocks" that imposes additional sales practice burdens and requirements upon broker-dealers that purchase or sell such securities. For transactions covered by this penny stock rule, broker-dealers must make certain disclosures to purchasers prior to purchase or sale. Consequently, the penny stock rule may impede the ability of broker-dealers to purchase or sell the Company's securities for their customers and the ability of persons now owning or subsequently acquiring the Company's securities to resell such securities.

The Company's principal shareholders own a significant amount of Common Stock.

Albert E. Whitehead and his wife beneficially own approximately 33% of the Company's Common Stock. As a result, by coordinating with other shareholders, such as the former management of the Company, Mr. and Mrs. Whitehead may be able to control the outcome of shareholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in the Company's certificate of incorporation or bylaws and the approval of merger and other significant corporate transactions. This concentrated ownership makes it unlikely that any other holder or group of holders of Common Stock will be able to affect the way the Company is managed or the direction of its business. These factors may also precipitate, delay or prevent a change in the management or voting control of the Company.

### RESULTS OF OPERATIONS

#### GENERAL TO ALL PERIODS

The Company's primary business is the exploration and development of oil and gas interests. The Company has incurred significant losses from operations, and there is no assurance that it will achieve profitability or obtain funds necessary to finance its operations. Sales revenues for all periods presented are attributable to the production of oil from the Company's Timber Draw #1-AH and Hooligan Draw #1-AH wells located in the Eastern Powder River Basin in the State of Wyoming, otherwise known as the Cheyenne River Prospect.

For all periods presented, the Company's effective tax rate is 0%. The Company has generated net operating losses since inception, which would normally reflect a tax benefit in the statement of operations and a deferred asset on the balance sheet. However, because of the current uncertainty as to the Company's ability to achieve profitability, a valuation reserve has been established that offsets the amount of any tax benefit available for each period presented in the statements of operations.

#### RESTATEMENT

On November 11, 2005, the Company filed a Form 8-K with the SEC disclosing that it would restate its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004, and quarterly financial statements for the first two quarters of 2005 after

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determining that it had erroneously accounted for its exit activities in connection with its former office space in Canada.

In the third quarter of 2003, the Company recorded an expense for its obligation under the lease for the period up to the balance sheet date. It continued to record an expense of \$13,200 per quarter through March 31, 2005 related to the lease.

After further review, the Company's management determined that it should have accrued an obligation for the lease equal to total amounts owed from the "cease

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use date" (the date in January 2003 on which the Company's subtenant moved out of the office space) through the end of the lease term. Additionally, since the lease obligation was in Canadian dollars, the Company should have recorded a currency exchange gain or loss on its obligation in each quarter. Based on this analysis, the Company and its Board of Directors concluded that its previously issued financial statements for the year ended December 31, 2003, annual and quarterly financial statements for 2004 and quarterly financial statements for the first two quarters of 2005 required adjustments of the amounts previously reported for accounts payable and accrued liabilities, and general and administrative expenses. The effect of the restatement was to decrease the previously reported net loss by \$37,055 for the year ended December 31, 2004 and to increase the previously reported net loss by \$118,817 for the year ended December 31, 2003. The restatement did not affect the net loss per share at December 31, 2005 or 2004.

All of the financial statements and financial information contained in the Form 10-KSB reflect the effect of the restatement.

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2005, COMPARED TO TWELVE MONTH PERIOD ENDED DECEMBER 31, 2004

For the twelve months ended December 31, 2005, sales revenue increased \$5,066 to \$57,588, compared to \$52,522 for the same period during 2004. The increase in sales revenue was the result of increased production and an increase in the average realized per barrel oil price. For the twelve months ended December 31, 2005, sales volume increased 790 barrels to 3,744 barrels, compared to 2,954 barrels for the same period in 2004. The average realized per barrel oil price increased 27.4% from \$28.29 for the twelve months ended December 31, 2004 to \$36.04 for the twelve months ended December 31, 2005.

Production and operating expenses increased \$20,400 to \$82,870 for the twelve months ended December 31, 2005, from \$62,470 for the same period in 2004. This increase was primarily attributable to the seismic program carried out on the Company's Gabbs Valley Prospect.

General and administrative expenses increased by \$5,232 to \$164,494 for the twelve months ended December 31, 2005, from \$159,262 for the same period in 2004.

There was no depreciation expense attributable to the twelve months ended December 31, 2005 or December 31, 2004, because the depreciable assets were fully depreciated.

For the twelve months ended December 31, 2005, interest expense was \$6,900 which is similar to the same period in 2004. Interest expense was accrued at the same rate compared to the same period in 2004.

Miscellaneous income increased \$20,010 to \$4,431 in 2005 from a miscellaneous loss of \$15,579 in 2004, which change was attributable to foreign exchange gains on the Company's recorded Canadian lease obligation.

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For the reasons discussed above, net loss decreased \$33,498 from \$(191,689) for the twelve months ended December 31, 2004, to \$(158,191) for the twelve months ended December 31, 2005.

### LIQUIDITY AND CAPITAL RESOURCES

#### GENERAL

As of December 31, 2005, the Company had \$369,292 of cash on hand. The Company's cash on hand should be sufficient to fund its operations during the next 12 months. The Company expects to incur costs of

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approximately \$10,000 per month relating to general administrative, office and other expenses. In addition, the Company's other material commitments in the next twelve months will include the Company's portion of expenses relating to the drilling of the Cobble Cuesta 1-12 in Nevada, which the Company estimates will be \$150,000 and obligations that could arise as further described under "Note Payable" and "Advances from Related Party" below. In order to sustain the Company's operations on a long term basis, the Company intends to continue to look for merger opportunities and consider public or private financings. To the extent that it is necessary, the Company expects that management will support the Company financially for several months to allow the Company to consummate a merger opportunity, or public or private financing.

### PRIVATE EQUITY PLACEMENT

In June 2005, the Company completed a private placement of 5,000,000 shares of its common stock along with warrants to purchase 1,250,000 shares of its Common Stock for an aggregate purchase price of \$500,000. Subject to certain restrictions, the warrants may be exercised for a period of one year at an exercise price of \$0.25 per share. Proceeds of the private placement were allocated \$67,875 to common stock warrants and \$432,125 to common stock and paid-in capital. These funds will be used for general corporate purposes and to pay the Company's share of the costs associated with its 10% interest in the Gabbs Valley Oil Prospect in Nevada.

### NOTE PAYABLE

In December 2001, the Company executed a note with Weatherford U.S., L.P. to satisfy outstanding indebtedness for services rendered in connection with the drilling of the Timber Draw #1-AH well. The principal amount of this note was \$108,334 with interest payments at 10% per annum commencing on May 27, 2001, until all interest and principal amounts were paid in full. Timely payments were made in accordance with the terms of this note through March 2002. In April 2002, the payee of this note agreed to a revised payment schedule extending final payment of \$66,997 from April 10, 2002, until June 10, 2002. In connection with this payment schedule, an initial payment of \$10,000 was made in April 2002. However, since that time, no further payments have been made. As of December 31, 2005, the Company has accrued a liability of \$99,221 in connection with this note.

### ADVANCES FROM RELATED PARTY

The Company has had difficulty in obtaining financing from traditional financing sources. Prior to the completion of the private placement in June 2005 as further described above, the Company financed its operations primarily through advances made to the Company by the Albert E. Whitehead

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Living Trust, of which the Company's Chairman of the Board and Chief Executive Officer, Mr. Whitehead, is the trustee. During the fiscal years ended December 31, 2005 and December 31, 2004, Mr. Whitehead advanced the Company an additional \$60,190 and \$84,312, respectively, to finance the operating expenses of the Company. As of December 31, 2005, the Company owed Mr. Whitehead \$274,682 in connection with advances made to the Company.

### Off-Balance Sheet Arrangements

None

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### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because estimates and assumptions require significant judgment, future actual results could differ from those estimates and could have a significant impact on the Company's results of operations, financial position and cash flows. The Company re-evaluates its estimates and assumptions at least on a quarterly basis. The following policies may involve a higher degree of estimation and assumption:

**Successful Efforts Accounting** - Under the successful efforts method of accounting, the Company capitalizes all costs related to property acquisitions and successful exploratory wells, all development costs and the costs of support equipment and facilities. Certain costs of exploratory wells are capitalized pending determination that proved reserves have been found. Such determination is dependent upon the results of planned additional wells and the cost of required capital expenditures to produce the reserves found. All costs related to unsuccessful exploratory wells are expensed when such wells are determined to be non-productive and other exploration costs, including geological and geophysical costs, are expensed as incurred. The application of the successful efforts method of accounting requires management's judgment to determine the proper designation of wells as either developmental or exploratory, which will ultimately determine the proper accounting treatment of the costs incurred. The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. The evaluation of oil and gas leasehold acquisition costs requires management's judgment to estimate the fair value of exploratory costs related to drilling activity in a given area.

**Impairment of unproved oil and gas properties** - Capitalized drilling costs are reviewed periodically for impairment. Costs related to impaired prospects or unsuccessful exploratory drilling are charged to expense. Management's assessment of the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such leaseholds impact the amount and timing of impairment provisions. An impairment expense could result if oil and gas prices decline in the future as it may not be economic to develop some of these unproved properties.

**Estimates of future dismantlement, restoration, and abandonment costs** -

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through December 31, 2002, the Company accounted for future abandonment costs of wells and related facilities through its depreciation calculation in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" and industry practice. The accounting for future dismantlement and abandonment costs changed on January 1, 2003, with the adoption of SFAS No. 143 "Accounting for Asset Retirement Obligations." Under both methods of accounting, the accrual for future dismantlement and abandonment costs is based on estimates of these costs for each of the Company's properties based upon the type of production structure, reservoir characteristics, depth of the reservoir, market demand for equipment, currently available procedures and consultations with construction and engineering consultants. Because these costs typically extend many years into the future, estimating these



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future costs is difficult and requires management to make estimates and judgments that are subject to future revisions based upon numerous factors, including changing technology and the political and regulatory environment and, beginning in 2003, estimates as to the proper discount rate to use and timing of abandonment.

Income taxes - The Company accounts for income taxes in accordance with the asset and liability method of accounting for income taxes set forth in SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established if it is more likely than not that some portion of a deferred tax asset will not be realized.

Stock options - The Company uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion ("APB") No. 25. When stock options are granted, no compensation expense is recorded. Consideration received on the exercise of the stock options is credited to additional paid in capital. The Company applies APB Opinion No. 25 and related interpretations in accounting for its Incentive Plan described in footnote 4. Accordingly, no stock based employee compensation is reflected in net earnings as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company follows the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148 "Accounting for Stock Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123." The fair value of options granted under the Incentive Plan are estimated on the date of grant using the Black-Scholes option-pricing model.

### ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company are set forth on pages F-1 through F-13 at the end of this Form 10-KSB.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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### ITEM 8A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision of the Company's Chief Executive Officer (and principal financial officer) of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rules 13a - 15(e) and 15d - 15(e). Based on this evaluation, the Company's Chief Executive Officer (and principal financial officer) has concluded that the disclosure controls and procedures as of the end of the period covered by this report are effective. During the period covered by this report, there was no change in the Company's internal controls over financial reporting that has materially affected or that is reasonably likely to materially affect the Company's internal control

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over financial reporting.

### ITEM 8B. OTHER INFORMATION

None.

### PART III

#### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following lists the directors and executive officers of the Company:

Name	Age	Position
Albert E. Whitehead	75	Director; Chairman & C.E.O
John C. Kinard	71	Director

(1) Directors hold office until their successors are elected by the shareholders of the Company and qualified. Executive Officers serve at the pleasure of the Board of Directors.

Albert E. Whitehead.

Mr. Whitehead has been a member of the Company's Board of Directors since 1991 and served as Chairman of the Board and Chief Executive Officer from March 1998 to May 2001, when John P. McGrain assumed such role. Mr. Whitehead again assumed the role of Chairman and Chief Executive Officer on April 16, 2002 upon the resignation of Mr. McGrain. Mr. Whitehead is also currently serving as the Non-Executive Chairman of PetroWorld Corp., a company that is traded on the London Stock Exchange's Alternative Investment Market and the TSE Venture Exchange in Canada. Mr. Whitehead served as the Chairman and Chief Executive Officer of Seven Seas Petroleum Inc., a publicly held company, engaged in international oil and gas exploration from February 1995 to May 1997. From April 1987 through January 1995, Mr. Whitehead served as Chairman and Chief Executive Officer of Garnet Resources Corporation, a publicly held oil and gas exploration and development company.

John C. Kinard.

Mr. Kinard has served as a Director of the Company since June 1998 and is currently a Partner in Silver Run Investments, LLC, an oil and gas investment firm. Mr. Kinard served as President of the Remuda Corporation, a private oil and gas exploration company, from 1967 until 2002. From 1990 through December

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1995, Mr. Kinard served as President of Glen Petroleum, Inc., a private oil and gas exploration company. From 1990 through 2002, Mr. Kinard also served as the Chairman of Envirosolutions UK Ltd., a private industrial wastewater treatment company.

#### IDENTIFICATION OF THE AUDIT COMMITTEE; AUDIT COMMITTEE FINANCIAL EXPERT:

As of December 31, 2005, the Company had not established any committees (including an audit committee) because the Board of Directors consists of only two individuals. As such, the Company does not have an audit committee or an audit committee financial expert serving on such committee. As of December 31, 2005, the entire Board of Directors (Messrs. Whitehead and Kinard) essentially serve as the Company's audit committee.

#### CODE OF ETHICS:

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The Company has adopted a Code of Ethics that applies to all of the Company's directors and employees, including the Company's principal executive officer, principal financial officer and principal accounting officer or persons performing similar functions. The Company undertakes to provide any person without charge, upon request, a copy of the Code of Ethics. Requests may be directed to Empire Petroleum Corporation, 8801 S. Yale, Suite 120, Tulsa, Oklahoma 74137, or by calling (918) 488-8068.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE:

Section 16(a) of the Security Exchange Act of 1934 requires the Company's directors, executive officers, and persons who beneficially own more than 10 percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such reports furnished to the Company and any written representations that in other reports were required during the year ended December 31, 2005, to the Company's knowledge, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners during the year ended December 31, 2005 were complied with on a timely basis.

### ITEM 10. EXECUTIVE COMPENSATION

#### EXECUTIVE COMPENSATION AND OTHER MATTERS

During the last three completed fiscal years, no executive officer received a salary or any other benefits as a part of executive compensation.

#### Compensation of Directors

The Company does not have any formal procedure for compensating the members of its Board of Directors. From time to time in the past, the Company has granted options to the members of its Board of Directors under its 1995 Stock Option Plan as compensation for serving on the Board of Directors. During the fiscal year ended December 31, 2005, the Company did not grant any options to any of its members of its Board of Directors.

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### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

#### Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2005, the Company had one equity incentive plan under which equity securities were authorized for issuance to the Company's directors, officers, employees and other persons who performed substantial services for or on behalf of the Company. This plan was titled "1995 Stock Option Plan" and was approved by the Company's stockholders. Except to the extent necessary to govern outstanding options, this plan terminated on May 15, 2005. It is the intention of the Company to present a new stock option plan for approval by the Company's stockholders at the 2006 Annual Meeting of the Company's stockholders.

The following table provides certain information relating to the 1995 Stock

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Option Plan as of December 31, 2005:

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column(a)
Equity compensation plans approved by security holders	575,000	\$0.65	0
Equity Compensation plans not approved by security holders		N/A	
TOTAL	575,000		0

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our Common Stock as of March 21, 2006 for:

- \* each person who is known to own beneficially more than 5% of our outstanding Common Stock;
- \* each of our executive officers and directors; and
- \* all executive officers and directors as a group.

The percentage of beneficial ownership for the following table is based on 42,830,190 shares of Common Stock outstanding as of March 21, 2006.

Unless otherwise indicated below, to the Company's knowledge, all persons and entities listed below have sole voting and investment power over their shares of Common Stock.

Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class (1)
Albert E. Whitehead, Chairman of the Board and Chief Executive Officer 3214 E. 73rd Street Tulsa, OK 74136-5927	14,168,025 (2)	33.08%
John C. Kinard, Director 240 Cook Street Denver, CO 80206-0590	631,331 (3)	1.47%

All current directors and executive officers

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as a group (2 persons) 14,799,356 (4) 34.55%

(1) The percentage ownership for each person is calculated in accordance with the rules of the SEC, which provide that any shares a person is deemed to beneficially own by virtue of having a right to acquire shares upon the conversion of options or other rights are considered outstanding solely for purposes of calculating such person's percentage ownership.

(2) This number includes: (i) 11,332,742 shares directly owned by the Albert E. Whitehead Living Trust, of which Mr. Whitehead is the trustee; and (ii) 2,835,283 shares directly owned by the Lacy E. Whitehead Living Trust, of which Ms. Whitehead, Mr. Whitehead's wife, is trustee. Mr. Whitehead disclaims any interest in the shares owned by the Lacy E. Whitehead Living Trust.

(3) This number includes: (i) 161,331 shares directly owned by Mr. Kinard; (ii) 320,000 shares Mr. Kinard has the right to acquire pursuant to options granted to him under the 1995 Stock Option Plan; and (iii) 150,000 shares directly owned by Mr. Kinard's wife, of which Mr. Kinard disclaims any interest.

(4) This number includes 320,000 shares issuable upon the exercise of options granted under the 1995 Stock Option Plan.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal years ended December 31, 2005 and December 31, 2004, Mr. Whitehead advanced the Company an additional \$60,190 and \$84,312, respectively, to finance the operating expenses of the Company. As of December 31, 2005, the Company owed Mr. Whitehead \$274,682 in connection with advances made to the Company.

### ITEM 13. EXHIBITS

#### Exhibit Description

No.

3.1 Articles of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 of the Company's Form 10-QSB for the period ended September 30, 1995, which was filed November 6, 1995)

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3.2 Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 of the Company's Form 10-QSB for the period ended March 31, 1998, which was filed May 15 1998)

10.1 1995 Stock Option Plan (incorporated herein by reference to Appendix A of the Company's Form DEFS 14A dated June 13, 1995, which was filed June 14, 1995)

10.2 Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10(g) of the Company's Form 10-KSB for the year ended December 31, 1995, which was filed March 29, 1996)

10.3 Americomm Cheyenne River Development Prospect Agreement dated March 4, 1998 by and among the Company, Fred S. Jensen, Richard A. Bate, A. R. Briggs and Thomas L. Thompson (incorporated herein by reference to Exhibit 10(j) of the Company's Form 10-QSB for the period ended

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June 30, 1998, which was filed August 12, 1998)

- 10.4 Farmout Agreement dated November 15, 2000 by and among the Company and the other parties named therein (incorporated hereby reference to Exhibit 10(e) of the Company's Form 10-KSB for the year ended December 31, 2000, which was filed March 29, 2001)
- 10.5 Letter Agreement dated May 8, 2003 between the Company and O. F. Duffield (incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-KSB for the year ended December 31, 2003, which was filed March 30, 2004)
- 10.6 Farmout Agreement dated May 7, 2004 by and among the Company and certain other parties named therein (incorporated herein by reference to Exhibit 10 of the Company's Form 10-QSB for the period ended June 30, 2004, which was filed on August 2, 2004).
- 10.7 Assignment and Novation dated September 1, 2004 relating to the Farmout Agreement dated May 7, 2004. (incorporated herein by Reference in the Company's Form 10-KSB for the year ended December 31, 2004, which was filed March 31, 2005)
- 31 Certification of Chief Executive Officer (and 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-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith)
- 32 Certification of Chief Executive Officer (and principal financial officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith)

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed or to be billed to the Company by Tullius Taylor Sartain & Sartian LLP, the Company's independent registered public accounting firm, for professional Services rendered for the fiscal years ended December 31, 2005 and December 31, 2004:

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Fee Category	Fiscal 2005 Fees	Fiscal 2004 Fees
Audit Fees (1)	\$ 22,625	\$16,750
Audit-Related Fees (2)	-0-	-0-
Tax Fees	-0-	-0-
All Other Fees (3)	-0-	-0-
Total Fees	\$ 22,625	\$16,750

(1) Audit Fees consist of aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements and review of the interim financial statements included in quarterly reports or services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for the fiscal years ended December 31, 2005 and December 31, 2004, respectively.

(2) Audit-Related fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit

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or review of our financial statements and are not reported under "Audit Fees."

(3) All Other Fees consist of aggregate fees billed for products and services provided by Tullius Taylor Sartain & Sartain LLP, other than those disclosed above.

The entire Board of Directors of the Company is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm and approves in advance any services to be performed by the independent registered public accounting firm, whether audit-related or not. The entire Board of Directors reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent registered public accounting firm. All of the fees shown above were pre-approved by the entire Board of Directors.

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### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Empire Petroleum Corporation  
(Registrant)

Date: March 31, 2006

By: /s/Albert E. Whitehead  
Albert E. Whitehead  
Chief Executive Officer  
(principal executive officer,  
principal financial officer  
and principal accounting  
officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/Albert E. Whitehead Albert E. Whitehead	Chairman, Chief Executive Officer	March 31, 2006
/s/John C. Kinard John C. Kinard	Director	March 31, 2006

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## EMPIRE PETROLEUM CORPORATION

### FINANCIAL STATEMENTS

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Statements of Changes in Stockholders' Equity for the years ended December 31, 2005 and December 31, 2004	F-4
Statements of Cash Flows for the years ended December 31, 2005 and December 31, 2004	F-5
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EMPIRE PETROLEUM CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2005

REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Empire Petroleum Corporation

We have audited the accompanying balance sheet of Empire Petroleum Corporation as of December 31, 2005, and the related statements of operations, cash flows and stockholders' equity for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes

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examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empire Petroleum Corporation as of December 31, 2005, and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has been incurring significant losses and has a significant working capital deficiency at December 31, 2005. The ultimate recoverability of the Company's investment in its oil and gas interests is dependent upon the existence and discovery of economically recoverable oil and gas reserves and the ability of the Company to obtain necessary financing to develop the interests. This condition raises substantial doubt about its ability to continue as a going concern. Management's plan concerning this matter is also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ TULLIUS TAYLOR SARTAIN & SARTAIN LLP  
Tulsa, Oklahoma  
March 17, 2006

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EMPIRE PETROLEUM CORPORATION

BALANCE SHEET

ASSETS	December 31, 2005
Current assets:	
Cash	\$ 369,292
Accounts receivable (net of allowance of \$3,750)	38,852
	<hr/>
Total current assets	408,144
	<hr/>
Property & equipment, net of accumulated depreciation and depletion	338,602
	<hr/>

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	\$ 746,746
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 145,824
Accounts payable to related party	274,682
Note payable	99,221
	<hr/>
Total current liabilities	519,727
	<hr/>
Total liabilities	519,727
	<hr/>
Stockholders' equity	
Common stock, par value \$.001, 50,000,000	
shares authorized, 42,830,190 shares	
issued and outstanding	42,830
Additional paid in capital	8,895,260
Warrants to purchase common stock	67,875
Accumulated deficit	(8,778,946)
	<hr/>
Total stockholders' equity	227,019
	<hr/>
	\$ 746,746
	=====

See accompanying notes to financial statements.

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EMPIRE PETROLEUM CORPORATION

STATEMENTS OF OPERATIONS

Years ended December 31, 2005 and 2004

	2005	2004
	<hr/>	<hr/>
Revenue:		
Petroleum sales	\$ 57,588	\$ 52,522
	<hr/>	<hr/>
	57,588	52,522
	<hr/>	<hr/>
Costs and expenses:		
Operating expenses	82,870	62,470
General and administrative	164,494	159,262
Depreciation expense	0	0
Reversal of accrued lease obligation	(222,561)	0
Leasehold impairment	188,507	0
	<hr/>	<hr/>

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	213,310	221,732
	<hr/>	<hr/>
Operating loss	(155,722)	(169,210)
	<hr/>	<hr/>
Other (income) and expense:		
Interest expense	6,900	6,900
Miscellaneous	(4,431)	15,579
	<hr/>	<hr/>
Total other (income) and expense	2,469	22,479
	<hr/>	<hr/>
Net loss before income taxes	(158,191)	(191,689)
Deferred tax benefit	0	0
	<hr/>	<hr/>
Net loss	\$ (158,191)	(191,689)
	<hr/>	<hr/>
Net loss per common share	\$ (.00)	\$ (.01)
	<hr/>	<hr/>
Weighted average number of common shares outstanding - Basic and diluted	40,701,069	37,830,190
	<hr/>	<hr/>

See accompanying notes to financial statements

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EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2005 and 2004

Shares	Amount	Warrants to Purchase Common Stock	Additional Paid in Capital	Accumulated deficit	Total
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balances January 1, 2004					
37,830,190	\$37,830	-	\$8,368,135	\$(8,429,066)	\$( 23,101)
Net loss					
-	-	-	-	( 191,689)	( 191,689)
Value of services Contributed by Employee					
-	-	-	50,000	-	50,000

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Balances December 31, 2004					
37,830,190	\$37,830	-	\$8,418,135	\$ (8,620,755)	\$ (164,790)
Net loss					
-	-	-	-	( 158,191)	(158,191)
Value of services contributed by Employee					
-	-	-	50,000	-	50,000
Issuance of Common Stock					
5,000,000	5,000	67,875	427,125	-	500,000
Balances December 31, 2005					
42,830,190	\$42,830	67,875	\$8,895,260	\$ (8,778,946)	\$ 227,019

See accompanying notes to financial statements

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EMPIRE PETROLEUM CORPORATION

STATEMENTS OF CASH FLOWS  
Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net loss	\$ (158,191)	\$ (191,689)
Adjustments to reconcile net loss to net cash used in operating activities:		
Reversal of accrued lease obligation	(222,561)	0
Leasehold impairment	188,507	0
Value of services contributed by Employee	50,000	50,000
Change in operating assets and liabilities:		
Accounts receivable	(29,643)	11,853
Prepaid expenses	0	2,651
Accounts payable and accrued liabilities	(22,416)	24,657
Net cash used in operating activities	(194,304)	(102,528)

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Cash flows from financing activities:		
Advances from related party	60,190	84,312
Proceeds from private equity placement	500,000	0
Net cash provided by financing activities	560,190	84,312
Net increase (decrease) in cash	365,886	(18,216)
Cash - Beginning	3,406	21,622
Cash - Ending	\$ 369,292	\$ 3,406
Supplemental cash flow information:		
Cash paid for interest	\$ 0	\$ 0

See accompanying notes to financial statements

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EMPIRE PETROLEUM CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

General:

On July 20, 2001, Americomm Resources Corporation merged with its wholly-owned subsidiary, Empire Petroleum Corporation, and simultaneously changed the name of the corporation to Empire Petroleum Corporation (the "Company"). Both the merger and name change were effective as of August 15, 2001. Americomm Resources Corporation was originally incorporated in the State of Utah on the 22nd day of August 1983, as Chambers Energy Corporation. On the 7th day of March 1985, the state of incorporation was changed to Delaware by means of a merger with Americomm Corporation, a Delaware corporation formed for the purpose of effecting the said change. In July 1995, the Company changed its name to Americomm Resources Corporation. On August 15, 2001, Americomm Resources and the company merged, and the Company's name was changed to Empire Petroleum Corporation. The Company is involved in oil and gas exploration.

In our 2004 Annual Report on Form 10-K/A, we restated our previously reported Financial statements for the year ended December 31, 2004, (the "Prior Restatement"). All of the financial statements and financial information contained in this Form 10-KSB related to 2004 reflect the effect of the Prior Restatement adjustments. Certain reclassifications have been made to the prior

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Year financial statements to conform with the current year presentation.

### 1. Continuing operations:

The continuation of the Company is dependent upon the ability of the Company to attain future profitable operations. These financial statements have been prepared on the basis of United States generally accepted accounting principles applicable to a company with continuing operations, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption were not appropriate for these financial statements, then adjustments might be necessary to the carrying value of assets and liabilities, reported expenses and the balance sheet classifications used.

The Company continues to explore and develop its oil and gas interests. The ultimate recoverability of the Company's investment in its oil and gas interests is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Company's interest in the oil and gas interests, the ability of the Company to obtain necessary financing to further develop the interests, and upon the ability to attain future profitable production. The Company has been incurring significant losses in recent years and has a significant working capital deficiency as of December 31, 2005.

Management plans to continue to support the Company financially if necessary during the next several months. The Company is planning to drill a test well on its Gabbs Valley Prospect in 2006. In addition, the Company is evaluating the viability of the Cheyenne River Prospect. The Company also intends to look for merger opportunities and consider public or private financings.

### 2. Significant accounting policies:

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The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### (a) Capital assets:

The Company uses the successful efforts method of accounting for its oil and gas activities. Costs incurred are deferred until exploration and completion results are evaluated. At such time, costs of activities with economically recoverable reserves are capitalized as proven properties, and costs of unsuccessful or uneconomical activities are expensed.

Capitalized drilling costs are reviewed periodically for impairment. Costs related to impaired prospects or unsuccessful exploratory drilling are charged to expense. Management's assessment of the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such leaseholds impact the amount and timing of impairment provisions. An impairment expense could result if oil and gas prices decline in the future as it may not be economic to develop some of these unproved properties.

#### (b) Per share amounts:

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" requires presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). The computation of basic earnings per share is computed by dividing earnings available to common stockholders

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by the weighted average number of outstanding common shares during the period. Diluted 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.

### (c) Income taxes:

The Company accounts for income taxes in accordance with the asset and liability method of accounting for income taxes set forth in SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established if it is more likely than not that some portion of a deferred tax asset will not be realized.

### (d) Financial instruments:

The carrying value of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of the instruments.

### (e) Stock option plan:

The Company has a stock option plan that is described in note 4 and uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion ("APB") No. 25. When stock

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options are granted, no compensation expense is recorded. Consideration received on the exercise of the stock options is credited to additional paid in capital.

The Company has adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148 "Accounting for Stock Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123."

The Company applies APB Opinion No. 25 and related interpretations in accounting for its Incentive Plan described in footnote 4. Accordingly, no stock based employee compensation is reflected in net earnings as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

No options were granted in 2004 or 2005.

### (f) Obligations associated with the retirement of assets

The Company has adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 amended SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," and, among other matters, addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, with the associated asset retirement cost capitalized as part of the related asset and allocated to expense over the asset's useful life.



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This is a change from the approach taken under SFAS No. 19, whereby an amount for an asset retirement obligation was recognized using a cost-accumulation measurement approach. Under that approach, the obligation was reported as a contra-asset recognized as part of depletion and depreciation over the life of the asset without discounting. Management has determined that adopting SFAS No. 143 has had no significant effect on the Company's financial statements since abandonment costs for which it is responsible are not material.

### (g) Recent Accounting Pronouncements

The Financial Accounting Standards Board ("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 January 2003, the FASB issued FIN 46R, "Consolidation of Variable Interest Entities", that provides guidance in determining when variable interest entities should be consolidated in the financial statements of the primary beneficiary. For the Company, the consolidation provisions of FIN 46R, as revised, are effective in fiscal years beginning after December 15, 2004. The adoption of FIN 46R did not have a material effect on the Company's financial position or results of operations as the Company has no variable interests.

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153 "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not

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have commercial substance. SFAS No. 153 is to be applied prospectively for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes And Error Corrections" which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes In Interim Financial Statements." This statement changes the requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principles. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This statement requires voluntary changes in accounting principles be recognized retrospectively to prior periods' financial statements, rather than recognition in the net income of the current period. Retrospective application requires restatements of prior period financial statements as if that accounting principle had always been used. This statement carries forward without change the guidance contained in Opinion 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. The provisions of SFAS No. 154 are effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

### Share based payments

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R) that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for

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either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in our statement of operations. Under the adoption options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented ("the retroactive method"). The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of FAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The effective date of the new standard for our financial statements is the quarter ended March 31, 2006. As the Company has no non-vested stock options, adoption of SFAS 123R is not expected to have a material effect on the Company's financial position or results of operations.

### 3. Capital Stock:

In 2005, the Company raised \$500,000 of net proceeds by selling 5,000,000 shares of newly issued common stock along with warrants to purchase 1,250,000 shares of common stock which, subject to certain restrictions, may be exercised for a period of one year at an exercise price of \$0.25. Proceeds of the placement were allocated \$67,875 to common stock warrants and \$432,125 to common stock and paid in capital. The value assigned to the warrants was determined using the Black-Scholes option valuation method with the following assumptions: no dividend yield, expected volatility of 154%, risk free interest rate of 3.28% and expected life of one year.

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### 4. Stock options:

Under a stock option plan adopted in 1995, the Company had the discretion to grant options for up to 1,600,000 shares of common stock until May 15, 2005 at which time the plan terminated except to the extent necessary to govern outstanding options. Stock options granted under the plan expire ten years from the date of grant plus 30 days. The exercise price of the options is the fair market value on the date of grant.

A summary of the Company's Incentive Plan as of December 31, 2005 and changes during the year is presented below:

	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year 2005	575,000	.65
Granted	0	
Cancelled or Exercised	0	
	575,000	.65
	=====	=====

During 2004, options to purchase 606,666 shares of Common Stock were relinquished. In 2005, no options were issued or relinquished. There were no options granted during the year ended December 31, 2005.

The following table summarizes information about stock options outstanding at

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December 31, 2005:

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at 12/31/05	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/05	Weighted Average Exercise Price
\$0.10-\$1.375	575,000	4.66 Years	\$0.65	575,000	\$0.65

### 5. Income taxes:

The provision for income taxes differs from the amount obtained by applying the Federal income tax rate of 34% to income before income taxes. The difference relates to the following items:

Statutory tax rate	34%
Expected tax benefit	\$ (53,000)
Benefit of losses not recognized	53,000
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Tax provision (benefit) as reported	\$ -

The components of deferred income taxes at December 31, 2005 are as follows:

Deferred tax assets:	
Loss carry-forwards	\$ 1,025,000
Valuation allowance	(500,000)
	525,000
Deferred tax liabilities:	
Property and equipment	525,000
Net deferred taxes	\$ -

At December 31, 2005, the Company had net operating loss carryforwards of approximately \$3,014,000 which expire beginning in 2010.

Utilization of the Company's loss carryforwards is dependent on realizing taxable income. Deferred tax assets for these carryforwards have been reduced by a valuation allowance.

### 6. Related party transactions:

During 2005 and 2004, the Company's Chief Executive Officer advanced an additional \$60,190 and \$84,312, respectively, for operating expenses which the Company has recorded in accounts payable to related party in the accompanying balance sheet.

### 7. Operating lease:

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The Company leases office space under a month to month operating lease agreements with an unrelated party which expires December 2007. Monthly lease payments are \$994 per month.

Rent expense for the years ended December 31, 2005 and 2004, respectively, was \$11,930 and \$65,156.

### 8. Contingencies:

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

The Company has negotiated a renewal of its corporate office lease in Tulsa, Oklahoma.

### 9. Property and equipment:

In 2002, the Company's management determined that an impairment allowance of

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\$6,496,614 was necessary to properly value the Company's oil and gas properties bringing the net book value of the oil and gas properties to \$594,915. The basis for the impairment was the determination by the United States Bureau of Land Management ("BLM") that it does not consider the Timber Draw #1-AH well economic. In other words, under the BLM's criteria for economic determination, the well will not pay out the cost incurred to drill and complete the well. However, by authority of the BLM, for the period from April to November 2003, the well was tested for production using production periods of ten days per month. The BLM also advised the Company that since it did not commence another test well prior to August 12, 2002, the Timber Draw Unit had been terminated. Furthermore, a bottom hole pressure survey conducted in April 2002 indicated a limited reservoir for the well. The basis of the impairment described above was calculated using an estimated \$10 per acre market price for the leases multiplied by the Company's working interest. During 2003, the Company recorded impairment charges of \$266,778 based on working interest percentages granted to a third party for performance of certain activities and management's assessment of certain undeveloped lease values. During 2004, pursuant to the Farmout Agreement, a third party conducted a seismic survey and drilled a test well in the Cheyenne River Prospect. As a result of the reduction in the Company's working interest, a further impairment charge of \$188,507 was recorded in 2005. The Company has completed its evaluation of the test well as of December 31, 2005. During the year the well produced 2,340 bbls of oil.

In 2003, the Company acquired a 10% interest in the Gabbs Valley Prospect of Western Nevada by issuing 2,000,000 shares of Company stock. The Company has recorded its investment at \$200,000. The Company's other property and equipment, totaling \$2,561 at December 31, 2005, consists entirely of office furniture, fixtures and equipment, which are fully depreciated.

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EXHIBIT 31

CERTIFICATION

I, Albert E. Whitehead, Chief Executive Officer (and principal financial officer) of Empire Petroleum Corporation, certify that:

1. I have reviewed this annual report on Form 10-KSB of Empire Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end

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of the period covered by this report based on such evaluation; and

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

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

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

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

March 31, 2006

/s/ Albert E. Whitehead  
Albert E. Whitehead, Chief Executive Officer  
(and principal financial officer)

EXHIBIT 32

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

In connection with the annual report of Empire Petroleum Corporation (the "Company") on Form 10-KSB for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert E. Whitehead, Chief Executive Officer (and principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 31, 2006

/s/ Albert E. Whitehead  
Albert E. Whitehead, Chief Executive Officer  
(and principal financial officer)

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

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

