

# Empire Petroleum Corporation

RESULTS for 3<sup>RD</sup> QUARTER 2023



[empirepetroleumcorp.com](https://www.empirepetroleumcorp.com)



NYSE American: EP



## Forward Looking Statements

This presentation has been prepared by Empire Petroleum Corporation (the “Company”) to assist Investor in making its own evaluation of the Company and any proposed transaction between the Company and Investor. This presentation does not purport to be all-inclusive or contain all of the information needed to evaluate a transaction or an investment in the Company. In all cases, interested parties should conduct their own investigation and analysis of the Company, any of its prospects and the data set forth in this presentation. The Company makes no representation or warranty as to the accuracy or completeness of the information contained herein.

The information contained herein includes certain statements and estimates provided by the Company with respect to the projected future performance of the Company. Such statements, estimates, and projections reflect various assumptions by management of the Company concerning possible anticipated results, which assumptions may or may not be correct. No representations are made as to the accuracy of such statements, estimates, or projections.

All statements, other than statements of historical fact, contained in this 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 to be correct.

Factors that could cause actual results to differ materially from those discussed in such forward-looking statements include, but are not limited to: (i) unforeseen capital requirements, (ii) unforeseen or increased costs incurred in exploration and development, (iii) unforeseen engineering, mechanical or technological difficulties in drilling wells, (iv) uncertainty of exploration results, (v) operating hazards, (vi) competition from other natural resource companies, (vii) fluctuations of prices for oil and gas, (viii) the effects of governmental and environmental regulation, and (ix) general economic conditions and other risks described in reports the Company files with the SEC, including its Annual Report on Form 10-K.

## Non-GAAP Reconciliation

Certain financial information included in Empire’s financial results are not measures of financial performance recognized by accounting principles generally accepted in the United States, or GAAP. These non-GAAP financial measures include “Adjusted Net Income (Loss)”, “EBITDA” and “Adjusted EBITDA”. These disclosures may not be viewed as a substitute for results determined in accordance with GAAP and are not necessarily comparable to non-GAAP performance measures which may be reported by other companies.

Adjusted Net Income is presented because the timing and amount of these items cannot be reasonably estimated and affect the comparability of operating results from period to period, and current periods to prior periods.

The Company defines Adjusted EBITDA as net income (loss) plus net interest expense, depreciation, depletion and amortization (“DD&A”), accretion, amortization of loan issuance costs, right of use assets and discount on convertible notes, income tax (benefit) expense, and other adjustments. Company management believes this presentation is relevant and useful because it helps investors understand the Company’s operating performance and makes it easier to compare its results with those of other companies that have different financing, capital and tax structures. Adjusted EBITDA should not be considered in isolation from or as a substitute for net income, as an indication of operating performance or cash flows from operating activities or as a measure of liquidity. In addition, Adjusted EBITDA does not represent funds available for discretionary use.

See the Appendix to this presentation for reconciliations to the most comparable GAAP measure.



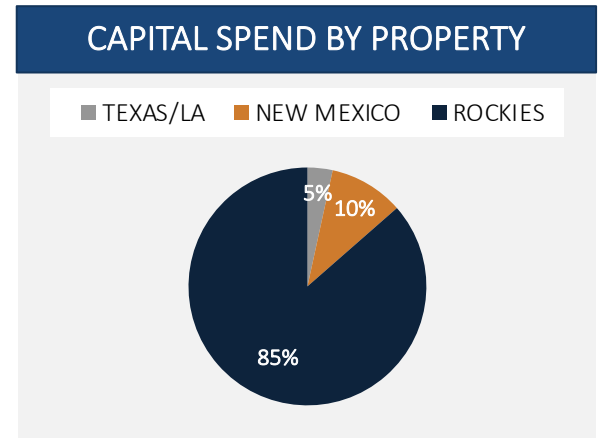
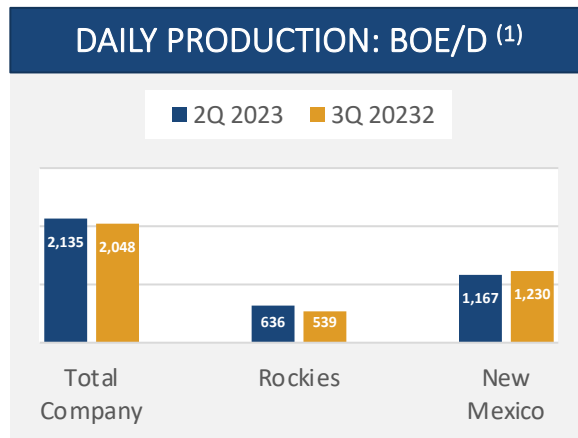
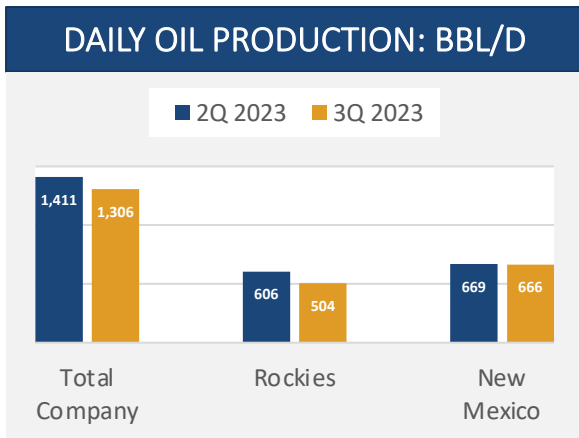
- **Posted net sales per day volumes of 2,048 Boe/d (64% oil, 19% NGLs, 17% natural gas)**
  - Sequential decrease primarily attributed to lower oil sales in New Mexico due to an annual turnaround of the Eunice Monument South Unit waterflood central facility
  
- **Recorded third quarter 2023 product revenue of \$10.3MM and net loss of \$2.7MM**
  - Increased oil and natural gas price realizations quarter over sequential quarter
    - Crude price per bbl increased by ~11% to \$78.98, natural gas price per mcf increased by ~78% to \$2.10
    - Increase offset by lower sales volumes for crude oil and natural gas as well as lower NGLs realized pricing
  
- **Generated Adjusted EBITDA of \$0.1MM**
  
- **Ended Q3 2023 with \$11.3MM of liquidity (including \$11.0MM of cash), \$0.3MM availability on credit facility**
  
- **Commenced the targeted Starbuck Drilling Program in late October 2023**
  - Expects to drill 10-14 wells at an estimated total cost of \$20-\$22MM; through 2024
  - Initial well log results on the first two wells that have been drilled to target depth have shown positive indicators that materially exceed the initial expectations as to the targeted reservoir's porosity and thickness

# Operating Strategy – Forward Plan

- **Ensure production growth with a cost-effective capital program in 2023 and 2024**
  - Apply lessons learned from multiple testing methods during the pilot programs in 2022 to the development phase
- **We anticipate solid organic production increase on our core oil assets**
- **Focus on waterflood performance and efficient RTP on wells**
- **2023 will begin the first major drilling program for Empire**
  - Currently drilling wells conventionally and following up all wells with coil tubing on laterals (1<sup>st</sup> well spud late October 2023 and Coil drilled a lateral of ~4,000ft penetrating the Upper Charles Formation
  - Post drill results to date indicate the reservoir at 3x thicker than pre-drill estimates and porosities that are 3-6x better than pre-drill estimates. Oil and gas was observed at surface with higher-than-expected pore pressures.
    - Expects the first 3 wells to be completed by end of 4Q 2023; target 6-9 additional horizontal by end Q1 2024

2023 STARBUCK DEVELOPMENT PROGRAM	
TIMING	Began late October and ending in 2024
AVG LATERAL LENGTH	~4,000' to 6,000'
WELL COUNTS	10 – 14
INITIAL PILOT WELL – LOGS & INFRASTRUCTURE	\$2.6 million
AVG CAPITAL PER WELL	\$1.6 - \$2.4 MM
TOTAL CAPITAL	\$20 – 22MM

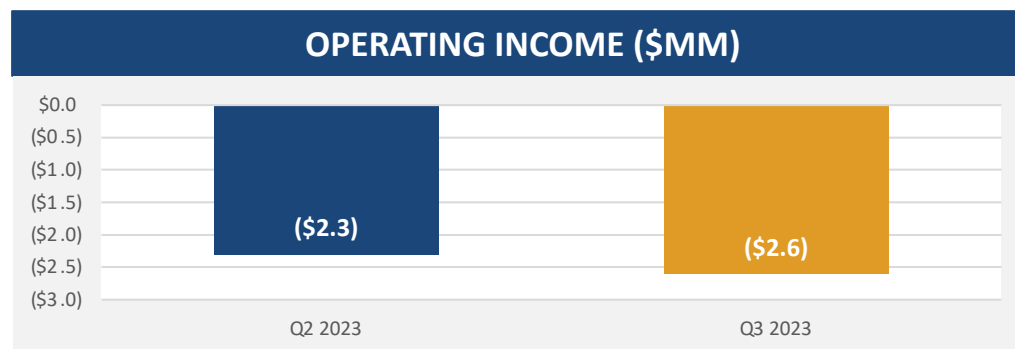
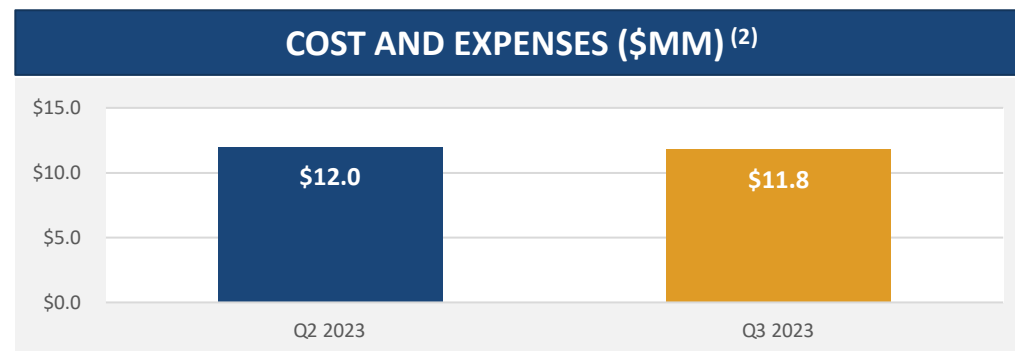
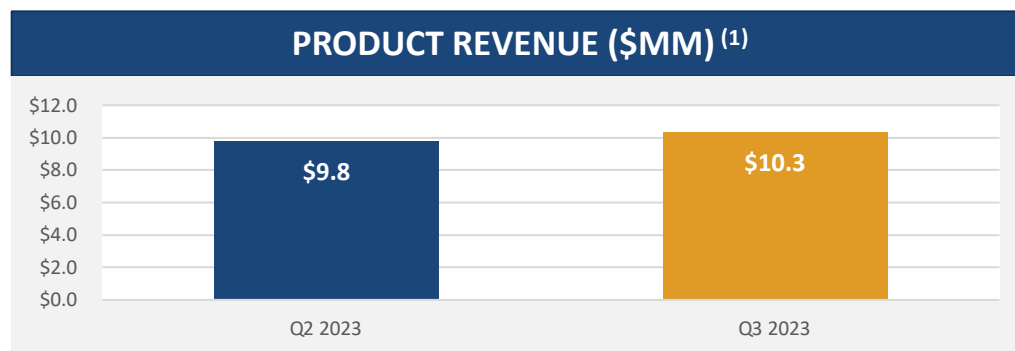
- **Pilot drilling program in New Mexico expected to begin in late 2024**



(1) BOE – Barrel of oil equivalent, determined using a ratio of 6Mcf of natural gas equal to one barrel of oil equivalent

# Quarterly Financial Performance

- Increase in quarter over quarter product revenue due to price realizations despite decreased sales volumes
- Positioned for commodity price improvements in 2023 and 2024
  - Delaying a portion of gas production until gas price improves
  - ~80% production not hedged



(1) Product Revenue excludes: Other Revenue and Gain (Loss) on Derivatives

(2) Cost and Expenses includes: Lease Operating Expense, Production & Ad Valorem Taxes, DD&A, Accretion of Asset Retirement Obligation, and G&A

# Financial Performance

## MARKET DATA

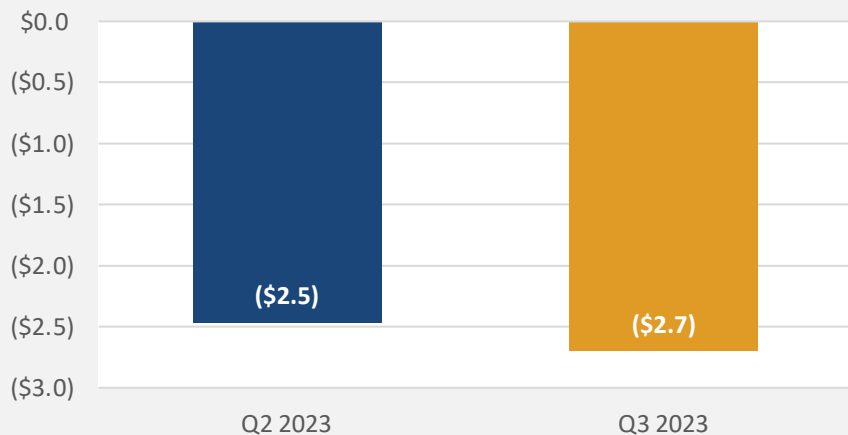
November 13, 2023

Symbol NYSE American	EP (listed March 2022)
Part of Russell 3000® and Russell 2000® Indexes	
Share Price	\$7.14
52 Week Range	\$6.82-16.89
Market Cap <sup>(1)</sup>	\$154.8 mm
Common Shares Outstanding <sup>(2)</sup>	22.7 mm
Insider Holdings	~45%
Auditors	Grant Thornton

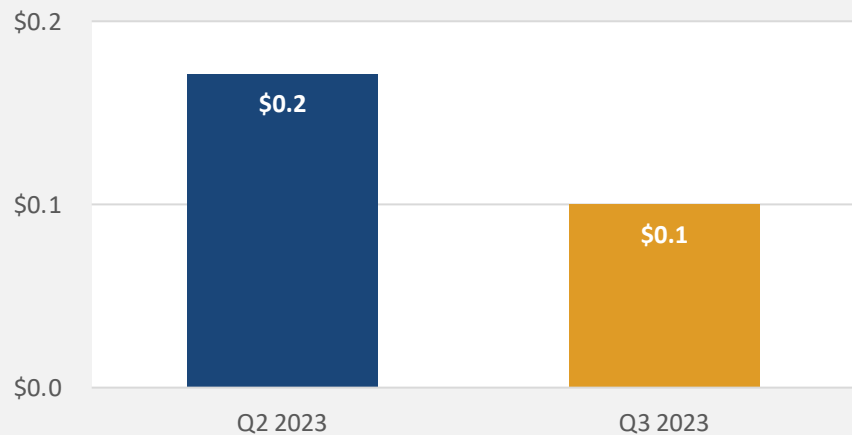
## TOTAL DEBT (\$MM) <sup>(3)</sup>



## NET INCOME (LOSS) (\$MM)



## ADJUSTED EBITDA (\$MM) <sup>(4)</sup>



(1) Market Cap based on stock price at 11/7/2023 and common shares outstanding as of 9/30/2023

(2) This represents 9/30/2023 Common Shares Outstanding

(3) Includes short term and long term debt

(4) Non-GAAP Adjusted EBITDA defined on the Disclaimer slide with further reconciliation details in appendix



# Thank you

Phil Mulacek, Chairman of the Board

Mike Morrisett, President, CEO & Director

Larry Faulkner, Chief Financial Officer

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Disclaimer: This presentation is for information purposes only and does not constitute an offer to sell or issue, or the solicitation of an offer to buy, acquire or subscribe for any shares in the Company in any jurisdiction.

Note: See website and corporate presentation for additional details, disclosures, and reconciliations.





# APPENDIX



# Adjusted EBITDA Reconciliation <sup>(1)</sup>

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
<b>Net Income (Loss)</b>	<b>3,623,427</b>	<b>5,534,280</b>	<b>215,941</b>	<b>(2,289,519)</b>	<b>(2,459,591)</b>	<b>(2,464,909)</b>	<b>(2,747,628)</b>
Add Back:							
Interest Expense	110,648	111,785	125,330	161,777	237,299	184,887	249,796
DD&A	434,446	455,799	539,543	519,403	622,489	711,042	727,943
Accretion of Asset Retirement Obligation	330,000	336,488	342,619	348,799	401,275	405,361	470,505
Impairment expense	-	-	-	936,620	-	-	-
Amortization of right of use assets	39,706	50,901	44,627	128,613	76,225	87,560	124,171
Income Taxes	-	-	-	-	-	-	(134,720)
<b>EBITDA</b>	<b>4,538,227</b>	<b>6,489,253</b>	<b>1,268,060</b>	<b>(194,307)</b>	<b>(1,122,303)</b>	<b>(1,076,059)</b>	<b>(1,309,933)</b>
Adjustments:							
Stock based compensation	376,284	486,904	809,641	1,043,929	949,639	1,180,806	158,792
(Gain) loss on derivatives	112,321	23,893	(42,474)	294,190	66,823	66,657	1,185,921
Settlement on or Purchase of Derivative Instruments	(83,260)	(77,631)	(83,926)	(15,449)	(41,187)	-	(45,855)
CEO Severance (including employer taxes)	-	-	-	-	374,820	-	-
COO Severance (including employer taxes)	-	-	-	-	-	-	145,319
Write off of JDA note receivable	-	-	1,399,030	-	-	-	-
XTO final settlement	-	-	1,448,363	-	-	-	-
Settlement and fees related to Texas sales tax audit	650,000	439,318	-	180,040	-	-	-
<b>Adjusted EBITDA</b>	<b>5,593,572</b>	<b>7,361,737</b>	<b>4,798,694</b>	<b>1,308,403</b>	<b>227,792</b>	<b>171,404</b>	<b>134,244</b>

(1) Non-GAAP Adjusted EBITDA defined on the Disclaimer slide

# Statement of Operations (Condensed)

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
<b>Revenue:</b>							
Oil Sales	10,416,422	13,329,366	11,501,521	9,731,245	8,938,715	9,147,611	9,492,127
Gas Sales <sup>(1)</sup>	883,902	1,321,896	1,526,148	802,425	656,035	248,686	411,217
Natural Gas Liquids (“NGLs”) Sales <sup>(1)</sup>	1,215,494	1,041,136	945,317	457,504	504,954	362,181	411,624
<b>Total Product Revenues</b>	<b>12,515,818</b>	<b>15,692,398</b>	<b>13,972,986</b>	<b>10,991,174</b>	<b>10,099,704</b>	<b>9,758,478</b>	<b>10,314,968</b>
Other	24,043	24,913	22,921	30,552	19,364	18,361	17,050
Gain (Loss) on Derivatives	(112,321)	(23,893)	42,474	(294,190)	(66,823)	(66,657)	(1,185,921)
<b>Total Revenue</b>	<b>12,427,540</b>	<b>15,693,418</b>	<b>14,038,381</b>	<b>10,727,536</b>	<b>10,052,245</b>	<b>9,710,182</b>	<b>9,146,097</b>
<b>Costs and Expenses:</b>							
Lease Operating Expense	4,572,401	4,656,901	7,751,755	6,602,984	6,520,163	7,099,000	7,050,054
Production and Ad Valorem Taxes	901,238	1,137,841	1,112,246	792,141	758,114	721,275	792,241
Depletion, Depreciation & Amortization	434,446	455,799	539,543	519,403	622,489	711,042	727,943
Accretion of Asset Retirement Obligation	330,000	336,488	342,619	348,799	401,275	405,361	470,505
Impairment	-	-	-	936,620	-	-	-
<i>General and Administrative</i>	<i>2,079,102</i>	<i>2,795,548</i>	<i>2,040,418</i>	<i>2,699,880</i>	<i>3,023,279</i>	<i>1,894,204</i>	<i>2,580,464</i>
<i>Stock based compensation</i>	<i>376,278</i>	<i>486,904</i>	<i>809,641</i>	<i>1,043,718</i>	<i>949,639</i>	<i>1,180,806</i>	<i>158,792</i>
Total General and Administrative	2,455,380	3,282,452	2,850,059	3,745,598	3,972,918	3,075,010	2,739,256
<b>Total Cost and Expenses</b>	<b>8,693,465</b>	<b>9,869,481</b>	<b>12,596,222</b>	<b>12,943,545</b>	<b>12,274,959</b>	<b>12,011,688</b>	<b>11,779,999</b>
<b>Operating Income (Loss)</b>	<b>3,734,075</b>	<b>5,823,937</b>	<b>1,442,159</b>	<b>(2,216,009)</b>	<b>(2,222,714)</b>	<b>(2,301,506)</b>	<b>(2,633,902)</b>
<b>Other Income and (Expense):</b>							
Interest Expense	(110,648)	(111,785)	(125,330)	(161,777)	(237,299)	(184,887)	(249,796)
Other Income (Expense)	-	(177,872)	(1,100,888)	297,165	422	21,484	1,350
<b>Income (Loss) before Taxes</b>	<b>3,623,427</b>	<b>5,534,280</b>	<b>215,941</b>	<b>(2,080,621)</b>	<b>(2,459,951)</b>	<b>(2,464,909)</b>	<b>(2,882,348)</b>
Income Tax (Provision) Benefit	-	-	-	(208,898)	-	-	(134,720)
<b>Adjusted EBITDA</b>	<b>3,623,427</b>	<b>5,534,280</b>	<b>215,941</b>	<b>(2,289,519)</b>	<b>(2,459,951)</b>	<b>(2,464,909)</b>	<b>(2,747,628)</b>

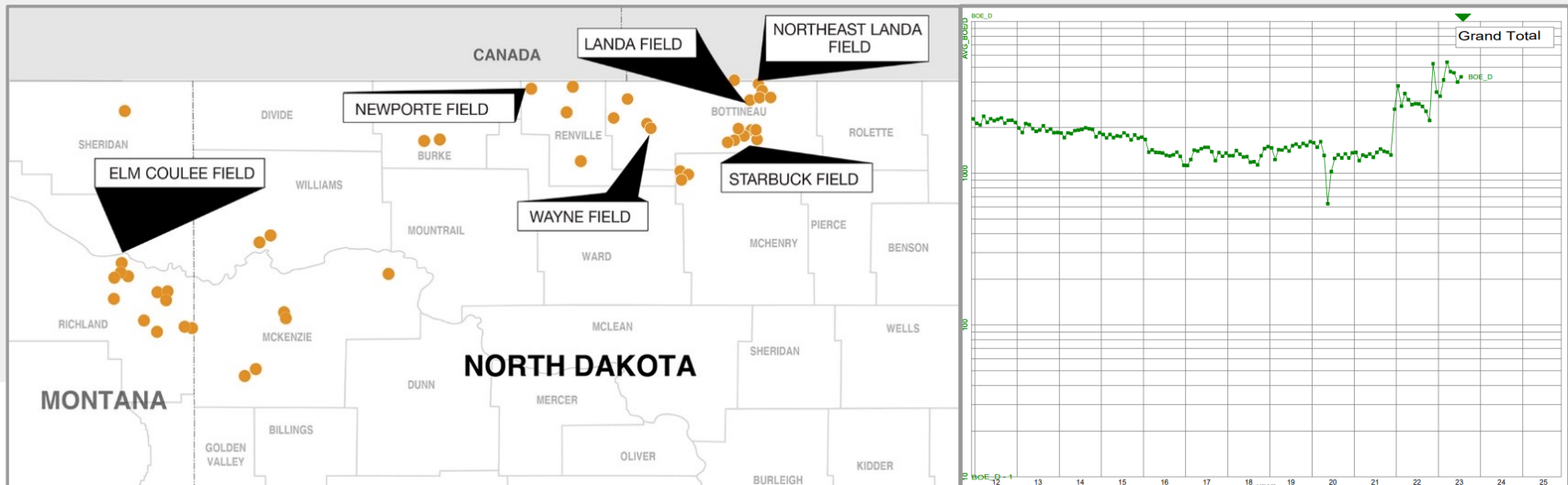
(1) Presentation for 1Q 2022, 2Q 2022, 3Q 2022 and 4Q 2022 reflects reclassification of gathering and processing costs from lease operating expense, which is consistent with the presentation of results for Q1 2023



# Operating Data (Condensed)

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
<b>Net Production Volumes:</b>							
Oil (Bbl)	114,255	123,167	123,804	121,592	120,257	128,413	120,177
Natural Gas (Mcf)	213,945	208,363	231,522	221,818	231,218	211,293	195,908
Natural Gas Liquids (Bbl)	40,152	38,518	42,989	39,151	39,756	30,678	35,568
<b>Total Equivalent (Boe)</b>	<b>190,064</b>	<b>196,412</b>	<b>205,380</b>	<b>197,712</b>	<b>198,549</b>	<b>194,306</b>	<b>188,396</b>
Average daily equivalent sales (Boe/d)	2,112	2,158	2,232	2,149	2,206	2,135	2,048
<b>Average Price per Unit</b>							
Oil (\$/bbl)	\$91.17	\$108.22	\$92.90	\$80.03	\$74.33	\$71.24	\$78.98
Natural Gas (\$/Mcf)	\$4.13	\$6.34	\$6.59	\$3.62	\$2.84	\$1.18	\$2.10
Natural Gas Liquids (\$/Bbl)	\$30.27	\$27.03	\$21.99	\$11.69	\$12.70	\$11.81	\$11.57
<b>Total Equivalent (\$/Boe)</b>	<b>\$65.85</b>	<b>\$79.90</b>	<b>\$68.03</b>	<b>\$55.59</b>	<b>\$50.87</b>	<b>\$50.22</b>	<b>\$54.75</b>
<b>Operating Costs and Expenses per Boe</b>							
Lease operating expense	\$24.06	\$23.71	\$37.74	\$33.40	\$32.84	\$36.54	\$37.42
Production and ad valorem taxes	\$4.74	\$5.79	\$5.42	\$4.01	\$3.82	\$3.71	\$4.21
Depreciation, Depletion, Amortization	\$2.29	\$2.32	\$2.63	\$2.63	\$3.14	\$3.66	\$3.86
Accretion of Asset Retirement Obligation	\$1.73	\$1.71	\$1.67	\$1.76	\$2.02	\$2.09	\$2.50
General & administrative (including stock based compensation)	\$12.92	\$16.71	\$13.88	\$18.93	\$20.01	\$15.83	\$14.54
General & administrative (excluding stock based compensation)	\$10.94	\$14.23	\$9.93	\$13.65	\$15.23	\$9.75	\$13.70

- **Current BOE per day: 539 <sup>(1)</sup>**
- Large working interest in several prolific fields centered around Bottineau County and Elm Coulee Field in Richland County, Montana
- **Production gained from 3,000 bbls/mon. to 7,000 bbls/mon. on a small pilot program.**
- **We have identified strong upside in other fields for 2023 and 2024 for Pilot and drilling increases of up to 60+ wells**
- Large held-by-production acreage in both North Dakota and Montana with consolidation opportunities
- **Non-Operated working interest in several Bakken new-drills with 100%+ returns**
- Capital expenditure program in Starbuck Field consisting of 10-14 wells focused on increasing production and reserves



(1) Barrel composition based on 3Q 2023 per day sales volumes

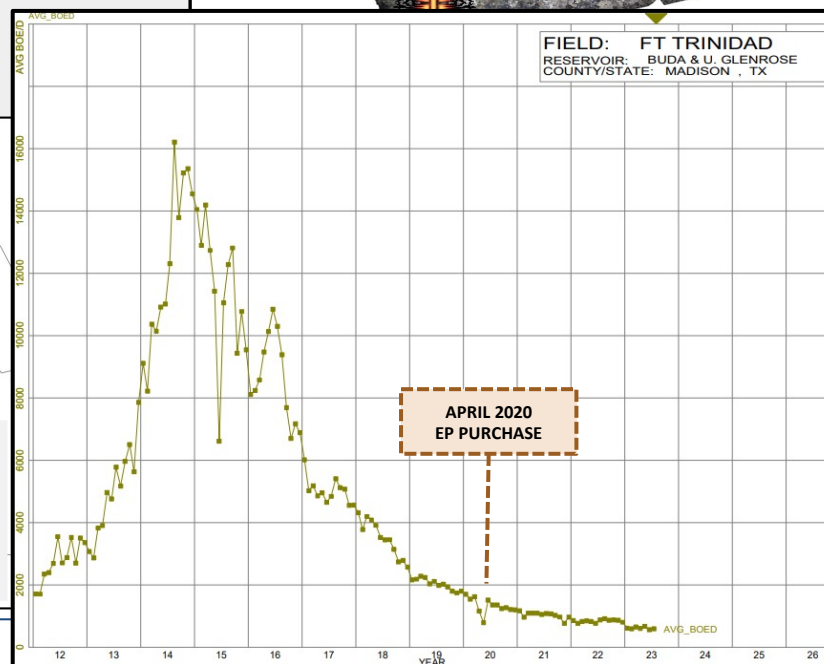
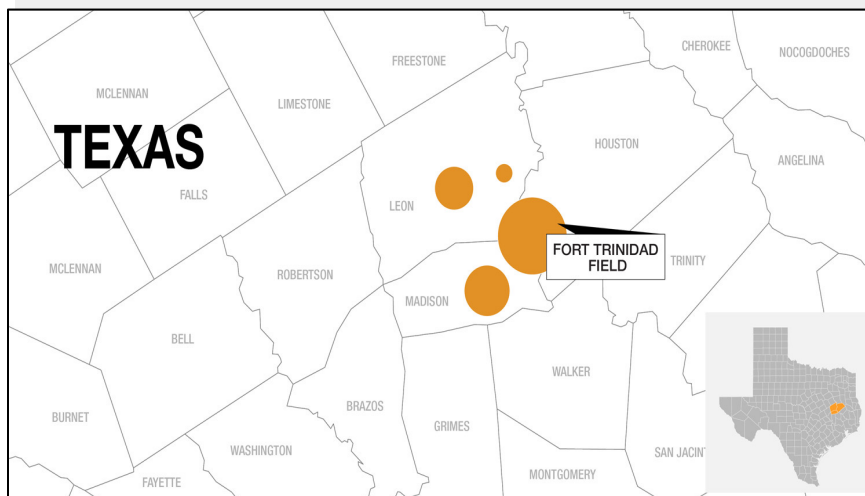
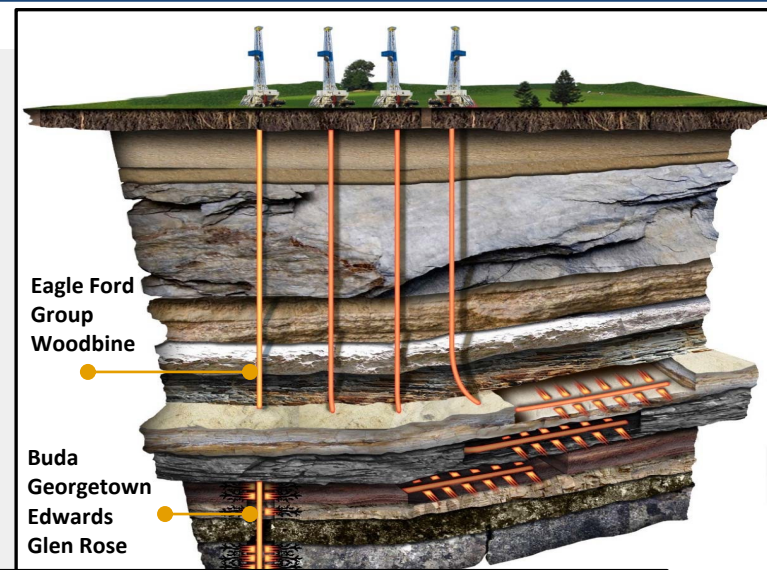


- **Current BOE per day: 1,230 <sup>(1)</sup>**
- **Purchased from Exxon/XTO in May 2021**
- **Contiguous 48,000 gross acre position in prolific Central Basin Platform, Permian, of Lea County, NM**
- **Substantial oil in place with additional recovery potential from infills and waterflood optimization**
- **Upgrading field systems**
- **Primary, secondary units with CO<sub>2</sub> potential**
- **Pilot to begin end of 2024**



(1) Barrel composition based on 3Q 2023 per day sales volumes

- **Current BOE per day: 271** <sup>(1)</sup>
- Principal producing asset in the Fort Trinidad Field in Houston and Madison Counties, Texas
- **Over 27,000 net acres held-by-production**
- Stacked plays in multiple geologic horizons
- **Well activation program underway with focus on bypassed pay**
- Evaluating in-field locations



(1) Barrel composition based on 3Q 2023 per day sales volumes





## Environmental

- Good corporate citizenship is a key part of our cultural identity, which includes being positive stewards to the environment and the communities in which we operate.
- Our focus on minimizing our operational impact is multi-faceted, including seeking to reduce air emissions, prevent spills, and safeguard local water supplies, as well as utilizing advanced drilling, completion and operations technologies that minimize our environmental impact.
- Our ongoing programs are designed to not only reduce our operational impacts but also improve efficiency, lower costs and reduce risk. This further promotes the long-term sustainability of our business as we continue to enhance our relationships with the communities in which we operate.



## Social

- Our success starts with our people who consistently operate with the principles of honesty, integrity, and accountability, and unceasingly align our interests with our partners.
- Our employees are committed to the prudent growth of our organization and adhere to the values expected by our stakeholders. In accordance, we place strong emphasis on attracting, hiring, and developing a talented and diverse workforce, and endeavor to support our employees through market-competitive compensation and benefit programs.
- We treat our employees with respect and recognize that a diverse workforce provides the best opportunity to obtain unique perspectives, experiences and ideas to help our business succeed. As such, we strive to maintain a work culture that treats employees fairly and with respect, promotes inclusivity, and provides equal opportunities for professional growth and advancement based on merit.



## Governance

- Supported by the oversight and guidance of our executive management team, our Board of Directors is responsible for our strategy and governance.
- We leverage corporate governance practices that promote transparency and accountability as key tenants to our long-term success. We are committed to operating with sound corporate governance practices and hold ourselves accountable, including ensuring that all our business interactions are performed with honesty and integrity.
- We interact with all partners and parties with the highest legal and ethical standards. In support of our efforts, we have adopted fundamental governance policies applicable to our team members and others with whom we do business.