


# Empire Petroleum Corporation

CEM SCOTTSDALE CAPITAL EVENT

April 2024

 [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.



## FY 2023 Net Production of 2,099 Boe/d <sup>(1)</sup>

- ~64% oil, ~18% NGLs and ~18% Natural Gas
- 4Q 2023 production was 2,011 Boe/d



## Primed for Growth through the Drill-Bit

- New horizontal pad development in North Dakota with 6 horizontal wells currently online
- Low-risk waterflood implementation and expansion projects



## YE 2023 Reserves were ~9.1 MMBoe

- The standardized measure of the reported SEC proved reserves, discounted at 10% at YE 2023 was ~\$83.0MM
- Year over year decrease primarily due to the decrease in SEC mandated prices used to value oil, natural gas and NGL reserves

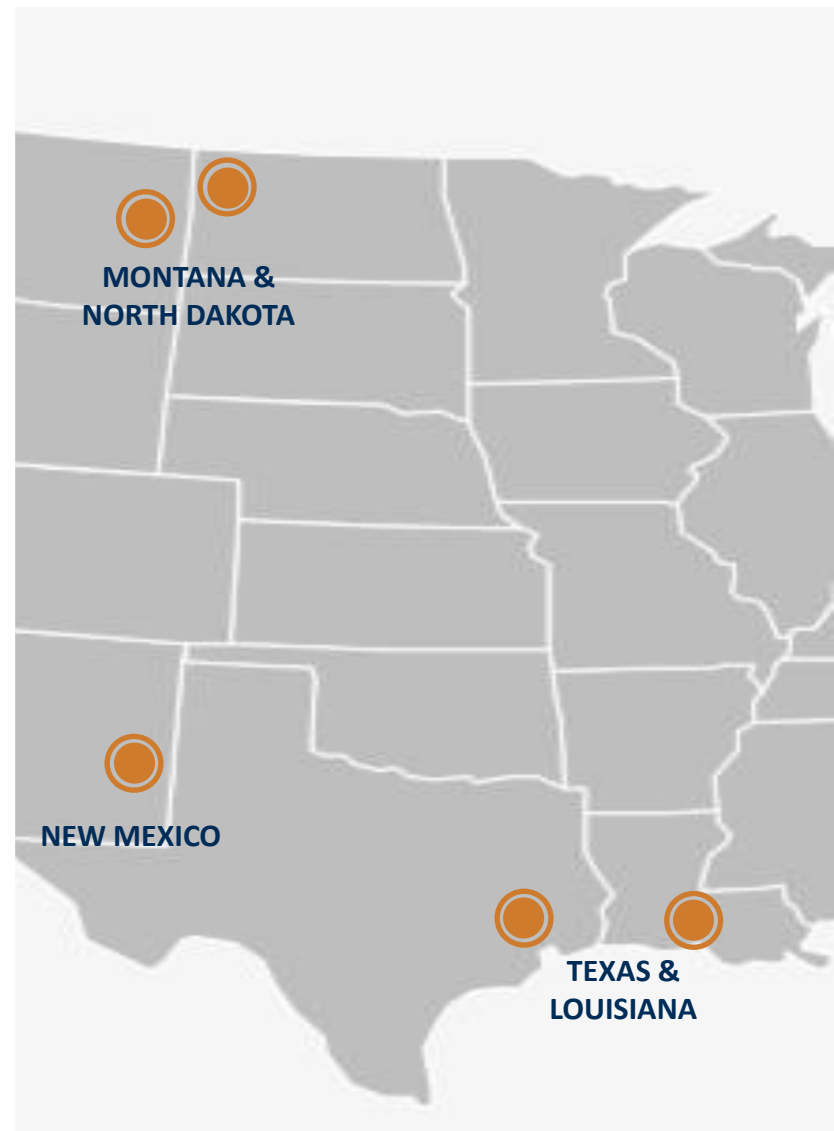


## Strong, seasoned, proven management and board of directors



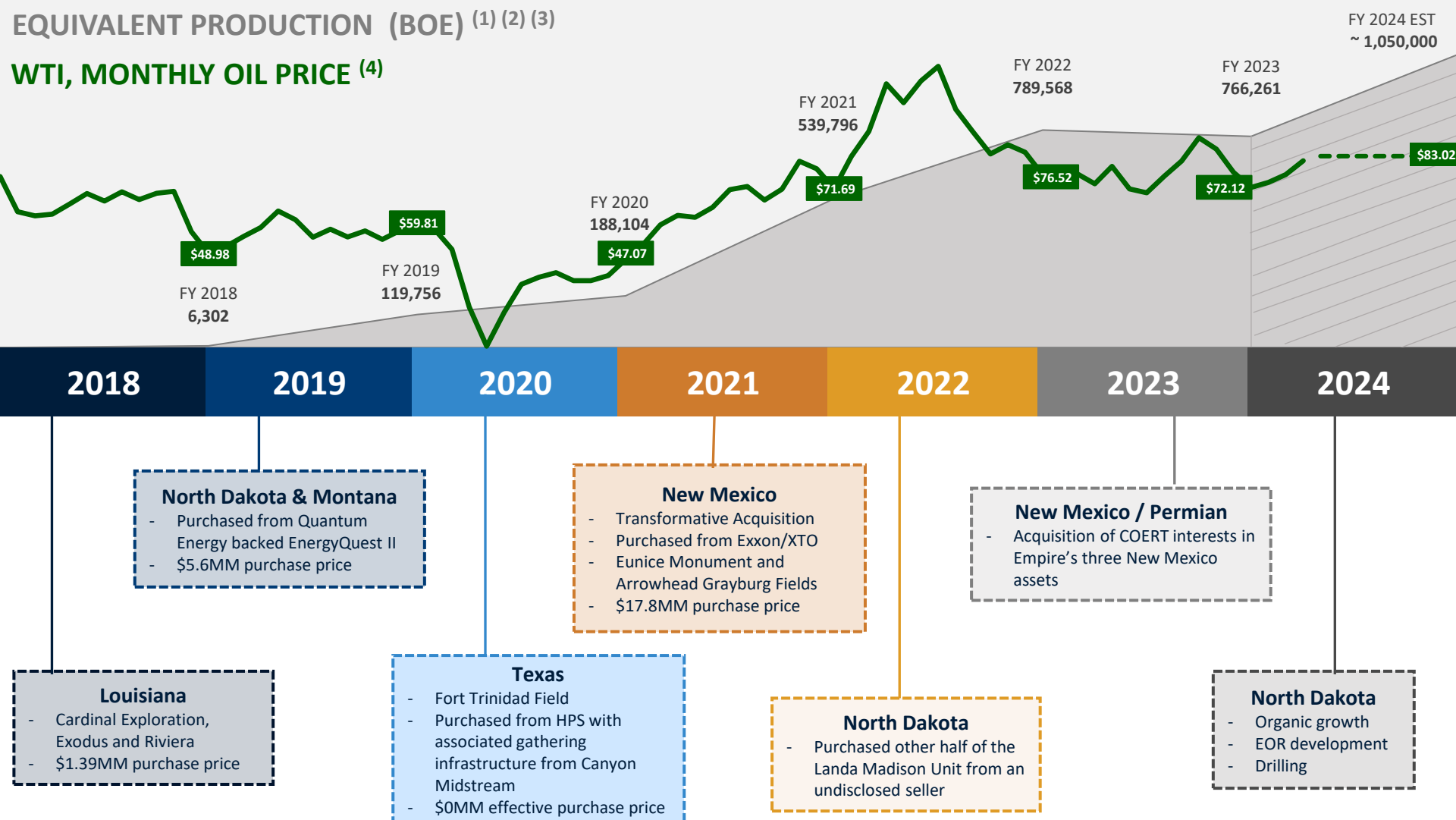
## Financial Performance

- 4Q 2023 Net loss of ~\$4.8MM, FY 2023 net loss of ~\$12.5MM
- Higher expenses associated with increase in LOE including workovers, DD&A, and G&A for future growth, and lower year over year pricing



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

# Acquisitions / Growth



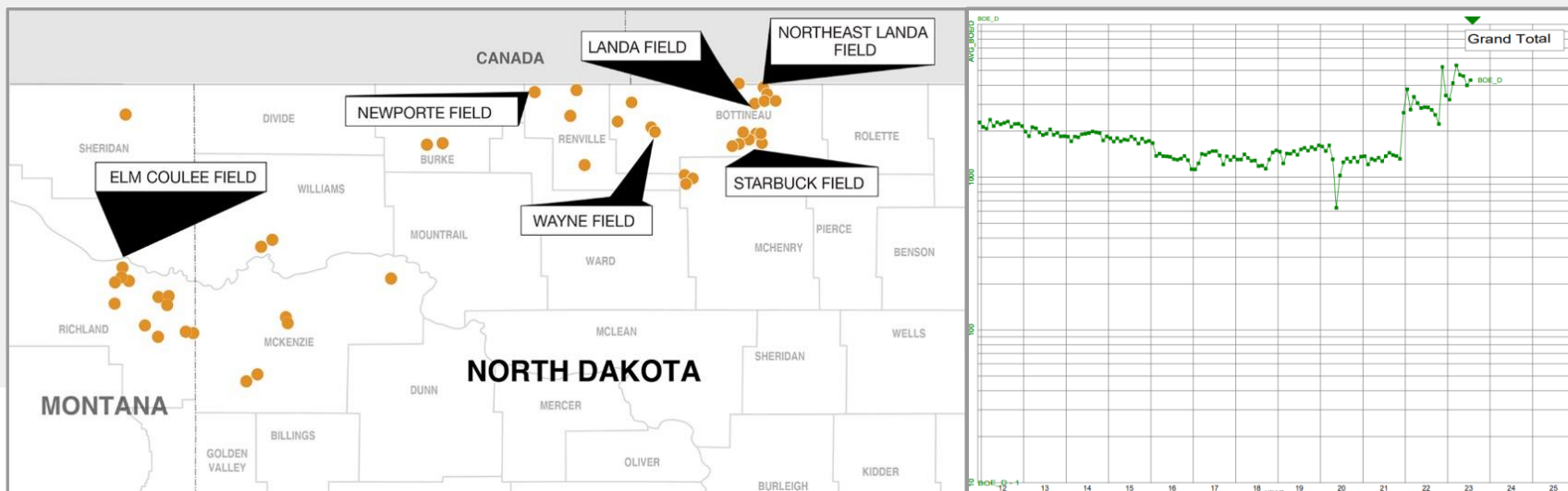
(1) BOE – Barrel of oil equivalent, determined using a ratio of 6 Mcf of natural gas equal to one barrel of oil equivalent

(2) Production represents full year net sales volumes

(3) FY 2024 estimated net production as referenced in the EP press release from 02/23/2024

(4) Dashed green line represents the average balance of the year forward oil price settlements as of 4/16/2024

- **Current BOE per day: 502<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



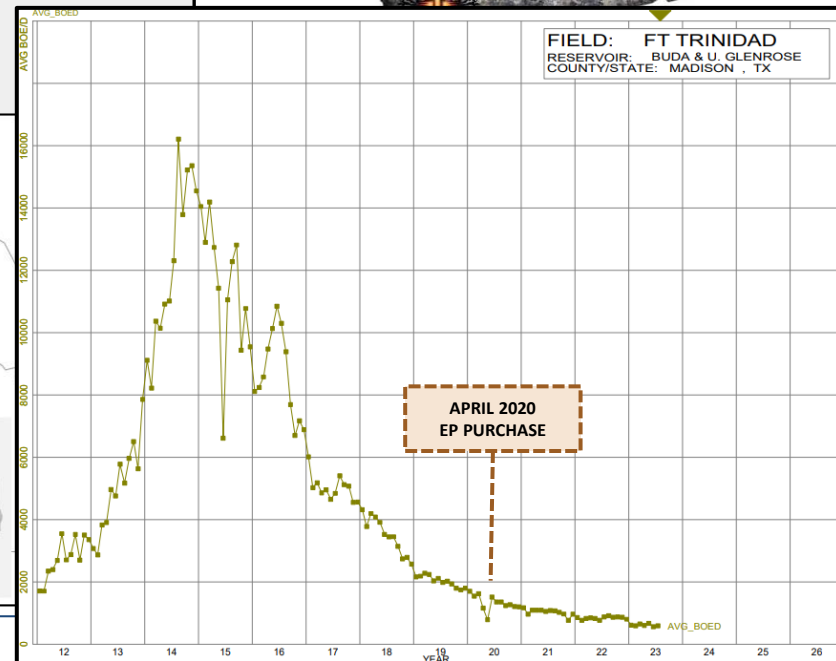
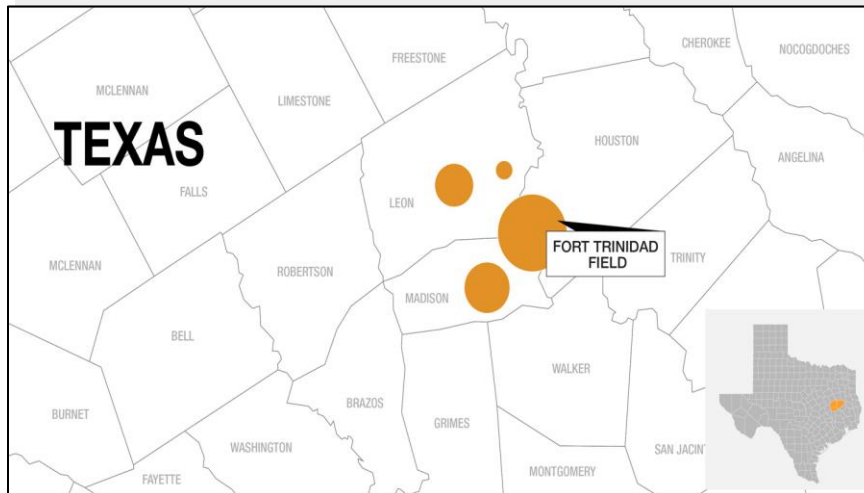
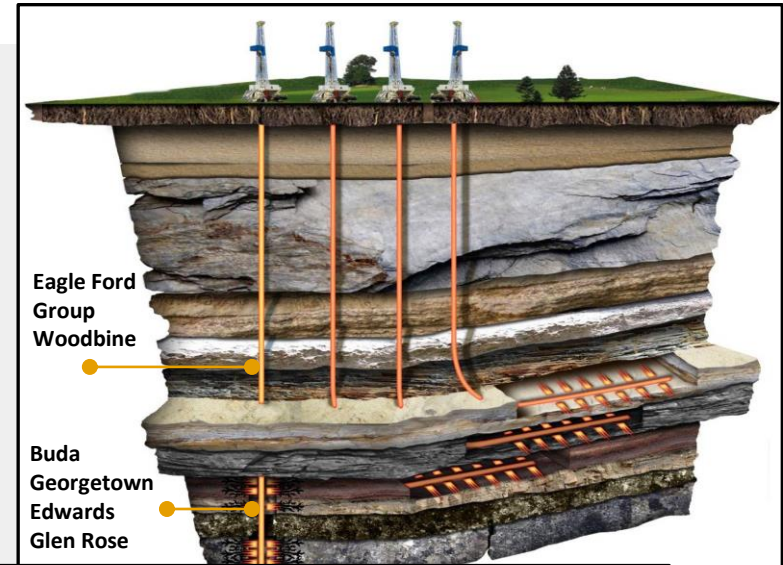
(1) Barrel composition based on 4Q 2023 per day sales volumes

- **Current BOE per day: 1,260 <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**



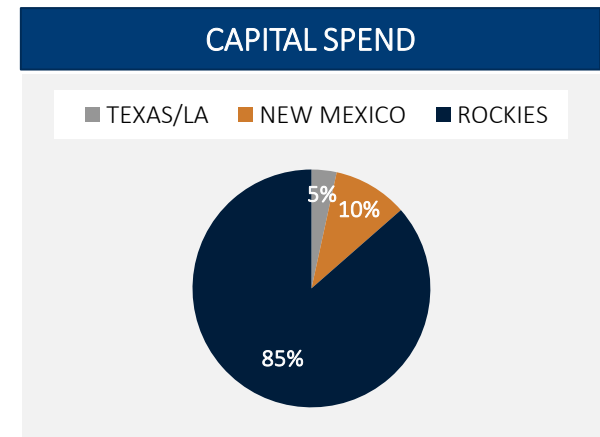
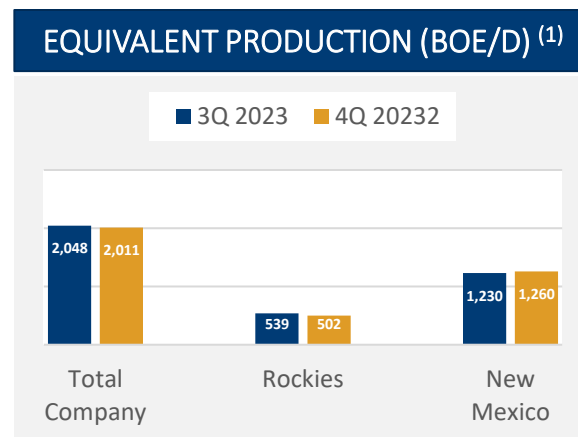
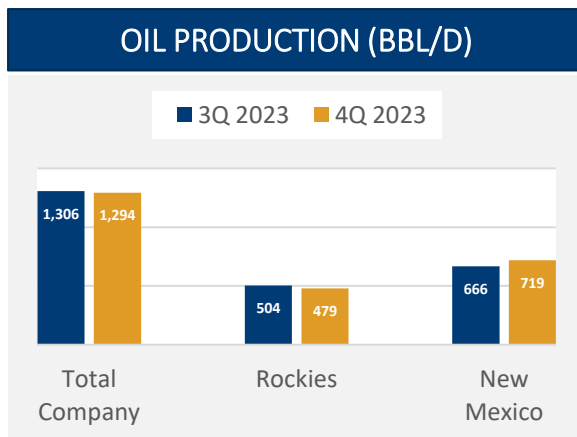
(1) Barrel composition based on 4Q 2023 per day sales volumes

- **Current BOE per day: 236<sup>(1)</sup>**
- Principal producing asset in the Fort Trinidad Field in Houston and Madison Counties, Texas
- **Over 30,000 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 4Q 2023 per day sales volumes

- 1 Starbuck Field EOR Development Project: 6 horizontal wells online more under development**
  - Most of the horizontal laterals have been completed for the initial EOR development
  - 1<sup>st</sup> stage of injectors and infrastructure are to be completed in Q2
  - Initial impact on production is anticipated in Q3 to Q4 and beyond
  - Core data collected is currently being evaluated on the key new zones of potential development
  - Completion of the 3-D seismic shoot and all 3-D processing anticipated in Q2
  - Further data analysis will provide the direction for the future development activities by Q3
  
- 2 New Mexico, Permian Basin**
  - Further evaluating flood performance optimization and new drill opportunities in the three prolific waterflood units
  
- 3 Texas, Fort Trinidad Field and other acreage nearby**
  - Under technical and economic review with potential several development opportunities



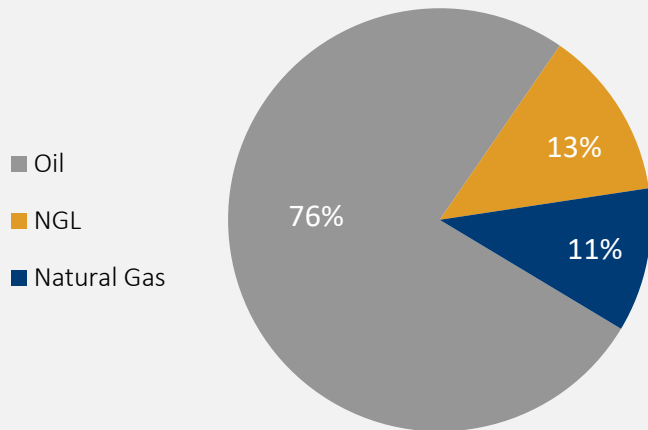
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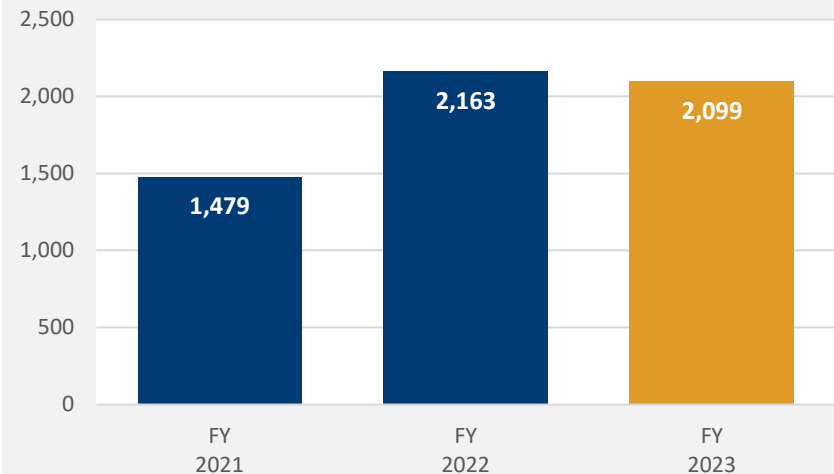
# Reserves and Production

Reserve Category	Oil (MBBL)	NGL (MBBL)	Natural Gas (MMCF)	Total MBOE (MBOE)	Standardized Measure of Discounted Cash Flows <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>
Proved Developed Producing	6,924	1,171	6,104	9,112	\$83,016,560

## RESERVE MIX BY PRODUCT



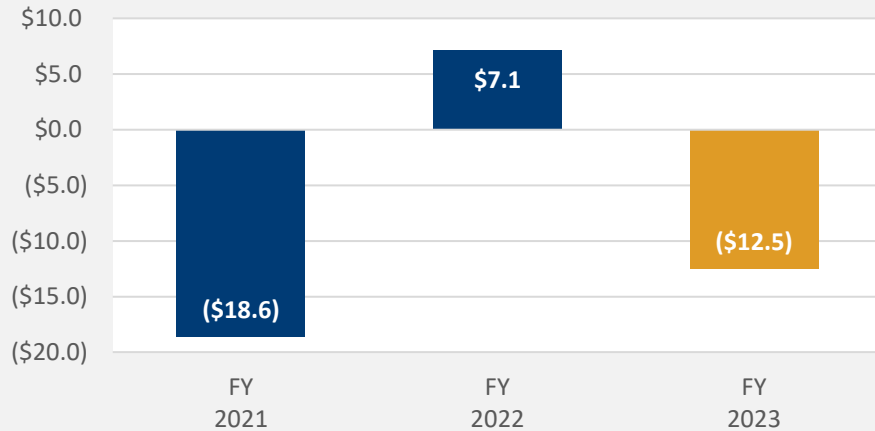
## Average Net Daily Production (BOE/D)



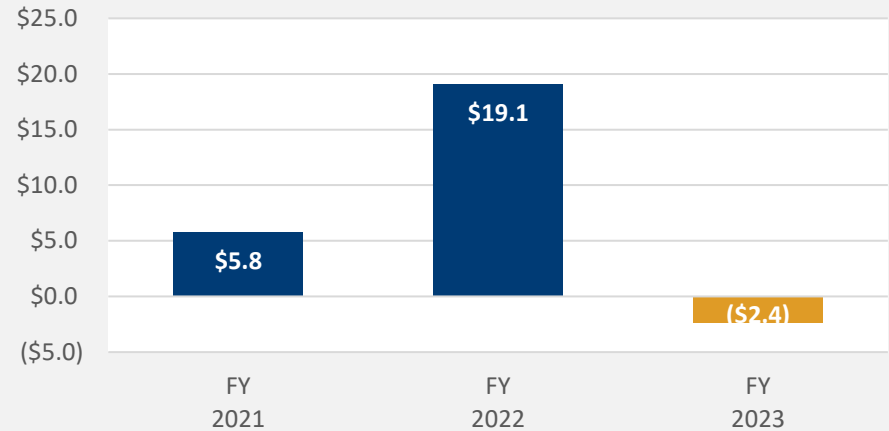
- (1) Based on FY 2023 year-end report reflecting the 12-month average prices that were adjusted to reflect applicable transportation and quality differentials on a well-by-well basis to arrive at realized sales prices used to estimate the properties reserves; \$75.45 per barrel (Oil), \$1.51 per MMBtu (Natural Gas) & \$9.82 per barrel (NGLs).
- (2) All estimated future costs to settle asset retirement obligations associated with our proved reserves have been included in our calculation of the standardized measure for the period presented.
- (3) Standardized measure is a GAAP measure. The Company's standardized measure is based upon management estimates and the reserves prepared by Prepared by Cawley, Gillespie & Associates, Inc is not audited by third party reserve engineers.

# Financial Snapshot

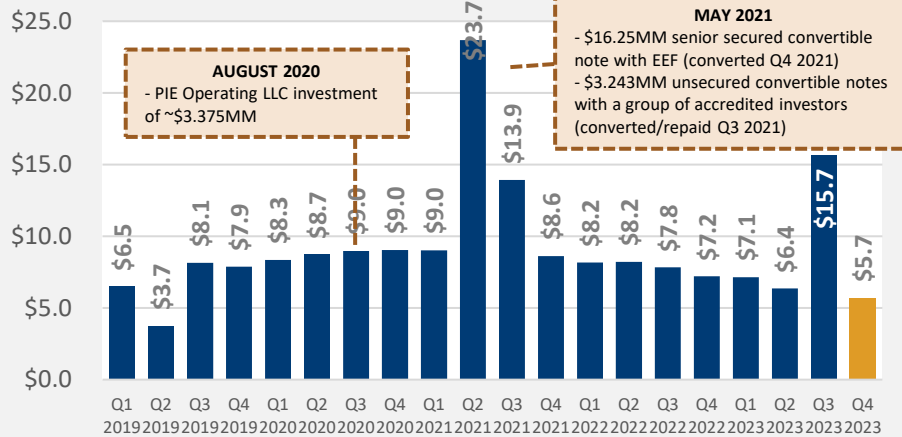
## NET INCOME (LOSS) (\$MM)



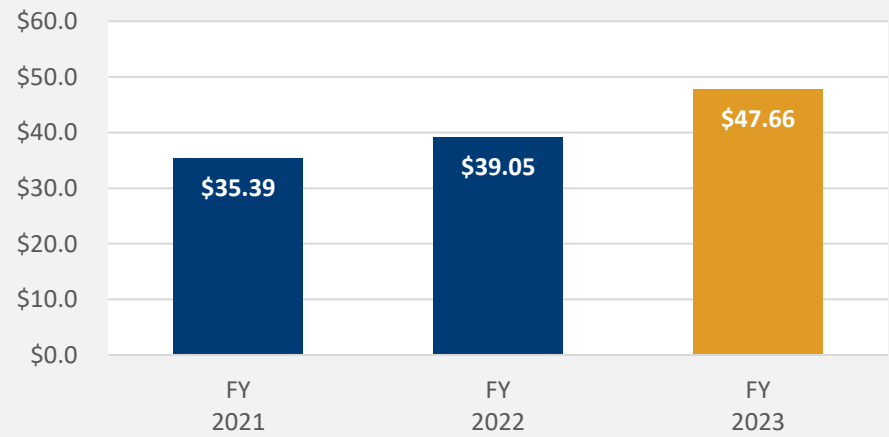
## ADJUSTED EBITDA (\$MM) <sup>(1)</sup>



## TOTAL DEBT (\$MM)



## OPERATING COSTS (\$/BOE) <sup>(2)</sup>



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

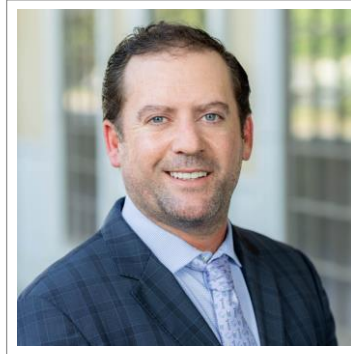
(2) Operating Costs include: Lease Operating Expense, Production & Ad Valorem Taxes, DD&A, and Accretion of Asset Retirement Obligation



## PHIL MULACEK

(October 2021)

- Independent Chair
- Operations Committee
- Compensation Committee



## BEN MARCHIVE II

(October 2021)

- Operations Committee
- Senior Vice President of Cox Operating, LLC



## MICHAEL MORRISETT

(January 2015)

- President & CEO



## J. KEVIN VANN

(April 2023)

- Audit Committee
- Former CFO of WPX Energy Inc.



## ANDREW LEWIS

(April 2022)

- Audit Committee
- Vice Admiral, US Navy (Retired)



## MASON MATSCHKE

(April 2021)

- Audit Committee
- Compensation Committee
- Partner and Chief Compliance Officer of Energy Evolution



## **MICHAEL MORRISETT**

President & Chief Executive Officer

(January 2023)

- 25+ years experience in investment banking and considerable experience in management of non-operated oil and gas operations
- Held several roles, including partner, at Total Energy Partner Funds, an investment fund engaged in the ownership of non-operated oil and gas working interests



## **WILLIAM WEST**

Senior Vice President of Operations

(May 2023)

- Prior experience as Production Manager for Treadstone I, II, III; led the development of the Fort Trinidad field from 300 BOPD to 10,000 BOPD
- Holds a bachelors degree in petroleum engineering from Marietta College, Professional Engineer issued by the Wyoming State Board

# Thank you

Phil Mulacek, Chairman of the Board

Mike Morrisett, President, CEO & Director

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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>

	FY 2021	FY 2022	FY 2023
<b>Net Income (Loss)</b>	<b>(18,614,962)</b>	<b>7,084,128</b>	<b>(12,469,605)</b>
Add Back:			
Interest Expense	8,600,699	509,540	1,000,427
DD&A	2,502,275	1,949,191	3,096,533
Accretion of Asset Retirement Obligation	1,214,479	1,357,906	1,756,022
Impairment expense	-	936,620	-
Amortization of right of use assets	137,046	263,847	423,689
Income Taxes	-	-	(132,192)
<b>EBITDA</b>	<b>(6,160,463)</b>	<b>12,101,232</b>	<b>(6,325,126)</b>
Adjustments:			
Stock based compensation	1,502,220	2,716,752	3,144,751
(Gain) loss on derivatives <sup>(2)</sup>	586,181	387,930	65,693
Settlement on or Purchase of Derivative Instruments <sup>(2)</sup>	(841,190)	(260,266)	(353,695)
CEO Severance (including employer taxes)	-	-	374,820
COO Severance (including employer taxes)	-	-	142,319
Write off of JDA note receivable	-	1,399,030	-
XTO final settlement	-	1,448,363	-
Convertible debt modification inducement expense	2,276,813	-	-
Loss on convertible debt redemption option	3,169,201	-	-
Loss (gain) on conversion option	4,501,104	-	-
Right to buy issuance costs	989,115	-	-
Forgiveness of PPP loan	(267,550)	-	-
Settlement and fees related to Texas sales tax audit	-	1,269,358	-
Professional fees for potential financing transactions	-	-	564,588
<b>Adjusted EBITDA</b>	<b>\$5,758,431</b>	<b>\$19,062,405</b>	<b>\$(2,383,650)</b>

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

(2) Certain Adjusted EBITDA reconciliation adjustments related to derivatives may have been combined in prior publicly available data



## 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.