

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

**FORM 10-KSB**

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

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

Commission File Number: 001-32624

**FIELDPOINT PETROLEUM CORPORATION**

(Name of Small Business Issuer in Its Charter)

**Colorado**

(State or Other Jurisdiction of  
Incorporation or Organization)

**84-0811034**

(I.R.S. Employer  
Identification No.)

1703 Edelweiss Drive  
Cedar Park, Texas 78613

(Address of Principal Executive Offices) (Zip Code)

(512) 250-8692

(Issuer's Telephone Number, Including Area Code)

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

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

Common Stock, \$.01 Par Value  
Title of Class

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [  ]

**Note** – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B 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. [  ]

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

State issuer's revenues for its most recent fiscal year. \$4,053,592.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act).

The aggregate market value of the voting stock held by non-affiliates of the Registrant at March 30, 2007, was \$8,861,312.

As of March 31, 2007, 8,767,175 shares of the Registrant's common stock par value \$.01 per share, were outstanding.

Documents Incorporated by Reference: If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

The Registrant hereby incorporates herein by reference the following documents.

Transitional Small Business Disclosure Format (Check one): Yes [  ]; No [  ]

## PART I

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-KSB constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act and Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-KSB that address activities, events or developments that FieldPoint Petroleum Corp. and its subsidiaries (collectively, the "Company") expects, projects, believes or anticipates will or may occur in the future, including such matters as oil and natural gas reserves, future drilling and operations, future production of oil and natural gas, future net cash flows, future capital expenditures and other such matters, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: the volatility of oil and natural gas prices, the Company's drilling and acquisition results, the Company's ability to replace reserves, the availability of capital resources, the reliance upon estimates of proved reserves, operating hazards and uninsured risks, competition, government regulation, the ability of the Company to implement its business strategy and other factors referenced in this Form 10-KSB.

#### ITEM 1- BUSINESS

##### General

FieldPoint Petroleum Corporation, a Colorado corporation (the "Company"), was formed on March 11, 1980, to acquire and enhance mature oil and natural gas field production in the mid-continent and the Rocky Mountain regions. Since 1980, the Company had engaged in oil and natural gas operations and, in 1986, divested all oil and natural gas assets and operations. From December 1986, until its reverse acquisition on December 31, 1997, The Company had not engaged in oil and natural gas operations.

Reverse Acquisition - On December 22, 1997, The Company entered into an Agreement with Bass Petroleum, Inc., a Texas corporation ("BPI"), pursuant to which, on December 31, 1997, the Company acquired from the shareholders of BPI an aggregate of 8,655,625 shares of capital stock of BPI, in exchange for the issuance of 4,000,000 unregistered shares of the Company's common stock. The transaction was treated, for accounting purposes, as an acquisition of FieldPoint Petroleum Corporation by Bass Petroleum, Inc. On December 31, 1997, the Company changed its name from Energy Production Company to FieldPoint Petroleum Corporation.

##### Business Strategy

The Company's business strategy is to continue to expand its reserve base and increase production and cash flow through the acquisition of producing oil and natural gas properties. Such acquisitions will be based on an analysis of the properties' current cash flow and the Company's ability to profit from the acquisition. The Company's ideal acquisition will include not only oil and natural gas production, but also leasehold and other working interests in exploration areas.

The Company will also seek to identify promising areas for the exploration of oil and natural gas through the use of outside consultants and the expertise of the Company. This identification will include collecting and analyzing geological and geophysical data for exploration areas. Once promising properties are identified, the Company will attempt to acquire the properties either for drilling oil and natural gas wells, using independent contractors for drilling operations, or for sale to third parties.

The Company recognizes that the ability to implement its business strategies is largely dependent on the ability to raise additional debt or equity capital to fund future acquisition, exploration, drilling and development activities. The Company's capital resources are discussed more thoroughly in Part II, Item 6, in Management's Discussion and Analysis.

## **Operations**

As of December 31, 2006, the Company had varying ownership interest in 346 gross productive wells (92.16 net) located in 5 states. The Company operates 61 of the 346 wells; the other wells are operated by independent operators under contracts that are standard in the industry. It is a primary objective of the Company to operate some of the oil and natural gas properties in which it has an economic interest, and the Company will also partner with larger oil and natural gas companies to operate certain oil and natural gas properties in which the Company has an economic interest. The Company believes, with the responsibility and authority as operator, it is in a better position to control cost, safety, and timeliness of work as well as other critical factors affecting the economics of a well.

## **Market for Oil and Natural Gas**

The demand for oil and natural gas is dependent upon a number of factors, including the availability of other domestic production, crude oil imports, the proximity and size of oil and natural gas pipelines in general, other transportation facilities, the marketing of competitive fuels, and general fluctuations in the supply and demand for oil and natural gas. The Company intends to sell all of its production to traditional industry purchasers, such as pipeline and crude oil companies, who have facilities to transport the oil and natural gas from the wellsite.

## **Competition**

The oil and natural gas industry is highly competitive in all aspects. The Company will be competing with major oil companies, numerous independent oil and natural gas producers, individual proprietors, and investment programs. Many of these competitors possess financial and personnel resources substantially in excess of those which are available to the Company and may, therefore, be able to pay greater amounts for desirable leases and define, evaluate, bid for and purchase a greater number of potential producing prospects that the Company's own resources permit. The Company's ability to generate resources will depend not only on its ability to develop existing properties but also on its ability to identify and acquire proven and unproven acreage and prospects for further exploration.

## **Environmental Matters and Government Regulations**

The Company's operations are subject to numerous federal, state and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Such matters have not had a material effect on operations of the Company to date, but the Company cannot predict whether such matters will have any material effect on its capital expenditures, earnings or competitive position in the future.

The production and sale of crude oil and natural gas are currently subject to extensive regulations of both federal and state authorities. At the federal level, there are price regulations, windfall profits tax, and income tax laws. At the state level, there are severance taxes, proration of production, spacing of wells, prevention and clean-up of pollution and permits to drill and produce oil and natural gas. Although compliance with their laws and regulations has not had a material adverse effect on the Company's operations, the Company cannot predict whether its future operations will be adversely effected thereby.

## **Operational Hazards and Insurance**

The Company's operations are subject to the usual hazards incident to the drilling and production of oil and natural gas, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, pollution, releases of toxic gas and other environmental hazards and risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations.

The Company maintains insurance of various types to cover its operations. The Company's insurance does not cover every potential risk associated with the drilling and production of oil and natural gas. In particular, coverage is not obtainable for certain types of environmental hazards. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Company's financial condition and results of operations. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable.

## **Administration**

Office Facilities- The office space for the Company's executive offices at 1703 Edelweiss Drive, Cedar Park, Texas 78613, is currently provided by the President at a cost of \$2,500 per month as of December 31, 2006.

Employees- As of March 31, 2007, the Company had 4 employees, and the Company considers its relationship with its employees satisfactory.

## **ITEM 2-PROPERTIES**

### **Principal Oil and Natural Gas Interest**

**North Bilbrey Field, Lea County New Mexico** is a producing natural gas field located outside of Hobbs, New Mexico. The company owns a 50% working interest in the North Bilbrey #7 federal well producing out of the Atoka formation at approximately 13,000 feet.

**Longwood Field, Caddo Parish Louisiana** is a producing natural gas field located north of Greenwood, Louisiana. The company owns a 12.22% working interest in two natural gas wells producing out of the Cotton Valley formation at a depth of approximately 7800 feet.

**Lusk Field, Lea County New Mexico** is a producing oil and natural gas field located outside of Hobbs, New Mexico. The company owns an 87.5%-100% working interest in two oil and natural gas wells producing out of the Bonesprings and Yates formations at depth ranging from approximately 3,400 feet to approximately 10,000 feet. The company also owns a 87.5% working interest in one water disposal well.

**Loving North Morrow Field, Eddy County New Mexico** is a producing natural gas field located 2 miles west of Loving, New Mexico and 12 miles south east of Carlsbad, New Mexico. The company owns a 10% working interest in one natural gas well producing out of the Morrow formation from a depth of approximately 12,300 feet to 12,450 feet.

**Chickasha Field, Grady County Oklahoma** is a waterflood project producing from the Medrano Sand. The Rush Springs Medrano Unit is located approximately sixty-five miles southwest of Oklahoma City, Oklahoma. The Company has a 20.64% working interest in the unit which consists of 21 producing oil and natural gas wells and 11 water injection wells.

**Hutt Wilcox Field, McMullen and Atascosa County Texas** is a oil and natural gas field located approximately 60 miles south of San Antonio, Texas producing from the Wilcox sand. The Company has a working interest in 14 oil wells.

**West Allen Field, Pontotoc County Oklahoma** is a producing oil and natural gas field located approximately 100 miles south of Oklahoma City, Oklahoma. The Company has a working interest in 52 leases or a total of 224 wells, the leases have multiple wellbores and the Company has plans to participate in the future recompletion of behind pipe zones.

**Giddings Field, Fayette County Texas** is in the prolific Austin Chalk field located in various counties surrounding the city of Giddings, Texas. In February 1998, the company acquired a 97% working interest in the Shade lease. The lease currently has 3 producing oil and natural gas wells with a daily production rate of approximately 120 Mcfe net to the Company. Oil and natural gas are produced from the Austin chalk formation. The Company will evaluate whether additional reserves can be developed by use of horizontal well technology.

**Big Muddy Field, Converse County Wyoming** is a producing oilfield located approximately thirty miles south of Casper, Wyoming. FieldPoint Petroleum owns a 100% working interest in the Elkhorn and J.C. Kinney lease which consists of 3 oil wells producing out of the Wallcreek and Dakota formations at depths ranging from approximately 3,200 feet to approximately 4,000 feet.

**Whisler Field, Campbell County Wyoming** is a producing oilfield located approximately fifteen miles north east of Gillette, Wyoming. FieldPoint Petroleum owns a 20% working interest in the Whisler Unit which consists of two wells producing out of the Minnelusa formation at depth of approximately 8340 feet to 8400 feet.

**Serbin Field, Lee and Bastrop Counties Texas** is a oil and natural gas field located approximately 50 miles east of Austin and 100 miles west of Houston. The Company has a working interest in 72

producing oil and natural gas wells. Oil and natural gas are produced from the Taylor Sand at depths ranging from approximately 5,300 feet to approximately 5,600 feet; it is a 46-gravity oil sand.

## Production

The table below sets forth oil and natural gas production from the Company's net interest in producing properties for each of its last two fiscal years.

<u>Production by State</u>	<u>Oil (bbl)</u>		<u>Gas (mcf)</u>	
	2006	2005	2006	2005
Louisiana	-	-	20,089	-
New Mexico	7,571	9,681	38,174	22,625
Oklahoma	24,814	27,898	26,311	29,238
Texas	10,954	15,822	38,361	47,682
Wyoming	<u>5,740</u>	<u>6,548</u>	<u>-</u>	<u>-</u>
TOTAL	49,079	59,949	122,935	99,545

The Company's oil and natural gas production is sold on the spot market and the Company does not have any production that is subject to firm commitment contracts. During the year ended December 31, 2006, purchases by each of four customers, Dorado Oil Company, Pontotoc Production, Inc., Encore Acquisition Co., and ConocoPhillips represented more than 10% of total Company revenues. During the year ended December 31, 2005, purchases by each of four customers, Encore Acquisition Co., Pontotoc Production, Inc., Dorado Oil Company and ConocoPhillips represented more than 10% of the total Company revenues. None of these customers, or any other customers of the Company, has a firm sales agreement with the Company. The Company believes that it would be able to locate alternate customers in the event of the loss of one or all of these customers.

## Productive Wells

The table below sets forth certain information regarding the Company's ownership, as of December 31, 2006, of productive wells in the areas indicated.

<u>State</u>	<u>Oil</u>		<u>Gas</u>	
	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>	<u>Gross<sup>(1)</sup></u>	<u>Net<sup>(2)</sup></u>
Louisiana	-	-	2	.24
New Mexico	2	1.6	4	.74
Oklahoma	207	47.03	37	4.59
Texas	82	31.15	7	3.8
Wyoming	<u>5</u>	<u>3.01</u>	<u>-</u>	<u>-</u>
Total	296	82.79	50	9.37

<sup>1</sup> A gross well or acre is a well or acre in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.

<sup>2</sup> A net well or acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres expressed as whole numbers and fractions thereof.

## Drilling Activity

The tables below set forth certain information regarding the number of productive and dry exploratory and development wells drilled for the fiscal year ended December 31, 2006. The Company drilled one successful well in fiscal year 2006 in the Hermes Fee #1 well in New Mexico was completed in the first quarter of 2007.

<u>State</u>	<u>Exploratory Wells</u>		<u>Development Wells</u>	
	<u>Productive</u>	<u>Dry</u>	<u>Productive</u>	<u>Dry</u>
Louisiana	--	--	--	--
New Mexico	--	--	1	--
Oklahoma	--	--	--	--
Texas	--	--	--	--
Wyoming	--	--	--	--
Total	--	--	1	--

## Reserves

Please refer to unaudited Note 13 in the accompanying audited financial statements for a summary of the Company's reserves at December 31, 2006 and 2005.

## Acreage

The following tables set forth the gross and net acres of developed and undeveloped oil and natural gas leases in which the Company had working interest and royalty interest as of December 31, 2006. The category of "Undeveloped Acreage" in the table includes leasehold interest that already may have been classified as containing proved undeveloped reserves.

<u>State</u>	<u>Developed</u>		<u>Undeveloped</u>	
	<u>Gross</u> <sup>(1)</sup>	<u>Net</u> <sup>(2)</sup>	<u>Gross</u> <sup>(1)</sup>	<u>Net</u> <sup>(2)</sup>
Louisiana	320	78	-	-
New Mexico	1,280	732	800	102
Oklahoma	8,586	1,108	200	19
Texas	2,120	547	1,360	1,000
Wyoming	<u>560</u>	<u>268</u>	<u>2,306</u>	<u>2,360</u>
Total	12,866	2,733	4,666	3,481

<sup>1</sup> A gross well or acre is a well or acre in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.

<sup>2</sup> A net well or acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres expressed as whole numbers and fractions thereof.

**ITEM 3-LEGAL PROCEEDINGS**

None.

**ITEM 4-SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

## PART II

### **ITEM 5-MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Since September 20, 2005 the Company's Common Stock has been traded and listed on the American Stock Exchange under the symbol "FPP." Prior to September 20, 2005, the Company's common stock was listed on the OTC bulletin board under the symbol FPPC. The following quotations, where quotes were available, reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

<u>FISCAL 2005</u>	<u>CLOSING BID</u>	
	<u>HIGH</u>	<u>LOW</u>
First Quarter	3.16	1.15
Second Quarter	2.74	1.67
Third Quarter	6.10	2.21
Fourth Quarter	10.49	6.75
<u>FISCAL 2006</u>	<u>CLOSING BID</u>	
	<u>HIGH</u>	<u>LOW</u>
First Quarter	9.06	5.00
Second Quarter	7.67	4.50
Third Quarter	5.64	2.69
Fourth Quarter	2.87	2.01

At March 31, 2007, the approximate number of shareholders of record was 4,350. The Company has not paid any dividends on its Common Stock and does not expect to do so in the foreseeable future.

#### **Recent Sales of Unregistered Securities**

In April 2004, the Company sold 100,000 units in a private sale to a single investor. Each unit sold for \$0.65 consisted of 1 common share, and 5 warrants A-E. Each warrant is exercisable at any time over the next 3 years, are redeemable at the Company's option based on certain sustained trading prices, and have exercise prices as follow:

A	\$0.65
B	\$0.75
C	\$1.00
D	\$1.25
E	\$2.00

All warrants have been exercised as of December 31, 2005. As a result of the warrant exercise, the Company received gross proceeds of \$565,000, which funds were used for general working capital. The shares issued upon exercise of the warrants were sold to one investor, the warrant holder, were

taken for investment purposes and were subject to restrictions on transfer under Rule 144. The shares were issued without registration under the Securities Act in reliance upon Section 4(2) thereunder. The Company registered the resale of the warrant shares by the warrant holder in a registration statement on Form SB-2 which was declared effective by the SEC on November 9, 2005.

### **EQUITY COMPENSATION PLAN INFORMATION**

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders <sup>(1)</sup>	133,000	\$.65	0
Total	133,000	\$.65	0

<sup>(1)</sup> Includes nonqualified options granted to outside directors.

### **ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

The following discussion should be read in conjunction with the Company's Financial Statements, and respective notes thereto, included elsewhere herein. The information below should not be construed to imply that the results discussed herein will necessarily continue into the future or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of the management of FieldPoint Petroleum Corporation.

#### **Overview**

FieldPoint Petroleum Corporation derives its revenues from its operating activities including sales of oil and natural gas and operating oil and natural gas properties. The Company's capital for investment in producing oil and natural gas properties has been provided by cash flow from operating activities and from bank financing. The Company categorizes its operating expenses into the categories of production expenses and other expenses.

## Results of Operation

### Comparison of Year Ended December 31, 2006 to Year Ended December 31, 2005

Revenues increased slightly or \$74,207 to \$4,053,592 for the year ended December 31, 2006, from the comparable 2005 period. Oil production volumes decreased by 18% at the same time the average price per barrel increased 18% during 2006 to \$62.57 from the comparable 2005 period average price of \$52.83 per barrel. Also in 2006, natural gas production volumes increased by 23% while the average price per Mcf was \$6.58, an increase of 3% from the 2005 comparable period. The decreases in production volumes were primarily due to declines in the Encore operated Rush Springs Unit in Grady County, Oklahoma the Pontotoc County, Oklahoma properties and mature fields in Texas offset by the Lea County and Eddy County, New Mexico Field production and the Louisiana gas properties.

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Oil Production	49,079	59,949
average Sales Price Per Bbl (\$/Bbl)	\$ 62.57	\$ 52.83
Gas Production	122,935	99,545
average Sales Price Per Mcf (\$/Mcf)	\$ 6.58	\$ 6.36
Lifting cost/BOE	\$ 20.22	\$ 15.82

Production expenses increased 16% to \$1,406,925 for the year ended December 31, 2006, from the comparable 2005 period. The increase was due to cost associated with mature field production, with increases in workover expense and remedial repairs incurred in 2006 as compared to 2005. The Company incurred exploration expense of \$5,467 and \$149,311 as a result of drilling one dry hole during the 2005 period. Depletion and depreciation expense increased 12% or \$51,444 to \$487,000 for the year ended December 31, 2006 from the comparable 2005 period. The increase in depletion and depreciation was due to net production volume decrease offset by decreased reserves on existing properties. The increase in lifting cost of \$20.22 in 2006 compared to \$15.82 in 2005 was primarily due to additional workovers and remedial repairs. General and administrative overhead decreased 10% or \$62,902 to \$548,235 for the 2006 period verses the comparable 2005 period. The decrease in general and administrative expense was primarily due to decreases in legal fees and professional services offset by an increase in salary expense.

Net other income for the year ended December 31, 2006, was \$173,136 compared to net other income of \$96,037 for 2005. This increase was primarily due to unrealized gains on investments and interest income in 2006.

The Company's net income increased by \$140,473 to \$1,181,765 for the year ended December 31, 2006, from the comparable 2005 period. The increase in net income was primarily due to the increase in other income as previously discussed.

### **Liquidity and Capital Resources**

Cash flow provided by operating activities was \$1,592,471 for the year ended December 31, 2006, compared to \$1,619,815 for the year ended December 31, 2005. The decrease in cash flow from operating activities was primarily due to a decrease in deferred taxes.

Cash flow used in investing activities was \$2,728,530 for the year ended December 31, 2006, compared to \$1,236,864 in cash flow used in investing activities for December 31, 2005. This increase was primarily due to additions in oil and natural gas properties in 2006.

Cash flow provided by financing activities was \$1,532,800 for the year ended December 31, 2006, compared to \$634,525 in cash flow used in financing activities for the same period in 2005. This was primarily due to increase in advances of long-term debt, net of repayment offset by proceeds from exercise of stock options.

## Capital Requirements

Management believes the Company will be able to meet its current operating needs through internally generated cash from operations. Management believes that oil and natural gas property investing activities in 2007 can be financed through cash on hand, cash from operating activities, and bank borrowing. The Company anticipates continued investments in proven oil and natural gas properties in 2007. If bank credit is not available, the Company may not be able to continue to invest in strategic oil and natural gas properties. The Company cannot predict how oil and natural gas prices will fluctuate during 2007 and what effect they will ultimately have on the Company, but Management believes that the Company will be able to generate sufficient cash from operations to service its bank debt and provide for maintaining current production of its oil and natural gas properties. The Company had no significant commitments for capital expenditures at December 31, 2006. The timing of most capital expenditures for new operations is relatively discretionary. Therefore, the Company can plan expenditures to coincide with available funds in order to minimize business risks.

## Contractual Obligations and Commitments

We have contractual obligations and commitments that affect our consolidated results of operations, financial condition and liquidity. The following table is a summary of our significant cash contractual obligations:

Cash Contractual Obligations	Obligation Due in Period						Total
	2007	2008	2009	2010	2011	Thereafter	
	<i>(in thousands)</i>						
Credit facility (secured)	\$ —	\$ —	\$ —	\$ 1,000	\$ —	\$ —	\$ 1,000
Interest on credit facility	77	77	77	64	—	—	295
Facilities and office leases	—	—	—	—	—	—	—
Purchase obligations	—	—	—	—	—	—	—
Total	\$ 77	\$ 77	\$ 77	\$ 1,064	\$ —	\$ —	\$ 1,295

## **Quantitative and Qualitative Disclosures About Market Risk**

We periodically enter into certain commodity price risk management transactions to manage our exposure to oil and natural gas price volatility. These transactions may take the form of futures contracts, swaps or options. All data relating to our derivative positions is presented in accordance with requirements of SFAS No. 133, which we adopted on January 1, 2001. Accordingly, unrealized gains and losses related to the change in fair market value of derivative contracts that qualify and are designated as cash flow hedges are recorded as other comprehensive income or loss and such amounts are reclassified to oil and natural gas sales revenues as the associated production occurs. Derivative contracts that do not qualify for hedge accounting treatment are recorded as derivative assets and liabilities at market value in the consolidated balance sheet, and the associated unrealized gains and losses are recorded as current expense or income in the consolidated statement of operations. While such derivative contracts do not qualify for hedge accounting, management believes these contracts can be utilized as an effective component of commodity price risk management activities. At December 31, 2006 and December 31, 2005, there were no open positions. We did not have any derivative transactions during 2006 or 2005.

## **Critical Accounting Policies and Estimates**

Our accounting policies are described in Note 1 of Notes to Consolidated Financial Statements in Item 7. We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require us 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 year. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

## **Successful Efforts Method of Accounting**

We account for our exploration and development activities utilizing the successful efforts method of accounting. Under this method, costs of productive exploratory wells, development dry holes and productive wells and undeveloped leases are capitalized. Oil and natural gas lease acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but charged to expense if and when the well is determined not to have found reserves in commercial quantities. The sale of a partial interest in a proved property is accounted for as a cost recovery and no gain or loss is recognized as long as this treatment does not significantly affect the unit-of-production amortization rate. A gain or loss is recognized for all other sales of producing properties.

The application of the successful efforts method of accounting requires managerial judgment to determine the proper classification of wells designated as 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 industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and natural 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 natural gas leasehold acquisition costs requires managerial judgment to estimate the fair value of these costs with reference to drilling activity in a given area.

The successful efforts method of accounting can have a significant impact on the operational results reported when we enter a new exploratory area in hopes of finding an oil and natural gas field that will be the focus of future developmental drilling activity. The initial exploratory wells may be unsuccessful and will be expensed. Seismic costs can be substantial which will result in additional exploration expenses when incurred.

### **Reserve Estimates**

Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance taxes, development costs and workover costs, all of which may in fact vary considerably from actual results. The future drilling costs associated with reserves assigned to proved undeveloped locations may ultimately increase to an extent that these reserves may be later determined to be uneconomic. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected therefrom may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of our oil and natural gas properties and/or the rate of depletion of the oil and natural gas properties. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

### **Impairment of Developed Oil and Natural Gas Properties**

We review our oil and natural gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. We estimate the expected future cash flows of our oil and natural gas properties and compare such future cash flows to the carrying amount of our oil and natural gas properties to determine if the carrying amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will adjust the carrying amount of the oil and natural gas properties to their fair value. The factors used to determine fair value include, but are not limited to, estimates of proved reserves, commodity pricing, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the expected cash flows projected. There were no impairments of developed oil and natural gas properties during 2006 and 2005.

## **Reporting Requirements**

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charges with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the SEC and the American Stock Exchange, have recently issued new requirements and regulations and are currently developing additional regulations and requirements in response to recent laws, enacted by Congress, most notably the Sarbanes-Oxley Act 2002. Our compliance with current and proposed rules, such as Section 404 of the Sarbanes-Oxley Act of 2002, is likely to require the commitment of significant managerial resources. We are currently reviewing our internal control systems, processes and procedures to ensure compliance with the requirements of Section 404.

## **New Accounting Pronouncements**

On December 16, 2004, the FASB published FASB Statement No. 123 (revised 2004), *Share-Based Payment*. Statement 123(R) requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities are required to apply Statement 123(R) in the first interim or annual reporting period that began after December 15, 2005. Statement 123(R) replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. The Company has adopted Statement 123(R) effective January 1, 2006 using the modified prospective method and no compensation expense was recognized as no options were granted or vested during 2006.

In July 2006 the FASB issued FASB Interpretation (“FIN”) No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to retained earnings. The Company adopted FIN 48 on January 1, 2007 and has determined its adoption will not have a material impact on its consolidated financial position and results of operations.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect SFAS 157 to have a material effect on the Company's consolidated financial position or results of operations.

**ITEM 7-FINANCIAL STATEMENTS**

The information required is included in this report as set forth in the "Index to Financial Statements."

## Index to Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
FieldPoint Petroleum Corporation and Subsidiaries  
Austin, Texas

We have audited the consolidated balance sheets of FieldPoint Petroleum Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of FieldPoint Petroleum Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*/s/HEIN & ASSOCIATES LLP*

Dallas, Texas  
April 2, 2007

**FIELDPOINT PETROLEUM CORP.**

**CONSOLIDATED BALANCE SHEETS**

ASSETS

	December 31,	
	2006	2005
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 603,614	\$ 206,873
Restricted cash	-	550,170
Short-term investments	771,962	650,995
Accounts receivable:		
Oil and natural gas sales	458,209	486,664
Joint interest billings, less allowance for doubtful accounts of \$99,192 each period	142,450	114,957
Income taxes receivable	179,000	154,000
Prepaid expenses and other current assets	56,508	30,535
Total current assets	2,211,743	2,194,194
<b>PROPERTY AND EQUIPMENT:</b>		
Oil and natural gas properties (successful efforts method):		
Unproved properties	98,040	98,040
Proved properties	9,074,764	6,338,498
Lease and well equipment	2,305,159	1,781,118
Furniture and equipment	24,628	24,628
Transportation equipment	64,620	55,300
Less accumulated depletion and depreciation	(3,371,562)	(2,913,562)
Net property and equipment	8,195,649	5,384,022
LONG-TERM JOINT INTEREST BILLING RECEIVABLE, less allowance for doubtful accounts of \$44,624, each year	69,616	38,157
Total assets	\$ 10,477,008	\$ 7,616,373
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ -	\$ 150,000
Accounts payable and accrued expenses	52,442	75,974
Oil and natural gas revenues payable	113,631	103,980
Total current liabilities	166,073	329,954
LONG TERM DEBT	1,000,000	-
DEFERRED INCOME TAXES	648,000	584,000
ASSET RETIREMENT OBLIGATION	585,628	549,885
<b>COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value, 75,000,000 shares authorized; 8,747,175 and 8,465,175 shares issued and outstanding, respectively	87,471	84,651
Additional paid-in capital	4,368,350	3,628,162
Treasury stock, 160,000 shares, at cost	(18,600)	(18,600)
Retained earnings	3,640,086	2,458,321
Total stockholders' equity	8,077,307	6,152,534
Total liabilities and stockholders' equity	\$ 10,477,008	\$ 7,616,373

*See accompanying notes to these consolidated financial statements.*

**FIELDPOINT PETROLEUM CORP.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	December 31,	
	2006	2005
<b>REVENUE:</b>		
Oil and natural gas sales	\$ 3,880,105	\$ 3,800,777
Well operational and pumping fees	119,987	119,872
Disposal fees	<u>53,500</u>	<u>58,736</u>
Total revenue	4,053,592	3,979,385
<b>COSTS AND EXPENSES:</b>		
Production expense	1,406,925	1,211,046
Exploration expense	5,467	149,311
Depletion and depreciation	487,000	435,556
Accretion expense	33,136	27,429
General and administrative	<u>548,235</u>	<u>611,137</u>
Total costs and expenses	2,480,763	2,434,479
<b>OPERATING INCOME</b>	1,572,829	1,544,906
<b>OTHER INCOME (EXPENSE):</b>		
Interest income (expense), net	9,794	(75,329)
Realized gain on investments	-	28,962
Unrealized holding gain on investments	120,967	27,187
Gain on sale of properties	17,320	100,312
Miscellaneous income	<u>25,055</u>	<u>14,905</u>
Total other income	173,136	96,037
<b>INCOME BEFORE INCOME TAXES</b>	1,745,965	1,640,943
<b>INCOME TAX PROVISION</b> – current	(500,200)	(379,651)
<b>INCOME TAX PROVISION</b> – deferred	<u>(64,000)</u>	<u>(220,000)</u>
<b>TOTAL INCOME TAX PROVISION</b>	<u>(564,200)</u>	<u>(599,651)</u>
<b>NET INCOME</b>	<u>\$ 1,181,765</u>	<u>\$ 1,041,292</u>
<b>NET INCOME PER SHARE:</b>		
<b>BASIC</b>	<u>\$ 0.14</u>	<u>\$ 0.13</u>
<b>DILUTED</b>	<u>\$ 0.13</u>	<u>\$ 0.12</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>		
Basic	<u>8,668,230</u>	<u>7,836,161</u>
Diluted	<u>8,809,262</u>	<u>8,563,142</u>

*See accompanying notes to these consolidated financial statements.*