

**FIELDPOINT PETROLEUM CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	December 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 558,078	\$ 1,181,765
Adjustments to reconcile to net cash provided by operating activities:		
Unrealized gains on short-term investments	(29,571)	(120,967)
Gain on sale of properties	-	(17,320)
Depletion and depreciation	870,069	487,000
Impairment of oil and gas properties	276,635	-
Deferred income taxes	105,700	64,000
Accretion of discount on asset retirement obligations	43,768	33,136
Share-based compensation expense	58,039	60,208
Changes in assets and liabilities:		
Accounts receivable	(60,127)	(30,497)
Income taxes receivable	61,400	(25,000)
Prepaid expenses and other assets	24,638	(25,973)
Accounts payable and accrued expenses	535,469	(23,532)
Oil and natural gas revenues payable	22,806	9,651
Other	-	-
Net cash provided by operating activities	2,466,904	1,592,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and natural gas properties	(417,671)	(831,466)
Acquisitions of oil and natural gas properties	(3,580,747)	(2,426,234)
Proceeds from sale of property and equipment	-	17,320
Purchase of transportation equipment	-	(38,320)
Restricted cash	-	550,170
Net cash used in investing activities	(3,998,418)	(2,728,530)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	2,500,000	1,000,000
Repayments of long-term debt	(10,875)	(150,000)
Proceeds from exercise of options and warrants	86,450	176,800
Income tax benefit on exercise of stock options	60,600	506,000
Purchase of treasury shares	(223,806)	-
Net cash provided by financing activities	2,412,369	1,532,800
<b>NET INCREASE IN CASH</b>	880,855	396,741
<b>CASH, beginning of year</b>	603,614	206,873
<b>CASH, end of the year</b>	\$ 1,484,469	\$ 603,614
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid during the year for interest	\$ 113,635	\$ 1,588
Cash paid during the year for income taxes	\$ -	\$ 15,201

*See accompanying notes to these consolidated financial statements.*

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Operations

FieldPoint Petroleum Corporation (the “Company”, “we” or “our”) is incorporated under the laws of the state of Colorado. The Company is engaged in the acquisition, operation and development of oil and natural gas properties, which are located in Louisiana, New Mexico, Oklahoma, South-Central Texas and Wyoming as of December 31, 2007.

Consolidation Policy

Our consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bass Petroleum, Inc. and Raya Energy Corp. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Short Term Investments

Short term investments consist primarily of holdings in mutual funds with readily determinable fair values. These investments are bought and held principally, for the purpose of selling them in the near term and thus are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period classified as unrealized holding gains in other income. All realized gains are included in other income.

Oil and Natural Gas Properties

Our oil and natural gas properties are comprised of the following at December 31:

	<u>2007</u>	<u>2006</u>
Mineral interests in properties:		
Unproved properties	\$ 850,000	\$ 98,040
Proved properties	11,293,011	9,074,764
Wells and related equipment and facilities	<u>3,282,278</u>	<u>2,305,159</u>
Total costs	15,425,289	11,477,963
Less accumulated depletion and depreciation	<u>(4,348,544)</u>	<u>(3,307,544)</u>
	<u>\$ 11,076,745</u>	<u>\$ 8,170,419</u>

We follow the successful efforts method of accounting for our oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells are capitalized pending determination of whether the wells have found proved reserves. If we determine that the wells do not find proved reserves, the costs are charged to expense. There were no exploratory wells capitalized pending determination of whether the wells found proved reserves at December 31, 2007 or 2006. Geological and geophysical costs, including seismic studies and costs of carrying and retaining unproved properties are charged to expense as incurred. We capitalize interest on expenditures for significant exploration and development projects that

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last more than six months while activities are in progress to bring the assets to their intended use. Through December 31, 2007, we have capitalized no interest costs because our exploration and development projects generally last less than six months. Costs incurred to maintain wells and related equipment are charged to expense as incurred.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depletion and depreciation are eliminated from the property accounts, and the resulting gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depletion and depreciation with a resulting gain or loss recognized in income.

Capitalized amounts attributable to proved oil and natural gas properties are depleted by the unit-of-production method of proved reserves using the unit conversion ratio of 6 Mcf of gas to 1 bbl of oil. Depletion and depreciation expense for oil and natural gas producing property and related equipment was \$862,405 and \$463,000 for the years ended December 31, 2007 and 2006, respectively.

Unproved oil and natural gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. We recorded an impairment of \$98,040 during the year ended December 31, 2007 related to our assessment of unproved properties. The impairment resulted from our decision to abandon certain leaseholds in the Hutt Field located in McMullen County, Texas. We noted no impairments of our unproved properties for the year ended 2006.

Capitalized costs related to proved oil and natural gas properties, including wells and related equipment and facilities, are evaluated for impairment based on an analysis of undiscounted future net cash flows in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. If undiscounted cash flows are insufficient to recover the net capitalized costs related to proved properties, then we recognize an impairment charge in income from operations equal to the difference between the net capitalized costs related to unproved properties and their estimated fair values based on the present value of the related future net cash flows. We recorded an impairment of \$178,595 during the year ended December 31, 2007 on our proved oil and natural gas properties. The impairment was the result of cessation of production on certain wells in McMullen County, Texas. We noted no impairments of our proved oil and natural gas properties based on our analysis for the year ended December 31, 2006.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

*Joint Interest Billings Receivable and Oil and Natural Gas Revenues Payable*

Joint interest billings receivable represent amounts receivable for lease operating expenses and other costs due from third party working interest owners in the wells that the Company operates. The receivable is recognized when the cost is incurred and the related payable and the Company's share of the cost is recorded.

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The Company uses the reserve for bad debt method of valuing doubtful joint interest billings receivable based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against joint interest billings receivable to properly reflect the realizable value is \$99,192 at December 31, 2007 and 2006.

Oil and natural gas revenues payable represents amounts due to third party revenue interest owners for their share of oil and natural gas revenue collected on their behalf by the Company. The payable is recorded when the Company recognizes oil and natural gas sales and records the related oil and natural gas sales receivable.

The Company has \$68,368 and \$69,616 net joint interest billing receivable from a company in receivership at December 31, 2007 and 2006, respectively. The receiver has indicated he intends to settle the amount due by conveying oil and natural gas properties to the Company. This settlement has not yet been approved by the bankruptcy court. The Company anticipates that it will receive the properties, and that the value of the properties will be adequate to recover the amount due; however if the settlement is not approved, the Company may be unable to recover the receivable and further write-downs of the receivable balance may be necessary. Based on the above facts, the Company has classified the receivable as long-term.

*Other Property*

Other assets classified as property and equipment are primarily office furniture and equipment and vehicles, which are carried at cost. Depreciation is provided using the straight-line method over estimated useful lives ranging from three to five years. Gain or loss on retirement or sale or other disposition of assets is included in income in the period of disposition. Depreciation expense for other property and equipment was \$7,664 and \$24,000 for the years ended December 31, 2007 and 2006, respectively.

*Asset Retirement Obligations*

On August 15, 2001, the FASB issued Statement No. 143, *Accounting for Asset Retirement Obligations* ("Statement 143"). That standard requires entities to record the fair value of a liability for asset retirement obligation in the period in which it was incurred.

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The following is a reconciliation of the Company's asset retirement obligations for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Asset retirement obligation at January 1,	\$ 585,628	\$ 549,885
Accretion of discount	43,768	33,136
Liabilities incurred during the year	46,948	2,607
Liabilities settled during the year	<u>-</u>	<u>-</u>
Asset retirement obligation at December 31,	<u>\$ 676,344</u>	<u>\$ 585,628</u>

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, if any, plus net deferred taxes related primarily to differences between the bases of assets and liabilities for financial and income tax reporting. Deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets include recognition of operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. Valuation allowances are recognized to limit recognition of deferred tax assets where appropriate. Such allowances may be reversed when circumstances provide evidence that the deferred tax assets will more likely than not be realized.

Production Taxes and Ad Valorem Taxes

Production taxes and ad valorem taxes are included in production expense. Total production and ad valorem taxes were \$322,246 and \$319,314 for the years ended December 31, 2007 and 2006, respectively.

Use of Estimates and Certain Significant Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. Significant assumptions are required in the valuation of proved oil and natural gas reserves, which as described above may affect the amount at which oil and gas natural properties are recorded. The Company's allowance for doubtful accounts is a significant estimate and is based on management's estimates of uncollectible receivables. It is at least reasonably possible these estimates could be revised in the near term and the revisions could be material.

Revenue Recognition

The Company uses the sales method of accounting for oil and natural gas revenues. Under this method, revenues are based on actual volumes of oil and natural gas sold to purchasers. The volumes of natural gas sold may differ from the volumes to which the Company is entitled based on its interest in the properties. Differences between volumes sold and volumes based on entitlements create natural gas

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imbalances. Material imbalances are reflected as adjustments to reported natural gas reserves and future cash flows. There were no material natural gas imbalances as of December 31, 2007 and 2006.

#### Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the 2007 financial statement classification, with no effect on net income.

#### Comprehensive Income

The Company has no elements of comprehensive income other than net income.

#### Share-Based Compensation

We measure and record compensation expense for all share-based payment awards to employees and directors based on estimated fair values. Additionally, compensation costs for share-based awards are recognized over the requisite service period based on the grant-date fair value.

#### Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. This Statement is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, which defers the effective date of SFAS 157 for nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008 and interim periods within those years. We do not expect the adoption of SFAS 157 will have a significant impact on our financial statements.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS No. 159”). SFAS No. 159 permits companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In July 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (“FIN 48”). 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, 2007. The cumulative effect of applying the provisions of FIN 48, if any,

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will be reported as an adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Company adopted FIN 48 on January 1, 2007 and its adoption did not have a material impact on its consolidated financial position, results of operations or cash flows. See Note 5.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141R, *Business Combinations*, and Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. These new standards significantly change the accounting for and reporting of business combination transactions and noncontrolling interests (previously referred to as minority interests) in consolidated financial statements. Both standards are effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. These Statements are effective for the Company beginning on January 1, 2009. The Company is currently evaluating the provisions of FAS 141(R) and FAS 160.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, *Disclosures About Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. This new standard enhances the disclosure requirements related to derivative instruments and hedging activities required by *FASB Statement No. 133*. This standard is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. We adopted the required provisions of SFAS 161 on January 1, 2008 and the adoption did not have a significant impact on our financial statements.

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**2. ACQUISITION OF OIL AND NATURAL GAS PROPERTIES**

On December 27, 2007, the Company consummated the purchase of a 100% working interest representing a 85.5% net revenue interest in an oil property located in the Sulimar Field in Chaves County, New Mexico with an effective date of January 1, 2008. The purchase price for the interest was \$1,700,135 of which \$1,500,000 was drawn on the Company's line of credit and the balance paid from cash on hand.

On July 31, 2007, the Company was the successful bidder for the acquisition of a 25.23150% working interest and a 22.077% net revenue interest in the Apache Bromide Unit located in Caddo County, Oklahoma with an effective date of August 1, 2007. The purchase price for the interest was \$1,880,611, of which \$1,000,000 was drawn on the Company's line of credit and the balance paid from cash on hand.

The following unaudited pro forma information is presented as if the interest in the Apache Bromide Unit and the Sulimar properties had been acquired on January 1, 2007.

	Pro Forma Results For The Year Ended December 31, 2007 <hr style="width: 100%; margin: 0;"/> (unaudited)
Revenues	\$ 5,297,580
Net income	\$ 816,019
Net income per share – basic (net of tax)	\$ 0.09
Net income per share – diluted (net of tax)	\$ 0.09

On December 27, 2006, the Company consummated the purchase of a 50% working interest representing a 43.25% net revenue interest in a natural gas property located in the Bilbrey Field in Lea County, New Mexico with an effective date of January 1, 2007. The Company paid \$1,670,000 cash consideration for the lease rights and related equipment.

The funds for the acquisition were derived from the Company's existing revolving credit facility and cash on hand.

**3. RELATED PARTY TRANSACTIONS**

The Company leases office space from its President. Rent expense for this month-to-month lease was \$30,000 for each of the years ended December 31, 2007 and 2006, respectively. The Company also paid Roger Bryant, a director, \$11,500 in consulting fees for services in 2007 and \$3,600 during 2006.

**4. LONG-TERM DEBT**

The Company has a line of credit with a bank with a borrowing base of \$5,000,000 at December 31, 2007 with interest at prime less one half point (6.75% at December 31, 2007), requiring monthly interest-only

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payments until maturity on October 18, 2010. All outstanding principal is due at maturity. This note is collateralized by certain oil and natural gas properties. Total amounts outstanding under the line of credit were \$3,489,125 and \$1,000,000 at December 31, 2007 and 2006, respectively. The Company has certain financial covenants and ratios in its debt agreement. These financial covenants include current ratio, leverage ratio, and interest coverage ratio requirements. At December 31, 2007 and 2006, the Company was in compliance with all financial covenants.

**5. INCOME TAXES**

Our provision for income taxes comprised the following during the years ended December 31:

	<u>2007</u>	<u>2006</u>
Current:		
Federal	\$ 101,400	\$ 422,000
State	<u>24,400</u>	<u>78,200</u>
Total current	125,800	500,200
Deferred:		
Federal	105,700	56,000
State	<u>-</u>	<u>8,000</u>
Total deferred	<u>105,700</u>	<u>64,000</u>
Total income tax provision	<u>\$ 231,500</u>	<u>\$ 564,200</u>

Total income tax expense (benefit) differed from the amounts computed by applying the U.S. Federal statutory tax rates and estimated state rates to pre-tax income for the years ended December 31, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Statutory rate	34%	34%
State taxes, net of federal benefit	3%	3%
Changes in enacted rates	-	(1%)
Other differences	<u>(8%)</u>	<u>(4%)</u>
Effective rate	<u>29%</u>	<u>32%</u>

In May 2006, the State of Texas enacted a margin tax which requires us to determine a tax of 1.0% on our "margin," as defined in the law, based on our operating results beginning January 1, 2007. The margin to which the tax rate will be applied is generally calculated as our revenues for federal income tax purposes less the cost of the products sold for federal income tax purposes, in the State of Texas. Cost of products sold includes our lease operating expenses, production taxes, depletion and depreciation expense, and a portion of our salaries. Some of our operations are within the state of Texas. Under the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, we are required to record the effects on deferred taxes for a change in tax rates or tax law in the period which includes the enactment date. Previously, our results of operations were subject to income taxes in Texas at a rate of 4.5%, before consideration of federal benefits of those state taxes. Temporary differences between book and tax income related to our Texas oil and gas properties will minimally affect the Texas margin tax, and therefore we have not changed our deferred taxes.

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Deferred tax assets and liabilities are the result of temporary differences between the financial statement carrying values and tax bases of assets and liabilities. Our net deferred tax assets and liabilities are recorded as a liability of \$753,700 and \$648,000 at December 31, 2007 and 2006, respectively. Significant components of net deferred tax assets and liabilities are:

	December 31,	
	2007	2006
Deferred tax assets:		
Asset retirement obligation liability	\$ 230,600	\$ 216,000
Depletion carryover	19,900	-
Allowance for doubtful accounts	52,700	53,000
Total deferred tax assets	303,200	269,000
Deferred tax liability:		
Difference in depreciation, depletion and capitalization methods - oil and gas properties	(990,000)	(860,000)
Unrealized gain on marketable securities	(66,900)	(57,000)
Total deferred tax liabilities	(1,056,900)	(917,000)
Net deferred tax liability	\$ (753,700)	\$ (648,000)

At December 31, 2007, the Company had available depletion carryforwards totaling approximately \$54,000 which may be used to reduce future taxable income and do not expire.

The Company adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. The Company had no material unrecognized income tax assets or liabilities at the date of adoption nor during the year ended December 31, 2007.

The Company's policy regarding income tax interest and penalties is to expense those items as general and administrative expense but to identify them for tax purposes. During the year ended December 31, 2007, there were no income tax interest and penalty items in the income statement, nor as a liability on the balance sheet.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Generally, the Company is no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2004. The Company is not currently involved in any income tax examinations.

**6. EARNINGS PER SHARE**

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share takes common stock equivalents (such as options and warrants) into consideration. The following table sets forth the computation of basic and diluted earnings per share:

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	December 31,	
	2007	2006
Numerator:		
Numerator for basic and diluted net income per share	\$ 558,078	\$ 1,181,765
Denominator:		
Denominator for basic net income per share – weighted average shares	8,832,734	8,668,230
Denominator for diluted net income per share		
Weighted average shares outstanding	8,832,734	8,668,230
Dilutive effect of stock options	53,422	141,032
Diluted weighted average shares	8,886,156	8,809,262
Basic net income per share	\$ 0.06	\$ 0.14
Diluted net income per share	\$ 0.06	\$ 0.13

**7. SHARE-BASED COMPENSATION**

From time to time, the Company grants stock options under a non-qualified stock option plan to its employees and directors. The following is a summary of activity for the stock options granted for the years ended December 31, 2007 and 2006:

	December 31, 2007		December 31, 2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	133,000	\$ 0.65	405,000	\$ 0.65
Canceled or expired	-	\$ -	-	\$ -
Granted	-	\$ -	-	\$ -
Exercised	133,000	\$ 0.65	272,000	\$ 0.65
Outstanding, end of year	-	\$ -	133,000	\$ 0.65
Exercisable, end of year	-	\$ -	133,000	\$ 0.65

During the years ended December 31, 2007 and 2006, no stock options were granted or vested. The total intrinsic value or the difference between the exercise price and the market price on the date of exercise, of options exercised was approximately \$166,130 and \$1,331,000 during the years ended December 31, 2007 and 2006, respectively. There was a tax benefit of \$60,600 and \$506,000 recognized related to the exercise of options for the years ended December 31, 2007 and 2006, respectively. Cash received from stock options exercised during the years ended December 31, 2007 and 2006 was \$86,450 and \$176,800, respectively.

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**8. STOCKHOLDERS' EQUITY**

During the year ended December 31, 2007, the Company issued 30,000 restricted shares of its common stock to directors in lieu of compensation. The restricted shares were 100% vested upon issuance.

During the year ended December 31, 2006, the Company issued 10,000 restricted shares of its common stock to a director in lieu of compensation. The restricted shares vest and become unrestricted over two years from the grant date as follows:

2,500 shares	August 2006
2,500 shares	February 2007
5,000 shares	August 2008

The Company recognized \$58,039 and \$60,208 compensation expense related to the shares issued during 2007 and 2006, respectively.

**9. ENVIRONMENTAL ISSUES**

The Company is engaged in oil and natural gas exploration and production and may become subject to certain liabilities as they relate to environmental clean up of well sites or other environmental restoration procedures as they relate to the drilling of oil and natural gas wells and the operation thereof. In the Company's acquisition of existing or previously drilled well bores, the Company may not be aware of what environmental safeguards were taken at the time such wells were drilled or during such time the wells were operated. Should it be determined that a liability exists with respect to any environmental clean up or restoration, the liability to cure such a violation could fall upon the Company. No claim has been made, nor is the Company aware of any liability which the Company may have, as it relates to any environmental clean up, restoration or the violation of any rules or regulations relating thereto.

**10. COMMITMENTS**

As of December 31, 2007 and 2006, the Company had a \$10,000 open letter of credit in favor of the State of Wyoming as a plugging bond. The letter of credit is collateralized by a certificate of deposit in the same amount.

In 2001, the Company entered into an executive employment agreement with its president and CEO. The agreement provides for his retention, if the Company should have a change in control, at set percentages of his then salary and bonus for a term of at least three years.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK**

The Company's financial instruments are cash, short term investments, accounts receivable and payable and long-term debt. Management believes the fair values of these instruments, with the exception of the long-term debt, approximate the carrying values, due to the short-term nature of the instruments.

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Management believes the fair value of long-term debt also reasonably approximates its carrying value, based on expected cash flows and interest rates.

Financial instruments that subject the Company to credit risk consist principally of receivables. The receivables are primarily from companies in the oil and natural gas business or from individual oil and natural gas investors. These parties are primarily located in the Southwestern region of the United States. The Company does not ordinarily require collateral, but in the case of receivables for joint operations, the Company often has the ability to offset amounts due against the participant's share of production from the related property. The Company believes the allowance for doubtful accounts at December 31, 2007 and 2006 is adequate.

For the years ended December 31, 2007 and 2006, sales to four purchasers amounted to 64% and 71% of our total oil and natural gas sales, respectively. Additionally, amounts receivable from those purchasers amounted to 58% and 71% of total oil and natural gas sales receivable at December 31, 2007 and 2006, respectively. The loss of one or more of these purchasers could have a material adverse impact on our results of operations. We believe that there are potential alternative purchasers and that it may be necessary to establish relationships with new purchasers. However, there can be no assurance that such efforts will be successful in the identification of one or more new purchasers.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**12. SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)**

The following table sets forth certain information with respect to the oil and natural gas producing activities of the Company:

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Costs incurred in oil and natural gas producing activities:		
Acquisition of unproved properties	\$ 450,000	\$ -
Acquisition of proved properties	3,130,747	2,438,340
Dry hole expense	-	5,467
Development costs	<u>417,671</u>	<u>819,360</u>
Total costs incurred	<u>\$ 3,998,418</u>	<u>\$ 3,263,167</u>

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Set forth below is certain information regarding the results of operations for oil and natural gas producing activities:

	Years Ended December 31,	
	2007	2006
Oil and natural gas sales	\$ 4,251,190	\$ 3,880,105
Disposal fees	38,000	53,500
Production costs	(1,653,467)	(1,406,925)
Exploration expense	-	(5,467)
Depletion and depreciation expense	(862,405)	(463,000)
Impairment	(276,635)	-
Accretion of discount on asset retirement obligations	(43,768)	(33,136)
Income tax expenses	<u>(426,000)</u>	<u>(654,000)</u>
Results of operations	<u>\$ 1,026,915</u>	<u>\$ 1,371,077</u>

**FIELDPOINT PETROLEUM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes changes in the estimates of the Company's net interest in total proved reserves of crude oil and condensate and natural gas, all of which are domestic reserves. There can be no assurance that such estimates will not be materially revised in subsequent periods.

	<u>Oil (Barrels)</u>	<u>Gas (MCF)</u>
Balance, January 1, 2006	935,309	2,103,689
Revisions of previous estimates	(140,369)	(285,768)
Extensions and discoveries	833	3,237
Purchase of minerals in place	-	339,683
Production	<u>(49,079)</u>	<u>(122,935)</u>
Balance, December 31, 2006	<u>746,694</u>	<u>2,037,906</u>
Revisions of previous estimates	55,398	700,820
Extensions and discoveries	-	143,927
Purchase of minerals in place	130,718	-
Production	<u>(47,561)</u>	<u>(139,392)</u>
Balance, December 31, 2007	<u>885,249</u>	<u>2,743,261</u>
Proved developed reserves, December 31, 2007	<u>769,319</u>	<u>1,785,240</u>
Proved developed reserves, December 31, 2006	<u>637,652</u>	<u>1,761,909</u>

Proved oil and natural gas reserves are the estimated quantities of crude oil, condensate and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and natural gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. The above estimated net interests in proved reserves are based upon subjective engineering judgments and may be affected by the limitations inherent in such estimation. The process of estimating reserves is subject to continual revision as additional information becomes available as a result of drilling, testing, reservoir studies and production history, and market prices for oil and natural gas. Significant fluctuations in market prices have a direct impact on recoverability and will result in changes in estimated recoverable reserves without regard to actual increases or decreases in reserves in place.

Year Ended December 31, 2006

We purchased the working interests of one of the non-operating participants in our North Bilbrey field during 2006, which accounts for the additional quantities listed under purchases of minerals in place. The average natural gas price attributable to our proved reserves decreased from \$6.68 per Mcf at December 31, 2005 to \$5.49 per Mcf at December 31, 2006, which was the primary reason for the decreased quantities listed under revisions to previous estimates.

Year Ended December 31, 2007

We purchased a working interest in an oil property located in the Sulimar field in Chaves County, New Mexico during 2007. We also purchased a working interest and a net revenue interest in the Apache Bromide unit located in Caddo County, Oklahoma during 2007. These purchases account for the additional quantities listed under purchases of minerals in place. We completed the Chronos

**FIELDPOINT PETROLEUM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

No. 1 and the Hermes Fee 1 properties in New Mexico during 2007, which was the primary reason for the quantities listed under extensions and discoveries. The average natural gas price attributable to our proved reserves increased from \$5.49 per Mcf at December 31, 2006 to \$6.63 per Mcf at December 31, 2007, which was the primary reason for the increased quantities listed under revisions to previous estimates.

**13. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS (UNAUDITED)**

The standardized measure of discounted future net cash flows at December 31, 2007 and 2006, relating to proved oil and natural gas reserves is set forth below. The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect the Company's expectations of actual revenues to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

The estimated cash flows from future production of proved reserves were prepared on the basis of prices received at year end. The average oil price per barrel was approximately \$91.09 and \$55.13 at December 31, 2007 and 2006, respectively. The average natural gas price per MMBtu was approximately \$6.46 and \$5.52 at December 31, 2007 and 2006, respectively.

	Years Ended December 31,	
	2007	2006
Future cash inflows	\$ 98,588,000	\$ 52,866,000
Future production costs	(26,611,000)	(14,236,000)
Future development cost	(878,000)	(819,000)
Future income taxes	<u>(23,325,000)</u>	<u>(11,914,000)</u>
Future net cash flows	47,774,000	25,897,000
10% annual discount	<u>(21,931,000)</u>	<u>(11,523,000)</u>
Standardized measure of discounted future net cash flows	<u>\$ 25,843,000</u>	<u>\$ 14,374,000</u>

**FIELDPOINT PETROLEUM CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Future net cash flows were computed using year-end prices and costs, and year-end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and natural gas reserves at year end. The following are the principal sources of change in the standardized measure of discounted future net cash flows:

	Years Ended December 31,	
	2007	2006
Balance, beginning of year	\$ 14,374,000	\$ 17,052,000
Sales of oil and natural gas produced, net of production costs	(2,636,000)	(2,473,000)
Purchase of minerals in place	3,808,000	1,124,000
Extensions and discoveries	699,000	27,000
Net changes in prices and production costs	9,964,000	(2,000,000)
Net changes in future development costs	(32,000)	26,000
Revisions and other changes	3,752,000	(4,310,000)
Accretion of discount	1,961,000	2,214,000
Net change in income taxes	<u>(6,047,000)</u>	<u>2,714,000</u>
Balance, end of year	<u>\$ 25,843,000</u>	<u>\$ 14,374,000</u>

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

None.

**ITEM 8A. CONTROLS AND PROCEDURES**

- a) The Company's Principal Executive Officer and Principal Financial Officer, Ray Reaves, has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on his evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure.

- b) There has been no change in our internal control over financial reporting during the fourth quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our principal executive and financial officer does not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

## **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and,
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has used the framework set forth in the report entitled "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 10-KSB.

### PART III

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

- (a) Identification of Directors and Executive Officers. The following table sets forth the names and ages of the Directors and Executive Officers of the Company, all positions and offices with the Company held by such person, and the time during which each such person has served:

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>	<u>Period Served</u>
Ray D. Reaves	46	Director, President, Chairman, Chief Executive Officer	May 1997-present
Roger D. Bryant	65	Director	July 1997-present
Karl W. Reimers	66	Director	October 2004-present
Dan Robinson	60	Director	August 2004-present
Mel Slater	66	Director	January 2003-present
Debra Funderburg	49	Director	February 2006 - present

Mr. Reaves, age 46, has been Chairman, Director, President, Chief Executive Officer and Chief Financial Officer of the Company since May 22, 1997. Mr. Reaves has also served as Chairman, Chief Executive Officer, Chief Financial Officer and Director of Bass Petroleum, Inc. from October 1989 to the present, has 18 years experience in the oil and natural gas industry. He began his career in 1987, with North American Oil and Gas. Subsequently, in 1989 he purchased an interest in 10 of their wells and formed Bass Petroleum, Inc. Under Mr. Reaves' management in the years that followed, Bass Petroleum, Inc., gained majority control of the 10 original wells and acquired interest in another 60 wells. In 1998, Bass Petroleum merged with Energy Production Corporation and as a result, FieldPoint Petroleum Corporation was born.

Roger D. Bryant, age 65, has been a Director of the Company since July 1997. For more than twenty-five years, Mr. Bryant has held senior management positions with public and private start-up and turn-around technology companies in a number of different industries. He is currently President and CEO of Convergence Technology Application Partners, LLC (CTAP), a supplier of telecommunications systems and support to companies with widely distributes offices. Prior positions include Chief Operations Officer for Electric and Gas Technologies, Inc., Chief Executive Officer of International Gateway Exchange, President and Chairman of Dial-thru International, Inc., President of Network Data Corporation, President of Dresser Industries, Inc., Wayne Division, President of Schlumberger Limited, Retail Petroleum Systems Division, U.S.A., a division of Schlumberger Corporation, and President of Autogas Systems, Inc., the developer of "Pay-at-the-Pump" technology for retail petroleum industry. All together, Mr. Bryant has held the Chief Executive position as well as serving on the board of directors, of more than ten private and public companies.

Mr. Reimers, age 66, is a CPA and has served as a director of the Company since October 2004. Mr. Reimers has held the position of President and CFO of B.A.G. Corp. from 1993 to the present. He served as Vice President CFO of Supreme Beef Company from 1989 to 1993. He also served as

Vice President of Accounting for OKC Corp. a NYSE listed oil and gas company from 1975 to 1989. He was employed by Peat, Marwick, Mitchell, Certified Public Accountants from 1973 to 1975, and he has a MBA from the University of Texas at Arlington.

Mr. Robinson, age 60, has served as a director of the Company since August 2004. He has held the position of President and Chief Executive Officer of Placid Refining Company LLC from December 2004 to the present. Prior to his current position, he served in many capacities with Placid Oil Company beginning in March 1975, including the roles of Project Engineer, Manager of Refinery Operations, Assistant Secretary, Assistant Treasurer, Secretary, and Treasurer. Before beginning his 30 year oil and gas career he was briefly employed as a commercial credit analyst at First National Bank in Dallas. Mr. Robinson received a BS degree in Mechanical Engineering in 1971 and an MBA degree in Finance in 1973, both from the University of Wisconsin. He currently sits on the Board of Directors of the National Petrochemical and Refiners Association.

Mel Slater, age 65, has been a Director of the Company since January 1, 2003. From April 2003 to June 2005 Dr. Slater has served as President of National ICT Australia. Prior to joining National ICT Dr. Slater spent more than 25 years with leading technology firms including Gemplus and Motorola. At Motorola, he served in a number of positions including Vice President and General Manager, Global Software Group Americas, Vice President and Director of Motorola's Arizona Technology Laboratories and as Motorola's Corporate Director of Software. Dr. Slater has managed operations in over ten countries.

Debra Funderburg, age 48, has been a Director of the Company since February 6, 2006. From September 2007 to the present she has served as Business Development manager and Reservoir Engineer for Sanchez Oil & Gas. From May 2003 to August 2007 she has served as Senior Reservoir Engineer, Corporate A&D coordinator and is currently Business Development manager for Dominion E&P. From November 1999 to May 2003 Ms. Funderburg held the position of Reservoir Engineering Manager for Randall & Dewey. From April 1993 to November 1999 she was employed by Pennzoil as a Senior Petroleum Engineer.

No family relationship exists between any director or executive officer.

There are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent (5%) of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

During the last five (5) years no director or officer of the Company has:

- a. had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b. been convicted in a criminal proceeding or subject to a pending criminal proceeding;
- c. been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

- d. been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than the Board of Directors believes could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

### **Meetings and Committees of the Board of Directors**

- a. Meetings of the Board of Directors

During the fiscal year ended December 31, 2007, four meetings of the Board of Directors were held, including regularly scheduled and special meetings, each of which were attended by all of the Directors. Meetings are conducted either in person or by telephone conference.

Outside Directors receive \$500 per meeting and were reimbursed their expenses associated with attendance at such meetings or otherwise incurred in connection with the discharge of their duties as a Director. Directors received a grant of options to purchase up to 100,000 shares of common stock at the date of their appointment and could receive an additional grant of options to purchase shares of common stock, as long as they continue to serve as directors. Ms. Funderburg receives a \$12,000 annual retainer and is reimbursed for all expenses and received 10,000 shares of FieldPoint Petroleum Corp for her service as a board member.

- b. Committees

The board appoints committees to help carry out its duties. In particular, board committee work on key issues in greater detail than would be possible at full board meetings. Each committee reviews the result of its meetings with the full board.

During the year ended December 31, 2007, the board had a standing audit committee, a standing compensation committee, and a standing nomination committee.

#### *Audit Committee*

The audit committee was composed of the following directors:

Karl W. Reimers, Chairman  
Dan Robinson  
Roger D. Bryant

The Board of Directors has determined that Messrs. Reimers, Robinson and Bryant are "independent" within the meaning of the American Stock Exchange's listing standards. For this purpose, an audit committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

Karl Reimers, a members of the audit committee, qualifies as an "audit committee financial expert" within the meaning of Item 401(e)(2) of Regulation SB.

During the fiscal year ended December 31, 2007 the audit committee had four meetings. The committee is responsible for accounting and internal control matters. The audit committee:

- reviews with management, the internal auditors and the independent auditors policies and procedures with respect to internal controls;
- reviews significant accounting matters;
- approves any significant changes in accounting principles of financial reporting practices;
- reviews independent auditor services; and
- Recommends to the board of directors the firm of independent auditors to audit our consolidated financial statements.

In addition to its regular activities, the committee is available to meet with the independent accountants, controller or internal auditor whenever a special situation arises.

The Audit Committee of the Board of Directors has adopted a written charter, which has been previously filed with the Commission.

#### *Audit Committee Report*

The Audit Committee has reviewed and discussed the audited financial statements with management and with Hein & Associates LLP and the matters required to be discussed by SAS 61. The Audit Committee has received the written disclosures and the letter from Hein & Associates LLP required by Independence Standards Board Standard No. 1 and has discussed with them their independence. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report of Form 10-KSB for the fiscal year ended December 31, 2007 for filing with the Commission.

*By the Audit Committee*  
*Karl Reimers*  
*Dan Robinson*  
*Roger Bryant*

#### *Compensation Advisory Committee*

The compensation advisory committee is currently composed of the following directors:

Dan Robinson, Chairman  
Karl Reimers  
Mel Slater

The Board of Directors has determined that Messrs. Reimers, Robinson and Bryant are "independent" within the meaning of the American Stock Exchange's listing standards. For this purpose, a compensation committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

During the fiscal year ended December 31, 2007 the compensation advisory committee had two meetings. The compensation advisory committee:

- Recommends to the board of directors the compensation and cash bonus opportunities based on the achievement of objectives set by the compensation advisory committee with respect to our chairman of the board and president, our chief executive officer and the other executive officers;
- administers our compensation plans for the same executives;
- determines equity compensation for all employees;
- reviews and approves the cash compensation and bonus objectives for the executive officers; and
- reviews various matters relating to employee compensation and benefits.

#### *Nomination Committee*

The nomination committee was composed of the following directors:

Ray D. Reaves, Chairman  
Roger D. Bryant  
Mel Slater

Of the currently serving three members Messrs. Bryant and Slater, would each be deemed to be independent within the meaning of the American Stock Exchange's listing standards. For this purpose, a director is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The board of directors has not adopted a policy with regard to the consideration of any director candidates recommended by security holders, since to date the board has not received from any security holder a director nominee recommendation. The board of directors will consider candidates recommended by security holders in the future. Security holders wishing to recommend a director nominee for consideration should contact Mr. Ray Reaves, Chief Executive Officer and Chief Financial Officer, at the Company's principal executive offices located in Cedar Park, Texas and provide to Mr. Reaves, in writing, the recommended director nominee's professional resume covering all activities during the past five years, the information required by Item 401 of Regulation SB, and a statement of the reasons why the security holder is making the recommendation. Such recommendation must be received by the Company before December 31, 2008.

The board of directors believes that any director nominee must possess significant experience in business and/or financial matters as well as a particular interest in the Company's activities.

All director nominees identified in this proxy statement were recommended by our President and Chief Financial Officer and unanimously approved by the board of directors.

### **Shareholder Communications**

Any shareholder of the Company wishing to communicate to the board of directors may do so by sending written communication to the board of directors to the attention of Mr. Ray Reaves, Chief Executive Officer and Chief Financial Officer, at the principal executive offices of the Company. The board of directors will consider any such written communication at its next regularly scheduled meeting.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

### **Code of Ethics**

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees during the fiscal year ended December 31, 2003. Our Code of Business Conduct and Ethics can be found at our website address: <http://www.fppcorp.com>. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such request should be made in writing and addressed to Investor Relations, FieldPoint Petroleum Corporation, 1703 Edelweiss Drive, Cedar Park, Texas 78613. Further, our Code of Business Conduct and Ethics is filed as an exhibit to the Company's Annual Report on Form 10-KSB for the fiscal year ending December 31, 2003.

### **COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT**

Section 16 (a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers, directors and persons who own more than ten percent of the Common Stock (collectively, "Reporting Persons") to file initial reports of ownership and changes of ownership of the Common Stock with the SEC and the American Stock Exchange. Reporting Persons are required to furnish the Company with copies of all forms that they file under Section 16(a). Based solely upon our search of publicly available information or information provided to the Company from Reporting Persons, during the two years ended December 31, 2007, the Company is not aware of any failure on the part of any Reporting Persons to timely file reports required pursuant to Section 16(a), except the following during 2006: Karl Reimers failed to file two reports covering two transactions in a timely manner.

## **ITEM 10 EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction.** This Compensation Discussion and Analysis (“CD&A”) provides an overview of the Company’s executive compensation program together with a description of the material factors underlying the decisions which resulted in the compensation provided for 2006 to the Company’s Chief Executive Officer (“CEO”) ( the “Named Executive Officers” or “NEOs”), as presented in the tables which follow this CD&A. The following discussion and analysis contains statements regarding future individual and Company performance targets and goals. These targets and goals are disclosed in the limited context of the Company’s compensation programs and should not be understood to be statements of management’s expectations or estimates of financial results or other guidance. The Company specifically cautions investors not to apply these statements to other contexts.

**Compensation Committee.** The Compensation Committee (the “Committee”) of the Board of Directors is composed of three non-employee Directors, all of whom are independent under the guidelines of the American Stock Exchange listing standards. The current Committee members are Dan Robinson, Karl Reimers and Mel Slater. The Committee has responsibility for determining and implementing the Company’s philosophy with respect to executive compensation. To implement this philosophy, the Committee oversees the establishment and administration of the Company’s executive compensation program.

**Compensation Philosophy and Objectives.** The guiding principle of the Committee’s executive compensation philosophy is that the executive compensation program should enable the Company to attract, retain and motivate a team of highly qualified executives who will create long-term value for the Shareholders. To achieve this objective, the Committee has developed an executive compensation program that is ownership-oriented and that rewards the attainment of specific annual, long-term and strategic goals that will result in improvement in total shareholder return. To that end, the Committee believes that the executive compensation program should include both cash and equity-based compensation that rewards specific performance. In addition, the Committee continually monitors the effectiveness of the program to ensure that the compensation provided to executives remains competitive relative to the compensation paid to executives in a peer group comprised of select container industry and other manufacturing companies. The Committee annually evaluates the components of the compensation program as well as the desired mix of compensation among these components. The Committee believes that a substantial portion of the compensation paid to the Company’s NEOs should be at risk, contingent on the Company’s operating and market performance. Consistent with this philosophy, the Committee will continue to place significant emphasis on stock-based compensation and performance measures, in an effort to more closely align compensation with Shareholder interests and to increase executives’ focus on the Company’s long-term performance.

**Committee Process.** The Committee meets as often as necessary to perform its duties and responsibilities. The Committee usually meets with the CEO and CFO. In addition, the Committee periodically meets in executive session without management.

The Committee’s meeting agenda is normally established by the Committee Chairperson in consultation with the CEO and CFO. Committee members receive and review materials in advance of each meeting. Depending on the meeting’s agenda, such materials may include: financial reports regarding the Company’s performance, reports on achievement of individual and corporate objectives, reports detailing executives’ stock ownership and options, tally sheets setting forth total compensation and information regarding the compensation programs and levels of certain peer group companies.

**Role of Executive Officers in Compensation Decisions.** The Committee makes all compensation decisions for the CEO and the CFO. Decisions regarding the compensation of other employees are made by the CEO and CFO in consultation with the Committee. In this regard, the CEO and CFO provide the Committee evaluations of executive performance, business goals and objectives and recommendations regarding salary levels and equity awards.

**Market-Based Compensation Strategy.** The Committee adopted the following market-based compensation strategy:

- Pay levels are evaluated and calibrated relative to other companies of comparable size operating in the oil and gas exploration business (the “Peer Group”) as the primary market reference point. In addition, general industry data is reviewed as an additional market reference and to ensure robust competitive data.
- Target total direct compensation (target total cash compensation plus the annualized expected value of long-term incentives) levels for NEOs are calibrated relative to the Peer Group.
- Base salary and target total cash compensation levels (base salary plus target annual incentive) for NEOs are calibrated to the Peer Group.
- The long-term incentive component of the executive compensation program is discretionary and viewed in light of the target total direct compensation level.

The Committee retains discretion, however, to vary compensation above or below the targeted percentile based upon each NEO’s experience, responsibilities and performance.

### **Total Direct Compensation**

Our objective is to target total direct compensation, consisting of cash salary, cash bonus and long term equity compensation at levels consistent with the surveyed companies, if specified corporate and business unit performance metrics and individual performance objectives are met. We selected this target for compensation to remain competitive in attracting and retaining talented executives. Many of our competitors are significantly larger and have financial resources greater than our own. The competition for experienced, technically proficient executive talent in the oil and gas industry is currently particularly acute, as companies seek to draw from a limited pool of such executives to explore for and develop hydrocarbons that increasingly are in more remote areas and are technologically more difficult to access.

We structure total direct compensation to the named executive officers so that most of this compensation is delivered in the form of equity awards in order to provide incentives to work toward long-term profitable growth that will enhance stockholder returns. We also structure their cash compensation so that a significant portion is at risk under the cash bonus plan, payable based on corporate, business unit and individual performance. In the following sections, we further detail each component of total direct compensation.

**Components of Compensation.** For the year ended December 31, 2007, the sole component of compensation for the CEO was base salary. We did not provide additional compensation in the form of annual incentive bonus, long term incentives, retirement benefits, or perquisites.

**Base Salary.** The Company provides the CEO with base salaries to compensate him for services rendered during the year. The Committee believes that competitive salaries must be paid in order to attract and retain high quality executives. The Committee reviews the CEO's salary at the end of each year, with any adjustments to base salary becoming effective on January 1 of the succeeding year.

In determining base salary level for executive officers, the committee considers the following qualitative and quantitative factors:

- job level and responsibilities,
- relevant experience,
- individual performance,
- recent corporate performance, and

We review base salaries annually, but we do not necessarily award salary increases each year. From time to time base salaries may be adjusted other than as a result of an annual review, in order to address competitive pressures or in connection with a promotion.

Base salaries paid to the CEO is deductible for federal income tax purposes except to the extent that the executive's aggregate compensation which is subject to Section 162(m) of the Internal Revenue Code (the "Code") exceeds \$1 million.

The following tables and discussion set forth information with respect to all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO"), and the Company's four (4) most highly compensated executive officers other than the CEO, for all services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three (3) completed fiscal years; provided, however, that no disclosure has been made for any executive officer, other than the CEO, whose total annual salary and bonus does not exceed \$100,000.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus	Stock Awards	Options Awards	Non equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Ray D. Reaves, CEO, President	2007	\$192,000	\$50,000	-	-	-	-	-	\$242,000
Ray D. Reaves, CEO, President	2006	\$192,000	\$ 0	-	-	-	-	-	\$192,000
Ray D. Reaves, CEO, President	2005	\$169,000	\$ 0	-	-	-	-	-	\$169,000

The following table sets forth information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of the end of the most recently completed fiscal year:

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END TABLE**

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Exercise Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares of Units That Have Not Vested	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Ray Reaves	- 0 -	- 0 -	-	-	-	- 0 -	-	-	-

The following table sets forth information concerning compensation paid to the Company's directors during the most recently completed fiscal year:

**DIRECTOR COMPENSATION TABLE**

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Roger Bryant	\$1,000	7,020	-	-	-	11,500	\$19,520
Mel Slater	\$1,000	7,020	-	-	-	-	\$8,020
Karl Reimers	\$1,000	7,020	-	-	-	-	\$8,020
Dan Robinson	\$1,000	7,020	-	-	-	-	\$8,020
Debra Funderberg	\$12,000	29,959	-	-	-	-	\$41,959

**Option Grants Table**

There were no stock option grants for fiscal years ended December 31, 2006 and 2007.

**ITEM 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to beneficial ownership of our common stock by:

- \* each person who beneficially owns more than 5% of the common stock;
- \* each of our executive officers named in the Management section;
- \* each of our Directors; and
- \* all executive officers and Directors as a group.

The table shows the number of shares owned as of March 31, 2008 and the percentage of outstanding common stock owned as of March 31, 2008. Each person has sole voting and investment power with respect to the shares shown, except as noted.

<b><u>Name and Address of Beneficial Owner</u></b>	<b><u>Amount and Nature of Beneficial Owner</u></b>	<b><u>Percent of Class</u></b>
Ray D. Reaves 1703 Edelweiss Drive Cedar Park, Texas 78613	3,000,000	33.7%
Mel Slater 1703 Edelweiss Drive Cedar Park, Texas 78613	406,000	4.6%
Roger D. Bryant 1703 Edelweiss Drive Cedar Park, Texas 78613	41,000	0.5%
Karl W. Reimers 1703 Edelweiss Drive Cedar Park, Texas 78613	66,000	0.7%
Dan Robinson 1703 Edelweiss Drive Cedar Park Texas	106,000	1.2%
Debra Funderburg 1703 Edelweiss Drive Cedar Park Texas	16,000	0.2%
All Officers and Directors as a Group (6 persons)	3,635,000	40.8%

(1) Unless otherwise stated, address is 1703 Edelweiss Drive, Cedar Park, Texas 78613.

- (2) Under SEC Rules, we include in the number of shares owned by each person the number of shares issuable under outstanding options or warrants if those options or warrants are exercisable within 60 days of the date of this prospectus. In calculating percentage ownership, we calculate the ownership of each person who owns exercisable options by adding (i) the number of exercisable options for that person only to (ii) the number of total shares outstanding and dividing that result into (iii) the total number of shares and exercisable options owned by that person.
- (3) Shares and percentages beneficially owned are based upon 8,910,175 shares outstanding on March 31, 2008.

## **ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company leases office space from its majority shareholder. The lease requires monthly payments of \$2,500 on a month to month basis. The Company also paid Roger Bryant, a director, \$11,500 in consulting fees for services in 2007 and \$3,600 during 2006,

## **ITEM 13 EXHIBITS AND REPORTS ON FORM 8-K**

- (a) Exhibits
- 3.1 Articles of Incorporation (incorporated by reference to Amendment No. 1 to Form S-2 dated August 1, 1980.)
  - 3.2(b) Articles of Amendment of Articles of Incorporation, dated December 31, 1997 (incorporated by reference to the Company's 10KSB for the year ended December 31, 1997.)
  - 3.3 Bylaws (incorporated by reference to Amendment No. 1 to Form S-2 dated August 1, 1980.)
  - 4.1 Plan of Exchange (incorporated by reference to the Company's definitive proxy statement dated December 8, 1997).
  - 4.2 Indenture (Term Loan) dated June 21, 1999 by and among the Company and Union Planters Bank
  - 4.3 Indenture (Term Loan) dated August 18, 1999 by and among the Company and Union Planters Bank
  - 10.1 Consulting Agreement dated May 9, 2000 between FieldPoint Petroleum Corp. and Parrish Brian & Co. (incorporated by reference to the Company's 10QSB/A for the quarter ended September 30, 2000)
  - 10.2 Executive Employment Agreement, dated March 28, 2001, by and among FieldPoint Petroleum Corp. and Ray D. Reaves (incorporated by reference to the Company's 10KSB for the year ended December 31, 2000.)

- 10.3 Credit Agreement (Revolving Credit Note) dated December 14, 2000 by and among FieldPoint Petroleum Corp. and Union Planters Bank (incorporated by reference to the Company's 10KSB for the year ended December 31, 2000.)
- 10.4 Audit Committee Charter adopted by the Company on March 28, 2001(incorporated by reference to the Company's 10KSB for the year ended December 31, 2000.)
- 10.5 Consulting Agreement dated November 13, 2001 between FieldPoint Petroleum Corp. and TRG Group LLC. (incorporated by reference to the Company's 10QSB for the quarter ended September 30, 2001)
- 10.7 Loan and Security Agreement with CitiBank, N.A., dated October 18, 2006 (incorporated by reference from the Company's current report on Form 8k dated October 18, 2006 as filed with the Commission on October 20, 2006.)
- 10.6 Lease Assignment from PXP Gulf Coast, Inc., dated March 11, 2004, incorporated by reference from the Company's Current Report on Form 8-K dated March 11, 2004, as filed with the Commission on March 26, 2004.
- 14. Code of Ethics (incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003 as filed with the Commission on April 14, 2004.)
- 31. Certification required by Section 13a-14(a) of the Exchange Act.
- 32. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

Current Report on Form 8-K dated November 9, 2007, Item Nos. 2.02 and 7.01 as filed with the Commission on November 9, 2007.

Current Report on Form 8-K dated November 9, 2007, Item Nos. 7.01 and 9.01, as filed with the Commission on November 13, 2007.

Current Report on Form 8-K dated November 9, 2007, Item Nos. 7.01 and 9.01 as filed with the Commission on November 13, 2007, and amended on Form 8-K/A as filed with the Commission on November 13, 2007.

Current Report on Form 8-K dated December 27, 2007, Item Nos. 2.01 and 9.01, as filed with the Commission on December 27, 2007.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In the last two fiscal years, we have retained Hein & Associates, LLP, ("Hein") as our principal accountants. Hein audited our consolidated financial statements for fiscal 2007 and 2006. We understand the need for our principal accountants to maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our audit committee has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and audit related services. The board has adopted policies and procedures for pre-approving work performed by our principal accountants.

After careful consideration, the Audit Committee of the Board of Directors has determined that payment of the below audit fees is in conformance with the independent status of the Company's principal independent accountants. Before engaging the auditors in additional services, the Audit Committee considers how these services will impact the entire engagement and independence factors.

The following is an aggregate of fees billed for each of the last two fiscal years for professional services rendered by our principal accountants:

	<u>2007</u>	<u>2006</u>
Audit fees - audit of annual financial statements and review of financial statements included in our quarterly reports, services normally provided by the accountant in connection with statutory and regulatory filings.	\$ 82,600	\$ 59,200
Audit-related fees - related to the performance of audit or review of financial statements not reported under "audit fees" above	8,700	-
Tax fees - tax compliance, tax advice and tax planning	<u>17,800</u>	<u>10,280</u>
All other fees - services provided by our principal accountants other than those identified above		
Total fees paid or accrued to our principal accountants	<u>\$ 109,100</u>	<u>\$ 69,480</u>

## 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.

**FIELDPOINT PETROLEUM CORPORATION**  
(Registrant)

Date: March 31, 2008

By: /s/ Ray Reaves  
Ray Reaves, President

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.

By: /s/ Ray Reaves Date: March 31, 2008  
President, Chief Executive Officer,  
Director, Chairman, Chief Financial Officer

By: /s/ Roger D. Bryant Date: March 31, 2008  
Roger D Bryant  
Director

By: /s/ Dan Robinson Date: March 31, 2008  
Dan Robinson  
Director

By: /s/ Karl W. Reimers Date: March 31, 2008  
Karl W. Reimers  
Director

By: /s/ Mel Slater Date: March 31, 2008  
Mel Slater  
Director

By: /s/Debra Funderburg Date: March 31, 2008  
Debra Funderburg  
Director