TRI VALLEY CORP
Form 10-K
April 16, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2011
Commission File No. 001-31852

TRI-VALLEY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	94-1585250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4927 Calloway Drive Bakersfield, CA 93312
(Address of Principal Executive Offices)

Registrant's Telephone Number Including Area Code: (661) 864-0500

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.001 par value	NYSE Amex, LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirement for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

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

The aggregate market value of the common stock held by non-affiliates of the registrant on June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of $0.60, was approximately $40.6 million.

The registrant had 68,013,521 shares of common stock outstanding at April 2, 2012.

Documents incorporated by reference: Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from portions of the registrant's definitive proxy statement relating to its 2012 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days of December 31, 2011.

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ABBREVIATIONS

As generally used in the oil and gas business and throughout this Annual Report on Form 10-K ("Annual Report"), the following terms have the following meanings:

bbl	=	barrel	mcf	=	thousand cubic feet
bbls/d	=	barrels per day	mcf/d	=	thousand cubic feet per day
boe	=	barrel of oil equivalent	mmcf	=	million cubic feet
boe/d	=	barrels of oil equivalent per day	mmcf/d	=	million cubic feet per day
mbbls	=	thousand barrels	mmbtu	=	million British thermal units
mboe	=	thousands of barrels of oil equivalent			
mboe/d	=	thousands of barrels of oil equivalent per day			

Oil equivalents compare quantities of oil with quantities of gas or express these different commodities in a common unit. In calculating barrel of oil equivalents, the generally recognized industry standard is one bbl is equal to six mcf. Boe's may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Annual Report that refer to future events or other non-historical matters are forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," or "predicts," or the neg terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions based on management's expectations as of the date of this Annual Report, and involve known and unknown risks, uncertainties and other factors, including, without limitation, those disclosed under Part I1 Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operation", and under Part I Item 1A "Risk Factors" contained in this Annual Report, as well as those other risks and factors that are discussed in our filings with the Securities and Exchange Commission ("SEC") from time to time. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Annual Report to conform such statements to actual results or to reflect events or circumstances occurring after the date of this Annual Report.

Statements relating to “reserves” are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

AVAILABLE INFORMATION

We file annual and quarterly reports, proxy statements, and other information with the SEC using the SEC's EDGAR system. The SEC maintains a website on the Internet at http://www.sec.gov that contains all of the Company’s filings. These filings may be downloaded free of charge. One may also read and/or copy any of our SEC filings in the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Please contact the SEC at 1-800-SEC-0330 for further information about their Public Reference Room. Our common stock is listed on the NYSE Amex, LLC, under the ticker symbol “TIV”. Tri-Valley Corporation’s website may be accessed at http://www.tri-valleycorp.com.

PART I

ITEM 1. BUSINESS

GENERAL

Tri-Valley Corporation (together with its subsidiaries, “Tri-Valley,” the “Company,” “we,” “us,” or “our,”) is a crude oil and natural gas exploitation, development and production company engaged in locating and developing hydrocarbon resources in California. The Company is also engaged in early-stage exploration of precious minerals in Alaska. The Company’s principal business strategy is to enhance stockholder value by generating and developing high-potential exploitation resources in the oil and gas and precious minerals areas. The Company was incorporated in Delaware in 1971 and currently conducts its operations through two wholly-owned subsidiaries, Tri-Valley Oil & Gas Co. (“TVOG”) and Select Resources Corporation, Inc. (“Select”). The Company’s principal offices are located at 4927 Calloway Drive, Bakersfield, California 93312.

UPDATE REGARDING OPUS SETTLEMENT AND RESTRUCTURING TRANSACTION

On August 19, 2011, we announced agreement to the principal terms for the restructuring of the TVC OPUS 1 Drilling Program, L.P. (“OPUS”), a Delaware limited partnership, and settlement of alleged claims related to breaches of the governing OPUS partnership agreements by Tri-Valley from 2002 to 2009. We are the managing partner of OPUS. Such claims, which we refer to as the “Alleged Claims,” include allegations by OPUS as an entity relating to charges to OPUS for (i) oil and gas lease acquisition and title defense costs, (ii) turnkey drilling and well completion costs, (iii) fees for the work performed by finders who assisted in the placement of partnership units, (iv) improper distributions to an OPUS partner, and (v) accrued interest on the foregoing amounts over certain periods of time. This agreement was reached with the OPUS Special Committee (“OSC”) which is an independent committee comprised of five OPUS partners organized for the purpose of negotiating a settlement of the Alleged Claims with Tri-Valley and developing a plan for restructuring OPUS. The terms describing the proposed plans for the restructuring of OPUS and settlement of the Alleged Claims in the form of an Information Statement and Consent Solicitation and related definitive agreements were expected to be distributed to the OPUS partners in the fourth quarter of 2011 for their consideration and vote. However, due to the increased complexity of the previously announced terms, and the resulting emergence of a variety of legal, securities, accounting and tax issues related to OPUS and the previously announced terms, the OSC and we had to delay finalization of definitive agreements and their distribution to the OPUS partners for vote pending resolution of these issues. Both parties have discussed on numerous occasions potential solutions to these issues and together are committed to achieving a resolution that will bring about the best approach for the development of the reserves of the jointly-owned Pleasant Valley oil sands property in the Oxnard Oil Field (“Pleasant Valley”).

We met with members of the OSC on April 3, 2012 and, in principle, subsequently agreed to a framework for a revision of terms that we believe will accomplish these goals as well as settle the Alleged Claims against us by OPUS related to breaches of the governing OPUS partnership agreements. The specifics related to these revised terms are still being negotiated, and their potential impacts to us and OPUS need to be analyzed further by both parties before finalizing and announcing a revised term sheet. However, certain salient terms that have been agreed to thus far with the OSC, at least in principle, are set forth below.

In accordance with the proposed revision of terms, the Alleged Claims would be settled at the closing of the transaction (the “Closing”), which will be conditioned upon execution of definitive agreements, the ratification of the settlement terms and operating structure of the new limited liability company by our Board of Directors and at least a majority in interest of the OPUS partners. After Closing, OPUS and we would disproportionally share the distributable cash from profits generated by the new joint venture limited liability company for a period of time after deployment of the Steam Assisted Gravity Drainage, or SAGD, technology at Pleasant Valley (“OPUS Preferred Return Period”) to substantially complete development of the Vaca Tar reservoir within the Pleasant Valley properties. The OPUS Preferred Return Period would be established based upon a period of time during which both parties reasonably expect OPUS may receive compensation for the amount of the Alleged Claims to be settled at the Closing, currently estimated to be $30.4 million (revised from $32.3 million announced on August 19, 2011). However, there will be no guarantee of payment of this amount to OPUS by Tri-Valley or the new limited liability company. The OSC and we have agreed in principle to settle the Alleged Claims at Closing in this manner, in part, to facilitate potential financing arrangements for the development of Pleasant Valley. As an additional inducement to settle the Alleged Claims, we have agreed with the OSC to also assign to OPUS partial working interests in certain undeveloped mineral and oil and gas properties which could be reassigned to us upon achieving successful implementation of the SAGD pilot, among other criteria.

Our disproportionate sharing percentages during the OPUS Preferred Return Period have yet to be determined, but we expect that our allocable share of any distributable cash from profits generated by the Pleasant Valley project will significantly decrease, at least for the foreseeable future, in connection with the restructuring of OPUS and the settlement of Alleged Claims with OPUS. After this time period, OPUS and we would receive 75% and 25%, respectively, of any net revenues and distributable cash flow from the limited liability company.

FINANCIAL CONDITION

As of December 31, 2011, we had an accumulated deficit of $72.8 million, a cash balance of approximately $0.6 million, and negative working capital of $6.7 million. Currently, we are dependent on funding from third-parties to support our ongoing operations. There can be no assurance that sufficient funds will continue to be available to us on favorable terms, if at all, to enable us to continue our business operations, maintain our SEC filings and meet our obligations as they become due. In the event we are unable to raise additional funds, we could be forced to abandon our current business activities, sell a portion of our assets and/or we could be forced to seek bankruptcy protection or liquidate and dissolve. In the event we were to cease our business operations or file for bankruptcy protection, we would likely cease our filings with the SEC, our common stock would likely trade on the OTC Bulletin Board market and it could become more difficult to dispose of, or obtain accurate quotations for the price of, our common stock. In addition, if we were to be delisted from NYSE Amex, it could constitute an event of default under any financing covenants to which we may then be subject, which could also trigger a default under any such contractual covenants.

OPERATIONS

Overview

Our business is divided into two segments: oil and gas operations and minerals. TVOG operates our oil and natural gas business segment and is involved in exploring for and producing oil and natural gas in California. Select operates our minerals segment and holds and maintains two mineral assets in the State of Alaska.

Oil and Gas Operations

Our oil and gas operations primarily consist of exploring and drilling for, and producing and selling, crude oil and natural gas. Our oil and natural gas properties are located in California, primarily at Pleasant Valley near Oxnard, California, and at the Claflin property located within the Edison Field near Bakersfield, California (“Claflin”). TVOG also has interests in gas fields in the Sacramento Valley of northern California. TVOG derives the majority of its revenue from the sale of crude oil and natural gas to a very limited number of customers at spot market prices. Our revenue therefore fluctuates based on changes in the market price for oil and natural gas. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” elsewhere in this Annual Report for additional information.

Minerals

Our minerals business primarily consists of holding two major minerals assets in the State of Alaska, which we refer to as the Richardson Project and Shorty Creek, respectively. Select holds title to these properties and related mining claims, both through direct ownership and through leasing arrangements. Neither of these properties has generated any significant revenues to date.

STRATEGIC PARTNERSHIPS

In order to better utilize our properties and our drilling and exploratory mining capabilities, we have entered into certain strategic partnerships with other parties. We plan to continue to explore and evaluate additional strategic partnerships which will help us to better utilize our properties, operations and expertise.

Oil and Gas

As of the date of this Annual Report, TVOG and OPUS own a 25% and 75% working interest, and an 18.75% and 56.25% net revenue interest, respectively, in a four-parcel leasehold of oil and gas leases located on the Pleasant Valley property. We expect that our allocable share of any net revenues and distributable cash from the Pleasant Valley project will significantly decrease, at least for the foreseeable future, in connection with the restructuring of OPUS and the settlement of Alleged Claims by OPUS. See “Item 2. Properties” for additional information about our strategic partnership with the OPUS partnership.

Minerals

In July 2011, Select and McEwen Mining Inc. (formerly known as US Gold Corporation) (“McEwen Mining”) entered into a four-year Exploration Lease with Option to Purchase Property and Form Joint Venture (the “Definitive Agreement”) with respect to our Richardson property located in the Tintina Gold Belt of Alaska. Under the terms of the Definitive Agreement, McEwen Mining acquired an exploration lease for Richardson, along with an exclusive option to purchase a 60% interest in the project and the right to enter into a joint venture with Select for its development. McEwen Mining’s option to purchase a 60% interest in Richardson will vest upon completion of $5.0 million of exploration expenditures and 30,000 feet of core drilling during the term of the Definitive Agreement. McEwen Mining may terminate the Definitive Agreement after completing $2.2 million in exploration expenditures and performing 15,000 feet of core drilling at Richardson, which is required during the first two years of the Definitive Agreement. Should McEwen Mining elect to terminate the Definitive Agreement, Select will retain its 100% interest in Richardson. Select received its first option payment of $0.2 million upon execution of the Definitive Agreement on July 1, 2011, and will receive another $0.1 million upon reaching the first anniversary of the Definitive Agreement. Select is also entitled to receive additional option payments of $0.1 million for each of the remaining two years of the exploration lease period if McEwen Mining exercises its option.

Following execution of the Definitive Agreement, McEwen Mining completed extensive field sampling and mapping, airborne geophysics, and three core holes totaling 2,863 feet of core, from which 616 samples were collected and sent for laboratory analysis. The field program was suspended in early October 2011 due to the onset of winter, and is expected to resume in May 2012. Further core drilling is planned at that time. Analysis of the drilling results is ongoing.

We intend to continue evaluating potential strategic partners who would help us better exploit our other mineral assets located on the Shorty Creek property. No suitable partner has been located to date, and it is not possible for us to estimate if or when we will be able to locate one.

CUSTOMERS AND MARKETING

The market for oil and natural gas is marked by high volatility and widespread fluctuation in demand. Demand for oil and natural gas is volatile and is subject to wide fluctuations depending on numerous factors beyond our control, including seasonality, economic conditions, foreign imports, political conditions in other energy producing countries, market actions by the Organization of the Petroleum Exporting Countries, or OPEC, and domestic government regulations and policies.

In the fourth quarter of 2011, we signed a new oil sales contract with Plains Marketing, L.P. for the sale of all of our oil from Pleasant Valley. The contract price for the sale of our oil is based on the monthly average posting for Midway Sunset crude adjusted for actual gravity of oil delivered. The contract is automatically renewed month-to-month unless notice of non-renewal is given by either party upon not less than sixty (60) days notice. Management believes it can secure additional buyers of oil produced from Pleasant Valley if the contract with Plains Marketing, L.P. were not renewed, although potentially under different terms.

Also in the fourth quarter of 2011, we signed a new oil sales contract with ConocoPhillips Company for the sale of our oil from Claflin. The contract price for the sale of our oil is based on the monthly average posting for Midway Sunset crude adjusted for actual gravity of oil delivered. The contract is automatically renewed month-to-month unless written notice of non-renewal is given by either party upon not less than thirty (30) days notice. Management believes it can secure additional buyers of oil produced from Pleasant Valley if the contract with Plains Marketing, L.P. were not renewed, although potentially under different terms.

Prior to signing new oil sales contracts with Plains Marketing, L.P. and ConocoPhillips Company, we sold all of our oil produced from Pleasant Valley and Claflin to Santa Maria Refining Company owned by Greka Oil and Gas, Inc.

All of our natural gas production is sold to DMJ Gas Marketing Consultants, LLC and to the California Energy Exchange Corporation.

All of our crude oil and natural gas is sold at spot market prices, and we expect sales in 2012 under the same arrangements.

COMPETITION

Oil and Natural Gas

The crude oil and natural gas businesses are highly competitive. Competition is particularly intense to acquire desirable producing properties, to acquire crude oil and natural gas exploration prospects or properties with known reserves, suitable for enhanced development and production efforts, and to hire qualified and experienced human resources. Our competitors include the major integrated energy companies, as well as numerous independent oil and gas companies, individual proprietors, and drilling programs. Many of these competitors possess and employ financial and human resources substantially greater than ours. Our competitors may also have a superior capability for evaluating, bidding, and acquiring desirable producing properties and exploration prospects. Our ability to acquire additional properties and to find and develop reserves in the future will depend on our ability to identify, evaluate, and select suitable properties and to consummate transactions in a highly competitive environment, in competition with these companies. Additionally, there is intense competition within the oil and gas industry to attract and retain capital available for investments.

The pricing of our crude oil and natural gas is also subject to intense competition. The actual price range of crude oil is largely established by major crude oil purchasers and commodities trading. Pricing for natural gas is based on regional supply and demand conditions. To this extent, we compete with other oil and natural gas producers to help insure that we receive competitive oil and natural gas prices comparable to other producers in the areas which we operate.

Minerals

We also face significant competition in our precious metals business. Competition is particularly intense to acquire mineral prospects and deposits suitable for exploration and development, to acquire reserves, and to hire qualified and experienced human resources. Our competitors in mineral property exploration, acquisition, development, and production include the major mining companies in addition to numerous intermediate and junior mining companies, mineral property investors and individual proprietors. Our competitors may have superior resources and capabilities for evaluating, bidding, acquiring and exploiting desirable properties with desirable deposits and exploration prospects. Our ability to acquire additional properties and to find and develop deposits of precious metals in the future will depend on our ability to identify, evaluate, and select suitable properties and to consummate transactions in such a highly competitive environment.

GOVERNMENT AND ENVIRONMENTAL REGULATION

Petroleum exploration, development, storage, and sales activities are extensively regulated at both the federal and state levels in the United States. Likewise, the same is true for the exploration, development, and operation of precious metals properties. Legislation affecting our businesses is under ongoing review for amendment or expansion, frequently increasing the related regulatory burden. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations affecting the crude oil, natural gas, and precious metals industries. Compliance with these rules and regulations is often difficult and costly, and there are substantial penalties for noncompliance. State statutes and regulations require permits for drilling operations, drilling bonds, and reports concerning operations. Our operations are also subject to numerous laws and regulations governing plugging and abandonment, the discharge of materials into the environment, or otherwise relating to environmental protection. The heavy regulatory burden on our businesses increases the cost of doing business and, consequently, affects our profitability. Given the uncertainty of the regulatory environment, we cannot predict the impact of governmental regulation on our financial condition or operating results.

Oil and Natural Gas

Our crude oil and natural gas operations are subject to risks of fire, explosions, blow-outs, pipe failure, abnormally-pressured formations, and environmental hazards such as oil spills, natural gas leaks, ruptures, or discharges of toxic gases, the occurrence of any of which could result in substantial losses due to injury or loss of life, severe damage to or destruction of property, natural resources, and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, and suspension of operations. We maintain insurance against these kinds of risks, but our insurance coverage may not cover all losses in the event of a drilling or production catastrophe.

Crude oil and natural gas operations can result in liability under federal, state, and local environmental regulations for activities involving, among other things, water pollution and hazardous waste transport, storage, and disposal. Such liability can attach not only to the operator of record of the well, but also to other parties that may be deemed to be current or prior operators or owners of the wells or the equipment involved. Numerous governmental agencies issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial administrative, civil, and criminal penalties and, in some cases, injunctive relief for failure to comply. Some laws, rules, and regulations relating to the protection of the environment may, in certain circumstances, impose "strict liability" for environmental contamination. These laws can render a person or company liable for environmental and natural resource damages, cleanup costs, and, in the case of oil spills, consequential damages without regard to negligence or fault. Other laws, rules, and regulations may require the rate of oil and gas production to be below the economically optimal rate or may even prohibit exploration or production activities in environmentally sensitive areas. In addition, these laws often require some form of remedial action, such as closure of inactive pits and plugging of abandoned wells, to prevent pollution from former or suspended operations.

We believe that we are currently in substantial compliance with all applicable environmental laws and regulations. Compliance with environmental requirements, including financial assurance requirements and the costs associated with the cleanup of any spill, could have a material adverse effect on our capital expenditures or earnings. These laws and regulations have not had a material effect on the Company to date. Nevertheless, environmental laws and changes in environmental laws have the potential to adversely affect operations. At this time, we have no plans to make any material capital expenditures for environmental control facilities. With respect to the Pleasant Valley Ranch legal matter described under Item 2. “Legal Proceedings”, we believe we are in compliance with all applicable rules and regulations for monitoring and remediation that are required.

Minerals

Our precious metals exploration and property development activities in Alaska are subject to various federal and state laws and regulations governing the protection of the environment. The environmental protection laws dramatically impact the mining and mineral extraction industries as it pertains to both the use of hazardous materials in the mining and extraction process and from the standpoint of returning the land to a natural look once the mining process is completed. Compliance with federal and state environmental regulations can be expensive and time consuming. These laws and regulations are continually changing, are generally becoming more restrictive, and have the potential to adversely affect our metals exploration and property development activities.

EMPLOYEES

We had a total of twenty-five (25) employees on April 2, 2012. Eleven (11) employees were located in our Bakersfield, California headquarters, and fourteen (14) employees were assigned to field operations.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information contained in this Annual Report, before deciding whether to invest in shares of our common stock. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial may also impair our business, financial condition, operating results and prospects. If any of the following risks actually occur, our business, financial condition, operating results and prospects would suffer. In that case, the trading price of our common stock would likely decline, and you might lose all or part of your investment in our common stock.

Risks Involved in our Business Generally

If we are unable to obtain additional funding, our business and financial condition will be materially impaired, and we will likely not be able to continue as a going concern.

As of December 31, 2011, we had an accumulated deficit of $72.8 million, a cash balance of approximately $0.6 million, and negative working capital of $6.7 million. Our independent accountants included a going concern qualification in their report on our financial statements for the year ended December 31, 2011, noting that our ability to continue as a going concern is dependent on additional sources of capital and the success of our business strategy.

Our current available cash, along with revenues generated from operations and proceeds from the sale of assets, if any, are not sufficient to satisfy our cash needs for the next twelve months without additional equity or debt financing. We plan to make substantial capital expenditures in the future for the acquisition, exploration, exploitation and development of oil and natural gas properties. However, we may not be able to attain production levels and support our costs through revenues derived from operations.

Given that our available cash and projected revenue levels are not sufficient to sustain our operations, we will need to raise additional capital to fund operations and to meet our obligations in the future. To meet our working capital requirements, we will be required to raise additional funds through public or private equity offerings, debt financings or strategic alliances. Raising additional funds by issuing equity or convertible debt securities may cause our stockholders to experience substantial dilution in their ownership interests and new investors may have rights superior to the rights of our other stockholders. Raising additional funds through debt financing, if available, may involve covenants that restrict our business activities and options. We may not be successful in raising additional capital or securing financing when needed or on terms satisfactory to us and we may not be able to continue as a going concern. If we are unable to raise additional capital when required, we will need to reduce costs and operations substantially, file for bankruptcy or liquidate and dissolve.

Cooperation with the SEC staff's inquiry into possible violations of federal securities laws could cost significant amounts of money and management resources.

On February 2, 2012, Tri-Valley and OPUS, of which we are the managing partner, each received a subpoena issued by the staff of the SEC seeking documents and data for the period from January 1, 2002 to the present, relating to their financial condition, results of operations, transactions, activities, business, and offer and sale of securities of the Company and OPUS. The SEC staff is conducting a non-public fact-finding inquiry into possible violations of the federal securities laws, and this investigation does not represent a conclusion by the staff that there have been any violations of the federal securities laws nor whether the staff would conclude that any enforcement action is appropriate. We are cooperating with the staff's request and are in the process of responding to the subpoena. We have also consulted with the OPUS Special Committee on this matter. We are unable to predict what action, if any, might be taken in the future by the SEC or its staff as a result of the matters that are the subject of these subpoenas or what impact the cost of responding to this staff inquiry might have on us. If and to the extent we incur substantial costs related to the staff’s inquiry, our consolidated financial position, results of operations, and/or cash flows could be materially adversely affected. Further, this matter may continue to cause a diversion of our management’s time and attention which could also have a material adverse effect on our financial condition and results of operations.

We face various risks related to our restatements.

On October 24, 2011, we publicly announced that we had discovered accounting inaccuracies in previously reported financial statements. Following consultation with our auditors, and with the concurrence of the Audit Committee of our Board of Directors, we decided to restate our financial statements for (i) the fiscal quarter ended June 30, 2010 included in the Form 10-Q filed with the SEC on August 2, 2010, (ii) the fiscal quarter ended September 30, 2010 included in the Form 10-Q filed with the SEC on November 3, 2010, (iii) the fiscal year ended December 31, 2010 included in the Form 10-K filed with the SEC on March 22, 2011, (iv) the fiscal quarter ended March 31, 2011 included in the Form 10-Q filed with the SEC on May 9, 2011 and (v) the fiscal quarter ended June 30, 2011 included in the Form 10-Q filed with the SEC on August 19, 2011. These financial statements needed to be restated to correct (a) the valuation of, and accounting for, the common stock and warrants issued by the Company in a registered direct offering of securities in April 2010, (b) the accounting for incremental and direct costs incurred to issue common stock in connection with the Company's April 2011 private placement and various at-the-market offerings of common stock, and (c) the accounting for the acquisition of certain steam generator assets from OPUS.

Additionally, the restatement of these financial statements could lead to litigation claims and/or regulatory proceedings against us. The defense of any such claims or proceedings may cause the diversion of management’s attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation or regulatory proceeding, even if resolved in our favor, could cause us to incur significant legal and other expenses. We also may have difficulty raising equity capital or obtaining other financing, such as lines of credit or otherwise. We may be subject to resignation of our current external auditors which may, among other things, cause a delay in the preparation of future financial statements and increase expenditures related to the retention of new external auditors and the lead time required to become familiar with our operations. The process of retaining new external auditors may limit our access to the capital markets for an extended period of time. Moreover, we may be the subject of negative publicity focusing on the financial statement inaccuracies and resulting restatement and negative reactions from our stockholders, creditors or others with which we do business. The occurrence of any of the foregoing could harm our business and reputation and cause the price of our securities to decline, and could result in a delisting of our securities from the NYSE Amex.

Risks Involved in our Oil and Gas Operations

Oil and natural gas prices are volatile and change for reasons that are beyond our control, and decreases in the price we receive for our oil and natural gas production adversely affect our business, financial condition, results of operations and liquidity

Our operating results depend heavily upon our ability to market our crude oil and natural gas production at favorable prices, and the prices of the commodities we sell are, to a significant extent, beyond our control. The factors influencing the prices we receive for our oil and natural gas production include, without limitation, changes in consumption patterns, global and local economic conditions, production disruptions, OPEC actions, domestic and foreign governmental regulations and taxes, the price, availability and consumer acceptance of alternative fuel sources, the availability of refining capacity, technological advances affecting energy consumption, weather conditions, speculative activity, financial and commercial market uncertainty and worldwide economic conditions. Any decline in the prices we receive for our oil and natural gas production will adversely affect various aspects of our business, including our financial condition, revenues, results of operations, liquidity, rate of growth and the carrying value of our oil and natural gas properties, all of which depend primarily or in part upon those prices. Declines in the prices we receive for our oil and natural gas will also adversely affect our ability to finance capital expenditures, make acquisitions, raise capital and satisfy our financial obligations. In addition, declines in prices reduce the amount of oil and natural gas that we can produce economically and, as a result, adversely affect our quantities of proved reserves. Among other things, a reduction in our reserves can limit the capital available to us, because the availability of sources of capital likely will be based, in large part, on the estimated quantities of those reserves.

Any material change in the factors and assumptions underlying our estimates of crude oil and natural gas reserves could materially impair the quantity and value of those reserves.

Our reserves are annually evaluated by a qualified, independent reserves engineering firm. The reserve data included in our various filings we make with the SEC from time to time represent estimates only. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise and could prove to be inaccurate. Any significant inaccuracy could materially affect, among other things, future estimates of our reserves, the economically recoverable quantities of oil and natural gas attributable to our properties, the classifications of reserves based on risk of recovery and estimates of our future net cash flows.

You should not assume that the present values referred to in this Annual Report represent the current market value of our estimated oil and natural gas reserves. The timing and success of the production and the expenses related to the development of oil and natural gas properties, each of which is subject to numerous risks and uncertainties, will affect the timing and amount of actual future net cash flows from our proved reserves and their present value. In addition, our present value estimates are based on assumed future prices and costs. Actual future prices and costs may be materially higher or lower than the assumed prices and costs. Further, the effect of derivative instruments, if any, is not reflected in these assumed prices. Also, the use of a 10% discount factor to calculate the present value of projected future net income may not necessarily represent the most appropriate discount factor given actual interest rates and risks to which our business or the oil and natural gas industry in general are subject.

Unless we successfully add to our existing proved reserves, our future crude oil and natural gas production will decline, resulting in an adverse impact on our business.

The rate of production from crude oil and natural gas properties generally declines as reserves are depleted. Except to the extent that we perform successful exploration, development, or acquisition activities, or identify, through engineering studies, additional or secondary recovery reserves, our proved reserves will decline as we produce crude oil and natural gas. Likewise, if we are not successful in replacing the crude oil and natural gas we produce with good prospects for future production, our business will experience reduced cash flow and results of operations. If we do identify an appropriate acquisition candidate, we may be unable to negotiate mutually acceptable terms with the seller, finance the acquisition, or obtain the necessary regulatory approvals. If we are unable to complete suitable acquisitions, it will be more difficult to replace our reserves, and an inability to replace our reserves would have a material adverse effect on our financial condition and results of operations.

Crude oil and natural gas drilling and production activities are subject to numerous risks that could have a material adverse effect on our production, results of operations and financial condition.

Exploration, exploitation and development activities are subject to numerous risks, the occurrence of any of which may materially limit our ability to develop, produce, or market our reserves. Such risks include, without limitation:

- no commercially productive crude oil or natural gas reservoirs may be found;
- title problems;
- adverse weather conditions;
- problems in delivery of our oil and natural gas to market;
- equipment failures or accidents;
- fire, explosions, blow-outs, and pipe failure;
- compliance with governmental and regulatory requirements;
- environmental hazards, such as oil spills, natural gas leaks, ruptures, or discharges of hazardous substances; and
- shortages or delays in the delivery of drilling rigs and other equipment.

Drilling for oil and natural gas often involves unprofitable efforts, not only from dry holes but also from wells that are productive but do not produce sufficient oil or natural gas to return a profit at then realized prices after deducting drilling, operating and other costs. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or natural gas is present or that it can be produced economically. In addition, the cost of exploration, exploitation and development activities is subject to numerous uncertainties, and cost factors can adversely affect the economics of a project.

In accordance with customary industry practice, we maintain insurance against the kinds of hazards and risks noted above, but our level of insurance may not cover all losses in the event of a drilling or production adverse event. Insurance is not available for all operational risks, such as risks that we will drill a dry hole, fail in an attempt to complete a well, or have problems maintaining production from existing wells. Furthermore, the insurance we do have may not continue to be available on acceptable terms. We could also, in some circumstances, have liability for actions taken by third parties over which we have no or limited control, including operators of properties in which we have an interest. The occurrence of an uninsured or underinsured loss could result in significant costs that could have a material adverse effect on our financial condition and liquidity. In addition, maintenance activities undertaken to reduce operational risks can be costly and can require exploration, exploitation and development operations to be curtailed while those activities are being completed.

On December 6, 2011, we were served with a lawsuit that was filed against us and our wholly owned subsidiary, TVOG, on November 29, 2011 in the Superior Court of the State of California for the County of Ventura, Case No. 56-2011-00407515-CU-BC-VTA. The plaintiff, Pleasant Valley Ranch, LLC, or Pleasant Valley Ranch, is suing us for damages on the alleged grounds that, among other things, our oil and gas production operations caused contamination of soil and groundwater on the Pleasant Valley Ranch's property and interfered with the sale of such property. Pleasant Valley Ranch is seeking to recover damages of at least $8.0 million from us and to rescind our drill site surface lease. We believe that we have meritorious defenses and intend to vigorously defend the lawsuit. However, we cannot predict the outcome of this lawsuit or the ultimate costs of defense. As of March 31, 2012, we had incurred approximately $0.8 million in costs relating to this matter. Approximately $0.4 million of these costs have been reviewed by our insurance carrier, of which $0.3 million of these costs have been approved for coverage by insurance. We will continue to seek to recover as much of our future costs through our insurance carrier as we can.

We are subject to complex laws and regulations, including environmental laws and regulations, that can make production more difficult, increase production costs and limit our growth.

Our operations and facilities are extensively regulated at the federal, state and local levels. Laws and regulations applicable to us include those relating to:

- land use restrictions;
- drilling bonds and other financial responsibility requirements;
- spacing of wells;
- emissions into the air;
- habitat and endangered species protection, reclamation and remediation;
- the containment and disposal of hazardous substances, oil field waste and other waste materials;
- the use of underground storage tanks;
- transportation and drilling permits;
- the use of underground injection wells, which affects the disposal of water from our wells;
- safety precautions;
- the prevention of oil spills;
- the closure of production facilities;
- operational reporting; and
- taxation and royalties.

These laws and regulations continue to increase in both number and complexity and affect our operations. Our operations could result in liability under federal, state, and local regulations for:

- personal injuries;
- property and natural resource damages;
- releases or discharges of hazardous materials;
- well reclamation costs;
- oil spill clean-up costs;
- other remediation and clean-up costs;
- plugging and abandonment costs; and
- governmental and regulatory sanctions, such as fines and penalties.

Any noncompliance with these laws and regulations could subject us to material administrative, civil or criminal penalties or other liabilities, delays in receipt of required operational permits, and suspension or termination of operations. Certain liability can attach to the operator of record of the well and also to other parties that may be deemed to be current or prior operators or owners of the wells or the equipment involved. Thus, such laws and regulations could subject us to liabilities even where we are not the operator who caused the damage.

Changes in applicable laws and regulations could increase our costs, reduce demand for our production, impede our ability to conduct operations or have other adverse effects on our business.

Future changes in the laws and regulations to which we are subject may make it more difficult or expensive to conduct our operations and may have other adverse effects on us. For example, the Environmental Protection Agency, or EPA, has issued a notice of finding and determination that emissions of carbon dioxide, methane and other greenhouse gases, or GHGs, present an endangerment to human health and the environment, which allows the EPA to begin regulating emissions of GHGs under existing provisions of the federal Clean Air Act. The EPA has begun to implement GHG-related reporting and permitting rules. Similarly, the U.S. Congress is considering "cap and trade" legislation that would establish an economy-wide cap on emissions of GHGs in the United States and would require most sources of GHG emissions to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. On September 27, 2006, California's governor signed into law Assembly Bill (AB) 32, known as the "California Global Warming Solutions Act of 2006," which establishes a statewide cap on GHGs that will reduce the state's GHG emissions to 1990 levels by 2020 and establishes a "cap and trade" program. The California Air Resources Board has been designated as the lead agency to establish and adopt regulations to implement AB 32. Similar regulations may be adopted by the federal government. Any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require us to incur increased operating costs and could have an adverse effect on demand for our production.

We could also be adversely affected by future changes to applicable tax laws and regulations. For example, proposals have been made to amend federal and/or California law to impose "windfall profits," severance or other taxes on oil and natural gas companies. If any of these proposals become law, our costs would increase, possibly materially. Significant financial difficulties currently facing the State of California may increase the likelihood that one or more of these proposals will become law.

From time to time, legislative proposals are introduced that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could defer or eliminate certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could negatively affect our financial condition and results of operations.

Our oil and gas reserves are concentrated in California.

All of our oil and gas reserves are located in the State of California. Accordingly, factors affecting our industry or the State of California in which we operate, will likely impact us more acutely than if our business was more diversified geographically.

The marketability of our production is dependent upon the availability of drilling rigs, gathering systems, transportation facilities and processing facilities that we do not control, and if these facilities or systems become unavailable, our operations can be interrupted and our revenues reduced.

The marketability of our oil and natural gas production depends in part upon the availability, proximity and capacity of drilling rigs, pipelines, natural gas gathering systems, transportation barges and processing facilities owned by third parties. In general, we do not control these facilities and our access to them may be limited or denied due to circumstances beyond our control. A significant disruption in the availability of these facilities could adversely impact our ability to produce oil and natural gas, or to deliver to market the oil and natural gas we produce, and thereby cause a significant interruption in our operations. In some cases, our ability to deliver to market our oil and natural gas is dependent upon coordination among third parties who own transportation and processing facilities we use, and any inability or unwillingness of those parties to coordinate efficiently could also interrupt our operations. These are risks for which we generally do not maintain insurance.

Strategic relationships upon which we may rely for our oil and gas operations are subject to change, which may diminish our ability to conduct such operations.

Our ability to successfully bid on and acquire additional properties, to discover reserves, to participate in drilling opportunities on ongoing or newly discovered oil and gas projects, and to identify and enter into commercial arrangements, may depend on developing and/or maintaining effective working relationships with industry participants, joint venture partners and other investors. Our success may also depend on our ability to select and evaluate new partners and to consummate transactions in a highly competitive environment. We may not be able to establish these strategic or joint venture relationships, or if established, we may choose the wrong partner or we may not be able to maintain them on commercially reasonable terms, if at all. In addition, the dynamics of our relationships with strategic or joint venture partners and investors may require us to incur expenses or undertake activities we would not otherwise be inclined to take to fulfill our obligations to these partners or maintain our relationships with such partners. If our strategic relationships or joint venture relationships are not established or maintained, or if they are required to change to accommodate changes in circumstances, our business prospects may be limited, which could diminish our ability to conduct our operations and our ability to generate revenues from these operations.

In addition, in cases where we are the operator, our partners may not be able to fulfill their obligations, which would require us to either take on their obligations in addition to our own, or possibly forfeit our rights to the area involved in the joint venture. In addition, despite our partner's failure to fulfill its obligations, if we elect to terminate such relationship, we may be involved in litigation with such partners or may be required to pay amounts in settlement to avoid litigation despite such partner's failure to perform. Alternatively, our partners may be able to fulfill their obligations, but will not agree with our proposals as operator of the property. In this case there could be disagreements between joint venture partners that could be costly in terms of dollars, time, deterioration of the partner relationship, and/or our reputation as a reputable operator.

In cases where we are not the operator of the joint venture, the success of the projects held under these joint ventures is substantially dependent on our joint venture partners. The operator is responsible for day-to-day operations, safety, environmental compliance and relationships with government and vendors.

Our share of net revenues and cash distributions, if any, from the new Pleasant Valley limited liability company will be significantly reduced for the foreseeable future.

In August 2011, we entered into a term sheet with the OPUS Special Committee in connection with the formation of a new jointly-owned, limited liability company to carry forward the development of Pleasant Valley and the resolution of alleged claims first brought to our attention by OPUS partner, G. Robert Miller, in August 2010. These claims relate to alleged breaches of the governing partnership agreements by Tri-Valley from 2002 to 2009. Such claims, which we refer to as the "Alleged Claims," include allegations relating to charges to OPUS for (i) oil and gas lease acquisition and title defense costs, (ii) turnkey drilling and well completion costs, (iii) fees for the work performed by finders who assisted in the placement of partnership units, (iv) improper distributions to an OPUS partner, and (v) accrued interest on the foregoing amounts over certain periods of time.

In furtherance of the amicable resolution of the Alleged Claims, we and the OPUS Special Committee have tentatively agreed, for settlement purposes, to a framework for a revision of terms based on a settlement of the Alleged Claims which would result in a significant reduction in our share of any net revenues and distributable cash flow from the new limited liability for a period of years. As an additional inducement to settle the Alleged Claims, we would also assign to OPUS working interests in certain undeveloped mineral and oil and gas properties. Consummation of the transactions contemplated by the revised terms with the OPUS Special Committee is subject to, but not limited to, the negotiation and execution of definitive agreements, and the ratification of the settlement terms and operating structure of the new limited liability company by our Board of Directors and at least a majority in interest of the OPUS partners ("Closing").

In accordance with the framework of the revision of terms, the Alleged Claims would be settled at Closing and OPUS and Tri-Valley would disproportionally share the net cash flow generated by the limited liability company during the OPUS Preferred Return Period. Our disproportionate sharing percentages during the OPUS Preferred Return Period have yet to be determined, but we expect that our allocable share of any distributable cash from profits generated by the Pleasant Valley project will significantly decrease, at least for the foreseeable future, in connection with the restructuring of OPUS and the settlement of Alleged Claims with OPUS. After this time period, OPUS and we would receive 75% and 25%, respectively, of any net revenues and distributable cash flow from the limited liability company.

Accordingly, until completion of the OPUS Preferred Return Period, we will be largely dependent on the success of our other, non-Pleasant Valley related projects and capital-raising initiatives to cover our operating expenses and fund our working capital requirements.

The OPUS partners may still try to bring lawsuits against us.

We expect that the existing tolling agreement executed in September 2010 with G. Robert Miller will be replaced by a new tolling agreement. The new tolling agreement, to be put in place by Mr. Miller for the benefit of all OPUS partners, will be designed to limit the threat of litigation during the OPUS Preferred Return Period. While the Alleged Claims of OPUS as an entity will be settled at Closing under the revised terms, individual OPUS partners may still try to bring claims against us. See the risk factor below captioned, “There can be no assurance that the transaction agreed to between Tri-Valley and the OPUS Special Committee will be approved and consummated, or, even if consummated, that we will not still face claims or suits from dissident OPUS partners or Tri-Valley stockholders.” However, in order to obtain the benefits of the new tolling agreement, including our willingness to waive time-related defenses, the OPUS partners will need to refrain from initiating any such litigation, arbitration, or other formal proceeding against us or any of our affiliates (including current and former officers and directors), during the OPUS Preferred Return Period. However, we cannot be certain that dissident OPUS partners will not initiate such actions against us or any of our affiliates during the OPUS Preferred Return Period, or thereafter.

Ultimately, the extent of success of the Pleasant Valley project depends, in part, on the success of our deployment of the Steam Assisted Gravity Drainage, or SAGD, technology in connection with Pleasant Valley. As previously disclosed, Pleasant Valley is an unconventional heavy oil project. Our computer modeling predicts that maximum recovery of original oil in place depends on the success of the SAGD extraction technology. However, we have not yet tested the SAGD technology, and we cannot guarantee that the success demonstrated in the computer modeling will be duplicated when actually deployed. Any significant delay or failure to deploy and successfully utilize the SAGD technology at Pleasant Valley could substantially delay and/or minimize the success of the project.

There can be no assurance that the transaction agreed to between Tri-Valley and the OPUS Special Committee will be approved and consummated, or, even if consummated, that we will not still face claims or suits from dissident OPUS partners or Tri-Valley stockholders.

Consummation of the transactions contemplated by the revised terms with the OPUS Special Committee is subject to a number of conditions being satisfied, including, but not limited to, the negotiation and execution of definitive agreements, the ratification of the settlement terms and new operating structure by the Board of Directors of Tri-Valley and at least a majority in interest of the OPUS partners (not including the interests held by affiliates of Tri-Valley), our ability to either provide or obtain a financing commitment for the new limited liability company to fund three new SAGD wells, and no court order or regulatory action enjoining the consummation of the transactions contemplated by the revised term sheet.

While we and the OPUS Special Committee expect to be able to negotiate and execute definitive agreements, there are no assurances that a majority in interest of the OPUS partners (not including the interests held by affiliates of Tri-Valley) will find the transaction acceptable or consent to the transaction. If not approved by OPUS partners, we will be required to pursue a different solution to resolve the Alleged Claims. In such an event, there can be no assurance about when we would be able to resolve the disputed issues or about how much time and resources it might take to resolve them, whether through mutually agreeable and satisfactory resolution or through formal legal proceedings.

As part of the transaction, we will be required to provide or obtain a financing commitment for the new limited liability company to fund three SAGD well pairs, comprised of a one-well SAGD pilot project and, if the SAGD pilot project is successful and meets certain performance standards, two additional SAGD well pairs. Should we fail to satisfy this condition for any reason, we will likely be required to pursue a different solution to resolve the Alleged Claims.

Moreover, any lawsuits filed against us seeking to enjoin the transaction, from either a dissident OPUS partner and/or Tri-Valley stockholder, could delay or prevent the transaction from moving forward and closing. Additionally, even if the transaction closes, a dissident OPUS partner and/or Tri-Valley stockholder could still attempt to bring a lawsuit against us relating to, among other things, the terms of the transaction, and/or any other alleged claims that were not addressed to the satisfaction of the claimant. Certain OPUS partners have expressed discontent with the previously proposed settlement terms and have threatened to sue the Company and/or report their allegations to federal and state regulators. The threatened claims include allegations of fraudulent inducement to contract, violations of applicable federal and state broker-dealer registration rules, and violations of federal and state antifraud rules in connection with the sale of OPUS securities. We continue to believe that the framework for settlement terms negotiated with the OPUS Special Committee are fair and reasonable in light of all known facts and circumstances. However, we cannot predict the possible outcome, nor quantify the effect, of such a suit or the costs of defense if a threatened suit is actually filed. If such a suit is filed, we will analyze any and all defenses we might have relating thereto. Lawsuits can be very time-consuming and expensive to resolve, and, therefore, if we become involved in litigation, or if the outcome is adverse to us, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

The OPUS transaction could make it more difficult for us to secure financing.

As previously discussed, because of the significant reduction in our sharing of net revenues and cash distributions from the new Pleasant Valley limited liability company during the OPUS Preferred Return Period, we will be dependent on the success of our other, non-Pleasant Valley related projects and capital-raising initiatives to cover our operating expenses and fund our working capital requirements. This dependency could reduce our ability to cover debt service in any potential future debt financing. Likewise, if our available cash and projected revenue levels are not sufficient to sustain our operations, we will need to raise additional capital to fund operations and to meet our obligations in the future. To meet our financing requirements, we may raise funds through public or private equity offerings, debt financings, or strategic alliances. Raising additional funds by issuing equity or convertible debt securities may cause our stockholders to experience substantial dilution in their ownership interests, and new investors may have rights superior to the rights of our other stockholders. Raising additional funds through debt financing, if available, may involve covenants that restrict our business activities and options. We may not be successful in raising additional capital or securing financing when needed or on terms satisfactory to us, in which event we may not be able to continue as a going concern. If we are unable to raise additional capital when required, or on acceptable terms, we will need to reduce costs and operations substantially, which could have a material adverse effect on our business, financial condition, and results of operations, or file for bankruptcy or liquidate and dissolve.

Competition in the oil and natural gas industry is intense and may adversely affect our results of operations.

We operate in a competitive environment for acquiring properties, marketing oil and natural gas, integrating new technologies and employing skilled personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours. Those companies may be willing and able to pay more for oil and natural gas properties than our financial resources permit, and may be able to define, evaluate, bid for and purchase a greater number of properties. Our competitors may also enjoy technological advantages over us and may be able to implement new technologies more rapidly than we can. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. We may not be able to compete successfully in the future with respect to acquiring unproved reserves, developing reserves, marketing our production, attracting and retaining qualified personnel, implementing new technologies and raising additional capital.

Risks Involved in Our Minerals Business

Our minerals business has not yet realized significant revenue, is not presently profitable and may never become profitable.

We formed Select Resources Corporation, Inc., our wholly owned subsidiary, in late 2004 to manage our precious metals and industrial minerals properties in Alaska. The precious metal properties will require substantial investment to discover and delineate sufficient mineral resources to justify any future commercial development. To date, we have realized no significant revenue from our mineral properties in Alaska and cannot predict when, if ever, we may see significant returns from our precious metal investments.

The value of our minerals business depends on numerous factors not under our control.

The economic value of our minerals business may be adversely affected by changes in commodity prices for gold, increases in production and/or capital costs, and increased environmental or permitting requirements by federal and state governments. If our mineral properties commence production, our operating results and cash flow may be impaired by reductions in forecast grade or tonnage of the deposits, dilution of the mineral content of the ore, reduction in recovery rates, and a reduction in reserves, as well as unforeseen delays in the development of our projects.

Strategic relationships upon which we may rely for our mineral exploration operations in the State of Alaska are subject to change, which may diminish our ability to conduct such operations.

Our ability to successfully develop our mineral exploration business in Alaska depends on our ability to develop and maintain effective working relationships with industry participants, joint venture partners and other investors. Our success may also depend on our ability to select and evaluate new exploration partners and to consummate transactions in a highly competitive environment. We may not be able to establish these strategic or joint venture relationships, or if established, we may choose the wrong partner or we may not be able to maintain them. In addition, the dynamics of our relationships with strategic or joint venture partners and investors may require us to incur expenses or undertake activities we would not otherwise be inclined to take to fulfill our obligations to these partners or maintain our relationships with such partners, the failure of which could, among other things, dilute our economic interests in the strategic or joint venture relationship. If our strategic relationships or joint venture relationships are not established or maintained, or if they are required to change to accommodate changes in circumstances, our business prospects may be limited, which could diminish our ability to conduct our mineral exploration operations and our ability to generate revenues from these operations.

The value of our minerals business may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.

Our minerals business is subject to a number of risks, hazards and uncertainties including, but not limited to:

- title problems;
- invalidity of claims owned and/or claims leased;
- substantial delays prior to the time that revenues can be generated from mining exploration;
- equipment failures or accidents;
- compliance with governmental and regulatory requirements;
- environmental hazards;
- unusual or unexpected geologic formations;

- unanticipated hydrologic conditions, including flooding; and
- periodic interruptions caused by inclement or hazardous weather conditions.

In accordance with customary industry practice, we maintain insurance against the kinds of hazards and risks noted above, but our level of insurance may not cover all losses in the event of an adverse event. Insurance is not available for all operational mining exploration risks. For example, insurance against environmental risks is generally either unavailable or, we believe, unaffordable. Therefore, we do not maintain environmental insurance. Occurrence of events for which we are not insured may have a material adverse effect on our business.

Risks Related to Our Common Stock

Our stock price is volatile and could decline.

The price of our common stock has been, and is likely to continue to be, volatile. Our stock price during the twelve months ended March 31, 2012, traded as low as $0.13 per share and as high as $0.83 per share. We cannot assure you that your investment in our common stock will not fluctuate significantly. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those risks outlined elsewhere in this “Risk Factors” section.

In addition, the stock market in general, including companies whose stock is listed on the NYSE Amex, have experienced substantial price and volume fluctuations that have often been disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Since we have not paid dividends on our common stock, you may not receive income from your investment.

We have not paid any dividends on our common stock since our inception and do not contemplate or anticipate paying any dividends on our common stock in the foreseeable future. Earnings, if any, will be used to finance the development and expansion of our business.

Sales of substantial amounts of our common stock in the public market could harm the market price of our common stock.

The sale of substantial amounts of shares of our common stock (including, without limitation, shares issuable upon exercise of outstanding options and warrants to purchase our common stock) may cause substantial fluctuations in the price of our common stock, especially in light of the relatively low volume in our stock.

Additional financings could result in dilution to existing stockholders and otherwise adversely impact the rights of our common stockholders.

Additional financings that we may require in the future will dilute the percentage ownership interests of our stockholders and may adversely affect our earnings and net book value per share. In addition, we may not be able to secure any such additional financing on terms acceptable to us, if at all. We have the authority to issue additional shares of common stock and preferred stock, as well as additional classes or series of warrants or debt obligations which may be convertible into any one or more classes or series of ownership interests. Subject to compliance with the requirements of the NYSE Amex, such securities may be issued without the approval or other consent of our stockholders.

Moreover, we may issue undesignated shares of preferred stock, the terms of which may be fixed by our Board of Directors and which terms may be preferential to the interests of our common stockholders. We have issued preferred stock in the past, and our Board of Directors has the authority, without stockholder approval, to create and issue one or more additional series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct our business. The issuance of any of such series of preferred stock or debt securities may have an adverse effect on the holders of common stock.

Our stockholder rights plan, provisions in our charter documents, and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock, and could entrench management.

We have a stockholder rights plan that may have the effect of discouraging unsolicited takeover proposals, thereby entrenching current management and possibly depressing the market price of our common stock. The rights issued under the stockholder rights plan would cause substantial dilution to a person or group that attempts to acquire us on terms not approved in advance by our Board of Directors. In addition, our certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include:

- the ability of the Board of Directors to designate the terms of and issue new series of preferred stock;
- advance notice requirements for nominations for election to the Board of Directors;
- limitations on stockholders' ability call a special meeting of stockholders unless requested in writing by holders owning a majority in amount of the capital stock of the Company issued and outstanding; and
- special voting requirements for the amendment of certain provisions of our bylaws.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together, our stockholder rights plan, certain provisions of our certificate of incorporation and bylaws, and certain provisions of Delaware law, may singularly and/or collectively make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock.

The continued listing of our common stock on the NYSE Amex is subject to compliance with its continued listing requirements. While we have not received any notice of intent to delist our common stock, we have received a warning letter that we were not in compliance with a certain NYSE Amex listing standard. If our common stock were to be delisted, the ability of investors in our common stock to make transactions in such stock would be limited.

Our common stock is listed on the NYSE Amex, LLC, or NYSE Amex, a national securities exchange. Continued listing of our common stock on the NYSE Amex requires us to meet continued listing requirements set forth in the NYSE Amex's Company Guide. These requirements include both quantitative standards (such as those relating to the selling price of the listed security and a minimum level of stockholders' equity) and qualitative standards (such as those relating to a listed company's financial condition generally).

On November 14, 2011, we received a warning letter from NYSE Amex indicating that we are not in compliance with Section 1003(f)(v) of the NYSE Amex Company Guide. NYSE Amex is concerned that, as a result of its low selling price over a continued period of time our common stock may not be suitable for auction market trading. Therefore, if there is not a suitable increase in the selling price of our common stock before we prepare and mail our proxy statement relating to the 2012 annual meeting of stockholders, we will likely be required to seek stockholder approval at such meeting to effect a reverse stock split of our outstanding common stock in order to address NYSE Amex's concern.

Section 1003(a)(iii) of the NYSE Amex Company Guide requires a company to maintain a minimum of $6.0 million in stockholders' equity, if the company has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. As of December 31, 2011, our stockholders' equity was $4.4 million. If we are unable to raise our shareholders' equity above the minimum stockholders' equity threshold, we will likely be required to submit a plan to regain compliance with NYSE Amex rules. If we were unable to submit a plan or if the plan is not accepted by the exchange, we could be subject to delisting procedures.

As is the case for all listed issuers, our continued listing eligibility will be assessed on an ongoing basis. Investors should be aware that if the NYSE Amex were to delist our common stock from trading on its exchange, this would limit investors' ability to make transactions in our common stock.

If our common stock were to be delisted by NYSE Amex, our common stock may be eligible to trade on the OTC Bulletin Board or the Pink OTC Markets. In such an event, it could become more difficult to dispose of, or obtain accurate quotations for the price of, our common stock, and there would likely also be a reduction in our coverage by security analysts, which could cause the price of our common stock to decline further. In addition, if we were to be delisted from NYSE Amex, it could constitute an event of default under any financing covenants to which we may then be subject, which could also trigger a default under any such contractual covenants.

Other Risks

Our business may suffer if we are not able to hire and retain sufficient qualified personnel or if we lose our key personnel.

Our future success depends, in large part, on the continued contribution of our key executives. In particular, we currently rely heavily on Maston N. Cunningham, our chief executive officer, and Gregory L. Billinger, our interim chief financial officer. We expect to conduct a search for a candidate to fill the position of chief financial officer on a permanent basis sometime in the second quarter of 2012. We currently do not have employment agreements with any of our key executive officers. The loss of the services of any of our senior level management, or other key employees, could substantially harm our business and our ability to execute on our business plan.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal properties consist of proved and unproved crude oil and natural gas properties and mining claims on unproven precious metals properties.

OIL AND GAS PROPERTIES

The following principal properties are operated by the Company:

Pleasant Valley Oil Sands Property: This property is located in Ventura County, California, in the Oxnard Oil Field where we and the TVC OPUS 1 Drilling Program, L.P., own 25% and 75% working interests, and 18.75% and 56.25% net revenue interests, respectively, in this four-parcel leasehold in the Oxnard Oil Field. We expect that our allocable share of any net revenues and distributable cash from the Pleasant Valley project will significantly decrease, at least for the foreseeable future, in connection with the restructuring of OPUS and the settlement of alleged claims by OPUS. We are in the early stages of developing and producing heavy oil from the Upper Vaca Tar Formation using thermal oil recovery technology. Since 2007, we have drilled a total of eight horizontal wells and installed temporary production facilities. Currently, we are producing heavy oil from the Upper Vaca Tar from seven wells using Cyclic Steam Stimulation (“CSS”) and artificial lift on the Hunsucker lease.

During 2011, we continued extended CSS cycles on seven horizontal wells on the Hunsucker lease thereby increasing our production 33% in 2011 and converted one horizontal well to a water disposal well to reduce field operating costs. We completed a two-week facility shutdown in October 2011 for various repairs and preventative maintenance.

In January 2012, we initiated a pre-front end engineering and design study for a steam assisted gravity drainage (“SAGD”) pilot for continuous steam injection and production using SAGD technology for possible future deployment to fully develop and produce heavy oil from the Upper Vaca Tar in all of the Pleasant Valley leases. A successful SAGD pilot will demonstrate the potential for higher production rates and higher recovery of original oil in place using SAGD technology. It is anticipated that the SAGD pilot will include two new horizontal wells, one producer and one continuous steam injector, and surface facilities to support these new wells. The SAGD pilot is not anticipated to be completed and tested until 2013.

Claflin: This property is located in the Racetrack Hill Area of the Edison Field near Bakersfield, California, in Kern County. Tri-Valley holds a 100% working interest and an 85.5% net revenue interest on this three-parcel leasehold. In 2011, we drilled eight new wells on the property, upgraded our gathering system through two production manifolds to facilitate CSS and production of all the new and existing wells. We consolidated the location of the steam generators and equipment and installed a 19MMBTU/hr steam generator which was successfully source tested in November 2011. We steamed six of the eight new wells through the end of December 2011 and received good production response in January 2012. In December 2011, we commenced the process to convert the fuel for the steam generators from propane to liquefied natural gas which should significantly lower the cost of fuel.

In November 2011, we acquired approximately 1.7 square miles of data covering an area over our acreage in the Edison field. The data was processed in December 2011 and is currently being interpreted. The result of the data will be used to identify additional prospects and the location of two horizontal wells which we plan to drill at Claflin in 2012.

We also own the adjoining Brea lease which will be developed after Claflin development is completed. We have a 100% working interest and an 82.33% net revenue interest in the Brea property.

All future development at our Pleasant Valley and Claflin properties is subject to the availability of capital.

OIL AND GAS RESERVES

The unaudited supplemental information attached to the consolidated financial statements provides more information on crude oil and natural gas reserves and estimated values. The following table summarizes our net interests in estimated quantities of future net recoverable reserves as of December 31, 2011:

	Claflin(1) (Bbl)	Pleasant Valley (Bbl)	Total (Bbl)
Developed	63,200	199,100	262,300
Undeveloped	160,100	733,500	893,600
Net Proved	223,300	932,600	1,155,900
Probable	471,000	759,700	1,230,700
Possible	933,300	4,464,100	5,397,400
Net Unproved	1,404,300	5,223,800	6,628,100
Net Proved and Unproved	1,627,600	6,156,400	7,784,000

(1) Includes possible reserves for the Brea lease.

Economics for determined reserves in 2011 were formulated from market conditions that existed during the twelve months of the year. Product sale prices were calculated from applicable prices posted on the first day of the calendar months. Operating expenses were normalized for a twelve-month moving average. No consideration was given to potential future inflation of either product sale prices or costs relative to future operations. The present value of projected future net income was calculated at an annual discount rate of 10%. On this basis, discounted future net revenue to be derived from our proved developed and undeveloped crude oil and natural gas reserves was $40.0 million at December 31, 2011.

PREPARATION OF RESERVE ESTIMATES

We retained the services of Deloitte & Touche LLP (“AJM Deloitte”) of Calgary, Alberta, Canada to estimate the Company’s net share of proved and unproved reserves as of December 31, 2011. See AJM Deloitte’s report included with this Annual Report as Exhibit 99.2 for additional information. Proved reserve estimates are classified as either developed or undeveloped reserves. Unproved reserves are differentiated as probable reserves and possible reserves. The estimates were prepared according to the guidelines established by the SEC and the Financial Accounting Standards Board (“FASB”) for valuation of crude oil and natural gas reserves.

Proved reserves are those quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Projects to extract the hydrocarbons must have commenced, or the operator must be reasonably certain it will commence the projects within a reasonable time. Proved reserves are further classified as either developed or undeveloped. Proved developed reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Unproved reserves are differentiated according to reservoir characteristics and exhibited recovery from efforts analogous to the subject properties. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Likewise, probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Finally, possible reserves are those additional reserves that are less certain to be recovered than probable reserves. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

Engineering estimates of the quantities of proved reserves are inherently imprecise and represent only approximate amounts because of the judgments involved in developing such information.

PRODUCTION, AVERAGE SALES PRICES AND PRODUCTION COSTS

The following table sets forth our net production, average sales price and operating cost information for the years ended December 31, 2011 and 2010:

	Net Production Volumes (1)		Average Sale Price(2)		Average Operating
	Crude Oil (Bbl)	Natural Gas (Mcf)	Crude Oil ($/Bbl)	Natural Gas ($Mcf)	Cost ($/Boe)
Year ended December 31, 2011					
Claflin	6,262	-	$88.53	-	$87.51
Pleasant Valley	23,523	-	$70.79	-	$46.61
Other	-	32,047	-	$3.99	$25.03
Total	29,785	32,047	$74.52	$3.99	$51.65
Year ended December 31, 2010					
Claflin	4,151	-	$71.76	-	$77.01
Pleasant Valley	17,648	-	$65.47	-	$51.54
Other	2,760	28,822	$74.67	$4.16	$36.78
Total	24,559	28,822	$67.57	$4.16	$51.34

(1) Net production represents our share of crude oil and natural gas produced and sold excluding bbls of diluent purchased for Pleasant Valley.
(2) After the cost of diluent and transportation.

PRODUCTIVE WELLS AND ACREAGE

The following table sets forth information with respect to our producing wells, and developed and undeveloped acreage as of December 31, 2011:

	Producing Wells		Developed Acres		Undeveloped Acres		Total Acreage	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
Claflin	12.0	12.0	80.0	80.0	124.4	104.4	204.4	184.4
Pleasant Valley	7.0	1.8	261.0	65.3	271.7	50.5	532.7	115.8
Other	5.0	2.5	1,042.0	282.2	1,800.6	516.8	2,842.6	799.0
Total	24.0	16.3	1,383.0	427.5	2,196.7	671.7	3,579.7	1,099.2

(1) Gross wells or acreage represent the total number of producing wells or acreage in which we have a working interest.
(2) Net wells or acreage represent the total number of gross producing wells or acreage multiplied by the percentages of the working interests which we own.

All of our producing wells and acreage are located within California.

DRILLING ACTIVITY

The following table sets forth our drilling activities for the years ended December 31, 2011 and 2010:

	Development Wells		Exploratory Wells	
	Gross (1)	Net (2)	Gross (1)	Net (2)
Year ended December 31, 2011				
Claflin	8	8	-	-

Pleasant Valley	-	-	-	-
Other	-	-	-	-
Total	8	8	-	-
Year ended December 31, 2010				
Claflin	-	-	-	-
Pleasant Valley	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

(1) Gross wells represent the total number of wells in which we have a working interest.
(2) Net wells represent the number of wells multiplied by the percentages of the working interests which we own.

MINERAL PROPERTIES

Our minerals business primarily consists of holding two major precious minerals assets in the State of Alaska, which we refer to as the Richardson Project and Shorty Creek. We hold title to these properties and related mining claims, both through direct ownership and through leasing arrangements. In the past, we have generated revenues from pilot-scale mining projects and subcontracting exploration and business development projects. However, these precious metal properties will require substantial investment to discover and delineate sufficient mineral resources to justify any future commercial development. To date, we have realized no significant revenue from our mineral properties in Alaska and cannot predict when, if ever, we may see significant returns from our precious metal investments. Precious metals mining is highly labor- and capital-intensive; therefore, the cost of labor and equipment, maintenance expenses, royalties, and production taxes are expected to be the principal influences on our operating costs in this segment.

We held and maintained an industrial minerals property in the State of Alaska called the Admiral Calder Mine until its sale in December 2010 for $2.5 million in an all-cash transaction.

Shorty Creek: The Shorty Creek property is located in the Tolovana District about 65 miles northwest of Fairbanks, Alaska, along the paved, all-weather Elliot Highway that is the principal route used to access the North Slope petroleum production areas. Shorty Creek directly offsets, and is on trend with, International Tower Hill's ongoing exploration drilling program at its Livengood Gold Project. A historical resource estimate for International Tower Hill's Livengood Placer claims was completed by Alaska/Nevada Gold Mines Ltd., and a May 20, 2006 report was prepared. The report estimated a resource of approximately 5.2 million cubic yards of gold-bearing gravel at an average grade of 1.0 g/t gold in several defined areas within the Livengood Placer claims for a total gold resource of approximately 230,000 ounces in the Measured and Indicated resource categories.

In 2010, independent geological consulting firm, Avalon Development Corporation ("Avalon"), performed an evaluation of Shorty Creek and completed an NI 43-101 report, identifying a potentially large porphyry copper, gold, and molybdenum system on the Shorty Creek property. Avalon believes that the Shorty Creek Project porphyry system may cover an area approximately eight miles in diameter. (This report is available on Tri-Valley's website at: http://tri-valleycorp.com/mineral-projects/shorty-creek/). Avalon's report is based on updated and reinterpreted geological, geochemical, and geophysical data. Porphyry deposits generally contain large tonnages of copper, molybdenum, gold, and byproduct metals such as silver and palladium ore. On average, porphyry mineral systems are three to ten times greater in value than most intrusive related gold deposits.

In August 2011, we obtained and analyzed 73 soil and 5 rock samples in the Wilbur Creek area. Follow up exploration work will be conducted in the summer of 2012. We continue to seek a strategic partner to further exploration efforts on the Shorty Creek properties. There is no assurance that a commercially viable mineral deposit exists on this mineral property.

Richardson Project: The Richardson Project is located in the Richardson District, one of the most prospective and underexplored gold exploration districts in east-central Alaska. Our claims are located near the all-weather paved Richardson Highway, about 65 miles southeast of Fairbanks, Alaska, and just south of the nearby Trans-Alaska Pipeline corridor that provides access to our claims from the north.

The Richardson Project is an early-stage gold exploration project with past placer gold production and pilot-size lode gold production. Avalon evaluated the project and completed their NI 43-101 Report in April 2011 (This report is available on Tri-Valley's website at: http://tri-valleycorp.com/mineral-projects/richardson/). Geophysical and geochemical signatures are consistent with intrusion-related gold systems. Nine highly prospective zones have been identified in previous exploration programs carried out by us and previous owners.

In July 2011, Select and McEwen Mining Inc. (formerly known as US Gold Corporation ("McEwen Mining") entered into a four-year Exploration Lease with Option to Purchase Property and Form Joint Venture (the "Definitive Agreement") with respect to our Richardson property. Under the terms of the Definitive Agreement, McEwen Mining acquired an exploration lease for Richardson, along with an exclusive option to purchase a 60% interest in the project and the right to enter into a joint venture for its development. McEwen Mining's option to purchase a 60% interest in Richardson will vest upon completion of $5.0 million of exploration expenditures and 30,000 feet of core drilling during the term of the Definitive Agreement. McEwen Mining may terminate the Definitive Agreement after completing $2.2 million in exploration expenditures and performing 15,000 feet of core drilling at Richardson, which is required during the first two years of the Definitive Agreement. Should McEwen Mining elect to terminate the Definitive Agreement, we will retain its 100% interest in Richardson. We received the first option payment of $0.2 million upon execution of the Definitive Agreement on July 1, 2011, and will receive another $0.1 million upon reaching the first anniversary of the Definitive Agreement. We are also entitled to receive additional option payments of $0.1 million for each of the remaining two years of the exploration lease period if McEwen Mining exercises its option.

During the 2011 field season, McEwen Mining collected 1,507 power auger soil samples along with approximately 150 rock samples. Core drilling totaled 2,863 feet in 3 holes, from which 616 samples were collected and sent for laboratory analysis. In addition, 1,866 line-km of airborne magnetic and gamma-ray spectrometry geophysics were flown. The field program was suspended in early October 2011 due to the onset of winter, and is expected to resume in May 2012.

We anticipate that McEwen Mining’s plans for 2012 are to fulfill its obligation to drill the remaining 15,000 feet of core on the property and to conduct what follow up sampling and prospecting that time and budget will allow during the 2012 weather window.

OPUS Alleged Claims

As an additional inducement to settle the Alleged Claims with OPUS against us related to breaches of the governing OPUS partnership agreements, we have agreed in principle to assign to OPUS partial working interests in our undeveloped mineral properties which could be reassigned to us upon achieving successful implementation of the SAGD pilot program at Pleasant Valley, among other criteria. The specifics of our assignment are still being negotiated between us and the OSC.

ACREAGE

The following table sets forth the information regarding the acreage position of our mineral claims as of December 31, 2011:

	Undeveloped Acres	
	Gross (1)	Net (2)
Richardson	33,962	28,821
Shorty Creek	38,400	38,400
Total	72,362	67,221

(1) Gross acreage represents the total acreage in which we have a working interest.
(2) Net acreage represents the total acreage multiplied by the percentages of the working interests which we own.

ITEM 3. LEGAL PROCEEDINGS

Other than ordinary, routine litigation incidental to our business, we are involved in the following material litigation:

Hansen et al. v. Tri-Valley Corporation et al. , No. 56-2010-00373549-CU-OR-VTA, Superior Court, Ventura County, California

On May 11, 2010, plaintiffs filed a quiet title action against us and a group of lessors known as the "Scholle Heirs." On July 9, 2010, we and the Scholle Heirs filed a cross-complaint for quiet title. The cross-complaint sought to affirm the validity of the 50% mineral interest owned by the Scholle Heirs and to affirm the validity of the lease, while plaintiffs' complaint sought to extinguish the mineral interest of the Scholle Heirs and to terminate the lease.

On August 31, 2011, after submission of dueling summary judgment motions, the Court entered summary judgment against us and the Scholle Heirs on the title issue declaring that (i) the Scholle Heirs had no mineral rights in the Hansen property and (ii) the lease was not valid. This ruling was based on purchase documents from the 1970s. The purchase documents were previously unknown to us and not disclosed to us until late 2010. These purchase documents conflict with the publicly available title records that we relied on for acquiring the lease.

Following the Court's summary judgment decision, the key remaining issue was a slander of title claim previously filed by the plaintiffs against us and the Scholle Heirs, seeking monetary damages of up to $4.5 million as stated in their complaint. Before trial was to start on March 5, 2012, a mediation session was held on February 16, 2012, at which time the parties entered into a settlement agreement. Pursuant to the settlement agreement, we agreed to pay the plaintiffs the sum of $1.5 million in return for a mutual release that pertains to all claims asserted in the slander of title complaint and a dismissal of this lawsuit with prejudice. Payment of the settlement amount was made on April 3, 2012.

Pleasant Valley Ranch et al. v. Tri-Valley Corporation et al., No. 56-2011-00407515-CU-BC-VTA, Superior Court, Ventura County, California

On December 6, 2011, we were served with a lawsuit that was filed against us on November 29, 2011. The plaintiff is suing us for damages on the alleged grounds that, among other things, our oil and gas production operations caused contamination of soil and groundwater on the plaintiff's property and interfered with the sale of plaintiff's property. The plaintiff is seeking to recover damages of at least $8.0 million from us and to rescind our drill site surface lease. On January 25, 2012, we filed an answer to the complaint and also filed a cross-complaint. The parties are in the initial stages of discovery and management believes that we have meritorious defenses and we intend to vigorously defend the lawsuit. We are unable to predict the outcome of this complaint or what impact, if any, a negative outcome might have on our consolidated financial position, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

Our common stock trades on the NYSE Amex, LLC, under the ticker symbol "TIV". The following table reflects the high and low closing prices reported for each quarter during the years ended December 31, 2011 and 2010:

	2011		2010	
	High	Low	High	Low
Fourth Quarter	$0.23	$0.13	$0.99	$0.38
Third Quarter	$0.64	$0.18	$0.99	$0.51
Second Quarter	$0.83	$0.54	$2.15	$0.95
First Quarter	$0.74	$0.38	$2.24	$1.77

HOLDERS OF COMMON STOCK

As of April 2, 2012, there were approximately 700 shareholders of record of our common stock based upon the records of our transfer agent, which do not include beneficial owners of common stock whose shares are held in the names of various securities brokers, dealers and registered clearing companies.

DIVIDEND POLICY

We historically have paid no dividends, and at this time, we do not plan to pay any dividends in the immediate future. Any future cash dividends will depend on future earnings, capital requirements, our financial condition and other factors deemed relevant by our Board of Directors.

STOCK REPURCHASES

None.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth, for the Company's equity compensation plans, the number of options, warrants and restricted stock outstanding under such plans, the weighted-average exercise price of outstanding options, and the number of shares that remain available for issuance under such plans, as of December 31, 2011.

Plan Category	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 issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,010,500	$ 3.16	6,950,000
Equity compensation plans not approved by security holders (1)	1,260,000	$ 1.26	-

(1) Consists of warrants to purchase shares of common stock issued to former Company executives pursuant to executive retirement agreements.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and related notes included elsewhere in this Annual Report. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this Annual Report.

OVERVIEW

We operate as the parent company for our principal subsidiaries, Tri-Valley Oil & Gas Co., or TVOG, which explores for and produces oil and natural gas in California, and Select Resources Corporation, Inc., or Select, which holds and maintains two major mineral assets in the State of Alaska. Our reportable operating segments are Oil and Gas Operations and Minerals.

Oil and Gas Operations

Our oil and gas operations primarily consist of exploring and drilling for, and ultimately producing and selling, crude oil and natural gas. As a result, TVOG derives most of its principal revenue from crude oil and natural gas production. The profitability of our operations in any particular accounting period will be directly related to the realized prices of crude oil and natural gas sold, the type and volume of crude oil and natural gas produced, and the results of development and exploitation activities. Realized prices for natural gas will fluctuate from one period to another due to regional market conditions and other factors, while oil prices will be predominantly influenced by global supply and demand. The aggregate amount of crude oil and gas produced may fluctuate based on the success of development and exploitation of oil and gas reserves pursuant to current reservoir management. We benefit from lower natural gas prices as we are a consumer of natural gas in our California operations. The cost of natural gas used in our steaming operations, production rates, labor, equipment costs, maintenance expenses, and production taxes are expected to be the principal influences on operating costs. Accordingly, our results of operations may fluctuate from period to period based on the foregoing principal factors, among others.

Minerals

Our minerals business primarily consists of holding two major minerals assets in the State of Alaska, which we refer to as the Richardson Project and Shorty Creek. Select holds title to these properties and related mining claims, both through direct ownership and through leasing arrangements. In the past, we have generated revenues from pilot-scale mining projects and subcontracting exploration and business development projects. However, these precious metal properties will require substantial investment to discover and delineate sufficient mineral resources to justify any future commercial development. To date, we have realized no significant revenue from our mineral properties in Alaska and cannot predict when, if ever, we may see significant returns from our precious metal investments. Precious metals mining is highly labor- and capital-intensive; therefore, the cost of labor and equipment, maintenance expenses, royalties, and production taxes are expected to be the principal influences on our operating costs in this segment.

OVERVIEW OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Unless otherwise indicated, our discussion of the results of operations for the year ended December 31, 2011, is based on a comparison with the year ended December 31, 2010.

The following quantifies year-over-year changes in the components of net losses between 2011 and 2010.

	2011	Change	2010
Cash items			
Oil and gas revenue	$ 2,347,368	$ 590,798	$1,756,570
Interest income and other revenue	267,939	169,049	98,890
Oil and gas production	(1,814,405)	(306,971)	(1,507,434)
Mining exploration	(90,711)	281,264	(371,975)
General and administrative	(6,841,752)	42,582	(6,884,334)

Exploration expense	(238,749)	(238,749)	-
Interest	(218,218)	82,305	(300,523)
Total cash items	(6,588,528)	620,278	(7,208,806)
Non-cash items			
Write off and impairment loss	(2,393,779)	(2,253,537)	(140,242)
Loss on settlement of claim	(1,500,000)	(1,500,000)	-
Depreciation, depletion and amortization	(683,530)	(113,510)	(570,020)
Stock-based compensation	(418,477)	1,427,776	(1,846,253)
Exploration expense (dry hole expense)	(123,653)	(123,653)	-
Interest (accretion of asset retirement obligations)	(16,395)	7,323	(23,718)
Loss on derivative instruments	-	1,846,611	(1,846,611)
Gain on sale of assets	44,335	(2,969,909)	3,014,244
Bad debt	-	44,391	(44,391)
Total non-cash items	(5,091,499)	(3,634,508)	(1,456,991)
Net loss	$(11,680,027)		