TRI VALLEY CORP
Form 10-Q/A
November 17, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the Quarterly Period Ended September 30, 2010 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 Number)

4550 California Avenue, Suite 600, Bakersfield, California 93309
(Address of Principal Executive Offices)

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

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 filing requirements 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

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

As of November 1, 2010, the Registrant had 38,191,985 shares of common stock ($0.001 par value) and 355,000 shares of Series A preferred stock ($0.001 par value) outstanding.

EXPLANATORY NOTE

This Quarterly Report on Form 10-Q/A amends the quarterly report on Form 10-Q for the period ended September 30, 2010, originally filed by Tri-Valley Corporation ("Company") with the Securities and Exchange Commission ("SEC") on November 3, 2010. The following items have been amended:

PART I—Item 1.	Consolidated Financial Statements
PART I—Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
PART I—Item 4.	Controls and Procedures
PART II—Item 6	Exhibits

As disclosed in a Current Report on Form 8-K the Company filed with the SEC on October 24, 2011, the Company determined on October 18, 2011 that the Company's previously filed 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, needed to be restated to correct 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, the accounting for incremental and direct costs incurred to issue common stock and the acquisition of assets from the TVC OPUS 1 Drilling Program, L.P. as further discussed below.

The Company performed a re-assessment of the valuation of common stock and warrants issued in connection with its April 2010 registered direct offering (see Part I, Item 1. Financial Statements, Note 5 – Stockholders' Equity) and concluded that the values assigned to the common stock and warrants issued were overstated by $6.5 million. The net proceeds from the registered direct offering of $4.6 million ($5.0 million gross proceeds less $0.4 million of stock issuance costs) should have been allocated to the common stock and each series of warrants issued based upon their relative values at the time of issuance. This decrease in the recorded values of the common stock and warrants resulted in a decrease of an equal amount in charges made to the results of operations for the nine-month period ended September 30, 2010 (i.e. a decrease in Warrant Expense of $6.1 million and a decrease in General and Administrative expense of $0.4 million).

The Company performed a re-assessment of its accounting for the Series A, B and C warrants issued in connection with its April 2010 registered direct offering and concluded that the Series A and B Warrants were within the scope of Accounting Standards Codification 815-40, "Derivatives and Hedging – Contracts in Entity's Own Equity" ("ASC 815-40"), formerly Emerging Issues Task Force Issue No. 07-05, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock". ASC 815-40 states, among other things, that contingent and other adjustment features in equity-linked financial instruments are consistent with equity indexation if they are based on variables that would be inputs to a "plain vanilla" option or forward pricing model and they do not increase the settlement amount or the contract's exposure to those variables. The Company's Series A and B warrants issued in April 2010 are initially linked to the Company's own equity shares (i.e. exercise prices of $1.50 per share and $2.15 per share, respectively); however, the Series A and B warrant holders have protective pricing features, whereby the conversion price reset to the price per share received by the Company if the Company subsequently issued common stock at a price per share less than the $1.30 per share paid by the investors in connection with the April 2010 registered direct offering. Resetting the conversion price based on a price per share received from other sales of common stock is not an input to an option pricing model and thus the fair value of the Series A and B warrants are not linked to the Company's common stock. Accordingly, the Series A and B warrants should have been accounted for as derivative financial liabilities, measured at a fair value of $0.9 million at the date of issuance, with changes in fair

value recognized as a gain or loss for each reporting period thereafter. The Company recognized $0.4 million of losses on these derivative instruments for the nine-month period ended September 30, 2010. The Series C warrants do not have similar protective pricing features that are not linked to the Company's common stock and were appropriately accounted for in equity as originally reported.

The Company issued warrants to certain former executives in connection with their retirement agreements as further detailed in Part I, Item 1. Financial Statements, Note 6 – Stock-Based Compensation. The Company charged the fair market value on the date of issuance of these warrants to Warrant Expense in the results of operations for the nine-month period ended September 30, 2010. The $1.2 million previously reported as Warrant Expense associated with these warrants has been reclassified to Stock-Based Compensation in the results of operations for the nine-month period ended September 30, 2010 as part of the amendments in this Form 10-Q/A.

The Company performed an analysis of equipment in service on its Claflin property. It was determined that a steam generator with a fair value of $0.6 million was acquired from the TVC OPUS 1 Drilling Program, L.P. in the second quarter of 2010 which had not been recognized in the Company's consolidated financial statements. The correction of this acquisition of equipment is included as part of the amendments in this form 10-Q/A.

The following tables show the effects of the restatement on the Company's Condensed Consolidated Balance Sheet as of September 30, 2010 and Condensed Consolidated Statement of Operations and Condensed Consolidated Statement of Cash Flows for the nine-month period ended September 30, 2010:

CONDENSED CONSOLIDATED BALANCE SHEET	As of September 30, 2010	
	As Previously Reported	As Restated
Current Assets		
Accounts Receivable from Joint Venture Partners - Net	4,842,234	4,279,734
Total Current Assets	6,452,397	5,889,897
Property and Equipment - Net		
Other Property and Equipment	4,585,186	5,147,686
Non-Current Liabilities		
Derivative Financial Instruments	-	1,366,565
Total Non-Current Liabilities	2,285,514	3,652,079
Total Liabilities	8,492,818	9,859,383
Stockholders' Equity		
Capital in Excess of Par Value	61,655,513	58,546,076
Warrants (previously reported as Additional Paid in Capital - Warrants)	6,110,602	1,842,253
Accumulated Deficit	(64,507,990)	(58,496,769)
Total Stockholders' Equity	5,923,974	4,557,409

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS	For the Nine Months Ended September 30, 2010	
	As Previously Reported	As Restated
Costs and Expenses		
General and Administrative	5,586,829	5,213,330
Warrant Expense	7,238,857	-
Stock-Based Compensation (previously reported as Stock Option Expense)	250,446	1,412,695
Derivative Instruments Loss	-	438,886
Total Costs and Expenses	15,033,717	9,022,496
Loss Before Minority Interest	(12,050,325)	(6,039,104)
Net Loss	(12,050,325)	(6,039,104)
Basic Loss Per Common Share	$(0.33)	$(0.17)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	For the Nine Months Ended September 30, 2010	
	As Previously Reported	As Restated
Cash Flows from Operating Activities		
Net Loss	(12,050,325)	(6,039,104)
Stock-Based Compensation (previously reported as Stock Options)	250,446	1,412,695
Warrant Expense	7,238,857	-
Unrealized Loss on Derivative Instruments	-	438,886
Net Cash Used by Operating Activities	(7,153,289)	(6,779,790)
Cash Flows from Investing Activities		
Capital Expenditures	(1,032,381)	(1,594,881)
Decrease in Accounts Receivable from Joint Venture Partners	-	562,500
Cash Flows from Financing Activities		
Net Proceeds from the Issuance of Common Stock	5,415,879	5,042,380
Net Cash Provided by Financing Activities	5,070,954	4,697,455

Except as described above, no other amendments are being made to the disclosures presented in the original Form 10-Q. This amended Form 10-Q/A does not reflect events occuring after the filing of the original Form 10-Q, or modify or update the disclosures contained therein in any other way other than as required to reflect the amendments discussed above. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q with the SEC on November 3, 2010.

TRI-VALLEY CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRI-VALLEY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	September 30, 2010 (Restated)	December 31, 2009
Current Assets		
Cash	$235,551	$290,926
Accounts Receivable - TVOG Production Accrual	650,725	33,623
Accounts Receivable - Trade	-	63,151
Prepaid Expenses	595,628	16,889
Accounts Receivable from Joint Venture Partners - Net	4,279,734	1,432,785
Accounts Receivable - Other	128,259	25,717
Total Current Assets	5,889,897	1,863,091
Property and Equipment - Net		
Proved Properties	25,265	25,265
Unproved Properties	1,738,370	1,551,998
Rig	1,013,157	1,132,847
Other Property and Equipment	5,147,686	5,470,295
Total Property and Equipment - Net	7,924,478	8,180,405
Other Assets		
Deposits	365,919	172,913
Investments in Joint Venture Partnerships	24,084	17,400
Goodwill	212,414	212,414
Other	-	13,800
Total Other Assets	602,417	416,527
Total Assets	$14,416,792	$10,460,023

The accompanying Notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

TRI-VALLEY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS EQUITY

	September 30, 2010 (Restated)	December 31, 2009
Current Liabilities		
Notes Payable	$229,796	$439,482
Trade - Accounts Payable and Accrued Expenses	5,977,508	5,962,774
Non-Trade Accounts Payable	-	850,000
Total Current Liabilities	6,207,304	7,252,256
Non-Current Liabilities		
Asset Retirement Obligation	1,002,304	351,013
Long Term Portion of Notes Payable	1,283,210	1,395,649
Derivative Financial Instruments	1,366,565	-
Total Non-Current Liabilities	3,652,079	1,746,662
Total Liabilities	9,859,383	8,998,918
Stockholders' Equity		
Series A Preferred Stock – 10% Cumulative, $0.001 par, $10.00 liquidation value: 20,000,000 shares authorized; 335,000 outstanding	355	-
Common Stock, $001 par value; 100,000,000 shares authorized; 38,191,985* and 33,190,462 outstanding at September 30, 2010 and December 31, 2009, respectively.	38,191	33,190
Less: Common Stock in Treasury, at cost; 120,025 shares	(38,370)	(13,370)
Capital in Excess of Par Value	58,546,076	51,469,228
Warrants	1,842,253	-
Additional Paid in Capital – Stock Options	2,665,673	2,429,722
Accumulated Deficit	(58,496,769)	(52,457,665)
Total Stockholders' Equity	4,557,409	1,461,105
Total Liabilities Stockholders' Equity	$14,416,792	$10,460,023

* As of September 30, 2010, Tri-Valley Corporation had received subscriptions to purchase an additional 94,790 shares, which had not been accepted because required subscription documents had not been received from the subscribers, and the necessary stock exchange approval has not been received.

The accompanying Notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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TRI-VALLEY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010 (Restated)	2009	2010 (Restated)	2009
Revenues				
Sale of Oil and Gas	$ 447,473	$ 373,887	$ 1,368,462	$ 991,580
Gain (Loss) on Sale of Asset	(85,760)	-	1,587,732	-
Partnership Income	4,371	-	12,181	30,033
Other Income	1,453	76,404	9,608	282,212
Interest Income	3,390	-	5,409	15,950
Total Revenues	$ 370,927	$ 450,291	$ 2,983,392	$ 1,319,775
Costs and Expenses				
Production Costs	$ 381,674	$ 529,423	$ 914,228	$ 1,588,269
Mining Exploration Expenses	118,259	197,952	342,648	315,104
Depletion, Depreciation, and Amortization	180,171	445,369	514,463	1,340,931
Bad Debt Expense	44,391	-	44,391	53,980
Interest Expense	85,995	40,294	141,855	138,040
General and Administrative	1,783,521	1,973,444	5,213,330	5,916,172
Derivative Instruments (Gain) Loss	(774,681)	-	438,886	-
Stock-Based Compensation	198,756	-	1,412,695	-
Total Costs and Expenses	$ 2,018,086	$ 3,186,482	$ 9,022,496	$ 9,352,496
Loss Before Minority Interest	$ (1,647,159)	$ (2,736,191)	$ (6,039,104)	$ (8,032,721)
Minority Interest	-	(10,128)	-	(63,530)
Net Loss	$ (1,647,159)	$ (2,726,063)	$ (6,039,104)	$ (7,969,191)
Basic Net Loss Per Share:				
Loss from Operations	$ (0.04)	$ (0.09)	$ (0.17)	$ (0.28)
Basic Loss Per Common Share	$ (0.04)	$ (0.09)	$ (0.17)	$ (0.28)
Weighted Average Number of Shares Outstanding	38,088,543	28,884,999	36,082,981	28,249,933
Weighted Potentially Dilutive Shares Outstanding	43,787,127	31,572,026	39,736,810	30,836,180

No dilution is reported since Net Income is a loss per ASC 260

The accompanying Notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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TRI-VALLEY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2010 (Restated)	2009
Cash Flows from Operating Activities		
Net Loss	$ (6,039,104)	$ (7,969,191)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities		
Depreciation, Depletion, and Amortization	514,463	1,340,931
Minority Interest	-	(63,530)
Unrealized Loss on Derivative Instruments	438,886	-
Stock Based Compensation	1,412,695	423,484
(Gain) or Loss on Sale of Property	(1,587,732)	-
Bad Debt Expense	44,391	53,980
Director Compensation	95,400	-
Changes in Operating Capital		
(Increase) or Decrease in Total Accounts Receivable	(700,885)	131,329
(Increase) or Decrease in Total Other Assets	(764,629)	(423,514)
Increase or (Decrease) in Accounts Payable, Deferred Revenue, and Accrued Expenses	(835,266)	2,925,398
Increase or (Decrease) in Accounts Payable to Joint Venture Partners and Related Parties	-	(912,173)
(Increase) or Decrease in Accounts Receivable from Joint Venture Partners	641,991	2,878,600
Net Cash Used by Operating Activities	$ (6,779,790)	$ (1,614,686)
Cash Flows from Investing Activities		
Proceeds from the Sale of Property	3,059,341	-
Capital Expenditures	(1,594,881)	(480,720)
Decrease in Accounts Receivable from Joint Venture Partners	562,500	-
Net Cash Provided by Investing Activities	$ 2,026,960	$ (480,720)
Cash Flows from Financing Activities		
Principal Payments on Long-Term Debt	(322,125)	(188,967)
Net Proceeds from the Issuance of Stock Options	2,200	-
Net Proceeds from the Issuance of Common Stock	5,042,380	2,241,148
Sale or (Purchase) of Treasury Stock	(25,000)	-
Net Cash Provided by Financing Activities	$ 4,697,455	$ 2,052,181
Net Decrease in Cash and Cash Equivalents	(55,375)	(43,225)
Cash and Cash Equivalents at Beginning of Period	290,926	2,000,787

Cash and Cash Equivalents at End of Period	$ 235,551	$ 1,957,562
Supplemental Schedule of Noncash Transactions		
Issuance of Preferred Stock Upon Conversion of Note Payable	$850,000	$-
Issuance of Preferred Stock Upon Conversion of Interest in Great Valley Production Services, LLC	$2,700,000	$-

The accompanying Notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

TRI-VALLEY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
September 30, 2010, and 2009
(Unaudited)

NOTE 1 - DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

Tri-Valley Corporation ("Tri-Valley", "TVC", or "the Company") is a Delaware corporation which currently conducts its operations through five wholly-owned subsidiaries. TVC's principal offices are located at 4550 California Avenue, Suite 600, Bakersfield, California 93309. Our telephone number is: (661) 864-0500.

The Company's five subsidiaries are:

- Tri-Valley Oil & Gas Co. ("TVOG") — conducts our hydrocarbon (crude oil and natural gas) business. TVOG derives its revenue from oil and natural gas production.

- Select Resources Corporation, Inc. ("Select") — holds and maintains our precious metals and industrial minerals business. Select holds and develops three major mineral assets in the State of Alaska.

- Great Valley Production Services, LLC ("GVPS") — conducts our oil production services, well workover services, and the business of refurbishment of oilfield equipment.

- Great Valley Drilling Company, LLC ("GVDC") — formed to own and operate a geothermal and oil drilling rig in the State of Nevada.

- Tri-Valley Power Corporation — is inactive at the present time.

Tri-Valley's businesses are organized into four operating segments:

- Oil and Gas Operations — This segment represents our oil and gas business. During the first nine months of 2010, this segment generated virtually all of the Company's revenues from operations.

- Rig Operations — This segment consists of drilling rig operations.

- Minerals — This segment represents our precious metal and industrial mineral prospects. In the past, it has generated revenues from pilot-scale mining projects and subcontracting exploration and business development projects. This segment holds title to land or leases in the State of Alaska.

- Drilling and Development — This segment includes revenue received from crude oil and natural gas drilling and development operations performed for joint venture partners.

BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of

results for the interim periods. The results of operations for the nine-month period ended September 30, 2010, are not necessarily indicative of the results to be expected for the full year.

NOTE 1 - DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (Continued)

The accompanying condensed consolidated financial statements do not include footnotes and certain financial presentations normally required under accounting principles generally accepted in the United States of America; and, therefore, should be read in conjunction with our Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 29, 2010, for the year ended December 31, 2009.

Principles of Consolidation

The condensed onsolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, TVOG, Select, GVPS, GVDC, and Tri-Valley Power Corporation. Other partnerships in which the Company has an operating or nonoperating interest, but in which the Company is not the primary beneficiary and owns less than 51%, are proportionately combined. These include the TVC OPUS 1 Drilling Program, L.P., Martins-Severin, Martins-Severin Deep, and Tri-Valley Exploration 1971-1 Partnership. All material intercompany accounts and transactions have been eliminated in combination and consolidation.

Reclassification

Certain reclassifications have been made to the prior year financial statements to be in conformity with fiscal year 2010 presentation. Those reclassifications consisted of netting Accounts Receivable from Joint Venture Partners in Current Assets against Accounts Payable to Joint Venture Partners in Current Liabilities. At September 30, 2010, the Company had net Accounts Receivable from Joint Venture Partners.

In the Company's Consolidated Statement of Operations, Revenues from the Sale of Oil and Gas for the third quarters of 2010 and 2009, as well as, the first nine months of both years, are reflected net of the diluent used to reduce the viscosity of our crude oil and increase the API gravity of the resulting blend, as per industry practice. Likewise, Production Costs for the same periods have been stated net of the cost of the purchased diluent and associated transportation costs.

Finally, in Note 7 – Financial Information Relating to Industry Segments, we have eliminated Non-Segmented Items' allocation of Total Assets at September 30, 2010, and December 31, 2009.

NOTE 2 - RESTATEMENT

As disclosed in a Current Report on Form 8-K the Company filed with the SEC on October 24, 2011, the Company's Audit Committee determined on October 18, 2011 that the Company's previously filed 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, needed to be restated to correct 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 and the accounting for incremental and direct costs incurred to issue common stock as further discussed below.

The Company performed a re-assessment of the valuation of common stock and warrants issued in connection with its April 2010 registered direct offering (see Part I, Item 1. Financial Statements, Note 5 – Stockholders Equity) and concluded that the values assigned to the common stock and warrants issued were overstated by $6.5 million. The net proceeds from the registered direct offering of $4.6 million ($5.0 million gross proceeds less $0.4 million of stock

issuance costs) should have been allocated to the common stock and each series of warrants issued based upon their relative values at the time of issuance. This decrease in the recorded values of the common stock and warrants resulted in a decrease of an equal amount in charges made to the results of operations for the nine-month period ended September 30, 2010 (i.e. a decrease in Warrant Expense of $6.1 million and a decrease in General and Administrative expense of $0.4 million).

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NOTE 2 - RESTATEMENT (Continued)

The Company's Series A and B warrants issued in April 2010 are initially linked to the Company's own equity shares (i.e. exercise prices of $1.50 per share and $2.15 per share, respectively); however, the Series A and B warrant holders have protective pricing features, whereby the conversion price reset to the price per share received by the Company if the Company subsequently issued common stock at a price per share less than the $1.30 per share paid by the investors in connection with the April 2010 registered direct offering. Resetting the conversion price based on a price per share received from other sales of common stock is not an input to an option pricing model and thus the fair value of the Series A and B warrants are not linked to the Company's common stock. Accordingly, the Series A and B warrants should have been accounted for as derivative financial liabilities, measured at a fair value of $0.9 million, with changes in fair value recognized as a gain or loss for each reporting period thereafter. The Company recognized $0.4 million of losses on these derivative instruments for the nine-month period ended September 30, 2010. The Series C warrants do not have similar protective pricing features that are not linked to the Company's common stock and were appropriately accounted for in equity as originally reported.

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NOTE 2 - RESTATEMENT (Continued)

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Loss Before Minority Interest	(12,050,325)	(6,039,104)
Net Loss	(12,050,325)	(6,039,104)
Basic Loss Per Common Share	$(0.33)	$(0.17)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	For the Nine Months Ended September 30, 2010	
	As Previously Reported	As Restated
Cash Flows from Operating Activities		
Net Loss	(12,050,325)	(6,039,104)
Stock-Based Compensation (previously reported as Stock Options)	250,446	1,412,695
Warrant Expense	7,238,857	-
Unrealized Loss on Derivative Instruments	-	438,886
Net Cash Used by Operating Activities	(7,153,289)	(6,779,790)
Cash Flows from Operating Activities		
Capital Expenditures	(1,032,381)	(1,594,881)
Decrease in Accounts Receivable from Join Venture Partners	-	562,500
Cash Flows from Financing Activities		
Net Proceeds from the Issuance of Common Stock	5,415,879	5,042,380
Net Cash Provided by Financing Activities	5,070,954	4,697,455

NOTE 3 – PER SHARE COMPUTATIONS

Per share computations are based upon the weighted-average number of common shares outstanding during each period reported. As there were net losses at September 30, 2010, and 2009, common stock equivalents are not included in the computations, as their inclusion would be anti-dilutive.

NOTE 4 - SUMMARY OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-03, “Oil and Gas Reserve Estimation and Disclosures.” This ASU amends the FASB’s Accounting Standards Codification (“ASC”) Topic 932, “Extractive Activities-Oil and Gas” to align the accounting requirements of Topic 932 with the U.S. Securities and Exchange Commission’s final rule, “Modernization of the Oil and Gas Reporting Requirements” issued on December 31, 2008. In summary, the revisions in ASU 2010-03 modernize the disclosure rules to better align with current industry practices and expand the disclosure requirements for equity method investments so that more useful information is provided. More specifically, the main provisions include the

following:

NOTE 4 - SUMMARY OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

- An expanded definition of oil and gas producing activities to include nontraditional resources such as bitumen extracted from oil sands.
- The use of an average of the first-day-of-the-month price for the 12-month period, rather than a year-end price for determining whether reserves can be produced economically.
- Amended definitions of key terms such as “reliable technology” and “reasonable certainty” which are used in estimating proved oil and gas reserve quantities.
- A requirement for disclosing separate information about reserve quantities and financial statement amounts for geographical areas representing 15 percent or more of proved reserves.
- Clarification that an entity’s equity investments must be considered in determining whether it has significant oil and gas activities and a requirement to disclose equity method investments in the same level of detail as required for consolidated investments.

This ASU is effective for annual reporting periods ended on or after December 31, 2009, and it requires (1) the effect of the adoption to be included within each of the dollar amounts and quantities disclosed, (2) qualitative and quantitative disclosure of the estimated effect of adoption on each of the dollar amounts and quantities disclosed, if significant and practical to estimate and (3) the effect of adoption on the financial statements, if significant and practical to estimate. Adoption of these requirements did significantly impact our reported reserves.

NOTE 5 – STOCKHOLDERS’ EQUITY

Common Stock

During the third quarter of 2010, 841,981 shares were issued to two institutional investors that exercised Series C Warrants purchased under the terms of a Securities Purchase Agreement the Company executed on April 6, 2010, in a registered direct offering of $5.0 million of its common stock and warrants. As of September 30, 2010, the Company had received subscriptions to purchase an additional 94,790 shares, which had not been accepted because required subscription documents had not been received from the subscribers, and the necessary stock exchange approval has not been received. There was no stock issuance cost for the third quarter of 2010.

Preferred Stock

During the third quarter of 2010, the Company issued 355,000 shares of restricted Series A preferred stock to the Company’s Chairman of the Board, G. Thomas Gamble, in exchange for outstanding obligations from the Company to Mr. Gamble. The obligations exchanged included a note payable of $0.9 million from the Company resulting from an advance by Mr. Gamble in December 2009 and the previous acquisition of membership interests in GVPS for consideration of $2.7 million, for a total of $3.6 million. The exchange was the result of a privately negotiated transaction in reliance on the exemption from registration requirements contained in Regulation D, Rule 506, and Section 4(2) of the Securities Act of 1933.

Warrants

On April 6, 2010, the Company executed a Securities Purchase Agreement with a group of institutional investors to purchase $5.0 million of the Company’s common stock and warrants in a registered direct offering of securities. Roth Capital Partners, LLC, acted as financial advisor to the Company in this transaction. For additional information regarding the transaction, please refer to our Forms 8-K/A and 8-K, Section 1 – Registrant’s Business and Operations, Item 1.01 Entry into a Material Definitive Agreement , filed with the U.S. Securities and Exchange Commission on April 7, 2010, and April 6, 2010, respectively.

The registered direct offering of securities closed on April 8, 2010. Under the terms of the definitive agreements, the investors purchased 3,846,157 shares of Tri-Valley's common stock at $1.30 per share, for a total of $5.0 million in gross proceeds ($4.6 million net proceeds after share issuance costs), and received warrants to purchase up to 2,307,696 shares (the "Warrants") in the aggregate. The Warrants included Series A Warrants to purchase up to 1,153,848 shares of common stock at $1.50 per share for five years and Series B Warrants to purchase up to 1,153,848 shares of common stock at $2.14 per share for seven years. Subject to certain limitations, the Company was also obligated to issue to the investors Series C Warrants for the purchase of up to 2,403,846 additional shares pursuant to certain purchase price adjustments on July 2, 2010, and on December 1, 2010, that might occur, dependent upon the then current price of the Company's common stock in relation to the original issue price. All of such Warrants contained customary adjustments for corporate events such as reorganizations, splits, dividends. The exercise prices of the Series A and B Warrants were subject to anti-dilution adjustments in the event of additional issuances of common stock below the exercise price then in effect. As mentioned in Part I, Item 1. Financial Statements, Note 2 – Restatement, the Series A and B Warrants are considered to be derivative financial liabilities and the Series C Warrants are considered to be an equity instrument in accordance with ASC 815-40.

NOTE 5 – STOCKHOLDERS' EQUITY (Continued)

The Warrants were valued on the date of issuance with the Black-Scholes option-pricing model using a risk-free interest rate of 2.7% to 3.4%, a volatility factor of 148%, a dividend yield of 0%, a term of five to seven years and at a current price of the underlying common shares of $1.32 per share. The 3,846,157 shares of common stock were valued at the volume weighted average closing price per share for the five trading days immediately prior to the effective date of the Securities Purchase Agreement. The net proceeds of the transaction were allocated to each series of Warrants and to the common stock issued based on their respective fair values which resulted in credits to Warrants of $1.0 million for the net proceeds allocated to the Series C Warrants, Derivative Financial Instruments of $0.9 million for the net proceeds allocated to the Series A and B Warrants and Capital in Excess of Par Value of $2.7 million for the net proceeds allocated to the common shares.

For the third quarter of 2010, the Company recognized $0.8 million of derivative instrument gains ($0.4 million of derivative instrument losses for the nine-month period ended September 30, 2010) related to the changes in fair values of the Series A and B Warrants. The changes in fair values of the Series A and B Warrants for the third quarter of 2010 were calculated with the Black-Scholes option-pricing model using a risk-free rate of 1.4% to 2.0%, a volatility factor of 153%, a dividend yield of 0%, a term of 4.5 to 6.5 years and at a current price of underlying common shares of $1.02 per share.

NOTE 6 - STOCK-BASED COMPENSATION

For the nine-month period ended September 30, 2010, the Company issued warrants to a former executive in connection with a retirement agreement. The Company charged the fair market value on the date of issuance of these warrants to Warrant Expense in the results of operation. The $1.2 million previously reported as Warrant Expense associated with these warrants has been reclassified to Stock-Based Compensation in the results of operation as part of the amendments in this Form 10-Q/A.

For further information regarding Stock-Based Compensation Expense, please refer to Note 2 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009.

NOTE 7 - FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS

The Company reports operating segments according to ASC 280, "Disclosure about Segments of an Enterprise and Related Information."
The Company identifies four principal, operating industry segments as described in Note 1 – Description of Business and Basis of Presentation, page 6.

The following table sets forth our Revenues by operating segment for the third quarters ended September 30, 2010, and 2009, and the nine months ended September 30, 2010, and 2009, in millions of U.S. Dollars:

	For Three Months Ended September 30, 2010	For Three Months Ended September 30, 2009	For Nine Months Ended September 30, 2010	For Nine Months Ended September 30, 2009
Revenues				
Oil and Gas Operations	$0.40	$0.40	$1.40	$1.00
Rig Operations	-	-	-	-
Minerals	-	-	-	-

Non-Segmented Items	-	-	1.60	0.30
Consolidated Revenues	$0.40	$0.40	$3.00	$1.30

NOTE 7 - FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS (Continued)

The following table sets forth our Operating Loss by segment for the third quarters ended September 30, 2010, and 2009, and the nine months ended September 30, 2010, and 2009, in millions of U.S. Dollars:

	For Three Months Ended September 30, 2010	For Three Months Ended September 30, 2009	For Nine Months Ended September 30, 2010	For Nine Months Ended September 30, 2009
Operating Income (Loss)				
Oil and Gas Operations	$-	$(1.90)	$0.40	$(2.90)
Rig Operations	-	(0.10)	(0.30)	(0.60)
Minerals	(0.20)	(0.30)	(0.50)	(0.60)
Non-Segmented Items	(1.40)	(0.40)	(5.60)	(3.80)
Total Loss	$(1.60)	$(2.70)	$(6.00)	$(7.90)

The following table summarizes our total assets, in millions of U.S. Dollars, at September 30, 2010, and December 31, 2009:

Total Assets	September 30, 2010	December 31, 2009
Oil and Gas Operations	$11.50	$7.20
Rig Operations	1.40	1.70
Minerals	1.40	1.40
Drilling and Development	0.10	0.20
Consolidated Total Assets	$14.40	$10.50

NOTE 8 - GOING CONCERN

The Company had a cash balance of $0.2 million at September 30, 2010, as compared with $0.3 million at December 31, 2009. Total Current Assets increased $4.0 million from $1.9 million at December 31, 2009, to $5.9million at September 30, 2010. Total Current Liabilities decreased from $7.3 million at the end of 2009 to $6.2 million at September 30, 2010, a decrease of $1.1 million. See Note 11 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009, for additional discussion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent on raising additional capital; however, certain factors, such as the economic climate and interest rates, which directly affect the supply of capital, are beyond the Company's control. As such, the Company has no certainty that capital will be available when needed; and these conditions raise substantial doubt about its ability to continue as a going concern.

In December 2009 and again in July 2010, the Company engaged the services of an investment banking firm to act as financial advisor for Tri-Valley Corporation. During fiscal year 2010, the Company intends to market securities in discreet tranches or offerings with an aggregate value of up to $15 million. The Company closed its first tranche for $5.0 million on April 8, 2010. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 9 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the third quarter of 2010, the Company issued 355,000 shares of restricted Series A preferred stock to the Company's Chairman of the Board, G. Thomas Gamble, in exchange for outstanding obligations from the Company to Mr. Gamble. The obligations exchanged included a note payable of $0.9 million from the Company resulting from an advance by Mr. Gamble in December 2009 and the previous acquisition of membership interests in GVPS for consideration of $2.7 million for a total of $3.6 million. The exchange was the result of a privately negotiated transaction in reliance on the exemption from registration requirements contained in Regulation D, Rule 506, and Section 4(2) of the Securities Act of 1933.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Notice Regarding Forward-Looking Statements

This Report contains forward-looking statements. The words, "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "could," "may," "foresee," and similar expressions are intended to identify forward-looking statements. These statements include information regarding expected development of the Company's business, financing activities, relationship with customers, and developments in the oil and gas industry. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated, or otherwise indicated.

The following is management’s discussion and analysis of certain significant factors that have affected aspects of our financial position and the results of operations during the periods included in the accompanying unaudited Consolidated Financial Statements. You should read this in conjunction with the discussion under “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and our audited Financial Statements for the year ended December 31, 2009, included in our Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 29, 2010, and the unaudited Condensed Consolidated Financial Statements included elsewhere in this Report.

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 natural gas produced may fluctuate based on the success of development and exploitation of oil and natural 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 our operating costs. Accordingly, our results of operations may fluctuate from period to period based on the foregoing principal factors, among others.

Notable Third Quarter Items:

- Expanded 30-day steam cycles on two of the three remaining oil wells at our Pleasant Valley project
- Completed the initial steam cycle on the fourth oil well at our Claflin property
- Recompleted the Tilgreut Lease Number 1-18 at our Moffat Ranch property; unfortunately, the zone was non-commercial
- Hired a senior operations engineer with Steam Assisted Gravity Drainage (SAGD) experience for our Pleasant Valley operations

Notable Items and Expectations for the Fourth Quarter of 2010 and the First Quarter of 2011:

Closing the balance of our planned $10.0 million financing for fiscal year 2010
Completing the 30-day steam cycles on the last remaining oil well at our Pleasant Valley project
Converting an existing vertical well to salt water disposal well at our Pleasant Valley project
Recommending a development and financing plan for the Pleasant Valley project with the Advisory Committee of partners who own or control a majority interest of the TVC OPUS 1 Drilling Program, L.P.
Designing and constructing an additional steam generator for our Claflin cyclic steaming operation
Initiating the drilling of up to five new wells at our Claflin property

Initiating the natural gas pipeline connection at our Claflin property

RESULTS OF OPERATIONS

As discussed in Part I, Item 1. Financial Statements, Note 2- Restatement, the Company restated its financial statements for the three and nine-month periods ended September 30, 2010. Management's discussion of the results of operations which follows reflect the restatement where applicable. The Company is also including Results of Operations for the nine months ended September 30, 2010, compared with the nine months ended September 30, 2009.

For The Three Months Ended September 30, 2010, Compared With The Three Months Ended September 30, 2009:

For the quarter ended September 30, 2010, Total Revenues were $0.4 million, compared with approximately the same figure for the third quarter of 2009. An adjustment of $0.1 million was made during the third quarter of 2010 to reduce Gain on Sale of Asset, recorded during the second quarter of the year, to reflect expenses incurred, subsequent to the sale. The Company had an Operating Loss of $1.6 million in the third quarter of 2010, compared with an Operating Loss of $2.7 million in the third quarter of 2009.

Total Costs and Expenses for the three months ended September 30, 2010 were $2.0 million, compared to $3.2 million for the same period in 2009. The decrease of $1.2 million was primarily attributable to reductions in Mining Exploration Expense, Production Costs, General and Administrative, Depreciation and Amortization of $0.7 million offset by increases in Interest Expense, Stock-Based Compensation and Bad Debt of $0.3 million, and a $0.8 million gain from derivative instruments.

Revenues

The Company identifies reportable operating segments by the business or service provided. The Company also allocates interest income and expense; depletion, depreciation, and amortization; and other operating expenses in its measure of operating segment profit or loss. The following table sets forth our Revenues and changes in Revenues by segment for the third quarters of 2010 and 2009, in millions of U.S. Dollars:

	For Three Months Ended September 30,			
	2010	2009	Increase (Decrease)	Change %
Oil and Gas Operations	$ 0.40	$ 0.40	$ -	0%
Rig Operations	-	-	-	0%
Minerals	-	-	-	0%
Non-Segmented Items	-	-	-	0%
Total Revenues	$ 0.40	$ 0.40	$ -	0%

Operating Loss

The following table sets forth our Operating Loss and changes in Operating Loss by segment in the third quarters of 2010 and 2009, in millions of U.S. Dollars:

	For Three Months Ended September 30,			
	2010	2009	Increase (Decrease)	Change %
Oil and Gas Operations	$ -	$ (1.90)	$ (1.90)	100%

Rig Operations		-		(0.10)		(0.10)	100%
Minerals		(0.20)		(0.30)		(0.10)	33%
Non-Segmented Items		(1.40)		(0.40)		1.00	-250%
Total Loss	$	(1.60)	$	(2.70)	$	(1.10)	41%

RESULTS OF OPERATIONS (Continued)

Costs and Expenses

General and Administrative expenses were $1.8 million for the three months ended September 30, 2010, compared with $2.0 million for the three months ended September 30, 2009, a decrease of $0.2 million, primarily attributable to reductions in salaries and benefits between the two quarters. Reflecting management's focus on improving operating efficiency, Production Costs decreased $0.1million from the comparable quarter of 2009. Depletion, Depreciation, and Amortization decreased during the third quarter of 2010 by $0.3 million from the same period of 2009. The derivative instrument gain of $0.8 million for the three months ended September 30, 2010, is the result of a decrease in fair value of the Series A and B warrants during the third quarter of 2010 based on a fair value derived from the Black-Scholes options pricing model.

OIL AND GAS OPERATIONS

Oil and Gas Operations Revenues during the third quarter of 2010 were $0.4 million and, effectively, unchanged from the third quarter of 2009. The Company expects that our Oil and Gas Operations should produce increasing revenues as a result of both increasing production and improved pricing. We expect the operating income of this segment to continue to improve throughout the balance of 2010 and into fiscal year 2011, as we continue to focus on reducing Production Costs. Oil and Gas Operations was the only operating segment of the Company to generate significant Revenues during the third quarter of 2010.

Oil and Gas Operations, effectively, broke even for the third quarter of 2010, versus an Operating Loss of $1.9 million for the comparable period of 2009. The reduction in the Operating Loss between the two quarters of $1.9 million was primarily attributable to higher crude oil prices, higher production volumes, and reduced Production Costs during the third quarter of 2010 as compared with the same quarter in the prior year.

The Company continues to focus development on its Pleasant Valley project in the Oxnard Field in California and on its Claflin property in the Edison Field located east of Bakersfield, California. As noted previously in Notable Third Quarter Items, the Company expanded 30-day steam cycles on two of the three remaining oil wells on its Pleasant Valley project and completed the initial steam cycle on the fourth oil well on its Claflin property during the third quarter of 2010.

RIG OPERATIONS

In 2006, we created two subsidiaries, Great Valley Production Services, LLC, and Great Valley Drilling Company, LLC. At September 30, 2010, both companies were wholly-owned by the Company and inactive. Our sole drilling rig remains idle, and we continue to explore its disposition.

MINERALS

Metals

During the third quarter of 2010, the price of gold rose from $1,244.00 per ounce at June 30, 2010, to $1,307.00 per ounce at September 30, 2010, on the London afternoon fix, and reached a record high during this period. The price of gold has risen approximately 25%, year to date in 2010, as market anticipation of further quantitative easing in the U.S. has undermined the U.S. Dollar and prompted investors to buy gold as a hedge against further currency depreciation. The Company continues to maintain a strong focus on its gold exploration properties in the State of

Alaska.

In November 2009, the Company retained the services of independent technical experts to produce Canadian National Instrument 43-101 Reports (NI 43-101), first on its Shorty Creek and second on its Richardson gold exploration projects in Alaska. The NI 43-101 Report for Shorty Creek was completed during the second quarter of 2010, and the 43-101 Report for Richardson is scheduled to commence during the fourth quarter of 2010. NI 43-101 Reports conform to a set of rules and guidelines for reporting and displaying information related to mineral properties and are relied upon to fairly indicate economic potential for listing on Canadian stock exchanges, as well as, for project financing in other venues. The NI 43-101 for the Shorty Creek Property was completed by independent geological consulting firm, Avalon Development Corporation, and identified a potentially large porphyry copper, gold, and molybdenum system with a core covering an area approximately eight miles in diameter.

RESULTS OF OPERATIONS (Continued)

Industrial Minerals

The Admiral Calder calcium carbonate quarry in Alaska, wholly owned and managed by our subsidiary company, Select, remained in a care-and-maintenance status during the first nine months of 2010. Select continued its market and operational assessment studies for the quarry's product. In that respect, we completed our internal mine and economic model and were contacted by three interested parties. Discussions are still progressing. The high-grade product is considered to be in the top one percent of high whiteness and high brightness calcium carbonate deposits in the world and one of the few deposits to be located directly on tidewater. On-site repair, maintenance and upgrade activities continued during the third quarter of 2010, as well as, a second site visit by an interested party.

NON-SEGMENTED ITEMS

Non-Segmented Items primarily include Derivative Instruments (Gain) Loss, Stock-Based Compensation, unallocated salaries, insurance expense, and Interest Expense. For the three month period ended September 30, 2010, the loss from Non-Segmented Items increased by $1.0 million to $1.4 million compared to $0.4 million for the same period in 2009. This increase was primarily due to a reallocation of General and Administrative expense, Interest Expense, and Stock-Based Compensation from the Oil and Gas Operations, Rig Operations, and Minerals operating segments to Non-Segmented Items in 2010 partially offset by a decrease in the fair value of the Series A and B warrants during the third quarter of 2010 based on a fair value derived from the Black-Scholes options pricing model resulting in a gain on derivative instruments of $0.8 million.

For The Nine Months Ended September 30, 2010, Compared With The Nine Months Ended September 30, 2009:

For the nine months ended September 30, 2010, Total Revenues were $3.0 million, compared with $1.3 million for the same period of 2009. The Company had an Operating Loss of $6.0 million for the nine months ended September 30, 2010, compared with an Operating Loss of $7.9 million for the same period of 2009.

Total Costs and Expenses for the nine months ended September 30, 2010 were $9.0 million, compared to $9.4 million for the same period in 2009. The decrease of $0.4 million was primarily attributable to reductions in Production Costs, General and Administrative, Depreciation and Amortization of $2.2 million partially offset by an increase in Stock-Based Compensation of $1.4 million plus a $0.4 million loss from derivative instruments.

Revenues

The Company identifies reportable operating segments by the business or service provided. The Company also allocates interest income and expense; depletion, depreciation, and amortization; and other operating expenses in its measure of operating segment profit or loss. The following table sets forth our Revenues and changes in Revenues by segment for the nine months ended September 30, 2010 and 2009, in millions of U.S. Dollars:

	For Nine Months Ended September 30,			
	2010	2009	Increase (Decrease)	Change %
Oil and Gas Operations	$ 1.40	$ 1.00	$ 0.40	40%
Rig Operations	-	-	-	0%
Minerals	-	-	-	0%
Non-Segmented Items	1.60	0.30	1.30	433%

Total Revenues	$ 3.00	$ 1.30	$ 1.70	131%

Operating Loss

The following table sets forth our Operating Loss and changes in Operating Loss by segment in the nine months ended September 30, 2010 and 2009, in millions of U.S. Dollars:

	For Nine Months Ended September 30,			
	2010	2009	Increase (Decrease)	Change %
Oil and Gas Operations	$0.40	$ (2.90)	$ 3.30	114%
Rig Operations	(0.30)	(0.60)	0.30	50%
Minerals	(0.50)	(0.60)	0.10	17%
Non-Segmented Items	(5.60)	(3.80)	(1.80)	-47%
Total Loss	$ (6.00)	$ (7.90)	$ 1.90	24%

RESULTS OF OPERATIONS (Continued)

Costs and Expenses

General and Administrative expenses were $5.2 million for the nine months ended September 30, 2010, compared with $5.9 million for the nine months ended September 30, 2009, a decrease of $0.7 million, primarily attributable to reductions in salaries and benefits between the two periods. Reflecting management's focus on improving operating efficiency, Production Costs decreased $0.7 million from the comparable period of 2009. Depletion, Depreciation, and Amortization decreased during the nine months ended September 30, 2010 by $0.8 million from the same period of 2009. The Derivative Instrument Loss of $0.4 million for the nine months ended September 30, 2010 was the result of an increase in fair value of the Series A and B warrants from the date of issuance of the warrants in April 2010 to September 30, 2010 based on a fair value derived from the Black-Scholes options pricing model. Stock-Based Compensation for the nine months ended September 30, 2010 was $1.4 million was a result of warrants issued to a former executive in connection with his retirement agreement in addition to the award of stock options to employees and directors during the nine months ended September 30, 2010.

OIL AND GAS OPERATIONS

Oil and Gas Operations Revenues during the nine months ended 2010 were $1.4 million, compared with $1.0 million for the same period of 2009. Our Oil and Gas Operations produced Operating Income of $0.4 million for the nine months ended September 30, 2010, versus an Operating Loss of $2.9 million for the comparable period of 2009. The improvement between the two periods of $3.3 million was primarily attributable to higher crude oil prices, higher production volumes, and reduced Production Costs for the nine months ended September 30, 2010, as compared with the same period in the prior year.

RIG OPERATIONS

The Net Loss for our Rig Operations segment was $0.3 million for the nine months ended September 30, 2010 which is a decrease of $0.3 million for the comparable period of 2009. Our expenses for this segment consist primarily of depreciation and maintenance of the rig while pending disposition.

MINERALS

The Net Loss for our Minerals segment was $0.5 million for the nine months ended September 30, 2010 compared to $0.6 million for the same period in 2009 for a decrease of $0.1 million. Our expenses for the Minerals segment consist primarily of employee salary and benefits, and rental payments to maintain our claims to the Richardson and Shorty Creek exploration-stage gold and other minerals prospects.

NON-SEGMENTED ITEMS

Non-Segmented Items primarily include Derivative Instruments (Gain) Loss, Stock-Based Compensation, unallocated salaries, insurance expense, and Interest Expense. For the nine months ended September 30, 2010, the loss from Non-Segmented Items increased by $1.8 million to $5.6 million compared to $3.8 million for the same period in 2009. This increase was primarily due to a reallocation of General and Administrative expense, Interest Expense, and Stock-Based Compensation from the Oil and Gas Operations, Rig Operations, and Minerals operating segments to Non-Segmented Items in 2010 plus an increase in the fair value of the Series A and B warrants from the date of issuance of the warrants in April 2010 to September 30, 2010 based on a fair value derived from the Black-Scholes options pricing model resulting in a loss on derivative instruments of $0.4 million.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY

Total Current Assets were $5.9 million at September 30, 2010, $4.0 million higher than at year-end 2009. Cash decreased by $0.1 million from $0.3 million at December 31, 2009, to $0.2 million at September 30, 2010. Accounts Receivable TVOG Production Accrual increased to $0.6 million at September 30, 2010, compared with less than $0.1 million at year-end 2009, as a result of higher production and sales during the third quarter of 2010. Prepaid Expenses increased nearly $0.6 million from year-end 2009, primarily as a result of advanced royalty payments for our gold properties in Alaska and for our oil properties at Claflin and Pleasant Valley in California. Net Accounts Receivable from Joint Venture Partners increased from $1.4 million at December 31, 2009, to $4.3 million at September 30, 2010. Total Current Liabilities decreased $1.0 million from December 31, 2009, to $6.2 million at the end of the third quarter of this year, as the Company continued to focus on reducing past due amounts with its vendors. Non-Trade Accounts Payable decreased $0.9 million from December 31, 2009, to September 30, 2010, resulting from the exchange of preferred stock during the third quarter with the Company's Chairman of the Board, G. Thomas Gamble, for a note payable of $0.9 million from the Company. The note payable resulted from an advance by Mr. Gamble in December 2009.

Operating Activities

Net Cash Used by Operating Activities was a negative $6.8 million for the nine months ended September 30, 2010, compared with a negative $1.6 million for the same reporting period in 2009. The negative change in cash flow of $5.2 million between the two periods was primarily attributable to an increase in our Operating Loss; to a decrease in Accounts Payable, Deferred Revenue, and Accrued Expenses; and to an increase in Net Accounts Receivable from Joint Venture Partners.

Investing Activities

Net Cash Used by Investing Activities was $2.0 million for the first nine months of 2010, compared with a negative $0.5 million for the first nine months of 2009. During the first nine months of 2010, the Company received $3.1 million from the sale of assets and made $1.0 million in capital expenditures for well maintenance and improvements on a cash basis. During the first nine months of 2009, we had capital expenditures of $0.5 million, again for well maintenance and improvements.

Financing Activities

Net Cash Provided by Financing Activities during the first nine months of 2010 was $4.7 million, compared with $2.1 million for the same period of 2009. During the first nine months of 2010, our Principal Payments on Long-Term Debt were $0.3 million, while Net Proceeds from the Issuance of Stock Options and Common Stock, less stock rescissions, were $5.0 million. During the same period in 2009, we received $2.2 million in Net Proceeds from the Issuance of Common Stock, and our Principal Payments on Long-Term Debt were $0.2 million.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY (Continued)

Liquidity

The recoverability of our crude oil and natural gas reserves depends on future events, including obtaining adequate financing for our exploration and development program, successfully completing our planned drilling program, and achieving a level of operating revenues that is sufficient to support our cost structure. The Company had cash balances of $0.2 million and $0.3 million at September 30, 2010, and December 31, 2009, respectively. Total Current Liabilities at September 30, 2010, were $6.2 million versus $7.2 million at December 31, 2009.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent on raising additional capital; however, certain factors, such as the economic climate and interest rates, which directly affect the supply of capital, are beyond the Company's control. As such, the Company has no certainty that capital will be available when needed; and these conditions raise substantial doubt about its ability to continue as a going concern.

In December 2009 and again in July 2010, the Company engaged the services of an investment banking firm to act as financial advisor for Tri-Valley Corporation. During fiscal year 2010, the Company intends to market securities in discreet tranches or offerings with an aggregate value of up to $15 million. The Company closed its first tranche for $5.0 million on April 8, 2010.

On October 22, 2010, and after the end of the third fiscal quarter, the Company entered into a Sales Agreement with C. K. Cooper & Company ("CKCC"), under which the Company may issue and sell shares of its common stock for consideration of up to $3.0 million, from time to time in an at the market equity offering program, with CKCC acting as the Company's agent. Sales of the common stock if any, under the program will depend upon market conditions and other factors to be determined by the Company and may be made in negotiated transactions or transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the NYSE Amex, on any other existing trading market for the common stock, or to or through a market maker. The Company has no obligation to sell any common shares in the program and may at any time suspend solicitation and offers under the program or terminate the program.

Through the first quarter of 2010, the primary source of capital for the Company's managed and operated projects had been investors in the TVC OPUS 1 Drilling Program, L.P., and the private placement of our common stock. On April 6, 2010, the Company executed a Securities Purchase Agreement with a group of institutional investors to purchase $5.0 million of the Company's common stock and warrants in a registered direct offering of securities. For additional information regarding the transaction, please refer to our Forms 8-K/A and 8-K, Section 1-- Registrant's Business and Operations, Item 1.01 Entry into a Material Definitive Agreement , filed with the U.S. Securities and Exchange Commission on April 7, 2010, and April 6, 2010, respectively. This transaction marked a milestone in the Company's history as its first entrance into the registered public capital markets for financing. Until the Company achieves profitability, we will remain dependent upon continued capital formation to cover a portion of our Operating and General and Administrative Expenses for the remainder of 2010.

The Company has no off balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Tri-Valley Corporation does not engage in hedging activities, nor does the Company employ commodity futures or forward contracts in its cash management functions.

ITEM 4. CONTROLS AND PROCEDURES

In connection with the preparation of our Annual Report on Form 10-K for the year ended December 31, 2009, ("Annual Report"), management assessed the effectiveness of our disclosure controls and procedures and internal control over financial reporting. This assessment is more fully described in Item 9a. Controls and Procedures, Evaluation of Disclosure Controls, of our Annual Report. Based on that assessment, management identified material weaknesses in our internal controls. Because of these material weaknesses, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2009, as discussed in Management's Report on Internal Control in our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES (Continued)

In connection with management's assessment of our internal control over financial reporting, we identified material weaknesses in our internal control over financial reporting as of December 31, 2009, in the following areas; and management committed to aggressive remediation early during 2010:

- Ÿ Cash Management – During the first quarter of 2010, a new Treasury Management Account Structure was implemented with improved controls over authorizing and recording cash disbursements. New procedures for reconciling all bank accounts monthly were implemented and followed.
- Ÿ Authorizing and Recording Equity Transactions – During the first quarter of 2010, new procedures were implemented and followed, ensuring that all equity transactions were reviewed and authorized by the Chief Financial Officer prior to recording.
- Ÿ Property, Plant, and Equipment – During the first quarter of 2010, depreciation procedures were fully reviewed, and new procedures for properly recording expenses for depreciable assets were implemented and followed.

As of March 31, 2010, a new evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, Rule 13a-15(e) and Rule 15d-15(e)).

As a result of remediation of the material weaknesses in internal control over financial reporting cited above during the first quarter of 2010, at September 30, 2010, our management concluded that our disclosure controls and procedures remained effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

However, in connection with the filing of this Amendment No. 1 to the Company's quarterly report on Form 10-Q/A, the Company's Chief Executive Officer and Interim Chief Financial Officer re-evaluated, with the participation of management, the effectiveness of the Company's disclosure controls and procedures, and concluded that material weaknesses existed with respect to the Company's reporting of complex, non-routine transactions and inventory of equipment as of the end of the period covered by this quarterly report on Form 10-Q/A. The first weakness was primarily a result of our interpretation of the guidance in ASC 815-40, "Derivative and Hedging – Contracts in an Entity's own Equity" with respect to its application to the Series A and B Warrants, the valuation of common stock and warrants issued by the Company and accounting for incremental and direct costs incurred to issue common stock. The second weakness was primarily a result of inadequate controls and procedures involving the timely inventory of equipment on hand and used in operating activities. These weaknesses required the restatement of our consolidated financial statements as of and for the three and nine months ended September 30, 2010 covered by this quarterly report on Form 10-Q/A.

Our independent auditors have not tested or reviewed our new internal control over financial reporting as of the date of this Report.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than ordinary routine litigation incidental to our business, certain additional material litigation follows. Please also refer to Part II., Item 5., Other Information, of this Report.

Tri-Valley Corporation v. Hansen et al., No. 56-2009-00345844-CU-OR-VTA, Superior Court, Ventura County, California.

On May 29, 2009, we filed a quiet title action against the lessors of our Scholle-Livingston oil and gas leases (the "1934 Oil and Gas Leases"). On July 2, 2009, the defendants filed a cross complaint. Our lawsuit sought to quiet title to the 1934 Oil and Gas Leases by affirming the validity of the leases, and the cross complaint sought to terminate the leases.

On May 6, 2010, the parties entered into a Settlement Agreement and Release of Claims. Certain key elements of this settlement agreement are: (i) the 1934 Oil and Gas Leases were terminated, (ii) we entered into a Gas Pipeline and Use Agreement with the defendants, and (iii) the settlement expressly excluded any rights arising from separate leases of a 50% mineral interest in the property which we entered in 2009 (the "2009 Scholle Leases"), with a group of lessors related to the Scholle family (the "Scholle Heirs").

During the week following the entry of the settlement agreement, the Hansen family filed another lawsuit, which is described below.

ITEM 1. LEGAL PROCEEDINGS (Continued)

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: (i) the Scholle Heirs with respect to a 50% mineral interest owned by the Scholle Heirs and (ii) us with respect to our 2009 Scholle Leases granted to us by the Scholle Heirs. On July 9, 2010, we and the Scholle Heirs filed a cross-complaint for quiet title. Our cross-complaint seeks to affirm the validity of the 50% mineral interest owned by the Scholle Heirs and to affirm the validity of our oil and gas leases from the Scholle Heirs, while plaintiffs' complaint seeks to extinguish the mineral interest of the Scholle Heirs and to terminate our leases. We believe that the 2009 Scholle Leases have significant and valuable heavy oil deposits. If the plaintiffs are successful in terminating the 2009 Scholle Leases, our potential for future development in the Pleasant Valley Field will be significantly impaired.

We are vigorously representing our interests in this lawsuit as we believe that we have valid claims and defenses.

Lenox v. Tri-Valley Corporation, No. 56-2009-00358492-CU-OR-VTA, Superior Court, Ventura County, California.

On September 25, 2009, the lessors of our Lenox and Snodgrass oil and gas leases ("Lenox/Snodgrass Leases") filed a quiet title action against us. Our answer to the action was filed on November 6, 2009. The principal relief sought by lessors is termination of our Lenox/Snodgrass Leases in our Pleasant Valley project. We drilled one well and reworked several others on these leases. Drilling and production operations on this property are suspended due to the pending litigation and waiting for the installation of an improved electric distribution system required by a local regulatory body. We believe that the Lenox/Snodgrass Leases have significant and valuable heavy oil deposits. If the plaintiffs are successful in terminating the Lenox/Snodgrass Leases, our potential for future development in the Pleasant Valley Field will be significantly impaired.

The court has extended the trial date to November 22, 2010. We are vigorously representing our interests in this lawsuit as we believe that we have valid claims and defenses.

ITEM 1A. RISK FACTORS

Please also refer to Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission on March 29, 2010.

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 the TVC OPUS 1 Drilling Program, L.P.

In connection with the restatement of these financial statements, the Company’s management concluded that material weaknesses existed with respect to the Company’s reporting of complex, non-routine transactions and inventory of equipment. The effect of the restatements did not impact the Company's previously reported total assets, stockholders’ equity, cash, cash equivalents or net changes in cash and cash equivalents as at and for the year ended December 31, 2010, and as at and for the six months ended June 30, 2011. However, if we fail to successfully remediate these weaknesses, they could diminish our ability to accurately report our results of operations or financial positions and to meet our financial reporting obligations in a timely manner and could cause our stock price to decline.

ITEM 1A. RISK FACTORS (Continued)

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.

Currently pending lawsuits threaten to limit potential development of a significant and valuable heavy oil project.

There are currently two legal actions pending against us that may result in the termination of leases to properties in our Pleasant Valley project. Please see Part II, Item 1. Legal Proceedings. Drilling and production operations have not yet commenced on one of these properties due to the pending litigation. Drilling and production operations on the other property are suspended due to the pending litigation and waiting for the installation of an improved electric distribution system required by a local regulatory body. Our present intention is to develop these leases as part of our Pleasant Valley project. We believe that the leases have significant and valuable heavy oil deposits. If the plaintiffs are successful in terminating the oil and gas leases, our potential for future development in the Pleasant Valley Field will be significantly impaired. We are vigorously pursuing and defending these lawsuits, as we believe that we have valid claims and defenses.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the third quarter of 2010, the Company issued 355,000 shares of restricted Series A preferred stock to the Company's Chairman of the Board, G. Thomas Gamble, in exchange for outstanding obligations from the Company to Mr. Gamble. The obligations exchanged included a note payable of $0.9 million from the Company resulting from an advance by Mr. Gamble in December 2009 and the previous acquisition of membership interests in GVPS for consideration of $2.7 million, for a total of $3.6 million. The exchange was the result of a privately negotiated transaction in reliance on the exemption from registration requirements contained in Regulation D, Rule 506, and Section 4(2) of the Securities Act of 1933. As of September 30, 2010, the Company had received subscriptions to purchase an additional 94,790 shares, which had not been accepted because required subscription documents had not been received from the subscribers, and the necessary stock exchange approval has not been received.

ITEM 5. OTHER INFORMATION

In mid-August 2010, Tri-Valley was informed by counsel for an investor in its TVC OPUS I Drilling Program, L.P., that the investor may have some claim against the OPUS partnership, Tri-Valley, and its subsidiary, Tri-Valley Oil and Gas Co., ("the potential parties") relating to the sale of interests in the partnership and management of the partnership. Due to the investor's concerns about the possible expiration of the statute of limitations for the potential claims as of September 30, 2010, the potential parties executed tolling agreements with the investor for a period of four years, until September 30, 2014. This time period will facilitate the investor's and the potential parties' desire to enter into discussions to reach an amicable resolution of matters related to the potential claims without need for

litigation, arbitration, or other formal proceeding, and in a manner which will avoid unnecessary expense, delay, or disruption to the operations of the potential parties. During the first year of the tolling agreement, the investor agreed not to file a lawsuit over the potential claims. No claim has been filed.

ITEM 6. EXHIBITS

Item	Description
4.1	Certificate of Designation of Series A Preferred Stock, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2010
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	18 U.S.C. Section 1350 Certification
32.2	18 U.S.C. Section 1350 Certification

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRI-VALLEY CORPORATION

November 17, 2011

/s/ Maston N. Cunningham
Maston N. Cunningham
President and Chief Executive Officer

November 17, 2011

/s/ Gregory L. Billinger
Gregory L. Billinger
Interim Chief Financial Officer