

TRI VALLEY CORP  
Form 10-Q/A  
March 30, 2005

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

FORM 10-Q/A  
AMENDMENT NO. 1 TO  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

Commission File No. 0-6119

**Tri-Valley Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**84-0617433**

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

**5555 Business Park South, Suite 200, Bakersfield, California 93309**

(Address of principal executive offices)

**(661) 864-0500**

(Registrant's telephone number, including area code)

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  No

The number of shares of Registrant's common stock outstanding at March 31, 2004 was 20,100,627.

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TRI-VALLEY CORPORATION

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**PART I -****FINANCIAL INFORMATION****Item 1.****Unaudited Consolidated Financial Statements****TRI-VALLEY CORPORATION  
CONSOLIDATED BALANCE SHEETS****ASSETS**

	March 31, 2004 (Restated) (Unaudited)	Dec. 31, 2003 (Restated) (Audited)
Current Assets		
Cash	\$6,748,258	\$6,006,975
Accounts receivable, trade	126,570	163,825
Prepaid expenses	68,029	12,029
Total Current Assets	6,942,857	6,182,829
Property and Equipment, Net	1,523,127	1,543,121
Other Assets		
Deposits	372,105	372,105
Investments in partnerships	17,400	17,400
Other	13,913	13,913
Goodwill (net of accumulated amortization of \$221,439 at December 31, 2003)	212,414	212,414
Total Other Assets	615,832	615,832
Total Assets	\$ 9,081,816	\$8,341,782

The accompanying notes are an integral part of these condensed financial statements.

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**LIABILITIES AND SHAREHOLDERS' EQUITY**

	March 31, 2004 (Restated) (Unaudited)	Dec. 31, 2003 (Restated) (Audited)
<b>CURRENT LIABILITIES</b>		
Notes and contracts payable	\$2,425	\$9,985
Income taxes payable	-	39,000
Trade accounts payable & accrued expenses	917,070	685,784
Accounts payable to joint venture participants	60,939	91,275
Advances from joint venture participants	5,980,887	5,647,150
<b>Total Current Liabilities</b>	<b>6,961,321</b>	<b>6,473,194</b>
Long-term Portion of Notes and Contracts Payable	11,954	16,805
<b>Total Liabilities</b>	<b>6,973,275</b>	<b>6,489,999</b>
<b>Commitments</b>		
<b>Shareholders' Equity</b>		
Common stock, \$.001 par value: 100,000,000 shares authorized; 20,100,627 and 20,097,627 issued and outstanding at March 30, 2004 and Dec. 31, 2003, respectively	20,100	20,115
Less: Common stock in treasury, at cost, 100,025 shares	(13,370)	(13,370)
Capital in excess of par value	9,011,968	9,010,453
Accumulated deficit	(6,910,157)	(7,165,415)
<b>Total Shareholders' Equity</b>	<b>2,108,541</b>	<b>1,851,783</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 9,081,816</b>	<b>\$8,341,782</b>

The accompanying notes are an integral part of these condensed financial statements.

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

	For the Three Months Ended March 30	
	2004	2003
	(restated)	
Revenues		
Sale of oil and gas	\$227,419	\$266,647
Other income	13,493	6,613
Sale of oil & gas prospects	1,145,000	-0-
Interest income	369	3,520
Total Revenues	1,386,281	276,780
Cost and Expenses		
Oil and gas lease expense	18,070	56,325
Mining exploration expenses	38,621	30,307
Project geology, geophysics, land & administration	440,219	289,019
Depletion, depreciation and amortization	7,233	7,233
Interest	26,292	713
General administrative	600,588	314,590
Total Cost and Expenses	1,131,023	698,187
Net Income (Loss)	\$255,258	\$(421,407)
Basic & Diluted Earnings per Share	\$ .01	\$(.02)
Weighted Average Number of Shares	20,099,627	19,731,348

The accompanying notes are an integral part of these condensed financial statements.

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

	For the Three Months Ended March 31,	
	2004 (restated) (unaudited)	2003 (unaudited)
<b>Cash Flows from Operating Activities</b>		
Net profit/(loss)	\$255,258	\$(421,407)
Adjustments to reconcile net income to net cash used from operating activities:		
Depreciation, depletion and amortization	7,233	7,233
Non-cash mining exploration expense		
Changes in operating capital:		
Prepays-(increase)decrease	(56,000)	-0-
Accounts receivable-(increase)decrease	37,255	(210,691)
Trade accounts payable-increase(decrease)	192,286	(347,477)
Accounts payable to joint venture participants and related parties-increase(decrease)	(30,336)	147,653
Advances from joint venture Participants-increase(decrease)	333,737	481,791
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>739,433</b>	<b>(342,898)</b>
<b>Cash Flows Provided/(Used) by Investing Activities</b>		
Capital expenditures	12,761	(94,649)
<b>Cash Flows from Financing Activities</b>		
Principal payments on long-term debt	(12,411)	(16,027)
Proceeds from issuance of common stock	1,500	25,650
<b>Net Cash Provided/(Used) by Financing Activities</b>	<b>(10,911)</b>	<b>9,623</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>741,283</b>	<b>(427,924)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>6,006,975</b>	<b>1,936,294</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$6,748,258</b>	<b>\$1,508,370</b>
<b>Supplemental Information:</b>		
Cash paid for interest	\$26,292	\$ 713
Cash paid for taxes	\$4,925	\$5,446

The accompanying notes are an integral part of these condensed financial statements.

**TRI-VALLEY CORPORATION**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**March 31, 2004 AND 2003**  
(Unaudited)

**NOTE 1 - BASIS OF PRESENTATION**

Business and Restatement

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 three-month period ended March 31, 2004, are not necessarily indicative of the results to be expected for the full year.

The accompanying consolidated financial statements do not include footnotes and certain financial presentations normally required under generally accepted accounting principles; and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

**NOTE 2 - RESTATEMENTS OF PRIOR FINANCIAL INFORMATION**

Amendment No. 1 on Form 10-Q/A of the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004 includes unaudited restated financial information for the three months ended March 31, 2004 and 2003. The original Form 10-Q was filed with the Securities and Exchange Commission on May 14, 2004. The purpose of the Amendment is to restate the Company's previously reported financial information for the three months ended March 31, 2004 due to change in revenue recognition polity relating to turnkey drilling revenue.

The Company receives monies from third parties who participate in drilling oil and gas wells and had previously recognized revenue and associated costs when the drilling began, as long as drilling was completed by close of books based on accrual accounting, due to the fact that the monies received was nonrefundable. The Company changed its accounting policy in December 2003 to recognize turnkey revenue and associated costs when oil or gas well is drilled to a target depth and/or logged. As the result of this change, drilling revenue and related costs decreased in the fourth quarter of 2003, and increased in the first quarter of 2004. The Company restated its 2003 financial statements.

The restatement did not affect the cash flow statements.

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**NOTE 2 - RESTATEMENTS OF PRIOR FINANCIAL INFORMATION (Continued)**

The effect of the restatement resulting from this accounting policy change is as follows:

	As Previously Reported (unaudited)	Adjustments	As Restated (unaudited)	Reference
Three Months Ended March 31, 2004				
Sales of oil and gas prospects	\$ 13,493	\$ 1,131,507	\$ 1,145,000	[1]
Other income	369	13,493	13,862	
<b>Total Revenues</b>	<b>241,281</b>	<b>1,145,000</b>	<b>1,386,281</b>	
Mining exploration expense	38,231	390	38,621	
<b>Cost of oil and gas prospects sold</b>	<b>94,432</b>	<b>345,787</b>	<b>440,219</b>	
<b>Total Cost and Expenses</b>	<b>784,845</b>	<b>346,178</b>	<b>1,131,023</b>	
<b>Net Loss</b>	<b>(543,564)</b>	<b>798,822</b>	<b>255,258</b>	
<b>Basic and diluted earnings (loss) per common share and common equivalent</b>	<b>\$ (0.03)</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	

As of March 31, 2004

Prepaid expenses	12,029	56,000	68,029	[2]
Total Current Assets	6,886,857	56,000	6,942,857	
Property and Equipment, Net	1,517,520	5,607	1,523,127	
<b>Total Assets</b>	<b>9,020,209</b>	<b>61,607</b>	<b>9,081,816</b>	
Accounts payable & accrued expenses	890,679	26,391	917,070	[3]
<b>Total Current Liabilities</b>	<b>6,934,930</b>	<b>26,391</b>	<b>6,961,321</b>	
<b>Total liabilities</b>	<b>6,946,884</b>	<b>26,391</b>	<b>6,973,275</b>	
<b>Accumulated deficit</b>	<b>(6,945,373)</b>	<b>35,216</b>	<b>(6,910,157)</b>	[4]
<b>Total Shareholders' Equity</b>	<b>2,073,325</b>	<b>35,216</b>	<b>2,108,541</b>	
<b>Total Liabilities and Shareholders' Equity</b>	<b>9,020,209</b>	<b>61,607</b>	<b>9,081,816</b>	

The restatements were due to the following changes:

1. Recognition of sales related to turnkey drilling of \$1,145,000 was deferred from 2003 to first quarter of 2004 when oil or gas well was drilled to its target depth and/or logged.
2. The adjustment represents capitalization of expenditure previously expensed.
3. The amount represents miscellaneous expenses erroneously omitted from accrual in previously reported liabilities
4. The accumulated deficits were revised to reflect the increase in net turnkey drilling revenue.

### **NOTE 3 - PER SHARE COMPUTATIONS**

Per share computations are based upon the weighted-average number of common shares outstanding during each year. Common stock equivalents are not included in the computations since their effect would be anti-dilutive.

### **NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). Under SFAS 143, the fair value of a liability for an asset retirement obligation should be recorded in the period in which it is incurred. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss if the settled amount differs from the liability recorded. SFAS 143 is effective for fiscal years beginning after June 15, 2002. We are currently evaluating this guidance and have not determined the impact on our financial position, results of operations, or net cash flows; however, we anticipate these results will be immaterial.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses the financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 states that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period when the liability is incurred. A liability is established only when present obligations to others are determined. SFAS 146 does not apply to costs associated with the retirement of long-lived assets covered in SFAS 143 (see above). It applies to a cost associated with an exit activity that does not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS 144 (see above). We will apply SFAS 146 for exit or disposal activities initiated after December 31, 2002. We are evaluating this guidance and do not believe that it will have a material impact on our financial position, results of operations, or net cash flows.

### **NOTE 5 - 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, lending activities, relationship with customers, and development 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.

#### Petroleum Activities

The most intense activity for Tri-Valley during the first quarter of 2004 was the anticipated diesel oil frac of the Sunrise-Mayel #2H-Redrill well in the McClure Shale from 6100' to 6970'. The frac was done on March 7, 2004, and was designed to input 150,000-lbs of sand utilizing 52,000-gallons of gelled diesel fuel. The frac job did not go as expected with the well refusing to readily accept the sand being pumped into it. After inputting only 70,000 lbs. of sand, the pressure became too high to continue to pump and the job was aborted. Upon reopening the well to backflow and evaluate, the well showed strange, non-typical backflow characteristics by not back flowing the sand and diesel oil. It was soon discovered that the casing itself had obviously failed, probably right at the beginning of the frac job, and that the frac actually went out into a shallow zone and was non-effective. Another redrill of this well or the drilling of another well is currently being studied.

Also, during the first quarter, an attempt was made to recomple the Pimental #1-15 into a shallower producing horizon, but the zone tested water. Currently a foam frac of some even shallower producing sands, which have already produced gas, is in the planning stages and is expected to occur in the last portion of the second quarter or early in the third quarter.

A successful recompletion was done on the Webb Tract #2 into what has become a new zone discovery for the area, in the Capay Shale interval, testing 350-MDF/D. As with the Pimental #1-15, a foam frac is scheduled in the last portion of the second quarter or early in the third quarter.

## **NOTE 5 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

### Precious Metals

There was no physical activity this quarter on our Alaska claim block. However, with the strengthening gold price and gathering support of the investment community to underwrite gold exploration and production projects, the Company has determined to pursue the spin-off of its Richardson, Alaska gold project into a new, stand alone mining company and is interviewing candidates to lead that effort and organize the management team. The Company believes its stock presently receives little or no value for its gold project assets and the spin-off would provide shareholders with stock that is independently valued as a gold company by the market.

### Three Months Ended March 31, 2004 As Compared With Three Months Ended March 31, 2003

In the quarter ended March 31, 2004, revenue was \$1,386,281 compared to \$276,780 for the same quarter in 2003. This increase was due to turnkey drilling revenue recognized when wells drilled to the targeted depth.

### Three Months Ended March 31, 2004 As Compared With Three Months Ended March 31, 2003 (Continued)

Costs and expenses increased \$432,836 for the period ending March 31, 2004, compared to the same period in 2003. Oil & gas lease expenses were \$38,255 less for the quarter ended March 31, 2004, due to no workover expenses. Project geology, geophysics, land and administration expenses were \$151,200 higher for the quarter ended March 31, 2004, compared to the same quarter in 2003. This increase is associated with the turkey revenue recognized for wells drilled to the targeted depth. General and administration costs were \$285,998 higher for the quarter ended March 31, 2004, compared to the same quarter in 2003. The primary increase was due to the expensing of our litigation activities from the lawsuit with Armstrong Petroleum which is \$182,984. Also, higher accounting expenses related to preparation of our annual audit and 10-K and implementation of the Sarbanes-Oxley Act. In addition, our insurance premium increased relating to our D&O insurance, and our investor relations expenses were higher.

For the quarter ended March 31, 2004, we had a income of \$255,258 compared to a loss of \$421,407 for the quarter ended March 31, 2003.

### Capital Resources and Liquidity

We have funded our oil and gas exploration activities primarily with proceeds raised through privately placed drilling programs. We make decisions on the amount of capital expenditures for drilling as funds become available for that purpose. We do not, as a rule, rely on borrowings to fund drilling operations or other activities.

Current assets were \$6,942,857 at March 31, 2004, compared to \$6,182,827 as of December 31, 2003. This is due to an increase of cash related to investments in our OPUS-I drilling program. Property and equipment is \$19,994 less for the period ended March 31, 2004 compared to year end due write-off of asset cost.

Current liabilities were \$6,961,321 for the three months ended March 31, 2004, compared to \$6,473,194 for the period ended December 31, 2003. This increase is due to advances from joint venture participants in our drilling programs for drilling activities in our limited liability drilling program, and accrued expenses related to the Armstrong lawsuit.

**OPERATING ACTIVITIES.** We had a positive cash flow of \$739,433 for the three months ended March 31, 2004 compared to a negative cash flow of \$342,898 for the same period in 2003. This change is due to an increase in advances from joint venture partners. Our primary source of funds is comprised of selling prospects and oil and gas sales.

**INVESTING ACTIVITIES.** In the first three months of 2004 we had \$12,761 in capital expenditures. This was the result of write-off of asset costs. These were miscellaneous lease acquisition costs that were no longer prospective.

**FINANCING ACTIVITIES.** Net cash used by financing activities was \$10,911 for the three months ended March 31, 2004 compared to \$9,623 provided for the same period in 2003. This change was due to payments on long-term debt \$12,411 and proceeds from the exercise of stock options \$1,500.

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**NOTE 6 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Tri-Valley Corporation does not engage in hedging activities and does not use commodity futures or forward contracts in its cash management functions.

**NOTE 7 - CONTROLS AND PROCEDURES**

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2004. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2004.

**NOTE 8 - CHANGES IN SECURITIES**

We issued 3,000 shares of common stock for aggregate consideration of \$1,500.00 (\$0.50 per share) upon exercise of options by an officer of the Company. The shares were issued in reliance on the exemption from registration requirements provided by Section 4(2) of the Securities Act of 1933.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

On November 7, 2002 a judgment of \$141,500 was awarded to Armstrong Petroleum against Tri-Valley Corporation. This was the result of a lawsuit that was filed against Tri-Valley alleging a breach of contract. Armstrong and Tri-Valley disagreed on the amount of royalties that were due Armstrong. Tri-Valley filed an appeal of this judgment. On March 24, 2004, the appellate court affirmed the decision of the trial court. We are considering whether to appeal the appellate court judgment to the California Supreme Court. Tri-Valley Corporation created a cash reserve for this judgment in 2002 when this verdict was awarded and in 2004 accrued liabilities in the amount of \$182,984 for a total of \$217,000 in losses that may occur as a result of this lawsuit.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Business Review**

Notice Regarding Forward-Looking Statements

This report contains forward-looking statements. The words, “anticipate,” “believe,” “expect,” “plan,” “intend,” “estimate,” “predict,” “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, lending activities, relationship with customers, and development 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.

Petroleum Activities

The most intense activity for Tri-Valley during the first quarter of 2004 was the anticipated diesel oil frac of the Sunrise-Mayel #2H-Redrill well in the McClure Shale from 6100’ to 6970’. The frac was done on March 7, 2004, and was designed to input 150,000-lbs of sand utilizing 52,000-gallons of gelled diesel fuel. The frac job did not go as expected with the well refusing to readily accept the sand being pumped into it. After inputting only 70,000 lbs. of sand, the pressure became too high to continue to pump and the job was aborted. Upon reopening the well to backflow and evaluate, the well showed strange, non-typical backflow characteristics by not back flowing the sand and diesel oil. It was soon discovered that the casing itself had obviously failed, probably right at the beginning of the frac job, and that the frac actually went out into a shallow zone and was non-effective. Another redrill of this well or the drilling of another well is currently being studied.

Also, during the first quarter, an attempt was made to recomplete the Pimental #1-15 into a shallower producing horizon, but the zone tested water. Currently a foam frac of some even shallower producing sands, which have already produced gas, is in the planning stages and is expected to occur in the last portion of the second quarter or early in the third quarter.

A successful recompletion was done on the Webb Tract #2 into what has become a new zone discovery for the area, in the Capay Shale interval, testing 350-MDF/D. As with the Pimental #1-15, a foam frac is scheduled in the last portion of the second quarter or early in the third quarter.

Precious Metals

There was no physical activity this quarter on our Alaska claim block. However, with the strengthening gold price and gathering support of the investment community to underwrite gold exploration and production projects, the Company has determined to pursue the spin-off of its Richardson, Alaska gold project into a new, stand alone mining company and is interviewing candidates to lead that effort and organize the management team. The Company believes its stock presently receives little or no value for its gold project assets and the spin-off would provide shareholders with stock that is independently valued as a gold company by the market.

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**Item 2.**

**(Continued)**

**Three Months Ended March 31, 2004 as compared with Three Months ended March 31, 2003**

In the quarter ended March 31, 2004, revenue was \$1,386,281 compared to \$276,780 for the same quarter in 2003. This was due to drilling in the first quarter.

Costs and expenses increased \$432,836 for the period ending March 31, 2004, compared to the same period in 2003. Oil & gas lease expenses were \$38,255 less for the quarter ended March 31, 2004, due to no workover expenses. Project geology, geophysics, land and administration expenses were \$151,200 higher for the quarter ended March 31, 2004, compared to the same quarter in 2003. This increase is due to increased activity in lease acquisitions. General and administration costs were \$285,998 higher for the quarter ended March 31, 2004, compared to the same quarter in 2003. The primary increase was due to the expensing of our litigation activities from the lawsuit with Armstrong Petroleum which is \$182,984. Also, higher accounting expenses related to preparation of our annual audit and 10-K and implementation of the Sarbanes-Oxley Act. Additionally our insurance premium increased relating to our D&O insurance, and our investor relations expenses were higher.

For the quarter ended March 31, 2004, we had a profit of \$255,258 compared to a loss of \$421,407 for the quarter ended March 31, 2003.

**Capital Resources and Liquidity**

We have funded our oil and gas exploration activities primarily with proceeds raised through privately placed drilling programs. We make decisions on the amount of capital expenditures for drilling as funds become available for that purpose. We do not, as a rule, rely on borrowings to fund drilling operations or other activities.

Current assets were \$6,942,857 at March 31, 2004, compared to \$6,182,829 as of December 31, 2003. This is due to an increase of cash related to investments in our OPUS-I drilling program. Property and equipment is \$19,994 less for the period ended March 31, 2004 compared to year end due write off of asset cost.

Current liabilities were \$6,961,321 for the three months ended March 31, 2004, compared to \$6,473,194 for the period ended December 31, 2003. This increase is due to advances from joint venture participants in our drilling programs for drilling activities in our limited liability drilling program, and accrued expenses related to the Armstrong lawsuit.

**Operating Activities.** We had a positive cash flow of \$739,433 for the three months ended March 31, 2004 compared to a negative cash flow of \$342,898 for the same period in 2003. This change is due to an increase in advances from joint venture partners. Our primary source of funds is comprised of selling prospects and oil and gas sales.

**Investing Activities.** In the first three months of 2004 we had \$12,761 in capital expenditures. This was the result of write off of asset costs. These were miscellaneous lease acquisition costs that were no longer prospective.

**Financing Activities.** Net cash used by financing activities was \$10,911 for the three months ended March 31, 2004 compared to \$9,623 provided for the same period in 2003. This change was due to payments on long-term debt \$12,411 and proceeds from the exercise of stock options \$1,500.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Tri-Valley Corporation does not engage in hedging activities and does not use commodity futures or forward contracts in its cash management functions.

**Item 4. Controls and Procedures**

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2004. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2004.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

On November 7, 2002 a judgment of \$141,500 was awarded to Armstrong Petroleum against Tri-Valley Corporation. This was the result of a lawsuit that was filed against Tri-Valley alleging a breach of contract. Armstrong and Tri-Valley disagreed on the amount of royalties that were due Armstrong. Tri-Valley filed an appeal of this judgment. On March 24, 2004, the appellate court affirmed the decision of the trial court. We are considering whether to appeal the appellate court judgment to the California Supreme Court. Tri-Valley Corporation created a cash reserve for this judgment in 2002 when this verdict was awarded and in 2004 accrued liabilities in the amount of \$182,984 for a total of \$217,000 in losses that may occur as a result of this lawsuit.

**Item 2. Changes in Securities**

We issued 3,000 shares of common stock for aggregate consideration of \$1,500.00 (\$0.50 per share) upon exercise of options by an officer of the Company. The shares were issued in reliance on the exemption from registration requirements provided by Section 4(2) of the Securities Act of 1933.

**Item 6. Exhibits and Reports on Form 8-k**

(a) Exhibits

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. § 1350 Certification

32.2 18 U.S.C. § 1350 Certification

(b) Reports on form 8-K:

None

**SIGNATURES**

Pursuant to the requirement 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

March 28, 2004 /s/ F. Lynn Blystone  
F. Lynn Blystone  
President and Chief Executive Officer

March 28, 2004 /s/ Thomas J. Cunningham  
Thomas J. Cunningham  
Secretary, Treasurer, Chief Financial Officer

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**Exhibit 31.1**

I, F. Lynn Blystone, President and Chief Executive Officer of Tri-Valley Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tri-Valley Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/F. Lynn Blystone

Date: March 28, 2004

F. Lynn Blystone, President and Chief Executive Officer

**Exhibit 31.1**

I, Thomas J. Cunningham, Chief Financial Officer of Tri-Valley Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tri-Valley Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2004

/s/Thomas J. Cunningham  
Thomas J. Cunningham, Chief Financial Officer

**Exhibit 32.2**

**Certification Pursuant to 18 U.S.C. § 1350**

The undersigned, Thomas J. Cunningham, Chief Financial Officer of Tri-Valley Corporation, a Delaware corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, hereby certifies that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2004

/s/Thomas J. Cunningham  
Thomas J. Cunningham, Chief Financial Officer

**Exhibit 32.2**

**Certification Pursuant to 18 U.S.C. § 1350**

The undersigned, F. Lynn Blystone, President and Chief Executive Officer of Tri-Valley Corporation, a Delaware corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, hereby certifies that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2004

/s/F. Lynn Blystone  
F. Lynn Blystone, President and Chief Executive Officer