

TRI VALLEY CORP
Form PRE 14A
April 12, 2012

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(A) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission (as permitted by Rule 14A-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14A-11(c) or Rule 14A-12

TRI-VALLEY CORPORATION

(Name of Registrant as Specified In Its Charter)

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 15, 2012

To the Stockholders of Tri-Valley Corporation:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders of Tri-Valley Corporation (“Tri-Valley,” the “Company,” “we,” “us,” or “our,”) on June 15, 2012 at 9:30 a.m., Pacific Time. The Annual Meeting will be held at The Four Points Sheraton, 5101 California Avenue, Bakersfield, California 93309, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect four individuals to serve as members of our Board of Directors until the next annual meeting of stockholders;
2. To approve an amendment to the Company’s Amended and Restated Certificate of Incorporation to, at any time prior to the 2013 annual meeting of stockholders: (i) effect a reverse stock split of the outstanding shares of our Common Stock within a range of 1-for-10 and 1-for-20, with the final ratio being determined in the discretion of our Board of Directors; and (ii) reduce the number of authorized shares of our Common Stock from 100,000,000 to the number of shares which is equal to up to three times the number of shares of our Common Stock outstanding immediately following the reverse stock split; and (iii) proportionately reduce the number of authorized shares of our Preferred Stock by the same percentage by which the number of authorized shares of Common Stock is reduced; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Our Board of Directors recommends that you vote in favor of the foregoing items of business, which are more fully described in the proxy statement accompanying this notice.

Only our stockholders of record at the close of business on April 30, 2012, are entitled to notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, there are three ways to vote your shares by proxy: call the toll-free number listed on the accompanying proxy card; visit the Internet site address listed on the accompanying proxy card; or complete, sign and date the proxy card and return it in the envelope provided. Any stockholder attending the meeting may vote in person even if he or she has returned a proxy card.

By Order of the Board of Directors

/s/ Paul W. Bateman

Paul W. Bateman
Chairman of the Board of Directors

Bakersfield, California
_____, 2012

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PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of our Board of Directors for use at the 2012 Annual Meeting of Stockholders, which we refer to as the “Annual Meeting,” to be held on June 15, 2012 at 9:30 a.m., Pacific time, at The Four Points Sheraton, 5101 California Avenue, Bakersfield, California 93309, at which time stockholders of record of the Company’s common stock (“Common Stock”) as of the close of business on April 30, 2012 (“Record Date”) will be entitled to vote. On the Record Date, we had _____ shares of Common Stock outstanding.

We intend to mail this proxy statement, the accompanying proxy card and the annual report on form 10-K for the fiscal year ending December 31, 2011, on or about May __, 2012, to all stockholders entitled to vote at the Annual Meeting. These materials and directions to attend the Annual Meeting, where you may vote in person, are available on the internet at www.proxyvote.com. Our principal executive offices are located at 4927 Calloway Dr., Bakersfield, California 93312.

Annual Meeting Admission

You are entitled to attend the Annual Meeting only if you were a holder of our Common Stock as of the close of business on the Record Date, or otherwise hold a valid proxy for the Annual Meeting. Admission to the Annual Meeting will be on a first-come, first-served basis. You should be prepared to present a form of government-issued photo identification for admittance. If you are not a stockholder of record but hold shares through a broker, bank, trustee or nominee (i.e., in “street name”), you should provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to that date, a copy of the voting instruction card provided by your broker, bank, trustee or nominee, a letter from your nominee, or similar evidence of ownership.

If you do not provide proper photo identification or comply with the other procedures outlined above, you will not be admitted to the Annual Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Voting

The shares of Common Stock constitute our only outstanding class of voting securities. Each stockholder of record is entitled to one vote for each share of Common Stock held as of the Record Date, on each matter to be voted on at the Annual Meeting.

Quorum

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares entitled to vote at the Annual Meeting, present in person or represented by proxy. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present. If the persons present or represented by proxy at the Annual Meeting constitute the holders of less than a

majority of the outstanding shares of Common Stock as of the Record Date, the Annual Meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Abstentions

When an eligible voter attends the meeting but decides not to vote, his or her decision not to vote is called an “abstention.” Properly executed proxy cards that are marked “abstain” or “withhold authority” on any proposal will be treated as abstentions for that proposal. We will treat abstentions as follows:

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abstention shares will be treated as not voting for purposes of determining the outcome on any proposal for which the minimum vote required for approval of the proposal is a plurality (or a majority or some other percentage) of the votes actually cast, and thus will have no effect on the outcome; and

abstention shares will have the same effect as votes against a proposal if the minimum vote required for approval of the proposal is a majority (or some other percentage) of (i) the shares present and entitled to vote, or (ii) all shares outstanding and entitled to vote.

Broker Non-Votes

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (i) the broker does not receive voting instructions from the beneficial owner, and (ii) the broker lacks discretionary authority to vote the shares. We will treat broker non-votes as follows:

broker non-votes will not be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and entitled to vote (even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters). Thus, a broker non-vote will not affect the outcome of the voting on a proposal the passage of which requires the affirmative vote of a plurality (or a majority or some other percentage) of (i) the votes cast or (ii) the voting power present and entitled to vote on that proposal; and

broker non-votes will have the same effect as a vote against a proposal the passage of which requires an affirmative vote of the holders of a majority (or some other percentage) of the outstanding shares entitled to vote on such proposal.

The inspector of elections appointed for the Annual Meeting will determine whether a quorum is present, and will tabulate affirmative and negative votes, abstentions and broker non-votes.

Vote Required

Proposal One: Directors are elected by the affirmative vote of a plurality of votes cast at the Annual Meeting. Plurality means that the individuals who receive the largest number of votes cast are elected as directors, up to the maximum number of directors to be chosen at the meeting. Therefore, broker non-votes and abstentions or votes that are withheld will have no effect on the election of directors.

Proposal Two: The proposal to approve an amendment to the Amended and Restated Certificate of Incorporation to effect a reverse stock split and authorized share reduction requires the affirmative vote of a majority of the outstanding shares entitled to vote at the Annual Meeting. Therefore, abstentions will be counted as votes against this proposal. Because this proposal is a discretionary matter, broker non-votes will not result for this proposal.

Shares of Common Stock represented by a properly executed proxy received in time for the Annual Meeting will be voted as specified therein, unless the proxy previously has been revoked. Unless otherwise specified in the proxy, the persons named therein will vote "for" each of the proposals set forth in this proxy statement. As to any other business properly submitted to stockholders at the Annual Meeting, the persons named in the proxy will vote as recommended by our Board of Directors or, if no recommendation is given, in their discretion.

How to Vote

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As explained in the detailed instructions on the accompanying proxy card, there are four ways you may vote. You may:

1. Sign, date and return the enclosed proxy card in the enclosed postage-paid envelope;
2. Vote via the Internet by following the voting instructions on the proxy card or the voting instructions provided by your broker, bank or other holder of record;
3. Vote by telephone by following the voting instructions on the proxy card or the instructions provided by your broker, bank or other holder of record; or
4. Vote in person by attending the Annual Meeting. Written ballots will be distributed to stockholders who wish to vote in person at the Annual Meeting. If you hold your shares through a bank, broker or other custodian, you must obtain a legal proxy from such custodian in order to vote in person at the meeting.

Whether or not you are able to attend the Annual Meeting, you are urged to complete the enclosed proxy and return it in the enclosed self-addressed, prepaid envelope. All valid proxies received prior to the Annual Meeting will be voted. If you specify a choice with respect to any item by marking the appropriate box on the proxy, your shares will be voted in accordance with that specification. IF NO SPECIFICATION IS MADE, THE SHARES WILL BE VOTED (I) FOR OUR FOUR NOMINEES FOR DIRECTOR; (II) FOR APPROVAL OF THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT AND REDUCTION IN AUTHORIZED SHARES; AND (III) IN THE PROXY HOLDERS' DISCRETION AS TO OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

Revoking a Proxy

Any stockholder of record may revoke or change his, her or its proxy instructions at any time prior to the vote at the Annual Meeting by:

submitting a properly executed, subsequently dated proxy card that will revoke all prior proxy cards;

instructing us by telephone or via the Internet as to how you would like your shares voted (instructions are on the proxy card);

attending the Annual Meeting and withdrawing his, her or its proxy by voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy); or

delivering written notice of revocation to the Corporate Secretary of Tri-Valley Corporation.

Cost and Method of Solicitation

We have retained The Proxy Advisory Group, LLC to conduct the solicitation of proxies, for which The Proxy Advisory Group is to receive a fee not to exceed \$9,000. Proxies may be solicited by mail, courier services, Internet, advertising, telephone or telecopier or in person. It is anticipated that The Proxy Advisory Group will employ up to five persons to solicit proxies from our stockholders for the Annual Meeting.

Proxies may also be solicited by us. No additional compensation will be paid to directors, officers or other regular employees for such services. We will bear the entire cost of proxy solicitation, including costs of preparing, assembling, printing and mailing this proxy statement, the proxy card and any additional material furnished to stockholders. Copies of the solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding in their names shares of Common Stock beneficially owned by others, to forward to such beneficial owners. We may reimburse persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, electronic mail or personal solicitation by our directors, officers or other regular employees.

Stockholders Sharing the Same Last Name and Address

In accordance with notices we sent to certain stockholders, we are sending only one copy of our annual report and proxy statement to stockholders who share the same last name and address, unless they have notified us that they want to continue receiving multiple copies. This practice, known as "householding," is designed to reduce duplicate mailings and save significant printing and postage costs as well as natural resources.

If you received a househanded mailing this year and you would like to have additional copies of our annual report and/or proxy statement mailed to you or you would like to opt out of this practice for future mailings, please submit

your request to Corporate Secretary, Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information known to us regarding the ownership of our Common Stock as of April 5, 2012, by: (i) each stockholder known to us to be a beneficial owner of more than 5% of our voting capital stock; (ii) each director; (iii) each named executive officer; and (iv) all current directors and officers as a group.

Name (1)	Address	Number of Shares Beneficially Owned (2)	Percentage of Outstanding Shares (3)
5% Beneficial Owners			
G. Thomas Gamble (4)		4,421,667	6.23%
Directors and Named Executive Officers			
Paul W. Bateman (5)		284,312	*
Edward M. Gabriel (6)		238,534	*
Henry Lowenstein, Ph.D. (7)		221,734	*
Loren J. Miller		358,770	*
Maston N. Cunningham (8)		250,000	*
Michael P. Stark (9)		99,000	*
Gregory L. Billinger		-	*
Joseph R. Kandle (10)		435,000	*
James C. Kromer (11)		115,000	*
All directors and officers as a group (7 persons)		1,452,350	2.07%

* Represents beneficial ownership of less than 1%

- (1) Unless otherwise indicated, the business address of each holder is: c/o Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312.
- (2) The number of shares of Common Stock beneficially owned includes any shares issuable pursuant to stock options and/or warrants that are currently exercisable or may be exercised within 60 days after April 5, 2012. Shares issuable pursuant to such options and/or warrants are deemed outstanding for computing the ownership percentage of the person holding such options and/or warrants but are not deemed to be outstanding for computing the ownership percentage of any other person.
- (3) Applicable percentages are based on 68,013,521 shares outstanding on April 5, 2012, plus the number of shares such stockholder can acquire within 60 days after April 5, 2012.
- (4) In addition to beneficially owning an aggregate of 1,421,667 shares of Common Stock, Mr. Gamble also owns, through a related trust of which he is the trustee, an immediately exercisable warrant to purchase 3,000,000 shares of Common Stock. Mr. Gamble also owns 355,000 shares, or 81%, of the 438,500 shares of Series A Preferred Stock issued and outstanding, which is a non-voting security. In conjunction with a \$1.5 million loan made to Tri-Valley Corporation on April 3, 2012, we agreed to issue Mr. Gamble's trust an additional warrant to purchase 1,365,000 shares of Common Stock, at an exercise price per share equal to the closing price of our Common Stock on the last trading day prior to issuance, plus \$0.01, subject to approval of the application to NYSE Amex for the listing of the shares of Common Stock underlying the additional warrant. Once the additional warrant is issued, Mr. Gamble will be deemed to beneficially own an aggregate of 5,786,667 shares of our Common Stock, or 8.0% of the outstanding shares of Common Stock, calculated on a beneficial ownership basis.
- (5) Includes 100,000 shares of Common Stock subject to options exercisable within 60 days after April 5, 2012.
- (6) Includes 100,000 shares of Common Stock subject to options exercisable within 60 days after April 5, 2012.
- (7) Includes 100,000 shares of Common Stock subject to options exercisable within 60 days after April 5, 2012.
- (8) Includes 200,000 shares of Common Stock subject to options exercisable within 60 days after April 5, 2012.

- (9) Includes 75,000 shares of Common Stock subject to options exercisable within 60 days after April 5, 2012.
- (10) Includes 435,000 shares of Common Stock subject to a warrant that is exercisable immediately. Mr. Kandle retired from the Company effective April 1, 2011.
- (11) Includes 75,000 shares of Common Stock subject to a warrant that is exercisable immediately. Mr. Kromer retired from the Company effective July 15, 2011.

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board of Directors currently consists of four directors. Each director is elected to serve until the expiration of his term, or until his successor is duly elected and qualified. Therefore, the nominees for election at the Annual Meeting will serve, if elected, until the annual meeting of stockholders to be held in 2013.

The nominees for election as directors at the Annual Meeting are Paul W. Bateman, Edward M. Gabriel, Henry Lowenstein, Ph.D., and Loren J. Miller.

Each of the nominees has indicated a willingness to continue to serve on our Board of Directors if elected. However, in the event any nominee is unable to or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for an additional nominee who shall be designated by the current Board of Directors to fill the vacancy. Unless otherwise instructed, the proxy holders intend to vote all proxies received by them in favor of the nominees listed above.

Vote Required for Approval and Recommendation of the Board of Directors

The four candidates receiving the highest number of affirmative votes of shares entitled to vote at the Annual Meeting will be elected as directors.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF THE NOMINEES NAMED ABOVE.

Information With Respect to Nominees

Name of Director	Age	Year First Became Director or Executive Officer	Position With The Company
Paul W. Bateman (1)(2)	55	2007	Director (Chairman)
Edward M. Gabriel (3)	62	2007	Director
Henry Lowenstein, Ph.D. (2)(3)	58	2005	Director
Loren J. Miller, CPA (1)	66	1992	Director

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

Set forth below are descriptions of the backgrounds of each nominee and their principal occupations for at least the past five years and their public-company directorships, if any, as of the Record Date as well as those held during the past five years. With respect to each nominee, we have also provided in their biographical information below the experience and qualifications that led to the conclusion that they should serve as a director in light of our business and structure.

Paul W. Bateman is President of the Klein & Saks Group, a Washington, D.C.-based firm that advises clients principally in the mining and metals industries on government relations matters, and provides association management

services. A graduate of Whittier College, he began his career in the late 1970s, as an aide to then former President Richard M. Nixon. In 1981, he joined the White House Staff under President Ronald R. Reagan and, subsequently, served in that Administration in senior positions at the Departments of Commerce and Treasury. From 1989 to 1993, he served on President George H. W. Bush's White House Staff as Deputy Assistant to the President for Management. Since 2005, Mr. Bateman has been the Chairman and Chief Executive of the International Cyanide Management Institute, which administers a voluntary industry program aimed at improving the management of cyanide used in gold mining. He is a member of the Economic Club of New York, the nation's leading nonpartisan speaking forum, and was its President from 2004 to 2007. He presently serves on the Board of Directors of Green Seal, a non-profit, third-party certifier and standards development body for eco-labeling in the United States. Mr. Bateman is an independent member of our Board of Directors.

As reflected in the biographical information summarized above, Mr. Bateman has extensive business, managerial, executive and leadership experience. Mr. Bateman has a valuable understanding of our business, including our minerals business. For these reasons, we believe that Mr. Bateman has the requisite set of skills and experience to continue to serve as a valuable member of our Board of Directors and the committees on which he serves.

Edward M. Gabriel is the former U.S. Ambassador to the Kingdom of Morocco, and, since 2002, President and Chief Executive Officer of a Washington, D.C.-based strategic business counseling company, The Gabriel Company, LLC. Ambassador Gabriel brings a diverse background in a variety of petroleum and other energy sources. Ambassador Gabriel's experience is both domestic and international, with extensive relationships with the U.S. and Middle Eastern governments, and investment capital companies interested in energy projects. He is a member of the advisory board of Guggenheim Partners, a private wealth management firm. His career includes senior management positions with firms such as CONCORD, and the Madison Public Affairs Group, where he advised Fortune 100 Companies on multi-national matters in technology, energy, banking, environmental, and tax policy. Ambassador Gabriel served the Federal Energy Administration, U.S. Department of Energy, as Senior Economic Analyst. He serves as Vice Chairman of the American Task Force for Lebanon and is a Visiting Fellow at the Center for Strategic and International Studies. He is also on the Board of Directors of the American School of Tangier and the Casablanca American School. He is a Bachelor of Sciences graduate of Gannon University, where he was also awarded an honorary Doctorate of Laws. Ambassador Gabriel is an independent member of our Board of Directors.

As reflected in the biographical information summarized above, Ambassador Gabriel brings a diverse background in a variety of petroleum and other energy sources, and has extensive business and management experience generally. For these reasons, we believe that Ambassador Gabriel has the requisite set of skills and experience to continue to serve as a valuable member of our Board of Directors and the committee on which he serves.

Henry Lowenstein, Ph.D. has been Professor of Management at the E. Craig Wall Sr. College of Business Administration, Coastal Carolina University, Conway, South Carolina, since 2007, and from 2007 to 2009 was Dean of the College. Prior to joining the Coastal Carolina University, he was Dean of Business and Public Administration at California State University, Bakersfield, from 2000 to 2007. Dr. Lowenstein has a broad background in management within business, academic, government, and public service organizations. He has served as an experienced reviewer, consultant, and on a number of committees for AACSB International, the top accreditation agency for business schools worldwide. Previous academic positions include universities in Illinois, Virginia, and West Virginia. Locally, he is Chairman of the Board of the Ocean View Memorial Foundation of Myrtle Beach, South Carolina and provides economic & policy research for the Executive Committee of the Myrtle Beach Regional Economic Development Corp. Dr. Lowenstein has published in the fields of human resource management, public policy, and transportation. During his business career, he was a corporate officer for Kemper Group-Insurance and Financial Services, Dominion Bankshares Corporation, and Americana Furniture, Inc. He previously served as a management analyst for the Executive Office of the President of the United States, Office of Management and Budget, during the Gerald R. Ford Administration. Dr. Lowenstein received his Ph.D. in Labor and Industrial Relations from the University of Illinois; an M.B.A. from George Washington University; and a Bachelor of Science in Business Administration from Virginia Commonwealth University. Dr. Lowenstein is an independent member of our Board of Directors. He is chairman of both the Compensation Committee and the Nominating and Corporate Governance Committee.

As reflected in the biographical information summarized above, Dr. Lowenstein has an extensive background in management within business, academic, government, and public service organizations, making him well-suited to serve as a valuable member of our Board of Directors and its committees on which he serves.

Loren J. Miller, CPA, served as Treasurer of the Jankovich Company from 2001 until his retirement in 2008. Prior to Treasurer, he served in other positions at Jankovich from 1994 to 2001. He served successively as Vice President & Chief Financial Officer of Hershey Oil Corporation from 1987 to 1990 and Mock Resources from 1991 to 1992. He

was Senior Financial Vice President & General Manager of Tosco Production Finance Corporation from 1975 to 1986 and was a Senior Auditor for the accounting firm of Touche Ross & Company from 1968 to 1973. Mr. Miller is a member of Financial Executive International, the nation's leading senior financial executive organization and is a Past President of the Los Angeles Chapter. He is experienced in exploration, production, product trading, refining, and distribution, as well as, corporate finance. He holds a Bachelor of Science in Accounting and an M.B.A. in Finance from the University of Southern California. Mr. Miller is an independent member of our Board of Directors.

As reflected in the biographical information summarized above, Mr. Miller has extensive accounting and financial management experience generally and in the oil and gas business particularly, having served in various senior finance positions, including as Chief Financial Officer for Hershey Oil Corporation. For these reasons, we believe that Mr. Miller has the requisite set of skills and experience to continue to serve as a valuable member of our Board of Directors and its committee on which he serves.

Board of Directors Leadership Structure

We separate the roles of Chief Executive Officer and Chairman of the Board of Directors in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting our strategic direction, providing leadership, and driving the performance of our business, while the Chairman of the Board of Directors provides guidance to the Chief Executive Officer, sets the agenda for meetings of the Board of Directors, and presides over meetings of the Board of Directors. We believe that the separation of the roles of Chief Executive Officer and Chairman of the Board of Directors provides a stronger corporate governance structure and promotes more effective oversight of the Chief Executive Officer by the Board of Directors.

Board of Directors Involvement in Risk Oversight

Our Board of Directors oversees our risk management practices and strategies, taking an enterprise-wide approach to risk management that seeks to complement our organizational and strategic objectives, long-term performance and the overall enhancement of stockholder value. Our Board of Directors' approach to risk management includes developing a detailed understanding of the risks we face, analyzing them with the latest information available, and determining the steps that should be taken to manage those risks, with a view toward the appropriate level of risk for a company of our size and financial condition.

While our Board of Directors has the ultimate responsibility for the risk management process, senior management and various committees of our Board of Directors also have responsibility for certain areas of risk management.

Our senior management team is responsible for day-to-day risk management and regularly reports on risks to our full Board of Directors or a relevant committee. Our legal, finance and regulatory areas serve as the primary monitoring and evaluation function for company-wide policies and procedures, and manage the day-to-day oversight of the risk management strategy for our ongoing business. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

The Audit Committee focuses on financial and regulatory compliance risk, working closely, for example, with management and our independent registered public accounting firm. In addition, the Compensation Committee assesses risks related to our compensation programs. In setting performance metrics, our Compensation Committee creates incentives for our senior executives that encourage an appropriate level of risk-taking that is commensurate with our short-term and long-term strategies.

Director Independence

Our Common Stock is listed on the NYSE Amex, LLC and, therefore, we are subject to the listing requirements of that market. Our Board of Directors has determined that all of the members of our Board of Directors are "independent" as defined in Section 803(A) of the NYSE Amex Company Guide.

Meetings of the Board of Directors

Our Board of Directors met 17 times during the year ended December 31, 2011. Each nominated director attended 100% of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which they served.

Committees of the Board of Directors

The Board of Directors has the following standing committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Each such committee operates under a written charter adopted by the Board of Directors. Copies of the charters of all standing committees are available on the “Investor Center” page on our website located at www.tri-valleycorp.com .

Audit Committee

The Audit Committee consists of Loren J. Miller (Chairman) and Paul W. Bateman. Our Board of Directors has determined that Loren J. Miller is an “audit committee financial expert” as defined by the rules of the SEC. Messrs. Miller and Bateman also satisfy the current independence and financial experience standards established by the NYSE Amex and SEC rules.

Under its written charter, our Audit Committee, among other things:

determines the engagement of and approves fees paid to our independent registered public accounting firm;

monitors the qualifications, independence activities and performance of our independent registered public accounting firm;

approves the retention of our independent registered public accounting firm to perform any proposed and permissible non-audit services;

reviews with management and our independent registered public accounting firm our financial statements and critical accounting estimates;

discusses with management and our independent registered public accounting firm the results of the annual audit; oversees the performance of our internal controls and the adequacy of our disclosure controls and procedures;

prepares the report of the audit committee required by SEC rules to be included in our annual proxy statement; and

pre-approves, approves or ratifies, as the case may be, transactions entered into with “related persons” (as defined under Regulation S-K Item 404(a)) when any such transaction (or series of related transactions) involves an amount exceeding \$120,000.

Our Audit Committee also reviews and reassesses, at least annually, the adequacy of its charter. The Audit Committee met seven (7) times during the year ended December 31, 2011.

Compensation Committee

The Compensation Committee consists of Dr. Lowenstein (Chairman) and Mr. Bateman, both of whom are non-employee, outside directors and satisfy the current independence standards established by the NYSE Amex and SEC rules.

Under its written charter, our Compensation Committee, among other things:

reviews and recommends annually the corporate goals and objectives applicable to the compensation of our principal executive officer, evaluates his or her performance in light of those goals and objectives, and determines and recommends his or her compensation level based on this evaluation, subject to review and ratification by the full Board of Directors;

makes recommendations to the Board of Directors regarding the compensation of all other executive officers;

reviews, and makes recommendations to the Board of Directors regarding, incentive compensation plans and equity-based plans, as applicable;

administers our incentive compensation plans and equity-based plans, as applicable;

produces an annual report on executive compensation stating whether the committee reviewed the Compensation Discussion and Analysis, if required, prepared by management and discussed the Compensation Discussion and Analysis with management, and whether, based on such review and

discussions, the committee recommended to the Board of Directors that such Compensation Discussion and Analysis be included in the Company's annual proxy statement and/or annual report on Form 10-K filed with the SEC, as well as any other disclosure required in accordance with applicable laws, rules, regulations and listing standards;

reviews our incentive compensation arrangements to determine whether they encourage excessive risk-taking; and

makes recommendations to the Board of Directors regarding director compensation.

Our Compensation Committee also reviews and reassesses, at least annually, the adequacy of its charter. The Compensation Committee met sixteen (16) times during the year ended December 31, 2011.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is a standing committee of, and operates under a written charter adopted by, our Board of Directors. The Nominating and Corporate Governance Committee consists of Dr. Lowenstein (Chairman) and Ambassador Gabriel. All members of the Nominating and Corporate Governance Committee are non-employee directors and satisfy the current independence standards established by the NYSE Amex and SEC rules.

Under its written charter, the Nominating and Corporate Governance Committee, among other things:

- reviews the size and composition of our Board of Directors;

- identifies and recommends to our Board of Directors individuals qualified to become board members and committee members consistent with criteria approved by our Board of Directors;

- receive communications from stockholders directed to our Board of Directors, including stockholder proposals regarding director nominees;

- recommends corporate governance principles; and

- provides oversight in the evaluation of each member of our Board of Directors and each committee.

Our Nominating and Corporate Governance Committee also reviews and reassesses, at least annually, the adequacy of its charter. The Nominating and Corporate Governance Committee met twice during the year ended December 31, 2011.

Other Committees

Our Board of Directors may establish other committees as it deems necessary or appropriate from time to time.

Evaluation of Director Nominees

We have not established specific, minimum qualifications for nominees or specific qualities or skills for our directors to possess. We have used a subjective process for identifying nominees for director based on the judgment of our Board of Directors of our current needs. We have never received any nominations from stockholders for new members of the Board of Directors, but the Board of Directors would be willing to consider outside nominations if any are received in the future, as explained further below under the caption, "Stockholder Nominations of Directors."

In selecting the 2012 nominees for director, the Nominating and Corporate Governance Committee sought candidates who possess the highest personal and professional ethics, integrity and values, and are committed to representing the long-term interests of our stockholders. In addition to reviewing a candidate's background and accomplishments, the committee reviewed candidates for director in the context of the current composition of the Board of Directors and the evolving needs of our businesses. All of our directors meet the standards of independence promulgated by the NYSE Amex and the SEC. As required by the Nominating and Corporate Governance Committee charter, the committee selects individuals as nominees for their character, judgment, ethics, integrity, business experience, and acumen, and the committee also seeks to ensure that the Board of Directors reflects a range of talents, ages, skills, diversity, and expertise, particularly in the areas of accounting and finance sufficient to provide sound and prudent guidance with respect to the Company's operations and interests. The Board of Directors seeks to maintain a diverse membership, but it does not have a separate policy on diversity. The Board of Directors also requires that its members be able to

dedicate the time and resources necessary to ensure the diligent performance of their duties on the Company's behalf, including attending Board of Directors and applicable committee meetings.

The following are some of the key qualifications and skills the committee considered in evaluating the director nominees. The individual biographies beginning on page 8 provide additional information about each nominee's specific experiences, qualifications and skills.

Significant management experience. We believe that directors with experience in management, including management of private, public, or non-profit corporations provide us with valuable insights. These individuals have a demonstrated record of leadership qualities and a practical understanding of organizations, processes, strategy, risk management, and the methods to drive change and growth. Through their service as top leaders at other organizations, they also have access to important sources of market intelligence, analysis, and relationships that benefit us.

Financial reporting experience. We believe that an understanding of finance and financial reporting processes is important for our directors. We measure our operating and strategic performance by reference to financial targets. In addition, accurate financial reporting and robust auditing are critical to our success. We seek to have a number of directors who qualify as audit committee financial experts, and we expect all of our directors to be financially knowledgeable.

Industry experience. We seek to have directors with experience as executives, directors, or other leadership positions in the energy industry. These directors have valuable perspective on energy industry business cycles and other issues specific to our business.

Government experience. We seek directors with governmental experience because the energy industry is heavily regulated and is directly affected by actions and decisions of federal, state, local, and other governmental agencies. We recognize the importance of working constructively with governments, and directors with government experience offer valuable insight in this regard.

Environmental experience. The perspective of directors who have experience within the environmental regulatory field is valued as we implement policies and conduct operations in order to ensure that our actions today will not only provide the energy needed to drive economic growth and social well-being, but also secure a stable and healthy environment for tomorrow.

Stockholder Nominations of Directors

The Nominating and Corporate Governance Committee will consider stockholder recommendations for directors sent to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312. Stockholder nominations for directors must comply with the requirements set forth in our Amended and Restated Bylaws. Compliance with these requirements will entitle the proposing stockholder only to present such nominations at the annual meeting, not to have the nominations included in our proxy statement or proxy card. See “Stockholder Proposals Other than Director Nominations” on page 30 of this proxy statement for a summary of the requirements that must be satisfied for any stockholder proposals other than nominations of directors.

To be in proper form, a stockholder’s notice of nominations must set forth, among other information:

the name, age, business address and residence address of each nominee proposed;

the principal occupation or employment of each such nominee;

the number of shares of capital stock of the Company which are owned of record and beneficially by each such nominee (if any);

such other information concerning each such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed, in each case pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act;

the consent of the nominee to being named in the proxy statement as a nominee and to serving as a director if elected; and

certain information regarding the stockholder proposing the nominees and the beneficial owner, if any, on whose behalf the nomination is being made, as further described in Article II, Section 7(b) of our Amended and Restated Bylaws.

We may also require any proposed nominee to furnish such other information as we may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of Tri-Valley Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

In accordance with our Amended and Restated Bylaws, the notice containing the nomination must be received by us not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the preceding year's annual meeting. Therefore, stockholder notices of any director nominations intended to be considered at the 2013 annual meeting will be deemed timely under our Amended and Restated Bylaws only if received at our executive offices no earlier than February 16, 2013 and no later than March 17, 2013. However, in the event that the date of the 2013 annual meeting is more than 30 days before or more than 70 days after June 15, 2013, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to the 2013 annual meeting and not later than the close of business on the later of the 90th day prior to the 2013 annual meeting or, if the first public disclosure of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of the 2013 annual meeting is first made by us.

Only such persons who are nominated in accordance with the procedures set forth in our Amended and Restated Bylaws shall be eligible to be elected at an annual meeting of stockholders to serve as directors. Except as otherwise provided by law, the chairman of the annual meeting shall have the power and duty (a) to determine whether a nomination proposed to be brought before the meeting was made in accordance with the requisite procedures set forth in our Amended and Restated Bylaws, and (b) if any proposed nomination was not made in compliance with our Amended and Restated Bylaws, to declare that such nomination shall be disregarded as improper.

The full text of the provisions of our Amended and Restated Bylaws referred to above may be obtained by contacting our Corporate Secretary at Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312, on our Internet website at www.tri-valleycorp.com, or on our EDGAR page accessible through the SEC's web site at www.sec.gov.

Communications with the Board of Directors

Stockholders can send communications to the Board of Directors, or an individual director, by sending a written communication to our Corporate Secretary at Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312. All communications sent to this address are sent to the specific directors identified in the communication or if no directors are identified, the communication is delivered to the Chairman of the Nominating and Corporate Governance Committee. We do not have a formal policy with respect to director attendance at annual meetings of our stockholders. All of our directors attended our annual meeting in 2011.

Executive Officers

Our executive officers are as follows:

Maston N. Cunningham, 59, was elected by the Board of Directors as President and Chief Executive Officer in March 2010. He had been Tri-Valley's President and Chief Operating Officer since May 2009 and joined the company in January 2009 as Vice President of Corporate Development. Mr. Cunningham is also the Chief Executive Officer and a director of Tri-Valley Oil & Gas Co., our wholly-owned subsidiary, and the Chief Executive Officer and a director of Select Resources Corporation, Inc., another wholly owned subsidiary. Prior to joining Tri-Valley, Mr. Cunningham had a 22-year international career with Occidental Petroleum Corporation (Oxy) that included over 15 years in Pakistan, Peru, and Ecuador. In 1996, he was appointed President & General Manager of Oxy's Ecuadorian subsidiary where he led a successful oil exploration and development program and restructuring of the business unit that included renegotiation of its Oriente Basin Block 15 contract to increase oil reserves, production, and profitability. He was co-founder and first president of ASOPEC, an Ecuadorian petroleum industry association that spearheaded the industry's efforts to secure government approval for construction of a private \$1.1 billion heavy oil pipeline and marine terminal to facilitate additional heavy oil development in the Oriente Basin. Mr. Cunningham was also responsible for obtaining ISO 14001 certification in 1997 for Block 15's Environmental Management System which, at the time, was the first Oxy operation worldwide to obtain this certification, the first enterprise in Ecuador to be certified, and only the third oil and gas operation certified in South America. Mr. Cunningham is a past president of the Association of American Chambers of Commerce in Latin America (AACCLA), a leading regional trade advocacy organization affiliated with the U.S. Chamber of Commerce in Washington, D.C. He currently serves as treasurer on the Board of Trustees of the Pan American Development Foundation (PADF), an affiliate of the Organization of American States (OAS) in Washington, D.C., which implements over \$50 million of projects annually to assist disadvantaged people in the hemisphere through public and private grants. Mr. Cunningham is a graduate of Trinity University and received an M.B.A. from the University of Texas at Austin. He is also a Certified Public Accountant and fluent in Spanish.

Gregory L. Billinger, 59, was appointed Interim Chief Financial Officer in August 2011. Mr. Billinger is also the Interim Chief Financial Officer and director of Select Resources Corporation, Inc. and Tri-Valley Oil & Gas Co., our

wholly owned subsidiaries. Mr. Billinger is a CPA with over 30 years of corporate financial and accounting experience in the oil and gas industry. He most recently served as the Vice President of Finance and Administration for the U.S. operations of Ivanhoe Energy, Inc., an independent international heavy oil development and production company, a position he held from 2006 to May 2011. Mr. Billinger successfully led Ivanhoe's transition from Canadian generally accepted accounting principles to International Financial Reporting Standards in 2011. Prior to that, from 2000 to 2005, he was the Corporate Controller for Ivanhoe where he was responsible for compliance with the Securities and Exchange Commission's periodic financial reporting requirements as well as Ivanhoe's annual budgets, strategic plans and development and implementation of accounting policies. Before joining Ivanhoe, Mr. Billinger spent 19 years in the international operations of Occidental Oil and Gas Corporation, a wholly owned subsidiary of Occidental Petroleum Corporation, a leader in oil and natural gas exploration and production, where he held various finance and accounting positions including at Oxy's major oil development and production projects in Colombia, Ecuador and the United Kingdom.

Michael P. Stark, 62, joined us as our Vice President of Exploration in June 2010. Mr. Stark has over 39 years of experience with leading oil and gas producers in increasingly responsible positions. He was most recently Vice President of Exploration and Land for Ivanhoe Energy (USA) Inc., where he worked for 12 years. In his position at Ivanhoe, he developed a successful California exploration program that resulted in four discoveries over a three-year period. He was also responsible for the geotechnical evaluation of Ivanhoe's Block 20 in Ecuador, acquired in 2008. Prior to Ivanhoe, Mr. Stark spent 20 years at Occidental Oil and Gas Corporation (Oxy), where he served in a variety of positions in the U.S. and abroad, including the United Kingdom and Pakistan. As Oxy's Regional Exploration Manager for Europe, the Middle East, and the Commonwealth of Independent States, he directed an exploration team that acquired several exploration contracts and made several discoveries in the U.K.-North Sea, Russia, Oman, and The Netherlands. After leaving Oxy in 1998, Mr. Stark co-founded Diatom Petroleum, a startup exploration company, which was acquired by Ivanhoe Energy in 2000. He began his career as a geologist with Texaco. Mr. Stark has a Bachelor of Science in Geology from the University of California, Los Angeles, and a Master of Science in Geology from Iowa State University.

Code of Ethics

We have adopted a written code of ethics that applies to all of our directors, officers and employees in accordance with the rules of the NYSE Amex and the SEC. A copy of the code of ethics is available on our website at www.tri-valleycorp.com, and a copy may also be obtained by any person, without charge, upon written request delivered to our Corporate Secretary at Tri-Valley Corporation, 4927 Calloway Dr., Bakersfield, California 93312. We will disclose any amendment to, or waiver from, a provision of the code of ethics by posting such information on our website.

Section 16(a) Beneficial Ownership Reporting Compliance

The members of our Board of Directors, our executive officers and persons who hold more than 10% of our outstanding Common Stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, which requires them to file reports with respect to their ownership of our Common Stock and their transactions in such Common Stock. Based upon (i) the copies of Section 16(a) reports that we received from such persons for their 2011 fiscal year transactions in our Common Stock and their Common Stock holdings and/or (ii) the written representations received from one or more of such persons that no other reports were required to be filed by them for the 2011 fiscal year, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by our executive officers, members of our Board of Directors and greater than 10% stockholders, except as follows: James Mayer, a former director, and Paul Bateman each filed a Form 4 late on June 22, 2011 to report the grant of Common Stock, and Edward Gabriel filed a Form 4 late on June 23, 2011 to report the grant of Common Stock.

No Family Relationships

There are no family relationships between any of our directors or executive officers.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee during fiscal year 2011 served as an officer, former officer or employee of Tri-Valley Corporation or any of its subsidiaries. During fiscal year 2011, none of our executive officers served as a member of the Compensation Committee of any other entity, one of whose executive officers served as a member of our Board of Directors or Compensation Committee, and no executive officer served as a member of the Board of Directors of any other entity, one of whose executive officers served as a member of our Compensation Committee.

Related Party Transactions

Except as set forth below, since January 1, 2011, there have been no transactions in which we were, or are, a participant in which the amount involved exceeded \$120,000 and in which any related person (as that term is defined for purposes of Section 404(a) of Regulation S-K) had or will have a direct or indirect material interest, and there are currently no such proposed transactions.

Loans from Former Chairman of the Board of Directors

On August 29, 2011, Mr. G. Thomas Gamble, the Chairman of our Board of Directors until November 22, 2011, made a short-term demand loan to us in the principal amount of \$150,000, pursuant to a note (the "August Note") bearing interest at 10% per annum, for additional working capital purposes. On October 13, 2011, Mr. Gamble made a second short-term demand loan to us in the principal amount of \$1,000,000, pursuant to a note (the "October Note") bearing interest at 14% per annum, for additional working capital purposes. On November 10, 2011, Mr. Gamble made, through an affiliated trust (the "Gamble Trust"), another short-term demand loan to us in the principal amount of \$2.0 million, pursuant to a note (the "November Note") and together with the August Note and the October Note, (the "Demand Notes") bearing interest at 14% per annum, on the express conditions that this loan would be (i) combined with the previous \$1,150,000 short term demand loans and collectively secured by a pledge by us of our capital stock in Tri-Valley Oil & Gas Co. ("TVOG") and in Select Resources Corporation, Inc. ("Select Resources"), and (ii) replaced by a long-term secured senior note bearing interest at 14%.

On March 30, 2012, Tri-Valley Corporation and the Gamble Trust, being the holder of all three Demand Notes, entered into a Senior Secured Note and Warrant Purchase Agreement (the "Purchase Agreement"), pursuant to which the parties cancelled the Demand Notes in exchange for a new Senior Secured Note in aggregate principal amount of \$3,298,309.84 (which includes interest accrued through March 1, 2012), due April 30, 2013, plus a Warrant to purchase 3,000,000 shares of Common Stock, at an exercise price equal to \$0.19 per share, which was the closing price of the Common Stock as reported by the NYSE Amex as of the market close immediately preceding the execution and delivery of the Warrant, plus \$0.01. The Warrant is exercisable for a period of five (5) years from the closing date of the transaction.

In connection with the Purchase Agreement, we entered into a Registration Rights Agreement, dated March 30, 2012, with the Gamble Trust, as amended by side letter on April 3, 2012, pursuant to which we agreed to file a registration statement with the SEC within 30 days after the receipt of written notice from the Gamble Trust requesting registration of the resale of the shares of Common Stock issuable upon exercise of the Warrant.

Our obligations under the Senior Secured Note are secured by, among other things, a pledge by us of our equity interest in our two wholly owned subsidiaries, TVOG and Select Resources, pursuant to an Amended and Restated Pledge and Security Agreement. Such subsidiaries are also guarantors of our obligations under the Senior Secured Note, secured by a Deed of Trust providing for, among other things, the grant by TVOG of a security interest in the "Mortgaged Property" described therein, including the Claflin property (but not including any oil and gas leases relating to the Pleasant Valley Oil Sands Project).

As an inducement to the Gamble Trust to provide longer-term funding to us, TVOG also assigned to the Gamble Trust, in perpetuity, (i) 2.0% of its overriding royalty interests on the Claflin lease, (ii) (1.0% of its overriding royalty interests with respect to all of the other leases (besides the Claflin lease) described on Exhibit A to the Assignment of Overriding Royalty Interest, dated as of March 30, 2012, and (iii) 1.0% of its overriding royalty interests on any other currently held or hereafter acquired lease within the area of mutual interest specified therein, in each case with the allocation of proceeds under such assignment to commence after all obligations under the Senior Secured Note are paid in full.

On April 3, 2012, the Gamble Trust loaned Tri-Valley Corporation \$1.5 million, bearing simple interest at 14% per annum and due on April 30, 2013 (the "Additional Note"), on the express condition that the Additional Note would be combined with the Senior Secured Note. Our obligations under the Additional Note will be secured by the same collateral that currently secures the Senior Secured Note. We also agreed to issue the Gamble Trust an additional warrant to purchase 1,365,000 shares of Common Stock (the "Additional Warrant"), at an exercise price per share equal to the closing price of the Common Stock on the last trading day prior to issuance, plus \$0.01, subject to approval of the application to NYSE Amex for the listing of the shares of Common Stock underlying the Additional Warrant. Once issued, the Additional Warrant will be exercisable for a period of five (5) years from the date of issuance.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Tri-Valley Corporation Executive Compensation Program

Our core mission is to increase the value of our petroleum and mineral assets for our stockholders. To fulfill this mission, we have developed a business strategy to identify, obtain, and transform exploration and development opportunities in petroleum and minerals to substantially grow the intrinsic value of our Company and market value of our stock.

The goal of our executive compensation program is to support the long-term growth of the Company and value creation for stockholders. Given the competitive environment for experienced management executives, our executive compensation is comprised of cash compensation and incentive compensation, in the form of non-guaranteed annual bonuses and stock options that allow us to attract, retain, and motivate our executives in a manner that is consistent with our long-term growth and value creation objectives. We strive to balance the combination of base salary and stock options for our executives in a manner that allows us to be competitive within industry, while also providing an incentive and reward for our executives to create long-term value.

This Compensation Discussion and Analysis (CD&A) reviews our compensation policies and decisions with respect to the following individuals:

Name of Executive	Title
Maston N. Cunningham	President, CEO and COO (our principal executive officer)
Michael P. Stark	Vice President Exploration
Gregory L. Billinger	Interim CFO (our principal financial officer)
Joseph R. Kandle (1)	Senior Vice President Corporate Development
James C. Kromer (2)	Vice President Operations

(1) Mr. Kandle retired from the Company on April 1, 2011. See “Executive Retirement Agreement and General Release with Mr. Joseph R. Kandle” below for additional information.

(2) Mr. Kromer retired from the Company on July 15, 2011. See “Executive Retirement Agreement and General Release with Mr. James C. Kromer” below for additional information.

Objectives of Tri-Valley Corporation’s Executive Compensation Program

We believe that the skill and dedication of executive officers and other management personnel are critical factors impacting our long-term success in meeting our business objectives, as well as, fostering growth and profitability. Accordingly, we have designed our compensation program in accordance with the following objectives:

To motivate and retain our executive officers;

To attract new executives with the requisite skill sets to implement and achieve our business strategy; and

To align executive compensation with the attainment of strategic business objectives that increase stockholder value.

Setting Executive Compensation and Role of the Compensation Committee, Management, and Board of Directors

The Compensation Committee reviews, monitors, evaluates and recommends our executive compensation policies and programs to the Board of Directors. The Compensation Committee recommends both current compensation levels, as well as, short- and long-term incentives for our executives to the Board of Directors. In order to perform its function, the Compensation Committee relies, in part, on input from the Chief Executive Officer and from other members of senior management in determining the human talent needs of the Company. Input from the Human Resources Department of the Company is also important in determining the availability of talent and from the Chief Financial Officer in determining the budgetary resources of the Company for compensation. The Board of Directors has final approval authority with respect to all executive compensation-related decisions.

Use of Benchmarking and Peer Company Comparisons

We strive to support an executive compensation program that is structured to provide executive officers with compensation packages which are commensurate with our size and the scope of their responsibilities, and which are sufficient to retain and motivate personnel considered essential. To achieve this objective, the Compensation Committee compares all compensation components for executive management with data for similar positions at other competitive organizations that are similar in industry, level of operations, business risk factors, and gross revenue. See “2011 Executive and Non-Employee Director Compensation Reviews” for additional information.

Compensation Consultant

Pursuant to its charter, the Compensation Committee has the authority to engage independent compensation consultants and other professionals to assist in the design, formulation, analysis, and implementation of compensation programs for our executive officers. As part of our long-term strategic planning, in April 2011, the Compensation Committee with concurrence of the Board of Directors, retained Pearl Meyer & Partners (“PM&P”) as an independent compensation consultant to assist the Compensation Committee with its responsibilities related to developing, designing and recommending the Company’s executive and non-employee director compensation programs. The scope of the consulting services provided by PM&P is limited to the services it provides directly to the Compensation Committee on executive compensation matters. During the year ended December 31, 2011, PM&P and its affiliates were not retained by the management of our Company to provide services unrelated to executive compensation.

2011 Executive and Non-Employee Director Compensation Reviews

In April 2011, PM&P was engaged by the Compensation Committee to conduct comprehensive reviews of our executive compensation and non-employee director remuneration programs, and to assist the Committee in developing a more formal structure for executive compensation at the Company. The reviews were conducted from April through July 2011, and included the following:

developing a comparative Peer Group for compensation comparisons, consisting of oil and gas exploration and production companies with annual revenues below \$50 million;

PM&P conducted confidential interviews with selected executives and the members and the chair of the Compensation Committee, to gather background information regarding our then current compensation structure as well as management's and the Compensation Committee members' perceptions of the programs;

conducting a review of the competitiveness of compensation levels, equity ownership levels, programs and arrangements provided to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO);

an assessment of compensation and incentive plan provisions among the Peer Group companies;

conducting a competitive assessment of our non-employee director compensation program; and

development of program recommendations and compensation actions for the Compensation Committee to consider based on the competitive findings and interviews.

As part of its evaluative work, the Compensation Committee asked PM&P to take the additional steps of assessing all executive compensation recommendations in the context of the compensation and governance guidelines utilized by institutional investor advisory firms such as Institutional Shareholder Services (ISS) and Glass Lewis & Co., the National Association of Corporate Directors (NACD), as well as expectations of the national securities exchanges, Federal regulators and agencies including the Securities and Exchange Commission (SEC).

The competitive Peer Group included the following fourteen oil and gas exploration and production companies:

CAMAC Energy, Inc.	Gastar Exploration Ltd.
Cano Petroleum, Inc.	Geomet, Inc.
CREDO Petroleum Corp.	Magellan Petroleum Corp.
Cubic Energy, Inc.	Rancher Energy Corp.
Double Eagle Petroleum Co.	Tengasco, Inc.
Earthstone Energy, Inc.	Triangle Petroleum Corp.
Gasco Energy, Inc.	Voyager Oil & Gas, Inc.

The Peer Group data was utilized to develop estimated market levels of total direct compensation (base salary, annual bonuses and long-term/equity incentives) for each of our executive positions. Compensation survey information for the positions was also considered, however was not included in the analysis due to significant differences in revenues between the Company and the revenue breakouts reported in the surveys.

PM&P compared our 2010 total direct compensation and equity ownership levels for each executive position against the market compensation and ownership levels for similar executives in the Peer Group. Our aggregate total direct compensation was roughly aligned with the 25th percentile Peer Group levels.

PM&P also compared our 2010 non-employee director remuneration (including annual Board of Directors' retainers and meeting fees, equity awards and committee retainers and meeting fees) to director remuneration levels among the same Peer Group companies. Total remuneration for our non-employee directors was substantially below the 25th percentile levels for the Peer Group.

2011 Compensation Program Changes

Based on the results of the PM&P review, in June 2011 the Compensation Committee recommended and the Board of Directors approved the following changes to the remuneration program for non-employee directors:

instituted an annual retainer of \$15,000 for Board of Directors' service;

increased telephonic meeting fees for Board of Directors' meetings to \$1,000; no change was made to the current in-person meeting fees of \$2,000;

instituted an annual equity grant of \$15,000 in full value Common Stock of the Company;

instituted annual retainers for the Chairs of each Board of Directors' committee: Audit - \$10,000; Compensation - \$5,000; Nominating and Corporate Governance - \$5,000; and

instituted a \$20,000 annual retainer for the non-executive Chairman of the Board of Directors.

For further details regarding specific amounts paid during 2011 for Board of Directors service, see the Director Compensation Table and narrative discussion below.

It is important to note that these changes were implemented as part of a comprehensive restructuring and downsizing