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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the Fiscal Year Ended December 31, 2003 Commission File No. 0-6119

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

Delaware	**84-0617433**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5555 Business Park South, Suite 200, Bakersfield, California 93309
(Address of Principal Executive Offices)

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

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

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirement for the past 90 days.
Yes x Noo

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, if applicable, or any amendment to this Form 10-K. x

The issuer's revenues for the most recent fiscal year were $6,464,245.

As of February 19, 2004, 20,099,627 common shares were issued and outstanding, and the aggregate market value of the common shares of Tri-Valley Corporation held by non-affiliates on that date was approximately $92,815,066.

DOCUMENTS INCORPORATED BY REFERENCE: None

Transitional Small Business Disclosure Format (check one): Yes **o** No **x**

Exhibit Index appears on page 45

TABLE OF CONTENTS

PART I		
ITEM 1.	**Business**	1
	Competition	1
	Governmental Regulation	1
	Environmental Issues	2
	Employees	3
	Available Information	3
ITEM 2.	**Properties**	3
	Oil and Gas Operations	3
	Precious Metals	6
ITEM 3.	**Legal Proceedings**	6
ITEM 4.	**Submission of Matters To A Vote Of Security Holders**	**7**
PART II		
ITEM 5.	**Market Price Of The Registrant's Common Stock And Related Security Holder Matters**	8
	Recent Sales of Unregistered Securities	8
ITEM 6.	**Selected Historical Financial Data**	8
ITEM 7.	**Management's Discussion And Analysis Of Financial Condition**	9
	Notice Regarding Forward-Looking Statements	9
	Critical Accounting Policies	9
	Overview	11
	Natural Gas Activities	12
	Petroleum Activities	12
	Precious Metals Activity	13
	Results of Operations	13
	Comparison of Years Ended December 31,2003 and 2002	13
	Balance Sheet	13
	Revenues	14
	Costs and Expenses	14
	Comparison of Years Ended December 31,2002 and 2001	14
	Balance Sheet	14
	Revenues	14
	Costs and Expenses	14
	Financial Condition	15
	Commitments	15
	Operating Activities	15
	Investing Activities	15
	Financing Activities	15
	Liquidity	15
ITEM 8.	**Financial Statements**	19
	Notes to Consolidated Financial Statements	24
ITEM 9.	**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**	51
ITEM 9A	**Controls and Procedures**	
ITEM 10.	**Directors and Executive Officers of the Registrant**	52
ITEM 11.	**Executive Compensation**	54
	Employment Agreement with Our President	55
	Aggregated 2003 Option Exercises and Year-End Values	55

	Compensation of Directors	55
	Performance Graph	56
ITEM 12.	**Security Ownership of Certain Beneficial Owners and Management**	56
ITEM 13.	**Certain Relationships and Related Transactions**	57
ITEM 14.	**Principal Accountant Fees and Services**	57
ITEM 15.	**Exhibits, Lists, and Reports on Form 8-K**	58
SIGNATURES		59

PART I

ITEM 1. Business

Tri-Valley Corporation, a Delaware corporation formed in 1971, is in the business of exploring, acquiring and developing prospective and producing petroleum and precious metals properties and interests therein. Tri-Valley has two wholly owned subsidiaries. Tri-Valley Oil & Gas Company ("TVOG") operates the oil & gas activities. TVOG derives the majority of its revenue from sale of oil and gas properties. Tri-Valley Power Corporation is the other wholly owned subsidiary. However, this subsidiary is inactive at the present time. The precious metals activity is operated directly by Tri-Valley Corporation. Substantially all of our oil and gas reserves are located in northern California.

TVOG primarily generates its own exploration prospects from its internal database, and also screens prospect submittals from other geologists and companies. TVOG generates these geological "plays" within a certain geographic area of mutual interest. The prospect is then presented to potential co-venturers. The company deals with both accredited individual investors and energy industry companies. TVOG is the operator of these co-ventures.

In 1987, we acquired precious metals claims on Alaska state lands. We have conducted exploration operations on these properties and have reduced our original claims to a block of approximately 27,440 acres (42.9 square miles). We have conducted trenching, core drilling, bulk sampling and assaying activities to date and have reason to believe that mineralization exists to justify additional exploration activities. However, to date, we have not identified probable mineral reserves on these properties. There is no assurance that a commercially viable mineral deposit exists on any of these above-mentioned mineral properties. Further exploration is required before a final evaluation as to the economic and legal feasibility can be determined.

We sell substantially all of our oil and gas production to ConocoPhillips. Other gatherers of oil and gas production operate within our area of operations in California, and we are confident that if ConocoPhillips ceased purchasing our production we could find another purchaser on similar terms with no adverse consequences to our income or operations.

Competition

The oil and gas industry is highly competitive in all its phases. Competition is particularly intense with respect to the acquisition of desirable producing properties, the acquisition of oil and gas prospects suitable for enhanced production efforts, and the hiring of experienced personnel. Our competitors in oil and gas acquisition, development, and production include the major oil companies in addition to numerous independent oil and gas companies, individual proprietors and drilling programs. Many of these competitors possess and employ financial and personnel resources substantially greater than those which are available to us and may be able to pay more for desirable producing properties and prospects and to define, evaluate, bid for, and purchase a greater number of producing properties and prospects than we can. Our financial or personnel resources to generate reserves in the future will be dependent on our ability to select and acquire suitable producing properties and prospects in competition with these companies.

Governmental Regulation

Domestic exploration for the production and sale of oil and gas is extensively regulated at both the federal and state levels. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations affecting the oil and gas industry which often are difficult and costly to comply with and which carry substantial penalties for noncompliance. State statutes and regulations require permits for drilling operations, drilling bonds, and reports concerning operations. Most states in which we will operate

also have statutes and regulations governing conservation matters, including the unitization or pooling of properties and the establishment of maximum rates of production from wells. Many state statutes and regulations may limit the rate at which oil and gas could otherwise be produced from acquired properties. Some states have also enacted statutes prescribing ceiling prices for natural gas sold within their states. Our operations are also subject to numerous laws and regulations governing plugging and abandonment, the discharge of materials into the environment or otherwise relating to environmental protection. The heavy regulatory burden on the oil and gas industry increases its costs of doing business and consequently affects its profitability. We cannot be sure that a change in such laws, rules, regulations, or interpretations, will not harm our financial condition or operating results.

Environmental Issues

Mining Activities

Mining activities in the United States are subject to federal and state laws and regulations covering mining safety and environmental quality. However, because we do not have active mining operations at present, these regulations have little impact on our current activities. In 2003, 2002 and 2001, the regulatory requirements had no significant effect on our precious metals activity as we continued our exploration efforts.

Should we seek to develop our precious metals claims, development efforts would require compliance with mining laws and regulations. State and federal laws impose minimum safety standards to protect workers in the construction and development of mines and conduct of mining operations. Mining activities are subject to environmental regulation of the output of mines, particularly in the storage and disposal of waste from mining operations. Environmental regulations restrict the storage, use and disposal of both the materials used in mining operations and the waste contained in mineral ore, all of which contain toxic materials that would damage the surrounding land and ground water if not carefully handled.

In addition, federal and state regulations call for reclamation of land which has been altered by mining activities. These regulations may require significant expenditures to clean up a mining site during and after mining.

Before we could begin actual mining operations on our claims, we would have to develop a feasibility study which would, among other things, address the potential costs of labor, safety and environmental regulation on any proposed mining activity. We do not expect to begin a feasibility study in 2004 and do not expect to incur any significant regulatory costs or liabilities in connection with government regulation of our claims.

Energy Operations

Our energy operations are subject to risks of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards, such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. In accordance with customary industry practice, we maintain insurance against these kinds of risks, but we cannot be sure that our level of insurance will cover all losses in the event of a drilling or production catastrophe. Insurance is not available for all operational risks, such as risks that we will drill a dry hole, fail in an attempt to complete a well or have problems maintaining production from existing wells.

Oil and gas activities can result in liability under federal, state, and local environmental regulations for activities involving, among other things, water pollution and hazardous waste transport, storage, and disposal. Such liability can attach not only to the operator of record of the well, but also to other parties that may be deemed to be current or prior operators or owners of the wells or the equipment involved. Numerous governmental agencies issue rules and

regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial administrative, civil and criminal penalties and in some cases injunctive relief for failure to comply. Some laws, rules and regulations relating to the protection of the environment may, in certain circumstances, impose "strict liability" for environmental contamination. These laws render a person or company liable for environmental and natural resource damages, cleanup costs and, in the case of oil spills in certain states, consequential damages without regard to negligence or fault. Other laws, rules and regulations may require the rate of oil and gas production to be below the economically optimal rate or may even prohibit exploration or production activities in environmentally sensitive areas. In addition, state laws often require some form of remedial action, such as closure of inactive pits and plugging of abandoned wells, to prevent pollution from former or suspended operations.

The federal Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, also known as the "Superfund" law, imposes liability, without regard to fault, on certain classes of persons with respect to the release of a "hazardous substance" into the environment. These persons include the current or prior owner or operator of the disposal site or sites where the release occurred and companies that transported, disposed or arranged for the transport or disposal of the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for the federal or state government to pursue such claims. It is also not uncommon for neighboring landowners and other third parties to file claims for personal injury or property or natural resource damages allegedly caused by the hazardous substances released into the environment. Under CERCLA, certain oil and gas materials and products are, by definition, excluded from the term "hazardous substances." At least two federal courts have held that certain wastes associated with the production of crude oil may be classified as hazardous substances under CERCLA. Similarly, under the federal Resource, Conservation and Recovery Act, or RCRA, which governs the generation, treatment, storage and disposal of "solid wastes" and "hazardous wastes," certain oil and gas materials and wastes are exempt from the definition of "hazardous wastes." This exemption continues to be subject to judicial interpretation and increasingly stringent state interpretation. During the normal course of operations on properties in which we have an interest, exempt and non-exempt wastes, including hazardous wastes, that are subject to RCRA and comparable state statutes and implementing regulations are generated or have been generated in the past. The federal Environmental Protection Agency and various state agencies continue to promulgate regulations that limit the disposal and permitting options for certain hazardous and non-hazardous wastes.

Compliance with environmental requirements, including financial assurance requirements and the costs associated with the cleanup of any spill, could have a material adverse effect on our capital expenditures or earnings. These laws and regulations have not had a material affect on our capital expenditures or earnings to date. Nevertheless, changes in environmental laws have the potential to adversely affect operations. At this time, we have no plans to make any material capital expenditures for environmental control facilities.

Employees

We had a total of five full-time employees, one part-time bookkeeper, and two consultants on December 31, 2003.

Available Information

We file annual, annual and period reports, proxy statements and other information with the Securities and Exchange Commission using SEC's EDGAR system. The SEC maintains a site on the Internet at http://www.sec.gov that contains reports, proxy and information statements and other information regarding us and other registrants that file reports electronically with the SEC. You may read and copy any materials that we file with the SEC at its Public Reference Room at 450 5th Street, N.W., Washington, D.C. 20549. Our common stock is listed on the American Stock Exchange, under the symbol TIV. Please call the SEC at 1-800-SEC-0330 for further information about their public reference rooms. Our website is located at http://www.tri-valleycorp.com.

We furnish our shareholders with a copy of our annual report on Form 10-K, which contains audited financial statements, and such other reports as we, from time to time, deem appropriate or as may be required by law. We use the calendar year as our fiscal year.

ITEM 2. Properties

Our headquarters and administrative offices are located at 5555 Business Park South, Suite 200, Bakersfield, California 93309. We lease approximately 4,500 square feet of office space at that location. Our principal properties consist of proven and unproven oil and gas properties, mining claims on unproven precious metals properties, maps

and geologic records related to prospective oil and gas and unproven precious metal properties, office and other equipment. TVOG has a worldwide geologic library with data on every continent except Antarctica including over 700 leads and prospects in California, our present area of emphasis.

Oil and Gas Operations

The oil and gas properties in which we hold interests are primarily located in the area of central California known as the Sacramento Valley. We also lease exploration acreage in the San Joaquin and Santa Maria Valleys. We contract for the drilling of all wells and do not own any drilling equipment, bulk storage facilities, or refineries. We do own a small segment of pipeline at Tracy, California.

We have retained the services of Cecil Engineering, an independent engineer qualified to estimate our net share of proved developed oil and gas reserves on all of our oil and gas properties at December 31, 2003 for SEC filing. We do not include any undeveloped reserves in these reserve studies. Only proved developed reserves are listed in our reserve report. Price is a material factor in our stated reserves, because higher prices permit relatively higher-cost reserves to be produced economically. Higher prices generally permit longer recovery, hence larger reserves at higher values. Conversely, lower prices generally limit recovery to lower-cost reserves, hence smaller reserves. The process of estimating oil and gas reserve quantities is inherently imprecise. Ascribing monetary values to those reserves, therefore, yields imprecise estimated data at best.

Our estimated future net recoverable oil and gas reserves from proved developed properties as of December 31, 2003, December 31, 2002 and December 31, 2001 were as follows:

	BBL		MCF	
December 31, 2003	Condensate	150	Natural Gas	1,319,887
December 31, 2002	Condensate	150	Natural Gas	1,492,245
December 31, 2001	Condensate	164	Natural Gas	1,684,757

Using year-end oil and gas prices and current levels of lease operating expenses, the estimated present value of the future net revenue to be derived from our proved developed oil and gas reserves, discounted at 10%, was $2,270,632 at December 31, 2003, $2,224,270 at December 31, 2002, and $1,005,010 at December 31, 2001. The unaudited supplemental information attached to the consolidated financial statements provides more information on oil and gas reserves and estimated values.

The following table sets forth the net quantities of natural gas and crude oil that we produced during:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Natural Gas (MCF)	162,314	232,578	230,392
Crude Oil (BBL)	25	29	14

The following table sets forth our average sales price and average production (lifting) cost per unit of oil and gas produced during:

Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001

	Gas (Mcf)	Oil (Bbl*)	Gas (Mcf)	Oil (Bbl*)	Gas (Mcf)	Oil (Bbl*)
Sales Price	$5.07	29.46	$3.07	$19.13	$6.93	$22.32
Production Costs	$0.78	0	$0.98	0	$0.40	0
Net Profit	$4.29	29.46	$2.09	$19.13	$6.53	$22.32

* Amount represents total sales price of associated condensate, unable to determine price per barrel.As of December 31, 2003 we had the following gross and net position in wells and developed acreage:

Wells (1)		Acres (2)	
Gross	Net	Gross	Net
11	4.537	2,192	645

(1) "Gross" wells represent the total number of producing wells in which we have a working interest. "Net" wells represent the number of gross producing wells multiplied by the percentages of the working interests which we own. "Net wells" recognizes only those wells in which we hold an earned working interest. Working interests earned at payout have not been included.

(2) "Gross" acres represent the total acres in which we have a working interest; "net" acres represent the aggregate of the working interests which we own in the gross acres.

The following table sets forth the number of productive and dry exploratory and development wells which we drilled during:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Exploratory			
Producing	-0-	-0-	-0-
Recompleting		1	-0-
Dry		2	1
Total	-0-	3	1
Development			
Producing	-0-	-0-	-0-
Dry	-0-	-0-	-0-
Total	-0-	-0-	-0-

We drilled 4 wells in 2003, which are being evaluated. No final decisions have been made as to the results.

The following table sets forth information regarding undeveloped oil and gas acreage in which we had an interest on December 31, 2003:

State	Gross Acres	Net Acres
California	36,271	32,384
Nevada	21,737	21,737

Some of our undeveloped acreage is held pursuant to leases from landowners. Such leases have varying dates of execution and generally expire one to five years after the date of the lease. In the next three years, the following lease gross acreage expires:

Expires in 2004	3,376 acres
Expires in 2005	7,151 acres
Expires in 2006	4,260 acres

Precious Metals

The precious metals properties are located in interior Alaska. They are comprised of 626 40-acre claims and 15 160-acre claims, of which 104 claims are leased from others, all are located solely on State owned lands requiring annual assessment work, and an annual per claim fee. All fees are current.

The mining claim block covers about 42.9 square miles or 27,740 acres of land, all of which is owned by the State of Alaska. The claims lie within T-5-6-7 S, R 5-6-7-8 E, Fairbanks Meridian (Plate 1), immediately north of the Richardson Highway, an all-weather paved highway that connects Fairbanks, Alaska, with points south and east. Fairbanks is approximately 65 miles northwest of Richardson, and Delta Junction, also on the highway, is about 30 miles to the southeast. The Trans Alaska Pipeline corridor is near the northeastern edge of the claim block and the service road along the pipeline provides access to the claims from the north. Numerous good to fair dirt roads traverse the claims.

The following table sets forth the information regarding the acreage position we have under lease in Alaska as of December 31, 2003:

State	Gross Acres	Net Acres
Alaska	27,740	26,946

Mineral properties claimed on open state land require minimum annual assessment work of $100 worth per State of Alaska claim. Expenditures on the Richardson, Alaska acreage have already carried forward annual assessment requirements more than four years on all its claims. We have no Federal claims.

We have had a joint scientific research agreement with TsNIGRI, the Central Research Institute of Geological Prospecting for Base and Precious Metals, based in Moscow, Russia since 1991. The proprietary technology they use for evaluating large areas of covered sub-arctic terrain has been impressive and encouraging to our efforts. Minute amounts of gold have been found in samples at 60 locations along a 20-mile swath and over 1,000 samples have been assayed by Bondar-Clegg, a respected assay house. We believe we have a great potential and intend to continue our exploration of these properties.

We intend to continue our exploration efforts for precious metals on our claim block in Richardson, Alaska. With the help of TsNIGRI, we have explored and evaluated this property during the summer months, due to the constraints of the weather in the winter months. This work will consist of field activity which includes drilling bore holes, mapping and other geological work.

ITEM 3. 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.

ITEM 4. Submission of Matters To A Vote Of Security Holders

We held our annual meeting on October 20, 2003. At the meeting, the shareholders re-elected all of the six directors who were recommended by the board. They also approved the appointment of Brown Armstrong as our independent accountants.
The shareholder votes were as follows:

Measure #1 - Election of Directors

	FOR	AGAINST	ABSTAIN
F. Lynn Blystone	18,983,671	63,873	
Milton J. Carlson	18,966,646	80,898	
C. Chase Hoffman	18,986,146	61,398	
Dennis P. Lockhart	18,986,646	60,898	
Loren J. Miller	18,986,796	60,748	
Harold J. Noyes	18,986,646	60,898	

Measure #2 - Appoint Brown Armstrong as the Company's independent accountants.

FOR	AGAINST	ABSTAIN
18,972,416	75,128	

PART II

ITEM 5. Market Price Of The Registrant's Common Stock And Related Security Holder Matters

As of October 29, 2003, shares of Tri-Valley Corporation stock are traded on the American Stock Exchange under the symbol “TIV”. Prior to that, shares had been traded over-the-counter on the Electronic Bulletin Board under the symbol "TRIL." The following table shows the high and low sales prices reported on AMEX from 10/29/03 to year end, and the high and low bid and asked prices of Tri-Valley stock for the quarterly periods indicated as reported by the OTC Stock Journal:

		Bid Prices		Asked Prices	
		High	Low	High	Low
2003					
	Fourth Quarter	$6.20	$3.44	$6.75	$3.35
	Third Quarter	$3.74	$2.90	$3.93	$2.95
	Second Quarter	$3.79	$1.21	$4.20	$1.21
	First Quarter	$1.60	$1.25	$1.67	$1.21
2002					
	Fourth Quarter	$2.14	$1.31	$2.25	$1.31
	Third Quarter	$2.45	$1.13	$2.65	$1.13
	Second Quarter	$1.60	$1.14	$1.75	$1.10
	First Quarter	$1.67	$1.14	$1.75	$1.10

As of December 31, 2003, we estimate that our common stock was held by approximately 4,500 shareholders in 40 states and at least 4 foreign countries.

We historically have paid no dividends, and at this time do not plan to pay any dividends in the immediate future. Rather, we strive to add share value through discovery success. In 2003 trading volume exceeded 12.2 million shares.

Recent Sales of Unregistered Securities

During 2003 we issued 104,000 shares of common stock without registration under the Securities Act of 1933. One former employee and one private individual exercised stock options for 20,000 and 10,000 shares respectively. The exercise price of the stock options was $0.50 per share, and the options were exercised on five occasions when the closing price of our common stock varied between $1.51 and $4.85 per share. 3,000 shares were sold to a private individual for $1.35 per share. 71,000 shares were awarded to three officers, five directors and a consultant for service. The shares issued pursuant to the exercise of options were issued in privately negotiated transactions in reliance on the exemption contained in Section 4(2) of the Securities Act.

From September thru October 2003, we sold 255,387 shares of common stock pursuant to the exercise of warrants previously issued to Swartz Private Equity, an accredited investor, as part of a private equity line investment agreement dated February 2002, between our company and Swartz. The issuance of our stock upon exercise of the warrants was made in reliance on the exemption contained in Regulation D under the Securities Act of 1933. We had previously registered the resale of the stock by Swartz under the Securities Act of 1933 on a Form S-2 registration statement, and, accordingly, the shares issued to Swartz were not subject to restrictions on transfer imposed by the Securities Act of 1933.

ITEM 6. Selected Historical Financial Data

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Income Statement Data:					
Revenues	$6,464,245	$6,284,908	$2,130,187	$2,197,369	$2,686,129
Operating Income (Loss)	$ 456,109	$845,130	$(117,975)	$(1,360,263)	$(12,417)
Basic Earnings Per Share	$.02	$.04	$-	$(0.07)	$-
Balance Sheet Data:					
Property and Equipment, net	$1,543,121	$1,974,501	$2,010,457	$1,357,959	$1,059,755
Total Assets	$8,341,782	$4,634,874	$3,381,757	$4,053,257	$9,802,463
Long Term Obligations	$16,805	$26,791	$8,371	$12,038	$21,055
Stockholder's Equity	$1,851,783	$1,262,306	$353,776	$391,651	$391,651

ITEM 7. Management's Discussion And Analysis Of Financial Condition

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.

Critical Accounting Policies

The Company prepares its consolidated financial statements for inclusion in this Report in accordance with accounting principles that are generally accepted in the United States (“GAAP”). See Note 1 of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements” for a comprehensive discussion of the Company’s significant accounting policies. GAAP represents a comprehensive set of accounting and disclosure rules and requirements, the application of which requires management to make judgments and estimates including, in certain circumstances, choices between acceptable GAAP alternatives.

Critical accounting policies are those that may have a material impact on our financial statements and also require management to exercise significant judgment due to a high degree of uncertainty at the time the estimate is made. Our senior management has discussed the development and selection of our accounting policies, related accounting estimates and disclosures with the Audit Committee of our Board of Directors. We believe our critical accounting policies include those addressing the recoverability and useful lives of assets, oil and gas estimates and income taxes and application of these accounting policies on a consistent basis enables us to provide timely and reliable financial information about our earnings results, financial condition and cash flows.

Goodwill and Intangible Assets

Deferred tax asset valuation allowances. From 1995 to 2003, the Company has maintained a valuation allowance against a portion of its deferred tax assets. SFAS 109 requires that the Company continually assess both positive and negative evidence to determine whether it is more likely than not that the deferred tax assets can be realized prior to their expiration. As of December 31, 2003, the Company has concluded that it is more likely than not that it will realize its gross deferred tax asset position after giving consideration to relevant facts and circumstances.

Tri-Valley will continue to monitor company-specific, oil and gas industry economic factors and will reassess the likelihood that the Company’s net operating loss and statutory depletion carryforwards will be utilized prior to their expiration.

Litigation and environmental contingencies. The Company makes judgments and estimates in recording liabilities for ongoing litigation and environmental remediation. Actual costs can vary from such estimates for a variety of reasons. The costs to settle litigation can vary from estimates based on differing interpretations of laws and opinions and assessments on the amount of damages. Similarly, environmental remediation liabilities are subject to change because of changes in laws, regulations, additional information obtained relating to the extent and nature of site contamination and improvements in technology. Under GAAP, a liability is recorded for these types of contingencies if the Company determines the loss to be both probable and reasonably estimated. See Note 10 of Notes to Consolidated Financial Statements included in “Item 8. Financial Statements” for additional information regarding the Company’s commitments and contingencies.

The Company has adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill is a non-amortizable asset, and is subject to an annual review for impairment. The carrying amount of goodwill is evaluated periodically.

The following is a discussion of the Company’s most critical accounting estimates, judgments and uncertainties that are inherent in the Company’s application of GAAP:

Accounting for oil and gas producing activities: The accounting for and disclosure of oil and gas producing activities requires the Company’s management to choose between GAAP alternatives and to make judgments about estimates of future uncertainties.

Successful efforts method of accounting: The Company utilizes the successful efforts method of accounting for oil and gas activities as opposed to the alternate acceptable full cost method. In general, the Company believes that, during periods of active exploration, net assets and net income are more conservatively measured under the successful efforts method of accounting for oil and gas producing activities than under the full cost method. The critical difference between the successful efforts method of accounting and the full cost method of accounting is as follows: Under the successful efforts method, exploratory dry holes and geological and geophysical exploration costs are charged against earnings during the periods in which they occur; whereas, under the full cost method of accounting, such costs and expenses are capitalized as assets, pooled with the costs of successful wells and charged against the earnings of future periods as a component of depletion expense. During the years ended December 31, 2003, 2002 and 2001, the Company recognized exploration, abandonment, geological and geophysical expense of $0, $45,143 and $0, respectively, under the successful efforts method.

Proved reserve estimates. Estimates of the Company’s proved reserves included in this Report are prepared in accordance with GAAP and SEC guidelines. The accuracy of a reserve report estimate is a function of:

- The quality and quantity of available data;
- The interpretation of that data;
- The accuracy of various mandated economic assumptions; and
- The judgment of the persons preparing the estimate.

The Company’s proved reserve information included in this Report as of December 31, 2003 and 2002 was based on evaluations audited by independent petroleum engineers with respect to the Company’s major properties. Estimates prepared by other third parties may be higher or lower than those included herein.

Because these estimates depend on many assumptions, all of which may substantially differ from future actual results, reserve estimates will be different from the quantities of oil and gas that are ultimately recovered. In addition, results of drilling, testing and production after the date of an estimate may justify material revisions to the estimate.

49

It should not be assumed that the present value of future net cash flows included in this Report as of December 31, 2003 is the current market value of the Company's estimated proved reserves. In accordance with SEC requirements, the Company has based the estimated present value of future net cash flows from proved reserves on prices and costs on the date of the estimate. Actual future prices and cost may be materially higher or lower than the prices and costs as of the date of the estimate.

The Company's estimates of proved reserves materially impact depletion expense. If the estimates of provide reserves decline, the rate at which the Company records depletion expense will increase, reducing future net income. Such a decline may result from lower market prices, which may market uneconomic to drill for and produce higher cost fields. In addition, a decline in provided reserve estimates may impact the outcome of the Company's assessment of its oil and gas producing properties for impairment.

Impairment of proved oil and gas properties: The Company reviews its long-lived proved properties to be held and used whenever management determines that events or circumstances indicate that the recorded carrying value of the properties may not be recoverable. Management assesses whether or not an impairment provision is necessary based upon its outlook of future commodity prices and net cash flows that may be generated by the properties. Provide oil and gas properties are reviewed for impairment by depletable field pool, which is the lowest level at which depletion of proved properties are calculated.

Impairment of unproved oil and gas properties: Management periodically assesses individually significant unproved oil and gas properties for impairment, on a project-by-project basis. Management's assessment of the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such projects impact the amount and timing of impairments.

Asset Retirement Obligations: The Company has adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" effective January 1, 2003. Under this guidance, management is required to make judgments based on historical experience and future expectations regarding the future abandonment cost of its oil and gas properties and equipment as well as an estimate of the discount rate to be used in order to bring the estimated future cost to a present value. The discount rate is based on the risk free interest rate which is adjusted for the credit worthiness of the Company. The adjusted risk free rate is then applied to the estimated abandonment costs to arrive at the obligation existing at the end of the period under review. The Company reviews its estimate of the future obligation quarterly and accrues the estimated obligation based on the above.

Overview

Production from TVOG's existing reserves continues to decline, while demand increases. While the trend for demand to outstrip available supplies is worldwide as well as national, we believe that it is particularly acute in California, our primary venue for exploration and production, which imports nearly 60% of its oil and nearly 90% of its natural gas demand. Oil prices tend to be set based on worldwide supplies and prices, while natural gas prices seem to be more dependent on local conditions. We expect that gas prices will hold steady or possibly increase over this year. If, however, prices should fall, for instance due to new regulatory measures or the discovery of new and easily producible reserves, our revenue from oil and gas sales would also fall.

In 2002 the Company created a limited partnership called the OPUS-I. The purpose of this partnership is to raise one hundred million dollars by selling partnership interests. With the funds raised we will drill up to twenty-six exploratory wells, mostly in California, of which three are targeted for Nevada. We begin drilling as sufficient funds are invested to drill the next target. For the year ended December 31, 2003, we have raised $12,755,000 and spent $10,267,787 on 4 wells. The 4 wells are being evaluated to determine further activity.

We are continuing grading and prioritizing our geologic library, which contains over 700 California leads and prospects, for exploratory drilling. We use our library to decide where we should seek oil and gas leases for future exploration. From this library we were able to put together many of the prospects currently in OPUS-I. Of course, we cannot be sure that any future prospect can be obtained at an attractive lease price or that any exploration efforts would result in a commercially successful well.

We seek to fund and drill enough exploratory wells for commercial discoveries to make up for the cost of the inevitable dry holes that we can expect in the exploration business. We believe our existing inventory of projects bears a high enough ratio of potentially successful to unsuccessful projects to deliver value to our drilling partners and our shareholders from successful wells, in excess of the total costs of all successful and unsuccessful projects. Our future results will depend on our success in finding new reserves and commercial production, and there can be no assurance what revenue we can ultimately expect from any new discoveries.Tri-Valley Corporation does not engage in hedging activities and does not use commodity futures or forward contracts for cash management functions.

Natural Gas Activities

The Company generally sells a percentage of production at the monthly spot price. In times when we expect the price of gas to weaken, we try to increase the amount we sell under fixed prices. When we expect the price of gas to rise, we seek to sell more gas in the spot market. In 2003, 2002 and 2001, we sold our gas 100% on the spot market. Because we expect gas prices to rise, we intend to sell 100% of our production on the spot market in 2004. Because we plan to sell only on the spot market in 2004, a drop in the price of gas could possibly have a more adverse impact on us than if we entered into some fixed price contracts for sale of future production.

Our proved hydrocarbon reserves were valued using a standardized measure of discounted future net cash flows of $2,270,632 at December 31, 2003, compared to $2,224,270 on December 31, 2002, after taking into account a 10% discount rate and also taking into consideration the effect of income tax. This was due primarily to the fluctuations in gas prices. Estimates such as these are subject to numerous uncertainties inherent in the estimation of quantities of proved reserves. Because of unpredictable variances in expenses and capital forecasts, crude oil and natural gas price changes, largely influenced and controlled by U.S. and foreign government actions, and the fact that the basis for such estimates vary significantly, management believes the usefulness of these projections is limited. Estimates of future net cash flows presented do not represent management's assessment of future profitability or future cash flows to the Company. This value does not appear on the balance sheet because accounting rules require discovered reserves to be carried on the balance sheet at the cost of obtaining them rather than the actual future net revenue from producing them. Tri-Valley typically has no discovery cost to put on the balance sheet as explained below.

Tri-Valley usually sells most of the working interest in its test wells on prospects to third parties. The sales price of the interest is intended to pay for all drilling and testing costs on the property. Tri-Valley retains a minority "carried" ownership interest in the well and does not pay its proportionate share of drilling and testing costs for the first well drilled on each prospect. However, the Company does pay its proportionate cost of any subsequent well drilled on each prospect. Under these arrangements, we usually minimize the Company's cost to drill and also receive a minority interest from the reserves we discover. On the other hand, we occasionally incur extra expenses for drilling or development that we choose, in our discretion, not to pass on to other venture participants.

We drilled the Sunrise-Mayel #1 in December of 2000, with independent interpretations of an exceptional amount of dry natural gas in place in a tight formation known as the McClure Shale; in 2001 we artificially fractured (frac'd) the well with no success. We determined to try an acid wash and performed this procedure in 2003. There has been no commercial success because the sand formation is too tight to allow hydrocarbons to produce. The well will probably be used as a water disposal well.

It was decided that a horizontal well should be drilled to exploit this tight sand. This was named the Sunrise-Mayel #2-H. It was drilled in July of 2002, frac'd in September 2002, and acidized January 2003, with no success. It was redrilled as the Sunrise-Mayel #2-HR in May of 2003. In June of 2003, we perforated the well and frac'd it in July 2003. This did not result in commercial success. We are currently preparing to re-frac the well utilizing diesel oil to test the concept of whether this will result in commercial production.

The Oil Lake well began drilling October 2003; in attempts to complete the well, we have perforated one of several zones so far. The first zone is tight, but is a major target. We are currently designing a program to properly evaluate this first zone before proceeding ahead.

The Elk Ridge well was drilled in December 2003. We have perforated and tested five zones without commercial success so far, with five more remaining to be tested.

Petroleum Activities

The Oil Creek #1-23 was drilled in August of 2003 with several hundred feet of hydrocarbon "shows" or indicators. Completion operations began in October 2003 in which we evaluated six major target zones, which were either wet or there was no permeability. We are currently evaluating what should be done next.

Precious Metals Activity

The price of gold has fluctuated in the last 12 months from a low of $320 per oz. to a high of $417 per oz. As funds become available the Company will continue to explore its claim block for discovery success. Historically the Company has done its exploration on a seasonal basis, normally in the warmer months. We are in the process of raising capital to continue our work in the area.

In 2003, Tri-Valley Corporation began implementation of a two phase reverse circulation drilling program to confirm a suspected high grade potential deep placer gold target (“the Target”) at First Chance Creek along the northeast boundary of its 42-square mile claim block at Richardson, Alaska.

Very high grade samples from shafts dug near the creek had been reported in old Fairbanks newspapers around 1906 and Tri-Valley sampling of the creek and surrounds found distributed placer gold at surface. Tri-Valley’s project manager designed a program to test to bedrock 60-90 feet deep by drilling with reverse circulation equipment to bring material up the drill hole and pass it through a Denver Gold Saver to strip any gold before disposing of the drill spoil. The first phase called for 42 such holes to be drilled at three locations crossing the Creek valley and, if results were encouraging, an additional 66 holes in Phase II for a program total of 108 holes.

The general target area was 2,000 yards in length by 70 yards wide, covering approximately 29 acres in the claim block. It was management’s belief that the odds were favorable to indicate more than enough resource to justify the $265,000 expenditure of Phase I. And the results certainly did that.

Results indicated a potential resource of 38,000 ounces inferred and probable and management believes that an expanded Phase II of some 80 holes for greater density as well as two additional lines. We may establish an estimated resource in the range of +/- 100,000 ounces. We believe this would justify some arrangement to mine either as an operator or to contract out.

Mining would most likely be a form of open pit with a gravity circuit to strip the gold. The pit would be back-filled and reclaimed as mined. All equipment would be portable and no milling or metallurgical facilities would need to be constructed.

Testing of the three hard rock lode targets will require separate budgets for reverse circulation and diamond drill coring operations. Tri-Valley expects to either joint venture these targets with another mining company doing the work to earn a majority interest or to arrange favorable equity financing to conduct the drill program itself.

We are confident that other parties will be willing to participate.

Results of Operations

Comparison of years Ended December 31, 2003 and 2002

Balance Sheet

At December 31, 2003 we had $6,006,975 in cash compared to $1,936,294 for December 31, 2002. This represents, for the most part, cash invested by the OPUS I partners for the drilling of oil and gas wells in that limited partnership. Property and equipment is $431,380 less for the current period compared to last year because we sold to the OPUS I partnership some of the property that we had acquired in 2002. Deposits are $55,400 higher in 2003 than in 2002 because of a required increase in the deposit related to the Armstrong lawsuit.

Shareholder equity increased from $1,262,306 in 2002 to $1,851,783 for 2003. This increase was due mainly from net income after taxes.

Revenue

Revenue from oil and gas sales was $148,768 higher for the year ended 2003 compared to year ending 2002 due to increased price we received for our natural gas. Partnership income was up almost $12,000 this year over last year due to increased distribution to Tri-Valley from the operator of the partnership primarily attributable to higher natural gas prices. Interest income was $14,945 more for the year ended December 31, 2003 compared to year end 2002 due to more cash on hand during the year earning interest. Sales of oil and gas prospects is $18,998 higher this period compared to the same period last year.

Costs and Expenses

Mining expenses were $196,928 more for the period ended December 31, 2003 than for the same period in 2002. The costs increased this year because our 42 well reverse circulation exploratory drilling activity. Please see the precious metals section. Oil and gas lease activity was $183,362 for year-end 2003 and $224,320 for December 31, 2002. We did not acquire as many leases this year as we did in 2002. Cost of oil and gas prospects sold were $366,800 higher this year than in 2002. The prospects we sold this year had higher acquisition costs associated with them than prospects sold in 2002. General and administrative costs were higher this year than last year due in large part to increased travel costs and insurance premiums.

Comparison of Years Ended December 31, 2002 and 2001

Balance Sheet

We had $1,936,294 cash on hand at December 31, 2002 compared to $911,913 at December 31, 2001. This change was from receipt of funding of the OPUS-I drilling program. Accounts receivable were $44,393 greater this year compared to 2001 due to revenue due us from gas sold the end of 2002. Deposits were $212,000 higher due to our posting a bond in this amount pending the appeal of our judgment. *See Litigation*

State income taxes are $76,000 more in 2002 because the State of California removed the ability of companies to utilize tax loss carry-forward for two years. Prior to 2002 we were able to reduce our tax liability by using tax loss carry forwards accumulated from prior years. Accounts payable are $564,240 for the year ended December 31, 2002 compared to $297,001 for the same period in 2001. This increase is due to increased drilling activity in 2002.

Revenues

Oil and gas income was $844,800 less in 2002 than in 2001 due to decreased gas prices in 2002. Partnership income was $33,243 less in 2002 compared to 2001 because of decreased gas prices in 2002. Sale of oil and gas prospects was $5,421,782 for the year ended December 2002 compared to $218,426 for the same period in 2001 due to increased prospect sales in 2002. Other income was $71,973 for the year ended December 31, 2002 compared to $231,899 for the year ended 2001, because in 2001 we settled a claim related to a loan made to a telecommunications partnership.

Costs and Expenses

Mining costs were $54,532 less in 2002 due to no exploration activity on our claim block in 2002. Oil and gas lease costs were $132,880 higher in 2002 than 2001 due to increased lease operating activity. Well workover expenses were $240,718 less in 2002 because we did not work over any wells in 2002. Cost of oil and gas prospects sold were $3,139,268 higher for the period ending December 31, 2003 compared to the same period last year cost of prospect sold varies directly in proportion to the cost of prospect sales. Depreciation, depletion and amortization expenses are $26,578 less in 2002 due to Statements of Financial Accounting Standards 142 that no longer allows annual amortization. Therefore, no amortization was taken in 2002. These assets will now be tested for impairment annually. If required we would then take an impairment charge. The $45,143 charge for impairment of acquisition costs are from the write off of a prospect that the Company believes is no longer prospective. The Company has a profit of $769,130 after taxes due to increased drilling activity and sale of prospects..

Financial Condition

Commitments

Generally, our financial commitments arise from selling interests in our drilling prospects to third parties, which results in an obligation to drill and develop the prospect. If we are unable to sell sufficient interests in a prospect to fund its drilling and development, we must either amend our agreements to drill the prospect, locate a substitute prospect acceptable to the participants or refund the participants' funds.

We have a private placement drilling program to raise up to one hundred million dollars to drill and complete 26 prospects. We turnkey the drilling portion and the completion portion is based on costs incurred. In a turnkey program we guarantee to drill a well(s) for a certain amount. If the drilling amount is greater than the turnkey costs the Company would lose money on that well, if the cost is less than the turnkey costs the Company would make a profit on that well.

Delay rentals for oil and gas leases amounted to $317,801 in 2003. Advance royalty payments and gold mining claims maintenance fees were $204,755 for the same period. We expect that approximately equal delay rentals and fees will be paid in 2004 from operating revenues.

Operating Activities

Net cash provided by operating activities was $3,548,942 for the year-end December 31, 2003, compared to $1,154,919 for the same period in 2002. This was primarily because we had an increase in advances from joint venture partners of $3,067,197. Net income was $313,021 less in 2003 ($456,109 for 2003 compared to $769,130 for 2002).

Investing Activities

Cash provided by investing activities in 2003 was $402,164 compared to ($174,185) for the same period in 2002. In 2003, this increase was from the sale of oil and gas prospects to the OPUS I drilling partnership and the reduction of capital expenditures.

Financing Activities

Cash provided by financing activities was $119,575 for the period ending December 31, 2003 compared to $43,647 for the same period in 2002. This was due to additional paid in capital resulting from issuance of stock to outside

directors and the exercise of stock options.

Liquidity

The recoverability of the our oil and gas reserves depends on future events, including obtaining adequate financing for our exploration and development program, successfully completing our planned drilling program, and achieving a level of operating revenues that is sufficient to support our cost structure. At various times in our history, it has been necessary for us to raise additional capital through private placements of equity financing. When such a need has arisen, we have met it successfully. It is management's belief that we will continue to be able to meet our needs for additional capital as such needs arise in the future. We may need additional capital to pay for our share of costs relating to the drilling prospects and development of those that are successful, and to acquire additional oil and gas leases. The total amount of our capital needs will be determined in part by the number of prospects generated within our exploration program and by the working interest that we retain in those prospects.

Should we choose to make an acquisition of producing oil and gas properties, such an acquisition would likely require that some portion of the purchase price be paid in cash, and thus would create the need for additional capital. Additional capital could be obtained from a combination of funding sources. The potential funding sources include:

- Cash flow from operating activities,
- Borrowings from financial institutions,
- Debt offerings, which could increase our leverage and add to our need for cash to service such debt,
- Additional offerings of our equity securities, which would cause dilution of our common stock,
- Sales of portions of our working interest in the prospects within our exploration program, which would reduce future revenues from its exploration program,
- Sale to an industry partner of a participation in our exploration program,
- Sale of all or a portion of our producing oil and gas properties, which would reduce future revenues.

Our ability to raise additional capital will depend on the results of our operations and the status of various capital and industry markets at the time such additional capital is sought. Accordingly, there can be no assurances that capital will be available to us from any source or that, if available, it will be on terms acceptable to us.

ITEM 8: FINANCIAL STATEMENTS

TRI-VALLEY CORPORATION

INDEX

	Page(s)
Report of Independent Auditor	18
Consolidated Balance Sheets at December 31, 2003 and 2002	19
Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001	21
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2003, 2002 and 2001	22
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001	23
Notes to Consolidated Financial Statements	24-43
Supplemental Information about Oil and Gas Producing Activities (Unaudited)	44-64

REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Tri-Valley Corporation
Bakersfield, California

We have audited the accompanying consolidated balance sheets of Tri-Valley Corporation as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly in all material respects the financial position of Tri-Valley Corporation at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

	BROWN ARMSTRONG PAULDEN
	McCOWN STARBUCK & KEETER
	ACCOUNTANCY CORPORATION

Bakersfield, California
February 13, 2004, except for
Note 11,
whose date is March 24, 2004

TRI-VALLEY CORPORATIONONSOLIDATED BALANCE SHEETS

	December 31,	
	2003 (restated)	2002
ASSETS		
Current Assets		
Cash	$ 6,006,975	$ 1,936,294
Accounts receivable, trade	163,825	151,618
Prepaid expenses	12,029	12,029
Total Current Assets	6,182,829	2,099,941
Property and Equipment, Net		
Proved Properties	148,482	165,675
Unproved Properties	1,251,953	1,654,117
Other Property and Equipment	142,686	154,709
Total Property and Equipment, Net(Notes 1 and 2)	1,543,121	1,974,501
Other Assets		
Deposits	372,105	316,705
Investments in partnerships (Note 1)	17,400	17,400
Goodwill (net of accumulated amortization of $221,439 at December 31, 2002 and 2003)	212,414	212,414
Other	13,913	13,913
Total Other Assets	615,832	560,432
TOTAL ASSETS	$ 8,341,782	$ 4,634,874
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable (Note 3)	$ 9,985	$ 13,792
Income taxes payable	39,000	76,000
Accounts payable and accrued expenses	685,784	564,240
Amounts payable to joint venture participants	91,275	74,412
Advances from joint venture participants, net (Note 1)	5,647,150	2,617,333
Total Current Liabilities	6,473,194	3,345,777
Non-Current Liabilities		
Deferred Tax Liability		
Long-Term Portion of Notes Payable (Note 3)	16,805	26,791
Total Non-Current Liabilities	16,805	26,791
Total Liabilities	6,489,999	3,372,568

Shareholders' Equity		
Common stock, $.001 par value; 100,000,000 shares authorized; 20,097,627 and 19,726,348 issued and outstanding at December 31, 2003 and 2002, Respectively	20,115	19,726
Less: common stock in treasury, at cost, 100,025 shares at December 31, 2003 and 2002.	(13,370)	(13,370)
Common stock receivable	-	(2,250)
Capital in excess of par value	9,010,453	8,879,724
Accumulated deficit	(7,165,415)	(7,621,524)
Total Shareholders' Equity	1,851,783	1,262,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 8,341,782	$ 4,634,874

TRI-VALLEY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2003 (restated)	2002	2001
Revenues			
Sale of oil and gas	$ 901,739	$ 752,971	$ 1,597,771
Royalty income	529	351	6,952
Partnership income	30,000	18,299	51,542
Gain on sale of property	-	-	-
Interest income	34,479	19,534	23,597
Sale of oil and gas prospects	5,440,780	5,421,782	218,426
Other income	56,718	71,971	