

TRI VALLEY CORP
Form 10QSB/A
December 14, 2001

As filed with the SEC on December 14, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

Amendment No. 1 to Form 10-QSB

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

For the quarterly period ended June 30, 2001

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)

(661) 864-0500

(Registrant's telephone number, including area code)

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

The number of shares of Registrant's common stock outstanding at June 30, 2001 was 19,684,748.

TRI-VALLEY CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

TRI-VALLEY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

| | June 30, 2001 | Dec. 31, 2000 |
|----------------------------|--------------------|------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Current Assets | | |
| Cash | \$ 792,501 | \$1,373,570 |
| Accounts receivable, trade | 424,738 | 813,611 |

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| | | |
|--|--------------------|--------------------|
| A/R Related Parties | 1,976 | 4,750 |
| Prepaid expenses | <u>12,029</u> | <u>12,029</u> |
| Total Current Assets | <u>1,231,244</u> | <u>2,203,960</u> |
| Property and Equipment, Net | <u>1,545,341</u> | <u>1,306,689</u> |
| Other Assets | | |
| Deposits | 100,105 | 100,105 |
| Note Receivable | 125,000 | 125,000 |
| Acquisition Costs | 51,270 | 51,270 |
| Investments in partnerships | 29,059 | 29,059 |
| Other | 13,914 | 13,914 |
| Well Database (net of accumulated amortization of \$48,304 at June 30, 2001 and \$44,788 at December 31, 2000) | 60,346 | 63,862 |
| Goodwill (net of accumulated amortization of \$216,016 at June 30, 2001 and \$210,593 at December 31, 2000) | <u>217,837</u> | <u>223,260</u> |
| Total Other Assets | <u>597,531</u> | <u>606,470</u> |
| Total Assets | <u>\$3,374,116</u> | <u>\$4,117,119</u> |

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

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LIABILITIES AND SHAREHOLDERS' EQUITY

| | <u>June 30, 2001</u> | <u>Dec. 31, 2000</u> |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Notes and contracts payable | \$ 10,554 | \$ 10,672 |
| Trade accounts payable | 121,301 | 581,017 |
| Amounts payable to joint venture participants | 273,175 | 540,142 |
| Advances from joint venture participants | <u>2,134,824</u> | <u>2,517,737</u> |
| | | |
| Total Current Liabilities | <u>2,539,854</u> | <u>3,649,568</u> |
| | | |
| Long-term Portion of Notes and Contracts Payable | <u>7,790</u> | <u>12,038</u> |
| | | |
| Commitments | | |
| | | |
| Shareholders' Equity | | |
| Common stock, \$.001 par value: 50,000,000 shares authorized; 19,684,748 and 19,554,748 issued and outstanding at June 30, 2001 and Dec. 31, 2000, respectively | 19,664 | 19,555 |
| Less: Common stock in treasury, at cost, 163,925 shares | (21,913) | (21,913) |
| Capital in excess of par value | 8,721,079 | 8,666,688 |
| Accumulated deficit | <u>(7,892,358)</u> | <u>(8,208,817)</u> |
| |) |) |

| | | |
|--|--------------------|--------------------|
| Total Shareholders' Equity | <u>826,472</u> | <u>455,513</u> |
| Total Liabilities and Shareholders' Equity | <u>\$3,374,116</u> | <u>\$4,117,119</u> |

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

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TRI-VALLEY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | |
|-------------------------|-----------------------|
| <u>For Three Months</u> | <u>For Six Months</u> |
| <u>Ended June 30.</u> | <u>Ended June 30.</u> |

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| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | |
| Sale of oil and gas | \$544,648 | \$204,904 | \$1,273,762 | \$339,084 |
| Other income | 64,256 | 1,071,732 | 73,692 | 1,428,277 |
| Interest income | <u>5,242</u> | <u>27,531</u> | <u>16,502</u> | <u>42,862</u> |
| Total Revenues | <u>614,146</u> | <u>1,304,167</u> | <u>1,363,956</u> | <u>1,810,223</u> |
| Cost and Expenses | | | | |
| Oil and gas lease expense | 146,918 | 38,909 | 242,544 | 62,710 |
| Mining exploration expense | 21,586 | 14,479 | 55,382 | 49,903 |
| Project geology, geophysics, Land & administration | 103,983 | 195,680 | 201,954 | 321,323 |
| Cost of Sale of Asset | -0- | 394,240 | -0- | 394,240 |
| Depletion, depreciation and amortization | 13,631 | 19,861 | 29,732 | 39,722 |
| Interest | 435 | 5,129 | 2,756 | 7,798 |
| General and administrative | <u>263,387</u> | <u>346,990</u> | <u>515,128</u> | <u>628,239</u> |
| Total Cost and Expenses | <u>549,940</u> | <u>1,015,288</u> | <u>1,047,496</u> | <u>1,503,935</u> |
| Net Income | <u>\$ 64,206</u> | <u>\$ 288,879</u> | <u>\$ 316,460</u> | <u>\$ 306,288</u> |
| Net Income (Loss) per Common Share | <u>\$.00</u> | <u>\$.01</u> | <u>\$.02</u> | <u>\$.02</u> |
| Weighted Average Number of Shares | <u>19,661,081</u> | <u>19,335,915</u> | <u>19,661,081</u> | <u>19,335,915</u> |

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

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

| | <u>For the Six Months</u> | |
|--|---------------------------|-------------|
| | <u>Ended June 30,</u> | |
| | <u>2001</u> | <u>2000</u> |
| Cash Flows from Operating Activities | | |
| Net income | \$ 316,460 | \$ 306,288 |
| Adjustments to reconcile net income to net cash used from operating activities: | | |
| Depreciation, depletion and amortization | 29,732 | 39,722 |
| Changes in operating capital: | | |

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| | | |
|---|-------------------|---------------------|
| Amounts receivable | 391,647 | (60,210) |
| Deposits | -0- | (105) |
| Trade accounts payable | (459,834) | 960,830 |
| Amounts payable to joint venture participants and related parties | (266,967) | 53,848 |
| Advances from joint venture participants | <u>(382,913)</u> | <u>(6,529,061)</u> |
| Net Cash Used by Operating Activities | <u>(371,875)</u> | <u>(5,228,583)</u> |
| Cash Flows from Investing Activities | | |
| Capital expenditures | <u>(259,446)</u> | <u>(135,640)</u> |
| |) |) |
| Cash Flows from Financing Activities | | |
| Principal payments on long-term debt | (4,248) | (4,361) |
| Proceeds from issuance of common stock | <u>54,500</u> | <u>250,600</u> |
| Net Cash Provided by Financing Activities | <u>50,252</u> | <u>246,239</u> |
| Net Increase in Cash and Cash Equivalents | (581,069) | (5,117,984) |
| Cash and Cash Equivalents at Beginning Of Period | <u>1,373,570</u> | <u>8,050,469</u> |
| Cash and Cash Equivalents at End of Period | <u>\$ 792,501</u> | <u>\$ 2,932,485</u> |

Supplemental Information:

| | | |
|------------------------|---------|---------|
| Cash paid for interest | \$2,756 | \$7,798 |
| Cash paid for taxes | \$7,779 | \$6,678 |

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

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TRI-VALLEY CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2001 AND 2000

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the six-month period ended June 30, 2001, are not necessarily indicative of the results to be expected for the full year.

The accompanying consolidated financial statements do not include footnotes and certain financial presentations normally required under generally accepted accounting principles; and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE 2 - PER SHARE COMPUTATIONS

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

Item 2. Management Discussion and Analysis of Financial Condition and Results

of Operations

Business Review

Notice Regarding Forward-Looking Statements

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

Petroleum Activities

We are continuing our research and additional in-depth testing program at the Ekho No. 1. We are consulting with a team of worldwide industry experts and are pleased with the initial results. Efforts are continuing in this project to complete the well as a producer.

Discussions continue with various parties - oil & gas industry companies, power companies, accredited investor/groups - to join in developing our Sunrise Natural Gas Project near Delano, California.

Additionally, we are awaiting our drill permit for our Sonata gas prospect, which is west of the Sunrise project Area.

Natural gas prices began the year at historic highs but have more recently fallen. We sold gas for as much as \$14.64 per million British Thermal Units early in the year, but in the second quarter we also sold for a low as \$9.44. We believe that natural gas prices will continue to be volatile (especially in California) for the remainder of 2001 and possible for years. We cannot be sure we will be able to obtain the same price for our production in the second half of 2001 as we did during the first half.

Precious Metals

Normally our activity, by Russian scientists from TsNIGRI, the Russian Mineral Institute in Moscow, on our Alaska gold mining claims begins in late May or early June, depending on the weather. It is very difficult if not impossible for us to perform our work when the ground is frozen. However, this year was different, the Russian scientists were contracted by Tri-Valley Corporation to a third party for most of the months of June and

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July to evaluate large areas of Alaska for platinum and palladium. They began this years' activity for Tri-Valley the first of July. Our efforts continue to obtain sufficient data to enable a joint venture with a major mining company similar to the Placer Dome arrangement, which had been operating for the previous two years and ended at the end of 2000.

Three Months Ended June 30, 2001 as compared with Three Months ended June 30, 2000

In the quarter ended June 30, 2001 revenue decreased \$690,021 compared to the same quarter in the year 2000. However, sale of oil and gas increased by \$339,744 in the second quarter of 2001 due to the increased gas prices we received in the second quarter. In the quarter ended June 30, 2001 we had other income of \$64,256 compared to revenue of \$1,071,732 in the quarter ended June 30, 2000. The difference is due to revenue being recognized from the sale of the Sunrise Prospect in the second quarter of 2000. Interest income was \$22,289 less for this period in 2001 versus the same period in 2000 due to less funds on deposit awaiting the drilling of the Sunrise Project.

Costs and expenses decreased \$465,348, to \$549,940 for the quarter ending June 30, 2001 from \$1,015,288 for the same period in 2000. In the quarter ending June 30, 2000 we wrote off expenses relating to the sale of the Sunrise Prospect. In 2001, the Russian scientists did not begin work for the Company until July. However, in June 2001, we prepaid their expenses, which caused the increase in mining expenses to \$21,586 in the second quarter of 2001, compared to \$14,479 in the second quarter of 2000.

We had a profit of \$64,206 for the period ended June 30, 2001 compared to \$288,879 for the same period in 2000.

Six Months Ended June 30, 2001 as compared to Six Months Ended June 30, 2000

We had total revenue of \$1,363,956 for the six months ended June 30, 2001 compared to revenue of \$1,810,223 for the same period in 2000. This decrease is due to our sale of the Sunrise prospect in 2000. For the six months ended June 30, 2001 we had a 376% increase in oil and gas sales due to increased natural gas prices for the first half of the year 2001. Other income was down \$1,354,585. The decrease represents the sale of our Sunrise Prospect in 2000. Generally we recognize revenue from the sale of a prospect when the well drilling begins.

Costs and expenses were \$1,047,496 in the period ending June 30, 2001 compared to \$1,503,935 for the same period in 2000. Oil and gas expenses were up for the first six months due to our re-workings of several existing wells. Project geology, geophysics, land and administration were \$110,369 less this year due to reduced activity in this area. In the second quarter of 2000 we wrote off costs relating to the Sunrise Prospect. General and Administrative costs were \$113,111 less due to reduced litigation expenses from a lawsuit that ended.

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Net income, for the six months ended June 30, 2001, are \$316,460 compared to \$306,288 for the same period in 2000.

Capital Resources and Liquidity

We had current assets at June 30, 2001 of \$1,231,244 compared to \$2,203,960 for the period ending December 31, 2000. This decrease was due to reduction of cash and reduction in accounts receivable. Current liabilities were \$2,539,854 for the period ended June 30, 2001 compared to \$3,649,568 for the year ending December 31, 2000. This reduction was due to a reduction in accounts payable and reduction in advances from joint venture participants.

Operating Activities. Cash provided by operations were deficit of \$371,875 for the six months ended June 30, 2001 compared to a deficit of \$5,228,583 for the same period in 2000. This was due to reduced expenditures of the drilling operations. The \$6,146,148 decrease in advances from joint venture participants at June 30, 2001 is due to the expenditure of funds used for the drilling activity on the Sunrise Project.

Financing Activities. Net cash provided by financing activities decreased \$195,987 for the period ended June 30, 2001 over the same period in 2000 due to the reduced amount of sales of the Company's common stock in private transactions.

Investing Activities. For the six months ended June 30, 2001 the Company spent \$259,446 to lease oil and gas acreage for prospect generation and to enable the to put drilling programs together. The Company expects to recoup these amounts as the drilling prospects are sold.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

During the quarter ended June 30, 2001, we issued 20,000 shares of our common stock to 2 individuals in private transactions pursuant to the exemption contained in Section 4(2) of the Securities Act of 1933, for aggregate consideration of \$5,000. 10,000 shares were from options exercised at \$.50 each and 10,000 shares were awarded to an employee. The shares sold/issued are restricted securities, which bear a legend restricting transfer of the shares unless registered or sold under an exemption from registration requirements under the Securities Act.

On April 20, 2001, we granted Swartz Private Equity, LLC, warrants to purchase 500,000 shares of our common stock at an initial exercise price of \$2.42 per share, the closing price of our stock on August 20, 2001. The warrants were granted as partial consideration

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for an investment agreement between Tri-Valley and Swartz in which Swartz agreed to purchase up to 8 million shares of our common stock at varying prices, up to a maximum investment of \$15 million. In October 2001, we filed a registration statement with the Securities and Exchange Commission to register for resale to the public the warrants

and the shares to be sold to Swartz.

The warrants expire five years after the date of the agreement. The warrants became exercisable on the following schedule:

- 166,666 became exercisable in August 2001.
- 333,334 became exercisable on the date of our Investment Agreement with Swartz.

The exercise price of the warrants may be adjusted downward if we issue any common stock, warrants or options to a third party at a price less than the exercise price then in effect, except for (x) issuances of up to 50,000 shares in connection with project financing for oil, gas or mineral development or (y) issuances under our 1998 employee stock option plan. The warrants also contain anti-dilution provisions providing for adjustment of the exercise price and/or the number of shares of common stock issuable upon exercise of the warrants in the event of any recapitalization, reorganization, reclassification, stock dividend, stock split, stock combination, merger or similar transaction.

Item 6. Exhibits and Reports on Form 8-k

- Exhibits

None

(b) Reports on Form 8-K:

None

SIGNATURES

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

TRI-VALLEY CORPORATION

December 13, 2001

F. Lynn Blystone

F. Lynn Blystone

President and Chief Executive Officer

December 13, 2001

Thomas J. Cunningham

Thomas J. Cunningham

Secretary, Treasurer, Chief Financial Officer